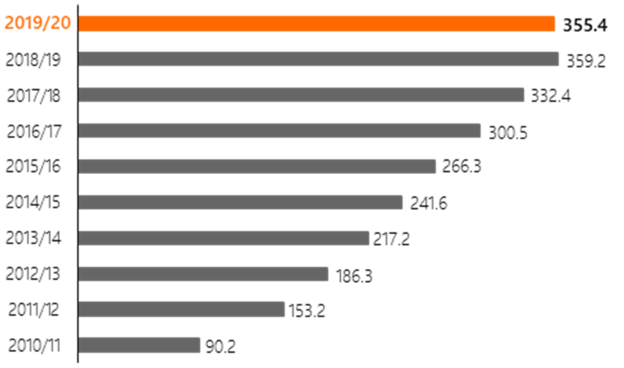
all for one
Group

ANNUAL REPORT

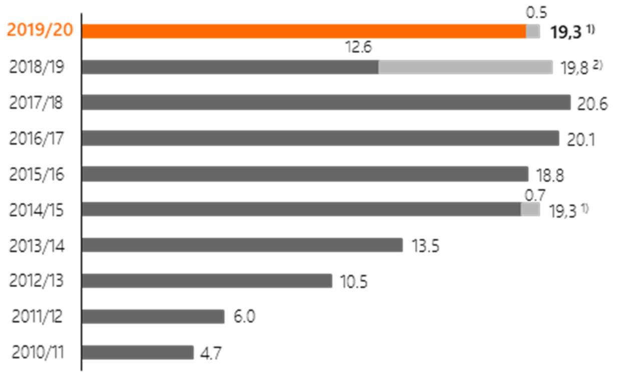
2019/20

KEY FIGURES

SALES IN EUR MILLIONS

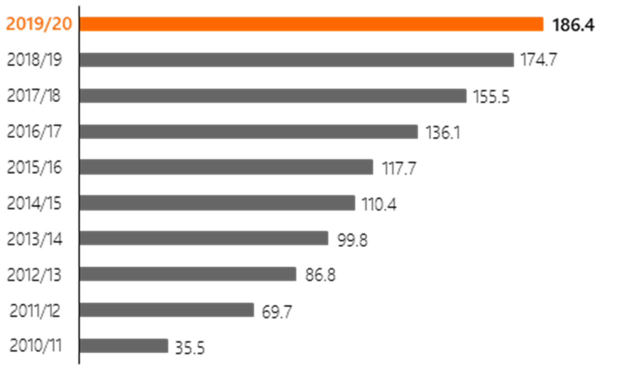


EBIT IN EUR MILLIONS

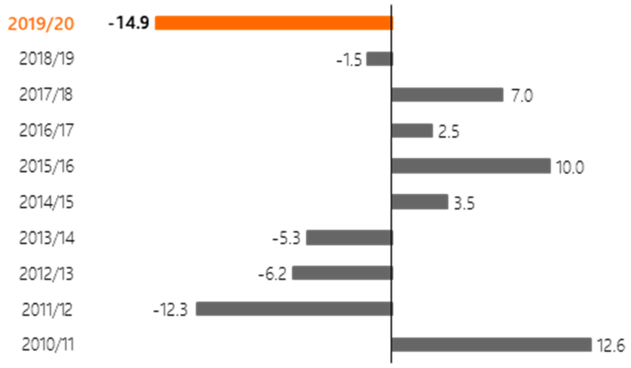


1) EBIT incl. non-recurring income 2) Adjusted EBIT excl. Strategy 2022

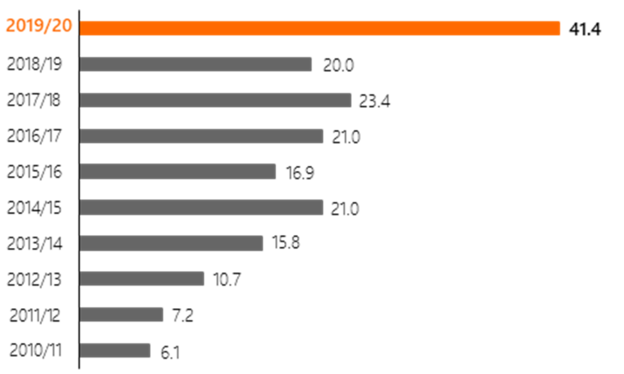
RECURRING REVENUE IN EUR MILLIONS



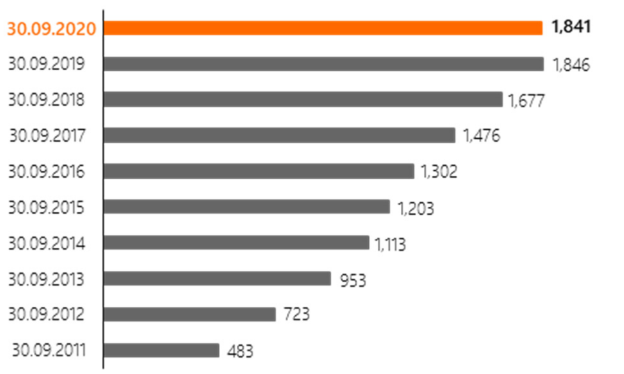
NET DEBT (-)/LIQUIDITY (+) IN EUR MILLIONS



OPERATIVE CASH FLOW IN EUR MILLIONS



HEADCOUNT AT YEAR-END



IFRS in EUR millions unless otherwise stated	10/2019 – 09/2020	10/2018 – 09/2019	Absolute delta	Delta in %
Earnings situation				
Sales revenue	355.4	359.2	-3.8	-1
EBITDA	41.3	25.6	15.7	61
EBITDA margin (in %)	11.6	7.1		
EBITA	23.9	18.4	5.5	30
EBIT	19.3	12.6	6.7	53
EBIT margin (in %)	5.4	3.5		
Result for the period	13.1	10.2	2.8	28
Balance sheet				
Total assets	250.7	199.5	51.2	26
Equity	88.8	82.3	6.5	8
Equity ratio (in %)	35	41		
Net debt	-14.9	-1.5	-13.4	892
Employees				
Number of employees (at end of financial year)	1,841	1,846	-5	0
Full-time equivalents (ø)	1,644	1,598	46	3
Share				
Number of shares (ø)	4,982,000	4,982,000	0	0
Share price (at end of financial year, in EUR)	53.80	40.80	13.00	32
Market capitalisation (at end of financial year)	268.0	203.3	64.8	32
Earnings per share (in EUR)	2.55	2.05	0.51	24
Non-financial performance indicators				Delta in percentage points
Employee retention (in %)	93.2	92.8		0.4
Health index (in %)	97.3	97.5		-0.2

ABOUT US

WE TAKE COMPETIVENESS IN THE DIGITAL WORLD TO THE NEXT LEVEL

All for One Group SE enhances the competitive ability of its customers in a digital world. The Group unites strategic and management consulting, process consulting, industry insight and technology expertise, IT consulting and services under one roof. With market leading business software solutions based on SAP, Microsoft and IBM together with more than 1,800 experts, All for One Group SE orchestrates all aspects of competitive strength: intelligent Enterprise Resource Planning (ERP) as the digital core of any future-proof corporate IT, strategy, business model, customer & employee experience, new work, big data & analytics, but also IoT, artificial intelligence or cybersecurity & compliance.

ONE IDEA AHEAD

All for One Group SE is assisting more than 2,500 clients with their transformation and the expansion of their ability to compete. Market observers rank the leading consulting and IT group as the number 1 in the German-speaking SAP market. As a founding member of United VARs – the most powerful global alliance of SAP Partners – All for One Group SE also provides a comprehensive portfolio of consulting and other services, together with best-in-class local support in more than 100 countries.

TABLE OF CONTENTS

AHEAD OF A STRONG WAVE

What a year this 2020 is turning into, dominated by a pandemic that abruptly changed all our lives. All for One Group responded in a flash to »Covid-19« with a comprehensive programme encompassing working from home, collaboration tools, remote project delivery, coronavirus quick-start packages, online workshops, an on-air concept for the Midmarket Forum and even including a mass barbecue. And that is not all: During the lockdown we designed CONVERSION/4 – our new subscription model for SAP transformation and migration to SAP S/4HANA – in a process that was an outstanding example of digital interdepartmental collaboration.

Our strategy offensive happened at exactly the right time.

LARS LANDWEHRKAMP
CEO

Lars Landwehrkamp
CFO

Nowadays, the playing field is much bigger.

LARS LANDWEHRKAMP
CEO

12 March 2020: annual general meeting. For many, this was their last personal contact with »their« company. 13 March 2020: from one day to the next 1,800 All for One Group employees are working remotely. Just a few weeks later: the severe recession has also fundamentally changed how our customers work. Our strategy offensive 2022, launched successfully one year previously, passes the acid test. Never before has digitalisation been so important. Software is suddenly being rolled out remotely. Not all projects were halted or postponed. On growth prospects and incredible solidarity – interview with management board members Lars Landwehrkamp and Stefan Land.

How did the CEO experience the slump caused by the coronavirus?

Landwehrkamp: I still remember well our first video conference, which took place right after lockdown on Friday 13 March: protecting health, making sure our customers get all the (remote) support they need, keeping everyone on the ball, giving guidance and spreading reassurance, and fighting for every contract. We acted immediately and transparently. Everything we instigated – such as our #alltogethernow programme of holiday donations to ensure better care at home or our Group-wide online barbecue in the summer – was met with a great reception. The solidarity was and is really tangible.

How have your customers fared?

Landwehrkamp: There is no easy answer to that one. The differences are considerable, even within one and the same industry. What we immediately asked ourselves, of course, though, was what products and services do our customers really need right now. Within a very short space of time, we had brought our quick-start packages – for setting up short-time allowance systems or virtual work conditions, for example – to market. In doing so, we were able to demonstrate once more that »even now, we are here to support you whenever you need us«.

How far have you got with your strategy offensive 2022, which you launched two years ago?

Landwehrkamp: It happened at exactly the right time. No acid test could have been harder than »Covid-19«. And it has given us that much more reassurance now that we are on the right track. Our reorganisation is progressing. Our work approach is very structured, and we have already achieved a lot, although not as quickly as we would have liked.

In which areas are your customers particularly conscious of the progress you are making?

Landwehrkamp: Our new Group-wide brand architecture was quickly visible. Prior to its launch, our manifold brands often caused confusion. Our »Customer Success Management« is being very well received. The entire support effort is tailored wholly to the success of our customers. Each of our 2,500 customers now has someone specifically responsible for supporting them. In doing so, we have moved closer to our customers. We are learning much more about them, in terms of both depth and breadth. Which is hugely important. Nowadays, the playing field is much bigger. And yet, at present, we are only providing multiple products and services to three out of ten companies. Within the Group, we are meanwhile able to cover that many areas of our customers' operations that the potential is huge. So, as you can see, our strategy offensive is far from being over.

What role does EDGE/4 play in all of this? What is that all about?

Landwehrkamp: EDGE/4 is our newly developed bonus programme for customers. The programme is designed in four levels. Reciprocal benefits and obligations for both our customers and ourselves are clearly specified at each level. We plan to use EDGE/4 as well to get closer to our customers and to systematically and consistently strengthen our ties to them.

What do your figures for 2019/20 say?

Land: We are steering through the crisis in a disciplined and responsible manner. At the same time, we are pushing ahead with our restructuring programme. Despite »Covid-19«, we managed to bring our financial year 2019/20 to a stable close by and large. Although the recession prevented us from growing overall, the structure of our revenues has improved substantially.

What does that mean exactly?

Land: We were again able to achieve good growth in our cloud business. Software support revenues also increased. Taken as a whole, our recurring revenues have grown robustly and now account for more than 50% of our total sales. As you can see, the good progress we are making with our transformation is increasingly becoming visible in our results, despite »Covid-19«.

Your license revenues have decreased dramatically, unlike your consulting income, which has not declined at all. Why is that?

Land: This trend is also related to the good progress of our transformation. We are increasingly advising on sensor-controlled business processes – IoT and machine learning – and on information security issues – i.e. cyber security and compliance. Our agile collaboration competence is also very much in demand. We call this new work, although »best work« might be a better term, and collaboration. Added to which, we are increasingly working for companies at the bigger end of the SME scale, i.e. the larger midmarket. As you can see, we are expanding our playing field. Our consulting sales are already much less dependent on volatile licensing business.

EBIT rose by more than 50 percent. What was the reason?

Land: Our EBIT 2018/19 was burdened with high non-recurring expenses. Back then, we had initially earmarked 7 million euros for our strategy offensive. By year on year comparison, EBIT 2019/20 was slightly down. Nevertheless, the good progress of our transformation is becoming visible. The EBIT margin in our LOB – Lines of Business – segment is meanwhile above that of the Group – despite only having launched this segment a couple of years ago.

To what extent do you think »Covid-19« affected your results?

Land: Again, there is no easy answer to this. The strong decline in licensing revenues is closely related to »Covid-19«. But this area had been noticeably declining even before the pandemic due to economic development trends and our transformation efforts. Nobody would have believed our ability to actually roll out SAP S/4HANA with virtually no on-site presence since »Covid-19«. We are not the only ones who are saving considerable travel costs as a result. Although the workload of our consultants is somewhat impaired overall due to »Covid-19«, on balance we are in fact working more for our customers instead of spending time unproductively travelling by car. Our customers actually appreciate, rather than just accept, our »Remote Consulting«. Changes such as these are now helping with our own transformation. We will, however, only really know how this translates into results once we return to normal.

Your headcount is virtually unchanged. Did you call an abrupt halt to recruitment?

Land: No, if we had, the figures would be different. Although our employee retention is very good, it is not 100 percent. We only adopted a slightly more cautious approach to recruitment for a while before resuming our investment in future growth in this area again. If we didn't recruit any new talent, it would quickly become noticeable. The severe shortage of experts only lifted somewhat temporarily. Once the crisis is over, it will become even more severe than ever before.

> We will support our customers across the board in their transformation to a digital world.
>
> STEFAN LAND
> CFO

Businesses that use SAP must have migrated to S/4HANA by 2027. Your answer to this challenge is CONVERSION/4. What is that all about?

Landwehkamp: Innovation requires constant action. It is therefore only logical for us to pursue a strict subscription strategy. To put it simply, we bundled transformation and innovation into a subscription package. With the help of our online configurator, we determine the exact components from a huge choice of options and the monthly subscription fee individually for each customer. In doing so, we make it possible for a company to calculate the fixed costs of digitalisation for years to come.

Nowhere else in the marketplace is conversion available on subscription. Why specifically did All for One Group opt for it?

Landwehkamp: We look after the largest installed SAP customer base in the German-speaking midmarket. Our expertise in digitalising business processes is unique and comes in the shape of process modules, which we call »Scope Items« and which can be individually activated to suit a customer's exact needs. We work closely with SNP on automating conversion and on ongoing innovation. By operating on Azure, we are also highlighting the innovation aspect. Microsoft has confirmed that we now support the largest number of SAP systems in Germany on this cloud platform. All of which, taken together, is very reassuring.

How has the market taken to CONVERSION/4 so far?

Landwehrkamp: The response has already been enormous, despite »Covid-19«. Within a very short space of time, we have established a great pipeline and entered into agreements with some initial customers. In light of the recession, however, numerous discussions will often not culminate in signature. We don't expect the major wave until after things return to normal.

A lot of companies have reduced their dividends, citing the current circumstances. What are you planning to propose?

Land: Unless something utterly unusual happens, we want to propose a repeat dividend of EUR 1.20 per share. Our annual general meeting on 11 March 2021 will, moreover, be the first virtual meeting of its kind, with no shareholders present.

In closing, let us look to the future. What do you think »new normal« will look like for All for One Group?

Land: We have learned a lot and plan to keep on diligently doing our homework. In the process, we want to become more agile, open to new development and want to support our customers across the board in their transformation to a digital world. In doing so, we will create measurable added value.

Landwehrkamp: We are also increasingly focusing on our responsibility to society and evolving more and more into a sustainable, digital, cosmopolitan, innovative, cooperative and environmentally conscious business. Our cohesion and solidarity will remain strongly tangible.

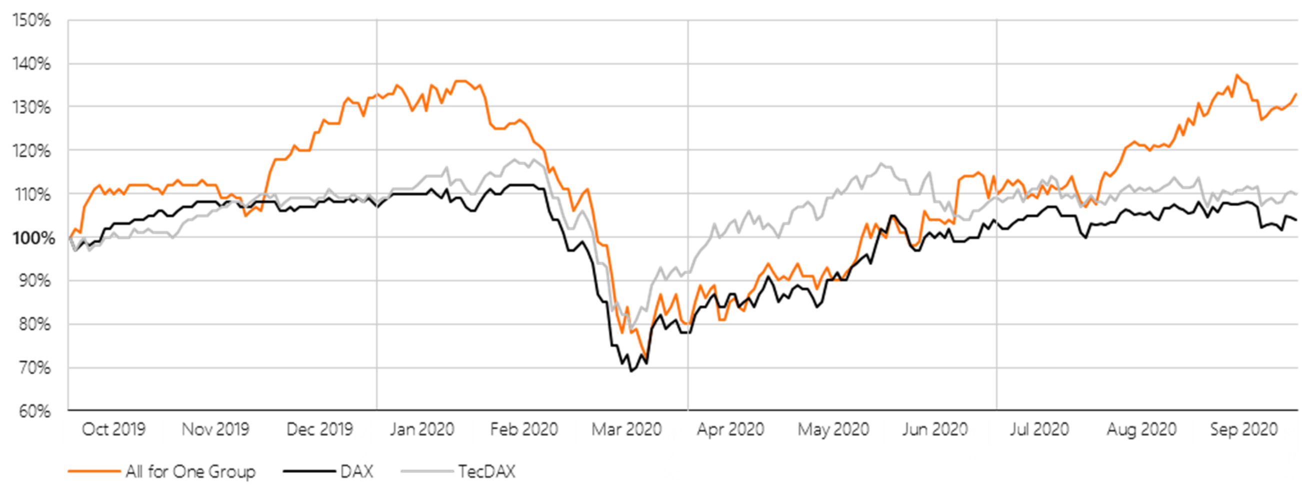
Stefan Land
CFO

INVESTOR RELATIONS

»GOOD VALUE FOR MONEY«

Market observers consider All for One Group SE shares to be »good value for money«. The company plans to uphold its sustainable dividend policy.

SHARE PERFORMANCE 2019/20, INDEXED



All for One Group has an excellent reputation in capital market circles. *Euro am Sonntag* ranks our shares as one of six new »top secondary stocks with wow factor« (25 January 2020). The fact that the leading consulting and IT group has remained comparatively stable throughout the crisis is due not least to its early efforts to start expanding into next-generation areas of application, such as new work, industrial IoT, or cyber security & compliance. »Strategy offensive to strengthen the backbone«, is how *Nebenwerte Journal* put it (1 April 2020). All for One Group already ranks 14th among Germany's top 30 »real growth stocks«, according to *Börse Online* (25 June 2020). Added to which, *WirtschaftsWoche* identified the »benefits of the cloud and recurring revenues« in All for One Group's business model (27 November 2020).

ONLINE DISCUSSIONS WITH INVESTORS

As if we suspected something. All for One Group launched its strategy offensive 2022 at just the right time. Added to which, a newly developed subscription model for migrating to SAP S/4HANA highlights the growth prospects once things return to normal. Prospects such as these are spotlighted, both in interim reports and in this annual report. They are just one of the sources from which institutional investors, private investors, analysts and the financial and business press can keep a close eye on All for One Group's performance. Likewise, more than 150 one-on-ones were held with institutional investors in the year under review, albeit this year mostly online. They were joined by virtual events for investors, roadshows and press dates to provide in-depth reports on the company's business performance. Investors can find a wealth of information that is constantly updated in the Investor Relations section on our website (www.all-for-one.com/ir-english).

»GOOD VALUE FOR MONEY«

When the financial year started on 1 October 2019, the shares closed at EUR 40.50. The lowest share price of EUR 29.00 was recorded on 23 March 2020 and was primarily due to »Covid-19«. At year-end on 30 September 2020, the shares were being quoted at EUR 53.80. Some two weeks previously, the highest share price for financial year 2019/20 was recorded on 14 September 2020: EUR 55.60. Over the course of the year under review, the market capitalisation increased by 33% from EUR 201.8 million to 268.0 million. Just a reminder: Back in March 2009, the share price was EUR 1.50. Since then, the share has gained considerably in visibility, but, by the same token, it has also become more vulnerable to fluctuations in the market as a whole. At the current price, market observers consider the shares to be »good value for money«.

SUSTAINABLE DIVIDEND POLICY

All for One Group SE had successfully completed the launch of its strategy offensive 2022 as scheduled back in financial year 2018/19. As a result, its business model has not only become even more robust; it also continues to generate sustainable growth in recurring revenues, even in stressful »Covid-19« conditions. This success is due in a large part to our intense focus on the right areas of innovation and growth.

We will again be proposing payment of a dividend of EUR 1.20 per eligible share to the annual general meeting on 11 March 2021. Relative to Group earnings after taxes of EUR 13.1 million in financial year 2019/20 (2018/19: EUR 10.2 million), this equates to a distribution quota of 46% (2018/19: 58%). The company plans to uphold its 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 Nov 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 2019/20 [1]	EUR 55.60 (14 Sep 2020)
Lowest Price Financial Year 2019/20 [1]	EUR 29.00 (23 Mar 2020)
Price at Start of Financial Year 2019/20 [1]	EUR 40.50 (1 Oct 2019)
Price at End of Financial Year 2019/20 [1]	EUR 53.80 (30 Sep 2020)
Market Capitalisation [2]	EUR 268.0 million
Earnings per Share in Financial Year 2019/20	EUR 2.55
Share Capital	EUR 14.95 million
Number of Shares	4,982,000 registered shares

1) end-of-day share price (XETRA)

2) based on closing share price on 30 September 2020 (XETRA) and 4,982,000 shares

Shareholders' structure	
Unternehmens Invest AG	approx. 25%
UIAG Informatik-Holding GmbH	approx. 25%
Free float [3]	approx. 50%

3) Definition according to German Stock Exchange. For more information see www.all-for-one.com/share_e

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Our financial year 2019/20 was dominated by exceptional circumstances that we could previously never have imagined. Protecting the health of our staff and their families, assuring the provision of »remote« support to our customers while at the same time taking action to protect our earnings. As the Covid-19 pandemic took hold, these were suddenly the main priorities on our agenda. We had already completed the initialisation of our strategy offensive 2022 in the previous year. The careful expansion of our portfolio of products and services enabled us to reap the benefits of a thrust towards sustainability, agility and digitalisation. Even during the crisis we are acquiring new projects and once more underlining our claim to a leading position in our target markets. Nevertheless, the global pandemic is temporarily weighing on our growth plans. At the same time, the renewed strong increase in recurring revenues is providing a robust base from which to grow. Once things return to normal, we want to push on with driving our success.

The supervisory board's work was also affected by the Covid-19 pandemic. Travel restrictions meant that the (»physical«) annual general meeting on 12 March 2020 had to be chaired by Paul Neumann, deputy chair of the supervisory board. Since then, both the plenary board and its committees have been meeting in video conferences.

Josef Blazicek
Chairman of the
Supervisory Board

The supervisory board diligently carried out the duties required of it as prescribed by law, the company's articles of association, the standing rules and the German corporate governance code – particularly that of advising and overseeing the management board – during financial year 2019/20. The supervisory board was briefed thoroughly and regularly – usually through written, but also verbal reports by the management board – on the progress with regard to implementation of the strategy offensive 2022, the course of business, the direction the company is taking, the position of the company and Group, the assets, financial and earnings situation including the return on equity, the risk situation, risk management and compliance and also 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 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 in good time prior to each supervisory board meeting. There was no cause to warrant special investigations or audits.

Focus in financial year 2019/20 was predominantly on the huge challenges posed by the global Covid-19 pandemic, further implementing our strategy offensive 2022, the mandatory takeover bid of Nucleus Beteiligungs GmbH, changing our auditors for the annual and consolidated financial statements and the German corporate governance code 2020. We were also occupied in financial year 2019/20 with changing the legal form of the company to convert it into a European joint stock corporation (Societas Europaea, SE). The composition of the supervisory board was not affected by this change. Accordingly, the four shareholder representatives formerly on the company's supervisory board were also elected to the first supervisory board of the SE at the annual general meeting on 12 March 2020. The supervisory board representatives elected by the employees were subsequently appointed to the SE supervisory board by the court.

In between supervisory board meetings, the chairman of the supervisory board was in continuous contact – and also held 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 development, 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 performing 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. The supervisory board also conducted regular self-assessments of the effectiveness of both the plenary board and its committees in performing their duties. The supervisory board incorporated findings from these assessments into its work. Back in the previous year, the supervisory board had decided on further upskilling courses for the supervisory board members and had taken part in the relevant training sessions. In doing so, the supervisory board was provided with appropriate support from the company. No further training programmes were carried out in financial year 2019/20.

The supervisory board came together for 15 meetings in the reporting year, mainly in the form of telephone and video conferences due to the Covid-19 pandemic. There were also a number of coordinating discussions held by telephone, as well as decisions made electronically, by telephone or in writing. The following matters were discussed specifically:

A report of the material content of the meeting on 1 October 2019 was included in the supervisory board's report to the annual general meeting on 12 March 2020 and in the annual report 2018/19. The meeting on 1 October 2019 focused on the budgets for financial year 2019/20 and the multi-year budget.

At its meetings on 12 and 14 November 2019, the supervisory board discussed the mandatory takeover bid of Nucleus Beteiligungs GmbH. In order to rule out potential conflicts of interest, the affected members of the supervisory abstained from voting on the relevant resolutions.

A report of the material content of the meeting to discuss the annual financial statements on 11 December 2019 was also included in the supervisory board's report to the annual general meeting on 12 March 2020 and in the annual report 2018/19. Focus at this meeting centred on advising and discussing in detail the documentation for the annual financial statements, finalising the annual financial statements, approving the consolidated financial statements, the proposals submitted and explained by the audit committee for electing and appointing auditors for financial year 2020/21 and the agenda for the annual general meeting.

On 22 January 2020, the supervisory board learned more about the state of progress of implementing the actions resolved for both Group segments as part of the strategy offensive 2022 and about business performance in the first quarter. It also discussed the conversion to an SE within the framework of the annual general meeting, including the appointment of the first supervisory board in accordance with the articles of association, and examined adherence to the criteria for proposing supervisory board members for election as detailed in the German corporate governance code. The agenda for the annual general meeting was also approved.

The supervisory board meeting on 5 February 2020 focused particulary on current business development including an outlook for the financial year, the status of company acquisition projects, the implementation of the strategy offensive 2022, the financing strategy, the diversity targets for the management board and management levels, the revised declaration of compliance and the upcoming annual general meeting.

Travel restrictions made it impossible for the supervisory board chairman to attend the annual general meeting in person. Accordingly, the board adopted a resolution by circulation procedure on 11 March 2020, nominating Paul Neumann, deputy chair, to represent Josef Blazicek at the annual general meeting and to chair the meeting.

In its meeting on 12 March 2020, the supervisory board discussed the action taken by the company to deal with Covid-19 and the state of the business. The financing strategy, the next steps in the conversion to an SE, the status of company acquisition projects and measures involving subsidiaries were also discussed. Following the annual general meeting, the supervisory board of All for One Group SE held its constituent meeting, elected its chair and deputy, and appointed the members of the management board of All for One Group SE, prolonging the management board contracts upon registration of the change in legal form.

The Covid-19 pandemic made it impossible for supervisory boards to meet in person from mid-March 2020 onwards. At the same time, however, the risk situation necessitated closer consultation with the management boards of the companies. In light of these developments, the supervisory board decided to start meeting in video or telephone conferences.

The current business situation and the impacts of the Covid-19 pandemic on the Company were discussed at the meeting on 20 April 2020, as were the risk mitigation and control measures decided by the management boards, and possible actions to be taken with regard to subsidiaries In its meeting on 6 May 2020, the supervisory board focused primarily on current business developments and the draft half-year financial report with its adjusted guidance for financial year 2019/20. Further topics on the agenda of this meeting included an in-depth examination of the outlook for the year as a whole, the impacts of Covid-19 on the company and the downstream planning process, the status of company acquisition projects, the new recommendations of the German corporate governance code 2020, the German act implementing the second shareholder rights directive (ARUG II), corporate and financing strategy and actions involving subsidiaries. On 22 May 2020, the supervisory board focused on adopting a resolution to voluntarily wind down a subsidiary as part of the portfolio adjustment strategy, approving the planned financing strategy and discussing the current business situation. In its meeting on 23 June 2020, the supervisory board discussed the approval of a change affecting a subsidiary, and the company's D&O insurance. The supervisory board also learned more about the current state of business, the status of the risk mitigation and control measures and the progress of ongoing company acquisition projects.

In its meeting on 16/20 July 2020, the supervisory board focused on the change in approach to budgeting for 2020/21, ARUG II and the new recommendations of the German corporate governance code 2020 including adoption of the corresponding resolutions, the status of company acquisition projects and actions involving subsidiaries. On 31 August 2020, the rules of procedure for the human resources and audit committees of All for One Group SE were adopted by circulation procedure.

The meeting on 15 September 2020 included discussions of the status of company acquisition projects and actions involving subsidiaries, as well as the approval of a rental contract and discussion of the current state of business.

At its meeting on 29 September 2020, the supervisory board primarily discussed the budgets for financial year 2020/21 onwards. Business performance to date was also discussed at this meeting, as was the outlook for financial year 2019/20 as a whole, the status of company acquisition projects, sustainability performance, and the further development of the strategy offensive 2022. Resolutions were also discussed and adopted with regard to the revised declaration of compliance with the German corporate governance code and »closed periods«, and the efficiency of the supervisory board's work was examined and measures discussed.

At its meeting on 21 October 2020, the supervisory board primarily discussed the budgets for financial year 2020/21 onwards. The status of company acquisition projects was also discussed at this meeting. Revised rules of procedure for the supervisory board were enforced by resolution adopted by circulation procedure on 27 November 2020.

The individual members of the board took part in the 15 meetings of the supervisory over the course of financial year 2019/20 as follows: Josef Blazicek (15 meetings), Paul Neumann (14 meetings), Peter Fritsch (14 meetings), Dr. Rudolf Knünz (15 meetings), Maria Caldarelli (13 meetings) and Jörgen Dalhoff (13 meetings).

In addition to the meetings mentioned above, which were attended by the management board, the supervisory board also met without the management board.

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. Committee chairman is supervisory board member Peter Fritsch. The other committee members during the 2019/20 reporting year were the chairman of the supervisory board Josef Blazicek and the deputy chairman of the supervisory board Paul Neumann.

The audit committee held four meetings during the reporting year. At its meeting on 22 October 2019, the audit committee examined the bids submitted by the auditors who had taken part in the tender. The assessment of the bids was finalised at the audit committee meeting on 22 November 2019. A report of the material content of the meeting on 10 December 2019 was included in the supervisory board's report to the annual general meeting on 12 March 2020 and in the annual report 2018/19. The constituent meeting of the audit committee of All for One Group SE took place on 20 August 2020 and included the election of the committee chair. On 25 September 2020, the audit committee adopted by circulation procedure a resolution defining the areas of audit focus for the audit of the annual financial statements.

The individual members of the audit committee took part in the four committee meetings over the course of financial year 2019/20 as follows: Peter Fritsch (four meetings), Josef Blazicek (four meetings), Paul Neumann (four meetings).

The human resources committee consists of three members. The chairman of the supervisory board Josef Blazicek is committee chairman and coordinates the committee's work. The other committee members during the reporting year were the deputy chairman of the supervisory board Paul Neumann and supervisory board member Dr Rudolf Knünz. 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 to determine the compensation of company directors, as well as for reviewing the management board's compensation system. It focuses on sustainable and long-term planning and takes account of the agreed diversity targets. The human resources committee also focuses on the sustainable and long-term planning of management board succession, taking account of the agreed diversity targets.

The human resources committee held three meetings during the reporting year. In its meeting on 11 December 2019 and on 15 January 2020 the management board's variable compensation for financial year 2018/19 was approved. The constituent meeting of the human resources committee of All for One Group SE, including the election of the committee chair and the proposal for appointment of the members of the All for One Group SE management board and continuation of the contract relationships upon conversion of the Company into an SE took place on 12 March 2020. Consultations also took place between these meetings.

The individual members of the human resources committee took part in the three committee meetings over the course of financial year 2019/20 as follows: Josef Blazicek (three meetings), Paul Neumann (three meetings), Dr. Rudolf Knünz (three meetings).

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

All for One Group SE's annual general meeting of 12 March 2020 elected the Frankfurt am Main offices of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, (»BDO«) to audit the annual financial and consolidated financial statements for financial year 2019/20. The audit committee engaged BDO to carry out the audit. BDO examined the annual financial statements, the consolidated financial statements, as well as the combined management report prepared by the management board pertaining to financial year 2019/20 and issued an unqualified audit opinion.

The documents relating to the annual accounts and the audit reports from the auditor for financial year 2019/20 were duly submitted for review to the audit committee and the supervisory board. The audit committee discussed and examined the documents at length and in detail with the auditor and management board, who were present at its meeting on 9 December 2020, and prepared the supervisory board resolution approving the annual and consolidated financial statements in its meeting on 10 December 2020. The auditor discussed the findings of its audit in the audit committee meeting on 9 December 2019. 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 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 BDO 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 on 9 December 2020 and expressed confidence in its effectiveness. The risk management documents for financial year 2019/20 were presented for examination to the audit committee and supervisory board in good time. 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 the audit committee's questions were answered. In its meeting on 9 December 2020, the audit committee also discussed at length and reviewed the combined non-financial statement (»Non-Financial Group Report«). The management board provided complete answers to all questions relating to the same. The non-financial group report has not been externally audited.

During the supervisory board meeting on 10 December 2020 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 had satisfied itself that the systems were effective and appropriate. 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 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 had been presented and discussed earlier in the audit committee meeting. The supervisory board carefully examined the documents relating to the annual accounts in the presence of the auditor on 10 December 2020 and concluded that the audit by BDO was conducted properly and that the audit reports and the audit itself complied with statutory requirements.

The auditor and the management board answered all 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 board in the combined management report. Based on the final results of its own examination of the annual financial statements, the consolidated financial statements, and the combined management report, 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 10 December 2020, the supervisory board approved the annual and consolidated financial statements prepared by the management board. The annual financial statements for All for One Group SE were thereby finalised pursuant to Section 172 AktG. After long and careful discussion, the supervisory board approved the management board's recommendation as presented for the appropriation of the net earnings.

At its meeting on 10 December 2020, the supervisory board also examined the substantiated proposal for election submitted by the audit committee for appointment of an auditor for financial year 2020/21. After performing its own validation, the supervisory board raised no objections to the recommendation for election and resolved to propose the audit committee's preferred candidate. The supervisory board also discussed the management and supervisory boards' diversity goals as well as the current business situation. The agenda for the annual general meeting scheduled for 11 March 2021 was discussed and the election proposal for the composition of the supervisory board was approved (»nominations committee«). In its meeting on 10 December 2020, the supervisory board also learned more from the audit committee about the latter's review of the non-financial group report, and discussed and reviewed the same at length itself. The management board provided answers to all questions asked about the same by the supervisory board. Following the conclusion of its own review, the supervisory board raised no objections to the non-financial group report compiled by the management board and adopted the recommendations of the audit committee in approving the publication of the same.

DEPENDENT COMPANY REPORT

The management board prepared a report about relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG). 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 respective audit report issued by the auditor. The audit committee and the supervisory board thoroughly examined and discussed these documents again in their meetings on 9 and 10 December 2020. These examinations did not give rise to any objections.

CORPORATE GOVERNANCE

During financial year 2019/20, the supervisory board and the management board were both extensively involved in improving and enhancing corporate governance within All for One Group SE and again thoroughly reviewed the recommendations that the Government Commission on the German corporate governance code made in the version of the code dated 16 December 2019 and which came into force on 20 April 2020. We continue to focus on anchoring the comprehensive new recommendations in our daily business. The management board and supervisory board fulfilled their obligation to prepare a joint declaration of conformity pursuant to Section 161 AktG in September 2020. The exact wording of the declaration was published on the company's website at www.all-for-one.com/conformity-declaration. The corporate governance statement on the Company's homepage includes further details on corporate governance (section: »Corporate and Investor Relations«, sub-section: »Governance«). No conflicts of interest arose between the members of the management board and supervisory board during the reporting period, such as would require disclosure to the supervisory board or notification of the annual general meeting.

The supervisory board thanks the management board, management and all members of staff at All for One Group for their outstanding personal commitment in what proved to be a particularly challenging financial year 2019/20. With their expertise and dedication, their flexibility and creativity, they were there for our customers at all times, even in difficult phases. In doing so, they have helped move All for One Group a further big step forward. The supervisory board is convinced that continuing to implement the strategy offensive 2022 will provide very good opportunities for successfully growing the business once things return to normal.

Filderstadt, 10 December 2020
For the Supervisory Board

Josef Blazicek
Chairman of the Supervisory Board

COMBINED MANAGEMENT REPORT

of All for One Group SE, Filderstadt
Financial year from 1 October 2019
to 30 September 2020.

1. GENERAL INFORMATION

Reporting company

All for One Group SE, Filderstadt/Germany (All for One Group AG, Filderstadt/Germany, up to 12 July 2020), is a European company (Societas Europaea, SE). The company is listed in the commercial register of the District Court of Stuttgart under registration number HRB 774576. Its registered office is Rita-Maiburg-Strasse 40 in 70794 Filderstadt/Germany. The conversion to All for One Group SE was entered in the commercial register on 13 July 2020. All for One Group SE shares are listed in the Prime Standard of the Frankfurt stock exchange (ISIN: DE0005110001). All for One Group SE and the subsidiaries it controls provide their services mainly in the German-speaking markets of Germany, Austria and Switzerland (DACH region).

Basis of presentation

Accounting and financial statement auditing

All for One Group SE prepares its consolidated financial statements and interim reports in compliance with the applicable rules specified in the International Financial Reporting Standards (IFRSs) as applicable in the EU. The annual financial statements are prepared in accordance with the regulations of the German commercial code (Handelsgesetzbuch, HGB).

The option to prepare a combined management report (»management report«) was exercised for the first time for financial year 2018/19. This management report combines the management reports of All for One Group SE and of All for One Group as a whole. The management report was prepared in accordance with the relevant provisions of the German commercial code (HGB) and German accounting standards (DRS) No. 17 and 20.

Distinction between parent company and Group

To avoid ambiguity as to which disclosures relate to the parent company and which to the Group, the parent company is always referred to as »All for One Group SE«. For disclosures relating to the Group, we use the terms »All for One Group«, »Group«, or just plain »We«. In the absence of these distinctions or any other specific notes, the information relates equally to both the Group and the parent company.

Financial year

At All for One Group SE, the financial year 2019/20 (»the reporting period«) began on 1 October 2019 and ended on 30 September 2020. The corresponding prior year (»comparative period«) covers the period from 1 October 2018 to 30 September 2019.

Rounding differences

Unless otherwise indicated, all amounts are reported in thousands of euros (KEUR). For technical reasons, the information provided in this management report may contain rounding differences of +/- one unit (KEUR, %, etc.).

Gender neutrality

For reasons of simplification, we only use one gender. All other genders are explicitly included.

»Covid-19« stands for coronavirus pandemic, »Strategy22« for strategy offensive 2022

This reporting year 2019/20 has been dominated by the consequences of the global coronavirus pandemic and the severe global recession, which is also hitting us and our immediate environment hard. The prior-year period was marked by a completely different »special circumstance«: the initialisation of our strategic offensive 2022, which we presented in November 2018 and which involved high one-off expenses. For reasons of simplicity and consistency with the German version of this report and to avoid repeated descriptions of the same issues in different sections of this report, we always use the short forms »Covid-19« and »Strategy22« synonymously.

Forward-looking statements

This management report contains statements relating to future developments. These statements reflect both our and third-party estimates and assumptions (such as statistics relating to the IT industry and global economic development) that were valid at the time they were made or when this report was issued. Forward-looking statements are always subject to uncertainty. If estimates and assumptions prove to be mistaken or only partially correct, actual results may deviate – quite substantially – from expectations.

2. PRINCIPLES OF THE GROUP

2.1. GROUP STRUCTURE AND ORGANISATION

Legal Group structure

All for One Group is managed by its parent company All for One Group SE which also performs all central management tasks for the entire Group. All offices of the operationally active parent company, without exception, are located in Germany. Germany also accounts for the lion's share of both the sales and workforce of All for One Group. Together with the subsidiaries controlled by the parent company, All for One Group strives to offer its customers the most comprehensive support possible and to establish a leadership role in its markets with the whole Group's expertise. In addition to Germany, the Group is therefore also present, above all, in Austria and Switzerland. The management board of All for One Group SE is supported by a »Group Management Board« that acts in an advisory capacity. The board also serves to better involve the subsidiaries in all Group-wide issues and to coordinate the individual units with each other. Given the legal Group structure, the economic situation of the Group is influenced substantially by the economic situation of the parent company. Which is why the company's management board has combined the report on the state of the Group with that of All for One Group SE into one management report.

The strategy and organisation of All for One Group is designed to earn substantial recurring revenue and to support sustainable profitable growth. We only classify sales as »recurring revenue« if their recurring nature is correspondingly confirmed in a contract (cloud services and support sales and software support sales). Our focus, however, is on helping our customers achieve a competitive advantage by providing the most comprehensive, integrated and lasting support possible to enhance their ability to compete in a digital world. The consolidated financial statements of All for One Group SE as at 30 September 2020 include a total of ten German and nine foreign subsidiaries, in addition to All for One Group SE. One domestic company of the Group is in liquidation due to strategic portfolio adjustments (»Strategy22«).

Business segments

The management of All for One Group is aligned to its two business segments: CORE and LOB. The CORE segment focuses on solutions and services for companies' core business processes and especially for ERP (»Enterprise Resource Planning«), New Work & Collaboration and »Internet of Things«. The LOB segment (»Lines of Business«) includes our business with IT solutions for departments such as sales and marketing, or human resources, which are increasingly being sourced in the cloud.

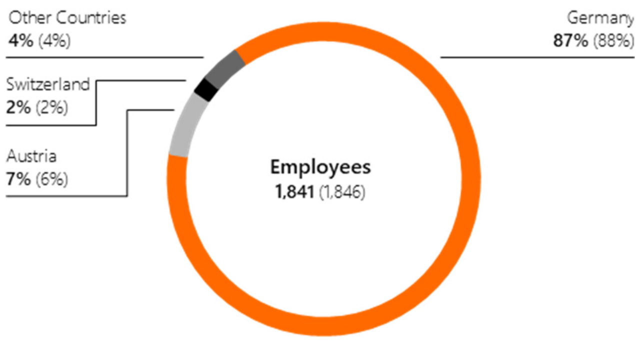
Mergers and acquisitions: Strategy and transactions

Acquisitions are an important strategic tool for speeding up the expansion of our service portfolio, tailoring our products and services more closely to the needs of our customers, and enabling us to provide integrated support for their digital transformation. Our current acquisition strategy therefore focuses particularly on strengthening our new strong portfolio of cloud-based products and services.

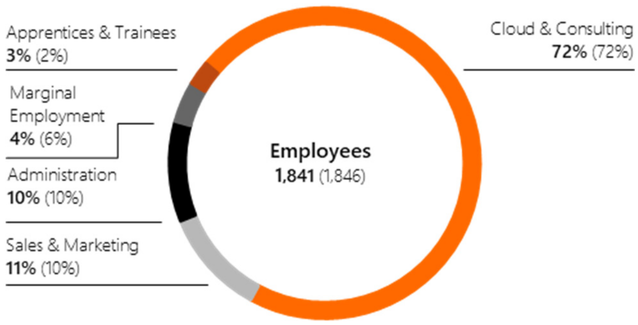
In the current reporting year 2019/20, the focus of our mergers & acquisitions activities was on the integration of the acquisitions TalentChamp (January 2019, LOB segment) and CDE (June 2019, CORE segment) to strengthen our portfolio. We are also working intensively on the identification and development of new targets. No acquisitions were made in the 2019/20 reporting year.

Employees

Headcount by country in % (Group, 30 Sep 2020)



Headcount by function in % (Group, 30 Sep 2020)



Part-time workers are included in full in the headcount, not pro rata.

Personnel development

For an IT services company, 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 growth strategy. 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 managing our human capital resources to match our growth plans.

Likewise, we want to further enhance our image as an attractive employer and be better equipped to deal with the shortage of specialists. During financial year 2019/20, we enhanced our recruiting strategy. Its core is made up of »At home at All for One Group«. Particular focus here centres around exciting assignments, flexible work hours, working time accounts for sabbaticals, part-time employment, health promotion schemes and numerous other benefits. »UP Talent« is our talent fostering programme designed to make »high potentials« fit for future challenges.

Overall, we were able to further increase the proportion of direct applications for open positions compared to the prior year. We have received multiple awards in employer surveys based strongly on employee assessments in leading online job portals. Some of the distinctions we have earned include »Top Employers in Germany 2020« *(Focus Business, Feb 2020, 2nd place from 55 mid-sized top employers in the »EDP and IT industry«)* and »Germany's Companies with a Future« *(Stern, Sep 2019, 5th place from 41 listed companies in the »Mid-Sized Companies« category)*.

We are also actively involved in training and education. Throughout the Group, we offer training schemes for disciplines that include IT specialists, system integration or application development, and administrative assistants for IT systems or office management. We work together with colleges and universities to train students pursuing degrees in accounting and controlling (Bachelor of Arts), business information systems or computer science (both Bachelors of Science). 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 have put together exclusive training programmes for both apprentices and trainees (college graduates whom we train as consultants for SAP S/4HANA and increasingly Microsoft (»New Work«), for example) in order to better meet our urgent need for skilled workers who are trained and qualified through practical experience. The introduction of a Group-wide learning management system serves to provide systemic support for our training programmes. In order to enable agile and collaborative work throughout the Group, we have again invested in the creation of completely new working environments in the 2019/20 financial year. Thus, our locations are gradually being equipped with the latest technology and interior design.

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

Diversity in the company

Qualifications, professional competence and »cultural fit« are our decisive criteria when filling assignments and positions. Likewise, we are increasingly approaching female applicants, specifically, as part of our »diversity strategy«, and promoting the inclusion of men and women at equal terms in management positions. To improve the compatibility of work and family life, we offer part-time working arrangements at management levels and generally enable flexible working independent of fixed times and locations. To make technical careers more accessible to female graduates, we launched our mentoring programme in the 2019/20 reporting year. Here, experienced mentors accompany young women during their career start phase. To give our employees guidance and to increase diversity in the company, we also launched our »Corporate Values & Leadership Guidelines« project in the 2019/20 reporting year.

The »Diversity Targets« set in summer 2015 for All for One Group SE are shown below. They remained valid in financial year 2019/20 and serve to guide us in the long term:

Diversity at All for One Group SE

Proportion of women in %	Target 2019/20	Actual 30.09.2020	Comparison	Actual 30.09.2019	Actual 30.09.2018
Supervisory board	17	17	Achieved	17	17
Management board	20	0	Not achieved	0	0
Second-level management	10	31	Achieved	0	0
Third-level management	20	15	Not achieved	18	18

»Diversity« remains a huge challenge. Alongside our »UP Talent Programme«, which we launched at the end of financial year 2017/18, we take a lot of small steps to strengthen our diversity in the long run. One such example are our regular »Girls' Days«, where we show schoolgirls technical career possibilities. As a result, we have been able to raise the share of women in the Group to 33.0% (30 Sep 2019: 32.4%).

As part of the continued implementation of our »Strategy22«, we have also further developed our management structure. This has led to changes in the second and third management levels in the financial year 2019/20. As a result, the actual figures as at 30 September 2020 can only be compared with the actual figures for previous years to a limited extent.

Workforce (Diversity in the Group)

	30.09. 2020	30.09. 2019
Total employees	1,841	1,846
of which are women	608	598
of which are men	1,233	1,248

Headcount of All for One Group SE

All for One Group SE employs 1,116 employees (30 Sep 2019: 1,103).

2.2. STRATEGY AND BUSINESS MODEL

This section is equally valid for both Group and parent company.

According to market observers such as techconsult, ISG or the teknowlogy Group PAC, All for One Group is one of the leading consulting and IT companies. Our strategy is tailored to enhancing the ability of our customers to compete in a digital world. With our expertise and implementation skill we provide companies with comprehensive advice that encompasses all relevant issues, and aims to ensure as perfect and seamless an interaction between people, strategies, processes, data and systems as possible. Our integrated business model combines strategic and management consulting, process consulting, industry expertise, technology expertise, IT consulting and services, and transformation management. In doing so, we work with our subsidiaries to »orchestrate« the interaction of all »assets« and areas of action that are key to establishing the competitive strength of our customers. At the same time, the integrated business model is designed to generate the highest possible recurring revenue from cloud services and support, and software support.

Our customers mainly rank as midmarket, although a growing number ranks as »larger« midmarket. These are companies with annual sales up to a range in the middle single-digit billions yet still with an »SME« culture when it comes to their organisation, processes and how importantly they want to be treated by »their« service provider.

Our industry focus is on companies operating in the fields of machinery and equipment manufacturing, automotive supply, consumer products and project services. In addition, we are increasingly operating in a number of other industries – with comprehensive line-of-business solutions, for example, which only differ marginally from one sector to the next (LOB segment). We mainly use our own resources at numerous offices close to our customers to manage our business relationships in Germany, Austria and Switzerland.

Our sales organisation was again successful in acquiring significant new customer projects in financial year 2019/20 (»Specialised Sales«). The support we provide to our legacy customers is also very focused, aided by our »regular customers' hub«, whose management is standardised throughout the Group (Customer Success Management). We are increasingly working digitally in sales to further raise our customer penetration (»Digital Sales Team«). Likewise, we grow stronger by joining forces with a number of carefully selected specialists who we train and develop on an ongoing basis as part of our »All for One Group Business Partner« scheme.

To secure the global provision of local support to our mostly international customers, we set up the United VARs partner network in 2006. This alliance enables us to offer local support in about 100 countries based on uniform quality standards and recognised project methods. In addition to its superb efficiency and performance capability, United VARs also acts as the key to acquiring new accounts in our strongly export-oriented target markets in the German-speaking region. At the same time, United VARs is one of only ten »SAP Global Platinum Resellers«. This outstanding position gives us a »voice that is heard«, even in the global »SAP Channel«, allowing us to spotlight the issues raised by our midmarket customers to the global SAP organisation.

The market unit with the »All for One Steeb« brand forms the core of our Service Portfolio. It offers »SAP excellence« focusing on SAP S/4HANA – highly sophisticated corporate software that forms the basis and »Digital Core« of any business software landscape. Our industry solutions for SAP S/4HANA based on a proprietary, newly developed business process library (»scope items«) can quickly and easily be tested and activated by customers, and contain ready-to-use preconfigured business workflows and scenarios of our target industries. Our service portfolio, which was hugely expanded as part of our »Strategy22«, also includes solutions for »Employee Experience«, »Customer Experience«, »Data & Business Analytics«, »IoT & Machine Learning«, »Cyber Security & Compliance« and »New Work & Collaboration«. We operate and manage the extensive application landscapes of our customers from our Enterprise Cloud (Market Unit »Managed Cloud Services«). We also provide strategic, management and transformation consulting at »C Level« (management level). This comprehensive portfolio enables us to assist our customers on their journey to becoming intelligent, networked, and highly progressive and innovative companies.

The partnership with SAP is the hub of our daily business. SAP presented us with several awards for outstanding performance in financial year 2019/20 (including the SAP Partner Excellence Award »Best Performers in Cloud«, subsidiary B4B Solutions). SAP has also issued a plethora of certifications to All for One Group (including: »SAP-Certified in Cloud Operations«, »SAP-Certified in Application Operations for SAP S/4HANA«, and many more). Our partnership with Microsoft was again significantly enhanced during financial year 2019/20. Both market observers and Microsoft themselves rank us among the leading providers of »SAP on the Microsoft Azure cloud platform« (see also, for example »Leader SAP on Azure« in ISG's »Microsoft Ecosystem 2020 Provider Lens« study; Microsoft's »SAP on Microsoft Azure Advanced Specialisation«). Both partners, SAP and Microsoft, are also increasingly working together (»Embrace« programme) and, together with SNP (Schneider-Neureither & Partner SE, Heidelberg), are also firmly anchored in our strategic initiative »CONVERSION/4«. With this innovative subscription model, we enable companies to make a particularly »smart« transition from SAP Business Suite to the new SAP S/4HANA business software.

All for One Group faces intense competition. Besides ERP manufacturers and system resellers outside of SAP, our competitors include other SAP system resellers, Microsoft partners 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 and, increasingly, our customers' own IT activities.

As part of our »Strategy22«, we have improved our presentation in the marketplace and rolled out a new brand architecture (»Endorsement Strategy«) in 2019. The resulting visual identity is consistent for the entire Group and its individual brands, including All for One Steeb, avantum, OSC, Process Partner, KWP, allfoye, B4B Solutions, TalentChamp or CDE.

As far as our position in the marketplace is concerned, market observers, such as ISG (Information Services Group GmbH, Frankfurt), teknowlogy Group PAC (Pierre Audoin Consultants GmbH, Munich) or Lünendonk (Lünendonk & Hossenfelder GmbH, Mindelheim), rank us among the leading IT providers in sub-markets as well, (see, for example, »Leader SAP on Azure« in »Microsoft Ecosystem 2020 Provider Lens« ISG; »Leading Providers of Artifical Intelligence Related Consulting, Systems Integration and Operation Services«, in »Innovation Radar AI-related Services in Germany 2020« teknowlogy Group PAC).

2.3. MANAGEMENT SYSTEM – FINANCIAL AND NON-FINANCIAL TARGETS

All for One Group is managed by the management board of All for One Group SE, which is solely responsible for managing the business, defining targets and strategies, and implementing the growth strategy.

The foremost goal of our corporate development is to raise the value of the business in the interests of all stakeholders and to ensure profitable growth. We derive the plans that are necessary to manage the operational units and the resulting need for action from our long-term corporate plan – with due consideration of the trends in our competitive and market environments. The following management indicators are used to manage both the Group and All for One Group SE.

Financial performance indicators

Our planning and management efforts draw primarily on sales and earnings performance. The following two financial performance indicators remained most important in financial year 2019/20 for managing the business targets:

- Sales revenue (IFRS)
- Operating result (EBIT, IFRS)

In terms of sales revenue, our particular focus is on recurring revenue from »Cloud Services and Support« and »Software Support«. Management uses earnings before interest and taxes (»EBIT«) for management purposes, and to compare operational performance over time, and issue forecasts. Both performance indicators, revenue and EBIT, are aligned to each other with a view to securing a profitable path of growth that is as sustainable as possible.

Non-financial performance indicators

In addition to the financial performance indicators, the management board also tracks the most important non-financial performance indicators. Given the key importance in many respects of »human capital« in a services company such as All for One Group, our Group-wide management system tracks the following two primary non-financial performance indicators:

- Employee retention
- Health index

Employee retention

The success of our business depends significantly 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 crucial role in how the quality of our service and support is perceived. We therefore use employee retention (100% minus the ratio of unwanted departures to headcount at the beginning of the reporting period, plus additions to the workforce during the financial year) as a performance metric.

Health index

The aim of our health management programme is to maintain and enhance our workforce's high level of capability and effectiveness. We also want to proactively counteract potential health-related absences. A health index (100% minus the ratio of number of days off sick to target work days in any reporting period) serves as a control indicator to help us achieve these objectives.

A standardised system is 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. These performance indicators, employee retention and health index, are also geared to securing a profitable path of growth that is as sustainable as possible.

Detailed discussions of the development of the financial and non-financial performance indicators can be found in the sections »Report on economic position« and »Outlook«. Other non-financial performance indicators at subsidiary, 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.

2.4. RESEARCH AND DEVELOPMENT

Neither All for One Group nor the parent company All for One Group SE conducts research in the narrower sense of the word. Development activities to date have focused primarily on configuration and »customising« add-on solutions. Add-ons such as these include our newly »developed« comprehensive business process library (»scope items«) for SAP S/4HANA. They give our customers a clear competitive advantage while at the same time speeding up rollout projects. We are increasingly »developing« add-on solutions for Microsoft (Collaboration) software, as well, which are being used by a lot of customers. »Development expenses« such as these are not capitalised by All for One Group as the processes between customer-specific and non-customer-specific development phases are generally iteratively closely connected and reliable segregation of the expenses is therefore not possible. (See also the notes to the consolidated financial statements, section »F.13. Intangible assets«).

3. REPORT ON ECONOMIC POSITION

3.1. REVIEW OF BUSINESS PERFORMANCE

Overall economic development and development of our target markets

The spread of »Covid-19«, which the World Health Organisation (WHO) classified as a pandemic on 11 March 2020, had a significantly adverse effect on global growth resulting in a severe recession in 2020. The severe slump that abruptly appeared during the 2nd quarter of our financial year 2019/20 had an increasingly strong impact on our business as well as on others.

Leading economic researchers cited this unexpected development as the reason for lowering their forecasts for gross domestic product in 2020 from initially about 1.0% (at the start of March 2020) to presently minus 6% *(sources: Handelsblatt 20/22 Mar 2020 and 14 Oct 2020*). As the year progressed, our target markets – which are strongly dependent on exports – were also hit hard. Machinery and equipment manufacturing exports, for example, dropped by 14.1% in the 1st half of 2020 (*source: German Mechanical Engineering Industry Association (VDMA, Verband Deutscher Maschinen- und Anlagenbau), 18 Aug 2020)*. Automotive suppliers – who were already struggling before »Covid-19« – are suffering even more since the virus hit. Six out of 10 suppliers are planning to cut jobs as a result *(source: German Association of the Automotive Industry (VDA, Verband der Automobilindustrie), 25 Aug 2020)*. Unlike the aforementioned sectors, which are strongly dependent on exports, economic development in our consumer goods target market is driven predominantly by private consumer spending. While many private households are cutting back on spending due to the poor income situation caused by short-time work or being made redundant, measures such as the temporary lowering of VAT are increasingly helping to stabilise consumption (*source: ifo Institut, 1 Jul 2020*).

Trends in the IT industry

The IT markets in Germany are also being hard hit by the recession. Market observers expect all types of IT income to decrease significantly in calendar year 2020. Specifically, they expect software to decline by 4% (prior year: increase of 7.3%) and IT services by 5.4% (prior year: increase of 2.4%). *(sources: German Association for IT, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien, Bitkom), 29 Jun 2020).*

SAP intensified the marketing of its SAP HANA real-time application platform. A further area of focus of SAP's strategy is a new generation of business software: SAP S/4HANA. SAP also expanded its portfolio of cloud applications. SAP's leading partners, including All for One Group, are most notably the ones playing large roles in marketing this extended range of products. Microsoft also expanded its focus on the cloud strongly and successfully in financial year 2019/20 and further enhanced the appeal of the Azure platform for running SAP solutions.

Comparison of actual performance with the forecasts issued in our Outlook report 2018/19

Forecast 2019/20 (as reported in the combined management report 2018/19) versus actual

in EUR millions, unless otherwise stated	Forecast 2019/20	Actual 2019/20	Comparison
Group			
Sales revenue (IFRS)	375 to 385	355.4	Not achieved
EBIT (IFRS)	20 to 22	19.3	Not achieved
Employee retention (in %)	92.8	93.2	Achieved
Health index (in %)	97.0 to 98.0	97.3	Achieved
All for One Group SE			
Sales revenue (IFRS)	255 to 275	254.3	Not achieved
EBIT (IFRS)	9 to 13	7.1	Not achieved
Employee retention (in %)	95.0	94.2	Not achieved
Health index (in %)	97.2 to 98.2	97.5	Achieved

3.2. FORECAST AND ACTUAL PERFORMANCE OF THE GROUP

We were unable to meet the sales and EBIT forecasts issued in our combined management report 2018/19 for financial year 2019/20. The deviations are primarily due to declining demand in the wake of »Covid-19«.

In terms of sales, earnings from the sale of software licenses and from consulting and services fell well short of our original expectations. A large volume of projects were stopped, postponed, failed to materialise or were only commissioned in parts to a much smaller extent because of »Covid-19«. Accordingly, the workload of our consultancy team did not grow as strongly as originally planned.

Instead of building manpower, as expected, our customers virtually stopped all recruitment in the wake of »Covid-19«. As a result, the income from follow-on licenses – which is included in software license revenues – fell well short of our expectations for 2019/20.

We responded to »Covid-19« immediately and designed special quick-start package solutions to help our customers cope with the current challenges – such as setting up short-time allowance systems or enabling digital collaboration in virtual teams working from home. Although they were well received in the marketplace, we were only able to compensate the unexpectedly sharp drop in demand to a minor degree.

The deviation between the EBIT forecast for financial year 2019/20 that was issued in our combined management report 2018/19 and the actual EBIT was primarily due to the failure of earnings to materialise as a result of the sharp drops in demand discussed above. Added to which, we suffered more negative effects on earnings than planned (customer insolvencies, impairment losses on financial assets) due to »Covid-19«. In order to secure profitability, we eliminated more holiday backlog than intended. We also examined our material costs closely. A lower marketing cost was recognised, reflecting the increasing substitution of physical events – such as trade fairs and roadshows – with alternative, more cost-effective online formats. We were also able to reduce to a much greater degree than expected the use of external consulting resources from our partner network (»freelancers«) to deliver projects. Added to which, nearly all in-house meetings and events took place online and all our services were mostly provided remotely to customers without any consultation actually on site. As a result, our travel expenses decreased significantly in financial year 2019/20. The lower cost was, however, not able to offset the lack of earnings caused by the sharp drop in demand.

By contrast, our expectations with regard to employee retention were exceeded. This could well be primarily due to our rapid response to the unusual circumstances caused by »Covid-19« in adjusting and vastly expanding our HR programmes, especially in the area of crisis communication (#altogethernow) (see Section »2.1. Group structure and organisation« and, specifically, the sub-section »Employees«.) In addition, »Covid-19« may well have reduced the general enthusiasm for change. Our expectations with regard to the health index were met at the lower end of the range. We were unable to detect any specific influence from »Covid-19« in this respect.

The analysis of the deviations between guidance and actual Group performance is largely valid for All for One Group SE as well. The following section therefore focuses primarily on analysing the specific deviations that affected the parent company All for One Group SE.

3.3. FORECAST AND ACTUAL PERFORMANCE OF ALL FOR ONE GROUP SE

At parent company level, we were also unable to meet the sales and EBIT forecasts issued in our combined management report 2018/19 for financial year 2019/20.

In terms of sales, performance was influenced primarily by the deviation in income from the sale of software licenses as already analysed and discussed for the Group as a whole. These sales were mostly generated by the parent company. The consulting and support revenues generated by All for One Group SE also fell short of expectations, albeit to a lesser degree than for the Group. We are already – albeit slowly because of »Covid-19« – reaping the benefits from the progress we have made in expanding our portfolio of products and services in areas such as IoT & machine learning, cyber security & compliance, and new work & collaboration.

On the earnings side, the discrepancy between guidance and actual performance at parent company level was primarily due to the earnings that failed to materialise as software license sales and software support revenues fell short of expectations.

Unlike the Group, All for One Group SE missed its target for employee retention – albeit by only a whisker. We met our health index forecast. At parent company level, again, we were unable to detect any specific influence from »Covid-19«.

3.4. GROUP EARNINGS SITUATION

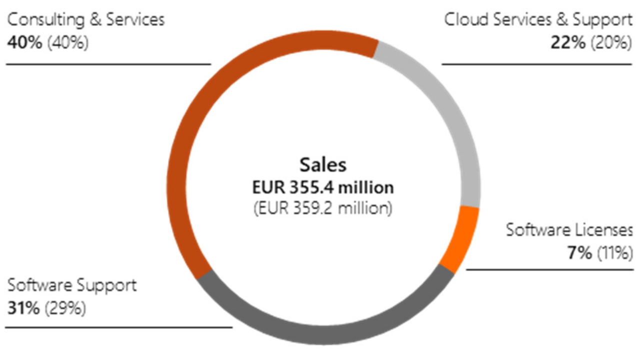
Revenue in EUR millions	
10/2019 – 09/2020	10/2018 – 09/2019
355.4	359.2
-1%	

EBIT in EUR millions	
10/2019 – 09/2020	10/2018 – 09/2019
19.3	12.6
+53%	

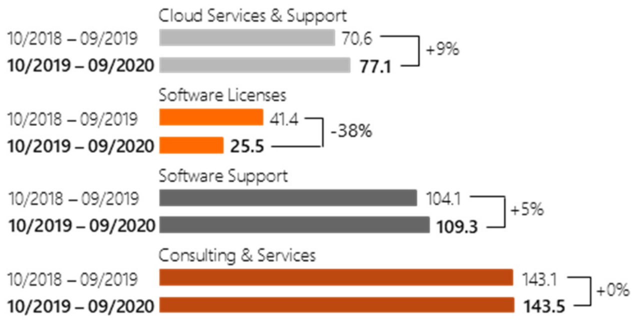
Cloud and Software Revenue in EUR millions	
10/2019 – 09/2020	10/2018 – 09/2019
211.9	216.1
-2%	

Recurring Revenue in EUR millions	
10/2019 – 09/2020	10/2018 – 09/2019
186.4	174.7
+7%	

Breakdown of sales by types of revenue in %

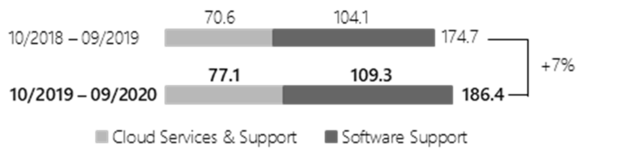


Sales development by types of revenue in EUR millions (1)

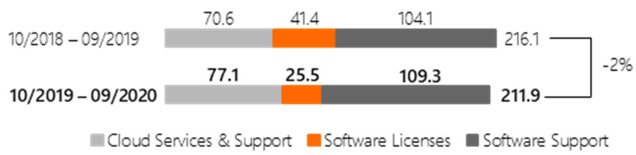


Sales development by types of revenue in EUR millions (2)

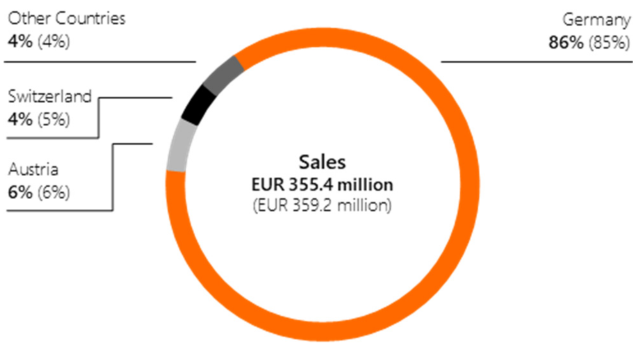
RECURRING REVENUE



CLOUD & SOFTWARE REVENUE



Breakdown of sales by country in % [1)]



1) Based on domicile of the customer

Analysis of sales revenue

Our customers have been hit hard by »Covid-19« and are having to deal with production stops, supply chain disruptions and official mobility restrictions. As a result, we suffered a severe drop in demand in financial year 2019/20.

In the year under review, projects were halted, postponed or delayed and follow-on licenses failed to materialise, resulting in a decline of 38% in non-recurring revenues from the sale of software licenses to EUR 25.5 million. The trend towards cloud transformation was also partially responsible for this decline in license sales.

Despite »Covid-19«, our cloud business – a core module of our »Strategy22« – continues to grow robustly. We were able to increase recurring revenues from cloud services and support by 9% to EUR 77.1 million in financial year 2019/20.

Overall, recurring revenues increased by 7% to EUR 186.4 million year on year. This figure includes both the aforementioned cloud services and support revenues, and software support revenues, which are linked to the sale of software licenses and increased by 5% to EUR 109.3 million. As such, the share of total sales attributable to recurring revenues increased to 52% (2018/19: 49%). The increase in recurring revenues (plus EUR 11.7 million) offset around two-thirds of the decrease in non-recurring revenues from the sale of software licenses (minus EUR 15.9 million). As a result, we were able to further strengthen our business model with the aid of robust cloud revenues, while at the same time reducing our dependency on revenues that are both difficult to plan and volatile.

Despite »Covid-19« and generally weaker capacity utilisation of our consultants, we were able to maintain the prior-year level of consulting and services revenues (2019/20: EUR 143.5 million). Total revenues of EUR 355.4 million are thus 1% below the prior-year level of EUR 359.2 million.

Analysis of earnings situation

Earnings performance

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Sales revenue	355,393	359,215
Cost of materials and purchased services	-133,237	-139,275
Personnel expenses	-156,449	-154,160
Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets	-22,004	-12,972
Impairment losses on financial assets	-938	-974
Other operating expenses/income	-23,478	-39,202
EBIT	19,287	12,632
Financial result	-1,383	-535
EBT	17,904	12,097
Income tax	-4,828	-1,862
Result for the period	13,076	10,235

Impact of first-time application of IFRS 16 (since 1 Oct 2019) on financial year 2019/20

in KEUR	IFRS 16 effect
EBITDA	+9,086
Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets	-9,136
EBIT	-50
Financial expenses	-283
EBT	-333
Income tax	+129
Result for the period	-204

Other operating income includes marketing subsidies for the sale of software licenses as well as income from insurance policies. Overall, this item increased by 33% to EUR 4.2 million.

With license revenues declining, software license procurement volumes also decreased, resulting in a correspondingly lower cost of materials. Cost of materials also reflects a decline in purchased services (»Freelancers«) compared to the prior year. The total cost of materials and purchased services decreased by 4% to EUR 133.2 million. The cost of materials ratio is now 37% (2018/19: 39%). The reclassification of other operating expenses to cost of materials and purchased services is discussed in the notes to the consolidated financial statements in section »B. Changes to the accounting and valuation methods«, subsection »Changes in disclosure«.

Personnel expenses increased at a slightly higher rate than sales, to EUR 156.4 million (up 1%), mainly as a result of recruitments (plus 3% to 1,644 full-time employees on average). Personnel expenses also include a non-recurring item recognised as profit (plus EUR 0.5 million) from adjusted pension commitments (Switzerland). As a result, the ratio of personnel expenses to sales increased to 44% (2018/19: 43%).

Depreciation, amortisation and impairment of intangible, fixed and right-of-use assets increased by 70% to EUR 22.0 million as a result of IFRS 16. Without IFRS 16, the figure would have declined slightly by 1%. Back in financial year 2018/19, we had already invested considerably in cloud technologies and the creation of new working worlds at our new head office. We also acquired companies in the prior year. By contrast, capital expenditures were much lower in the year under review.

The considerable decrease in other operating expenses of 35% to EUR 27.7 million was due not only to the first-time application of IFRS 16 (which lessened expenses by EUR 7.9 million) but also and above all to the sharp drop in travel expenses as a result of the pandemic. In the wake of »Covid-19«, we are increasingly performing remotely work that our customers previously only would have accepted being delivered in a consultancy capacity on site. Despite »Covid-19«, impairment on financial assets declined by 4% to EUR 0.9 million.

EBITDA totalled EUR 41.3 million (2018/19: EUR 25.6 million), a strong increase of 61%. The EBITDA margin relative to sales was 11.6% (2018/19: 7.1%). Disregarding IFRS 16, EBITDA would have been 26% above the prior year.

The effect of IFRS 16 on EBIT – which increased by 53% to EUR 19.3 million – was virtually zero. As a result, the EBIT margin amounted to 5.4% (2018/19: 3.5%). The figure includes a non-recurring item recognised as profit (plus EUR 0.5 million) from adjusted pension commitments (Switzerland), without which EBIT 2019/20 would have totalled EUR 18.8 million (minus EUR 0.8 million or down 4% year on year). The 2018/19 EBIT figure of EUR 12.6 million included separately recognised extraordinary costs (EUR 7.0 million) relating to the strategy offensive 2022. Accordingly, the comparable EBIT in the prior-year period (without extraordinary costs) would have totalled EUR 19.6 million.

Despite »Covid-19« and the shortfall in earnings from the sharp decline in non-recurring revenues from the sale of software licenses, EBIT decreased only moderately year on year. This was due – in addition to continued robust growth in the cloud and the further increase in recurring revenues overall – to our focused implementation of changing how we work, allowing us to generate economies of scale from a greater share of remote consulting and lower travel expenses.

The financial result was minus EUR 1.4 million (2018/19: minus EUR 0.5 million) and includes, among other things, financial expenses of EUR 0.3 million from the first-time application of IFRS 16. Income taxes were minus EUR 4.8 million (2018/19: minus EUR 1.9 million). The financial and tax results in the prior-year period were positively influenced by non-recurring tax and interest income amounting to EUR 2.9 million and EUR 0.3 million, respectively.

EBT amounted to EUR 17.9 million (up 48%), while the income tax rate relating to EBT increased to 27% (2018/19: 15%). The result for the period rose significantly by 28% to EUR 13.1 million (2018/19: EUR 10.2 million). The average number of shares in free float was unchanged in financial year 2019/20 at 4,982,000. Accordingly, earnings per share increased by 24% to EUR 2.55 (2018/19: EUR 2.05).

Other comprehensive income totalled minus EUR 0.6 million (2018/19: minus EUR 0.1 million) and includes among other things unrealised losses of EUR 0.3 million from currency translation (2018/19: unrealised gains of EUR 0.8 million).

Revenue and earnings performance by segment

	CORE		LOB	
in KEUR	10/2019 – 09/2020	10/2018 – 09/2019	10/2019 – 09/2020	10/2018 – 09/2019
Statement of profit and loss				
External sales revenue	292,451	298,308	62,942	60,907
Intersegment revenue	5,939	4,266	9,987	10,616
Sales revenue	298,390	302,574	72,929	71,523
Segment EBIT [1]	14,783	18,317	4,494	1,273

1) Prior-year figures adjusted by extraordinary costs of strategy offensive

Analysis of segments

The CORE segment comprises ERP and collaboration solutions for companies' core business processes. Current segment performance is influenced, above all, by the expansion of our portfolio of SAP products and services on Microsoft Azure. This cloud platform also provides the IT operations basis for our new CONVERSION/4 subscription model. Our investments in our CORE segment are, moreover, focusing on building our portfolio of IoT & machine learning, cyber security & compliance as well as new work & collaboration expertise. The strong decline in non-recurring license revenues was attributable virtually entirely to the CORE segment, where sales still only decreased marginally to EUR 298.4 million (2018/19: EUR 302.6 million). Despite lower travel expenses, the segment's EBIT decreased by 19% year on year (disregarding the extraordinary costs of »Strategy22«), primarily because of the shortfall in earnings due to demand for software licenses decreasing in the wake of the recession, as already discussed above.

In our LOB (»Lines of Business«) segment, which focuses predominantly on cloud-sourced solutions for lines of business, investments are focused primarily on expanding our business with customer experience and analytics solutions. The LOB segment generated a 2% increase in revenues to EUR 72.9 million and considerably improved EBIT to plus EUR 4.5 million, more than three times higher year on year. The turnaround trend in segment earnings that we have been witnessing for a few years has been further strengthened as a result.

Orders on hand

Orders on hand do not constitute a separate performance metric at All for One Group. The figure is not calculated for the business as a whole. In light of the heterogeneous nature of the individual types of business (such as license sales, project business, cloud subscriptions, managed cloud services agreements, software support), such a metric would only have very limited meaning. To a certain extent, our »recurring revenue« act as a meaningful indicator of our orders on hand. Their revolving nature is underpinned by corresponding contracts governing cloud services and support, and software support.

3.5. GROUP ASSETS AND FINANCIAL SITUATION

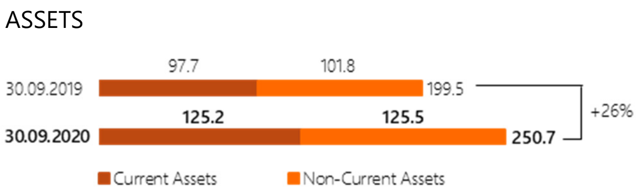
Analysis of assets situation

Assets situation

	30.09.2020 (IFRS 16)	30.09.2019 (IAS 17) [1]	Δ in %	Definition
Equity ratio (in %)	35	41	-14	Equity / Total capital
Cash and cash equivalents (in KEUR)	69,089	28,498	>100	Cash and cash equivalents as per balance sheet
Net debt (in KEUR)	-14,942	-1,506	>100	Liabilities to financial institutions, lease liabilities less cash and cash equivalents as per balance sheet
Days of sales outstanding (in days)	46	45	2	Trade receivables (12 months Ø) / Sales revenue x 360
Equity to assets (in %)	112.2	90.5	24	Equity / (Fixed assets + intangible assets)
Return on equity (in %)	15.3	12.8	19	Result for the period / Ø equity
Return on total capital (in %)	5.8	5.3	10	Result for the period / Ø total capital

1) Limited prior-year comparison due to IFRS 16

Balance sheet: asset structure in EUR millions

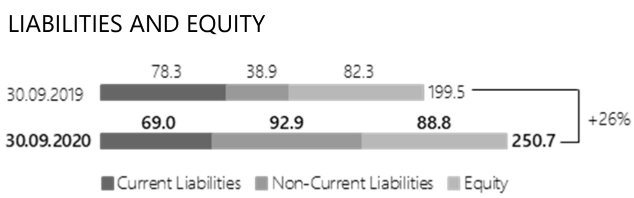


The changes in the balance sheet structure as of 30 September 2020 were predominantly influenced by the first-time application of IFRS 16 (which expanded the balance sheet by EUR 32.9 million) and the issuance of further promissory note bonds (which expanded the balance sheet by EUR 25.0 million). With the application of IFRS 16, we introduced a separate balance sheet item – »Right-of-use assets« – to enhance transparency. All assets relating to lease and rental contracts (office equipment, computer centres, vehicles) that are subject to recognition are now reported under this item. The promissory note bonds issued in October 2019 with a total volume of EUR 33.5 million are split into two tranches with terms of six to eight years. Added to which, a promissory note bond for EUR 8.5 million (due on 30 April 2020) was redeemed. The net effect was therefore EUR 25.0 million.

The increase in current assets of EUR 27.5 million to 125.2 million was primarily due to higher cash and cash equivalents (plus EUR 40.6 million). As part of our expanded promissory note bond funding programme, we also reduced our freely disposable working capital credit facilities to EUR 3.7 million as of 30 September 2020 (prior year: EUR 8.5 million). The decrease in trade receivables of EUR 11.5 million to 38.1 million was partly due to the sharp decline in the sale of software licenses and partly to our strict management of outstanding claims. Despite »Covid-19«, the average number of 46 days of sales outstanding is virtually on a par with the prior year (2018/19: 45 days (adjusted after refined calculation)). After adjusting our advance tax payments, income tax claims decreased significantly by EUR 3.3 million to 0.4 million.

The increase in non-current assets of EUR 23.7 million to 125.5 million was primarily due to first-time recognition of right-of-use assets (EUR 35.0 million). In contrast, fixed assets decreased by EUR 7.9 million to 15.5 million due primarily to the reclassification of fixed assets in right-of-use assets upon first-time application of IFRS 16. In the prior year, we had made considerable forward-looking investments in cloud technologies and in tenant fixtures to create new working worlds at our new head office. As a result, capital expenditures were much lower in the year under review.

Balance sheet: capital structure in EUR millions



The decrease in current liabilities was mainly due to reduced liabilities to financial institutions (minus EUR 8.5 million) and to lower trade payables (minus EUR 7.6 million). Liabilities to employees also declined, by EUR 2.6 million to 22.6 million, which was partly due to the greater reduction of holiday backlogs in the wake of »Covid-19«.

The strong increase in non-current liabilities was predominantly influenced by higher liabilities to financial institutions (plus EUR 33.4 million) and increased lease liabilities (plus EUR 21.2 million). As a result of IFRS 16, net debt increased substantially to EUR 14.9 million (30 Sep 2019: EUR 1.5 million).

Earnings performance resulted in an increase in equity to EUR 88.8 million (plus EUR 6.5 million). The decline in the equity ratio to 35% (30 Sep 2019: 41%) was also primarily due to IFRS 16 and to the issuance of promissory note bonds.

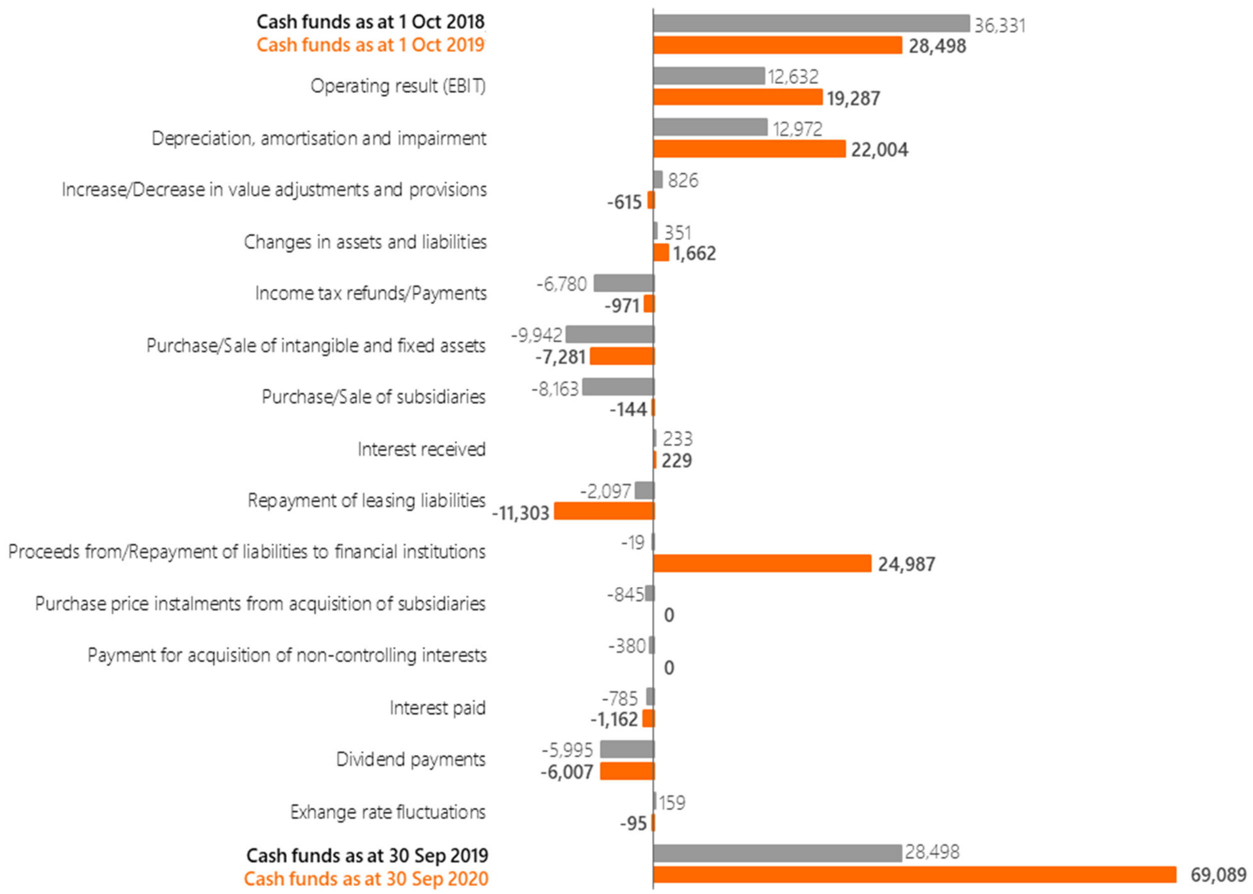
Analysis of financial situation

Financial situation

in KEUR	30.09.2020 (IFRS 16)	30.09.2019 (IAS 17) 1)
Cash flow from operating activities	41,367	20,001
Cash flow from investing activities	-7,196	-17,872
Cash flow from financing activities	6,515	-10,121

1) Limited prior-year comparison due to IFRS 16

Development of cash funds in KEUR 1)



1) Limited prior-year comparison due to IFRS 16

Cash flow from operating activities more than doubled to EUR 41.4 million (2018/19: EUR 20.0 million). This increase is primarily due to the first-time application of IFRS 16 (plus EUR 9.1 million). Rental and lease contract payments are now recognised in cash flow from financing activities and no longer, as previously, in cash flow from operating activities. In addition to the positive effect of higher EBIT (plus EUR 6.7 million), income tax payments and refunds resulted in cash outflows of just EUR 1.0 million in total compared to outflows of EUR 6.8 million in the prior year. The other items comprising cash flow from operating activities together accounted for EUR 1.0 million, which was virtually on a par with the prior year (2018/19: EUR 1.2 million).

Cash flow from investing activities totalled minus EUR 7.2 million (2018/19: minus EUR 17.9 million). In the prior-year period, higher cash outflows were needed to fund the acquisition of TalentChamp and CDE (EUR 8.1 million in total) and for investments in tenant fixtures in our new head office (EUR 2.6 million).

Cash flow from financing activities also changed considerably. Together with the newly issued promissory note bonds, the net balance of cash inflows and outflows totalled EUR 25 million (2018/19: EUR 0 million). As a result, cash funds as at 30 September 2020 totalled EUR 69.1 million (30 Sep 2019: EUR 28.5 million).

Overall assessment of business performance and the economic position of the Group

Based on the aforementioned analysis of business performance and of the earnings, financial and asset situation, and after consideration of all relevant facts and circumstances, the management board of All for One Group SE believes that the Group is still in a solid economic position. Looking beyond the end of financial year 2019/20 and after completion of the first weeks of financial year 2020/21, we believe that the economic position of All for One Group also remains very solid.

Group financial management principles and objectives

Financial management at All for One Group is primarily understood as liquidity management, capital structure management and the management of interest rates. Currencies are of only minor importance. The financial management function at All for One Group strives to preserve financial independence by assuring the availability of sufficient liquidity. In doing so, it aims to sustain the good financial strength of the Group at all times. Risks should be avoided to the greatest possible extent, while risks to operational business need to be effectively hedged. Accordingly, All for One Group does not engage in speculative forward transactions nor does it currently make use of any derivative financial instruments. One particular area of financial management focus is also to monitor and ensure compliance with the covenants governing the promissory note bonds used to fund the company. The financing and liquidity risks are discussed in Section »4. Opportunities and risk report«.

The Group is strongly influenced by its operationally active parent company All for One Group SE. As such, the annual financial statements of All for One Group SE indicate that business performance was very similar to that discussed in the consolidated financial statements of All for One Group.

3.6. ASSETS, FINANCIAL AND EARNINGS SITUATION OF ALL FOR ONE GROUP SE

The annual financial statements of All for One Group SE are prepared in line with the generally accepted accounting principles as specified in Sections 242 to 256a and 264 to 288 HGB, together with the special regulations specified in the German Stock Corporation Act (Aktiengesetz, AktG).

Analysis of assets, financial and earnings situation

Balance sheet of All for One Group SE (short version, HGB)

in KEUR	30.09. 2020	30.09. 2019
Intangible assets	17,523	20,749
Fixed assets	18,917	22,131
Financial assets	58,756	59,258
Inventories	0	0
Receivables and other assets	26,651	36,107
Cash resources	43,664	9,325
Accruals	6,100	4,889
Total assets	171,611	152,459
Equity	73,954	70,360
Provisions	23,097	21,364
Liabilities	70,563	56,374
Deferrals	1,071	983
Deferred tax liabilities	2,926	3,378
Total liabilities	171,611	152,459

Statement of profit and loss of All for One Group SE (short version, HGB)

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Sales revenue	251,677	245,945
Change in inventory	4,135	12,291
Other operating income	7,717	7,317
Cost of materials	-119,457	-110,040
Gross profit	144,072	155,513
Personnel expenses	-101,319	-99,909
Depreciation and amortisation	-11,609	-10,478
Other operating expenses	-28,215	-43,740
Operating result	2,929	1,386

Earnings situation

The sales trend at All for One Group SE was also dominated by »Covid-19« in financial year 2019/20. Sales revenue increased by 2% in total to EUR 251.7 million.

Sales from software licenses (minus 34% to EUR 22.2 million) decreased significantly, mainly as a result of the recession. The development of cloud services and support revenue (plus 8% to EUR 61.4 million) shows the pace at which cloud transformation is progressing in spite of »Covid-19«. Recurring revenue (plus 6% to EUR 156.8 million, 62% share of total revenue) include both the aforementioned cloud services and support revenue, and software support sales (plus 5% to EUR 95.5 million) which are linked to the sale of software licenses. Sales from consulting and services increased by 12% to EUR 69.9 million. This performance was primarily due to the expansion of our portfolio of products and services in IoT & machine learning, cyber security & compliance, and new work & collaboration.

The item »Change in work in progress« increased by EUR 4.1 million (2018/19: EUR 12.3 million) and includes, above all, a growing volume of consultancy projects that have already commenced but are not yet, or have only been partially, completed. Other operating income increased by 6% to EUR 7.7 million (2018/19: EUR 7.3 million) and includes benefits in kind to employees and declining marketing support in the wake of fewer software license sales.

Cost of materials increased at a disproportionately higher rate than sales, by 9% to EUR 119.5 million (2018/19: EUR 110.0 million). The associated expenses also decreased (minus EUR 7.9 million) in the wake of the sharp drop in demand for software licenses. By contrast, purchased services for software maintenance increased by EUR 2.9 million. In addition, the company now includes the information processing cost for customer systems in the cost of purchased services in the statement of profit and loss instead of the former practice of recognising it as an other operating expense. In the year under review, this change in disclosure produced a reclassification of EUR 12.4 million compared to the prior year.

Overall, the cost of materials ratio increased from 45% (2018/19) to 48% (2019/20). As a result, gross profit decreased by 7% to EUR 144.1 million (2018/19: EUR 155.5 million).

Personnel expenses increased by 1% – a slightly lower rate relative to sales – to EUR 101.3 million (2018/19: EUR 99.9 million). Accordingly, the ratio of personnel expenses to sales decreased to 40% in total (2018/19: 41%). The prior-year personnel expenses, however, included extraordinary effects of EUR 2.9 million relating to personnel measures (mainly redundancies) in connection with »Strategy22«.

Of the increase – of 11% to EUR 11.6 million (2018/19: EUR 10.5 million) – in depreciation and amortisation at the level of All for One Group SE, EUR 6.8 million (2018/19: EUR 5.7 million) were attributable, above all, to depreciation of investments in cloud technologies in our computer centres.

The decline of 36% in other operating expenses to EUR 28.2 million was essentially due to the effect discussed above of reclassifying other operating expenses of EUR 12.4 million to cost of materials. Added to which, travel expenses have decreased due to the change in how we work in the wake of »Covid-19« (»remote access«). The prior-year figure of EUR 43.7 million also included extraordinary costs of EUR 3.0 million (»Strategy22«, changing the name of the company, new brand architecture, for example).

Despite the shortfall in earnings as license revenues declined, operating profit more than doubled year on year to EUR 2.9 million. Disregarding those extraordinary costs of relevance for the result of operations – the cost of launching »Strategy22« in financial year 2018/19 (EUR 6.3 million) – the figure would have decreased by 62%.

Tax expenses of EUR 2.3 million were recognised in the current reporting year. By contrast, tax income of EUR 1.3 million was recognised in financial year 2018/19. This tax income was a result of reversed provisions for tax liabilities amounting to a total of EUR 2.9 million (retrospective recognition of loss carry forwards). Net income for the year increased by 12% from EUR 8.6 million (2018/19) to EUR 9.6 million (2019/20).

Assets and financial situation

The balance sheet total as at 30 September 2020 of All for One Group SE increased by 13% year on year to EUR 171.6 million (30 Sep 2019: EUR 152.5 million).

Intangible assets declined to EUR 17.5 million (minus EUR 3.2 million). After the investment peak in 2018/19 – technology investments in expanding the computer centres we use in order to extend our cloud services and investment in our new headquarters – fixed assets decreased to EUR 18.9 million (minus EUR 3.2 million). Capital expenditure on fixed assets totalled EUR 4.5 million in the current reporting year (2018/19: EUR 13.5 million). As at 30 September 2020, additional investment commitments existed for legal and/or business reasons. With a total volume of EUR 6.9 million, they mainly relate to planned technology procurements (purchase commitments).

At EUR 58.8 million, financial assets were slightly lower year on year (30 Sep 2019: EUR 59.3 million).

In inventories, work in progress was netted completely against advance payments received for purchase orders. At zero, the net item is therefore unchanged year on year. This includes both EUR 47.8 million for consultancy projects that have commenced but not yet been completed (30 Sep 2019: EUR 43.7 million) and an equivalent amount for advance payments received for purchase orders.

In total, receivables and other assets decreased to EUR 26.7 million year on year (minus EUR 9.4 million). This development was due to lower trade receivables (minus EUR 6.1 million to EUR 19.0 million) following the marked slowdown in business development with regard to license sales, and to a decline of other assets to EUR 0.6 million (minus EUR 3.3 million). The increase in cash and cash equivalents EUR 43.7 million (plus EUR 34.3 million) is mainly due to the cash inflow of EUR 25.0 million from the placement of new promissory note bonds.

Provisions decreased to EUR 23.1 million (minus EUR 1.7 million). The increase in liabilities by EUR 14.2 million to 70.6 million, was largely the result of the increased liabilities to banks discussed above. Since the net income of the prior year was only partially distributed, equity increased in total from EUR 70.4 million (30 Sep 2019) to EUR 74.0 million (30 Sep 2020). Accordingly, the equity ratio was 43% (30 Sep 2019: 46%). Net debt increased to EUR 4.8 million (30 Sep 2019: EUR 14.2 million).

The financial position of All for One Group SE as at 30 September 2020 is stable despite »Covid-19«.

Financial management principles

The same principles apply for financial management at All for One Group SE as for the Group as a whole.

Overall assessment of the assets, financial and earnings situation of All for One Group SE

After consideration of all relevant facts and circumstances and completion of the first weeks of financial year 2019/20, the management board believes that the economic situation (assets, financial and earnings situation) of All for One Group SE is still very solid.

3.7. ALL FOR ONE GROUP SE RATING

In light of the solid financing structure and financial instruments used by the company, there was no need to obtain external ratings.

Based on the annual financial statements as at 30 September 2019, Deutsche Bundesbank rated the company as possessing central bank eligibility initially until 25 March 2021. That means that lending banks can use loan receivables owing from All for One Group SE as collateral for refinancing purposes with Deutsche Bundesbank.

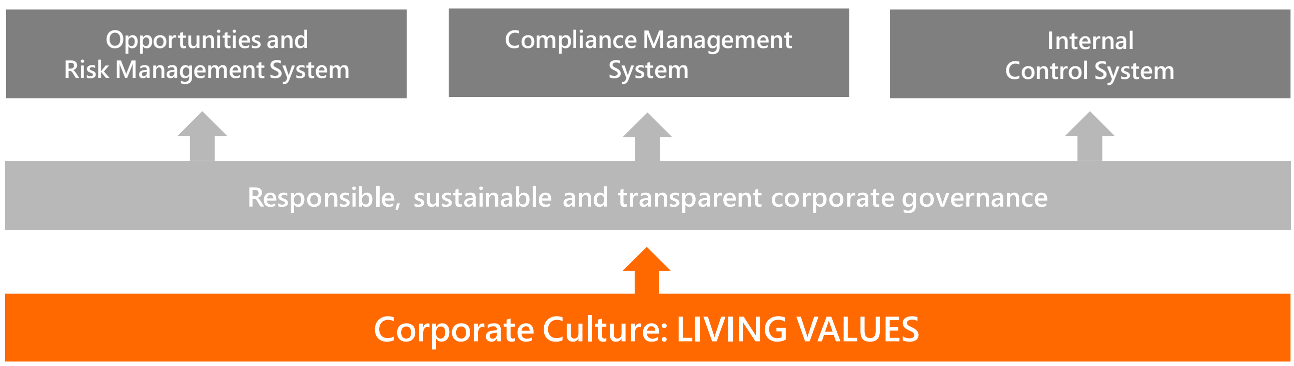
4. OPPORTUNITIES AND RISK REPORT

Unless indicated otherwise, the disclosures in this opportunities and risk report are valid equally for both Group and parent company.

»All for One Group Governance Model«

The management of All for One Group is based on values. The company operates in a dynamic market environment. We have established the All for One Group Governance Model to ensure the successful implementation of our strategies, sustainably profitable growth, and the achievement of our financial and non-financial targets and forecasts. This model is continuously being improved and developed. It builds on our company culture »LIVING VALUES« and the principles of good corporate governance: responsible, sustainable and transparent leadership. The following three pillars form the framework within which our governance model is designed:

- Opportunities and risk management system
- Compliance management system
- Internal control system (with internal audits)



Each pillar has specific »mechanisms« for planning and managing financial and non-financial issues, and their interactions and interdependencies. Our approach to opportunities and risk management (methodology of identification, evaluation, monitoring of opportunities and risks) is the same for both financial and non-financial issues. As part of our opportunities and risk management system, we also monitor non-financial aspects.

4.1. OPPORTUNITIES AND RISK MANAGEMENT SYSTEM

Opportunities management

The innovative strength and quality of our solutions are critical for our customers' businesses. We show how to successfully digitalise business workflows or even how to design and expand new business models in order to secure competitive advantages and, at the same time, make our own company fit for the future. The numerous individual »opportunities« offered by digital transformation therefore define our entire opportunities management to a very considerable degree. At the same time, our own workflows benefit from the specific use of new technologies, becoming more efficient and helping us to successfully grasp the opportunities.

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 ongoing digital transformation. We analyse market, industry and technology trends, opportunities, SAP, Microsoft and IBM innovations and their related software solutions, and how these can be employed to benefit our customers. In order to enhance our enterprise value, we always take a values-based approach to opportunities. 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 and thus strive for a balanced relationship between opportunities and risks.

Our revenue and earnings forecasts (see Section »5. Outlook«) take into consideration the degree to which we believe those opportunities described below are likely to arise. Opportunities from the trend towards further consolidation on the market, such as through acquisitions, were, however, ignored.

Risk management

All for One Group SE, with its parent company All for One Group SE, is exposed to a number of different risks. As part of its overall responsibility for the Group, the management board established a risk management and internal control system specifically 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 applied uniformly across the entire Group. This system forms the basis for adequately ensuring achievement of our financial, operational and strategic goals and compliance with rules and regulations. Early risk 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 same entities are included in the risk consolidation as in the scope of the consolidation of All for One Group. All identified risks (gross risks, i.e. before risk-mitigating countermeasures) are recognised for the purpose of risk reporting and hence also include those risks that have largely been mitigated thanks to appropriate countermeasures. The actual reporting takes place on a net basis, i.e. taking into account risk-mitigating countermeasure and is divided into various risk groups (see Section »4.5. Risks associated with future business development« and specifically the sub-section »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 manual 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 early risk warning and control. Our internal control system and compliance management system are closely linked to our risk management system.

4.2. COMPLIANCE MANAGEMENT SYSTEM

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. At the core of the system is a code of conduct derived from our corporate values, which sets forth binding rules about behaviour that apply 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 is reinforced by a compliance department and compliance coordinators in the subsidiaries. Every employee is given access to, and may review, the individual elements of our compliance management system on our intranet. Tip-offs and suspected misconduct can be reported via an externally accessible whistleblowing portal that is valid throughout the Group (https://all-for-one.integrityline.org).

Our compliance management efforts were again expanded during financial year 2019/20. Our efforts centred around adapting our organisation and processes across the entire Group to the strategy and business model of All for One Group, as well as providing training on issues relating to compliance and data protection. We focused on closely integrating all Group units – from management board to office team member. Within our information security organisation, we also supported the successful renewed certification of our managed cloud services as per ISO/IEC 27018.

4.3. INTERNAL CONTROL SYSTEM

Our Internal Control System is based on the pillars of the »principle of dual control«, »segregation of duties«, »integrated reporting« and »internal audits«. The » principle of dual control« is implemented operationally 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 refined these internal systems and applications, along with their respective rights and authorisation concepts, in the course of the acquisitions we made. The »separation of functions« within critical business processes further enhances the security 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 business units, their companies and departments 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, companies and business units. We also set up specially chosen teams to work on technical issues and developments that transcended departments, corporate entities and business units. In these advisory boards, risks are also discussed, tracked and evaluated, and documented in reports and minutes.

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 risk manager, compliance officer and head of internal audits report their findings to the management board and directly to the supervisory board.

Accounting-related internal control and risk management system

Sections 289 (4) and 315 (4) HGB require that All for One Group SE describes the key characteristics of this accounting-related internal control and risk management system in its management report. With regard to the Group accounting process, the purpose of the internal control and risk management system is to enable the identification and assessment of risks that could jeopardise the aim of assuring the legal conformity of the consolidated financial statements. The system needs to provide adequate assurance that the financial reporting procedures for both the consolidated financial statements of All for One Group and the individual financial statements of all subsidiaries included in the consolidation are compliant with both pertinent laws and generally accepted accounting principles.

The internal control and risk management system for the accounting processes is embedded in the Group-wide risk management system and includes both principles and methods, as well as actions for assuring that the accounting processes are not only effective, cost efficient and proper, but also comply with pertinent laws and standards. Key features of the system include clearly defined control mechanisms (designed as technical and manual coordination processes), the segregation of duties (»principle of dual control«) and the availability of and compliance with policies and work instructions. Regardless of the design of an internal control system (»ICS«), it can never completely guarantee that material misstatements in the accounts will be avoided or discovered. They may occur, for example, as a result of misguided discretionary judgements, inadequate controls, or criminal activity.

The companies belonging to All for One Group prepare their financial statements locally and are responsible both for complying with local regulations and for correctly reconciling their local financial statements to the IFRS reporting packages that are prepared using accounting and measurement methods that are the same throughout the Group. In-house IFRS accounting policies govern the standardised accounting and measurement principles for the companies in Germany and abroad that are included in the consolidated financial statements. The accounting manual issued by All for One Group aims to provide unambiguous instructions to restrict the discretionary scope of the staff when recognising, measuring and stating assets and liabilities, thus minimising the risk of inconsistent accounting practices within the Group. The process of preparing the consolidated financial statements is coordinated and monitored centrally by Group Accounting using a specified schedule of deadlines and activities.

Key changes to accounting processes in the wake of new laws, amendments to laws or changes to in-house processes are analysed promptly by Group Accounting to determine their effects and – where relevant – to integrate them into the accounting manual. Certain accounting or complex issues that are exposed to particular risks or require special expertise are monitored and addressed centrally. If necessary, external experts are engaged, especially for impairment testing or measuring pension provisions.

All key accounting-related processes are standardised throughout the Group and mapped in an IT environment. This integration of all key financial systems assures the integrity of the data relating to the individual and consolidated financial statements. Together with the accounting manual that is mandatory throughout the Group, the use of a standardised account plan throughout the Group and the centralised maintenance of the account system ensures the standardised accounting treatment of similar business transactions. This standardisation ensures, above all, uniform, proper and prompt accounting of all material business transactions. This also serves as the basis for legally compliant Group consolidation.

Specific accounting-related risks might occur, for example, in connection with unusual or complex transactions. In addition, a latent risk exists with regard to business transactions that are not processed routinely. A limited number of people have had to be granted discretionary scope with regard to the recognition and measurement of assets and liabilities, which could give rise to further potential accounting-related risks.

Group Accounting is centrally responsible for all consolidation actions and requisite coordination activities. Subsidiaries use the Group-wide standardised report schedule to submit their financial data to Group Accounting for purposes of consolidation. System controls are used to technically validate the financial statement figures submitted by the Group companies. In addition, the individual financial statements submitted by the consolidated entities are validated centrally in conjunction with the reports issued by the auditors. Proper and complete elimination of intra-Group transactions is ensured by system-based deduction and formalised enquiries. The in-house auditing function routinely evaluates the effectiveness of the internal accounting control system.

Risk reporting procedures relating to the use of financial instruments

The risks associated with financial instruments are discussed in detail in note »21. Additional information about financial instruments«.

4.4. OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

Our customers rely on us to enhance their ability to compete in a digital world. We strive to meet these expectations to the best of our ability. To this end, we have identified opportunities as part of our »Strategy22« which are discussed in more detail below and which we plan to focus on driving in the future.

Opportunities offered by digital transformation and migration to SAP S/4HANA

In the years to come, a lot of our customers are expected to transform their SAP landscapes to SAP S/4HANA. Successful evolution into an intelligent, networked company is, however, virtually unattainable without a »digital core« comprised of an entirely new generation of business software – SAP S/4HANA. Our CONVERSION/4 subscription model based on SNP technology offers customers not just the largely automated delivery of the technical conversion for a fixed monthly fee. It also provides an all-inclusive package of services comprising cloud infrastructure and operation, improvements in business processes and ongoing innovation. We therefore offer businesses a clearly structured approach to allow them to reap the benefits of SAP S/4HANA even faster. In addition, we want to use this innovative subscription model to give numerous other SAP business users the opportunity for smart migration to SAP S/4HANA.

Recurring revenue could therefore also increase further and the planability and scalability of the business could be further improved. If penetration of our target markets – especially with our expanded portfolio – were to exceed expectations, the impact on our assets, financial and earnings situation could be positive as could the deviations from our revenue and earnings forecast (see Section »5. Outlook«).

Opportunities as an all-inclusive, integrated provider and strong group, in both the main and larger midmarkets

We position ourselves as an integrated provider that works closely with its subsidiaries. Likewise, we are strengthening our Group-wide management organisation, our key account management organisation (»Customer Success Management«) and our organisation for expanding our innovation culture. In doing so, we are extending our market access to include companies at the larger end of the midmarket. As a result, we will increasingly have the opportunity to craft new or extended integrated solutions, to add to solutions, to offer our customers ongoing and comprehensive support in all areas of digitalisation and to enhance their ability to compete. In doing so, the opportunities for providing comprehensive support to customers even in phases of declining economic development and for gradually embedding our entire range of services and solutions above and beyond the initial sale of services will also increase. In response to the pioneering role adopted, not just by the IT department but also by the specialist departments, in particular, when it comes to numerous new topics, we have specifically adapted our portfolio and market approach, opening up opportunities to specifically drive the use of such services and, at the same time, further raise the added value for our customers. If these trends can be implemented ever more quickly and comprehensively than planned, the benefits will not only be reaped by our assets, financial and earnings situation. On the contrary, such strong development could also produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of a portfolio that extends beyond »ERP«

Smarter business processes and better technologies alone are not enough to maintain the future viability of companies and expand their competitive positions. Without the right strategy, sophisticated »Customer Experience« for our customers' customers, agility of new working worlds (»New Work and Collaboration«) or motivated experts (»Employee Experience«), it is rare for a corporate transformation to be sustainably successful. As a valued partner for digitalisation, our portfolio therefore extends far beyond business process and technology solutions for enterprise resource planning (»ERP«). The expansion of our portfolio in connection with our »Strategy22« is increasingly focusing on the fact that digital transformation affects every single area and department in a company and thus presents a whole host of new challenges. As a result, the opportunities for conquering sub-markets related to »ERP« are growing. Executing more projects than budgeted could impact our assets, financial and earnings situation and produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of our Group-wide brand architecture

Our brand architecture has created a visual identity that is consistent throughout the Group. In doing so, it gives us the opportunity to further raise our visibility in our target markets. In collaboration with our subsidiaries, this development could enable us to secure even closer involvement as the consulting, solutions and services partner of choice in IT projects for digitalising business workflows and business models than has so far been the case. Our position in the SAP midmarket the generation change to SAP S/4HANA and our good visibility within SAP and – increasingly – in the Microsoft organisations also offer good opportunities for the sale of cloud subscriptions and licenses. Our assets, financial and earnings situation could reap more benefit from a stronger-than-planned increase in our visibility in the marketplace, which could also produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities offered by our strong partner network

Our strong partner network enables us to support our customers »from a single source« comprehensively, effectively and efficiently in strengthening their ability to compete in a digital world. Our »All for One Group Business Partners« expanded partner scheme is increasingly proving to be a competitive advantage in this respect. Supported by these partners, we can penetrate even further into our target markets, and sell and efficiently implement additional licenses and cloud subscriptions. At international level, the United VARs cooperation constituting »SAP Global Platinum Value Added Resellers« assures low-risk, well-established and good quality global customer support in – meanwhile – around 100 countries. Likewise, our strongly expanded partner network puts us in an outstanding position vis-à-vis SAP. The performance of our indirect sales organisation and the expansion of our partner relationships impact our assets, financial and earnings situation: Better-than-planned progress could produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of our buy & build strategy

Transformation pressure and the pace of innovation are increasing further in our markets. Together, they are both driving the trend towards specialisation in the provider landscape. This development increases our opportunities for external growth above and beyond our organic growth targets (see Section »5. Outlook«). Further successful acquisitions could significantly influence our assets, financial and earnings situation. As has been our practice in the past, because these opportunities can only be planned to a very limited extend, such transactions are only included in our revenue and earnings forecasts for financial year 2020/21 if they are already sufficiently realistic.

Opportunities offered by the changes »Covid-19« is having on how we work

In a very short space of time, »Covid-19« has changed how both we and our clients work. We are increasingly performing remotely work that our customers previously only would have accepted being delivered in a consultancy capacity on site. Which is not only lowering our travel expenses but also allowing our customers to make considerable savings and achieve greater project efficiency. »Covid-19« is, moreover, prompting many of our customers to strengthen their efforts to implement digital change. We are already noticing how this is boosting digitalisation across the board. Our comprehensive innovation strategy (»Strategy22«) is already paying off. Our innovative business model is perfect for these strong dynamics, offering increased scaling potential. A continuation of the digitalisation drive at a stronger rate than expected once things return to normal could result in positive deviation from our sales and earnings forecast (see Section »5. Outlook«).

Overall, we have further increased the aggregated opportunities in connection with our »Strategy22«.

4.5. RISKS ASSOCIATED WITH FUTURE BUSINESS DEVELOPMENT

The identification and assessment of the risks associated with future business development are largely determined by »Covid-19«. We were able to successfully conclude the launch of our »Strategy22« in financial year 2018/19. As such, foundations were laid early on to not only rigorously grasp the opportunities offered by »Covid-19« but also to better mitigate the risks associated with it. Nevertheless, »Covid-19« has considerably increased the risk situation overall.

Risk assessment

We use the following tables to assess identified risks (net risks, i.e. taking into account risk-mitigating countermeasures) in terms of their probability of occurrence and their impact on net assets, financial position and results of operations and our revenue 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

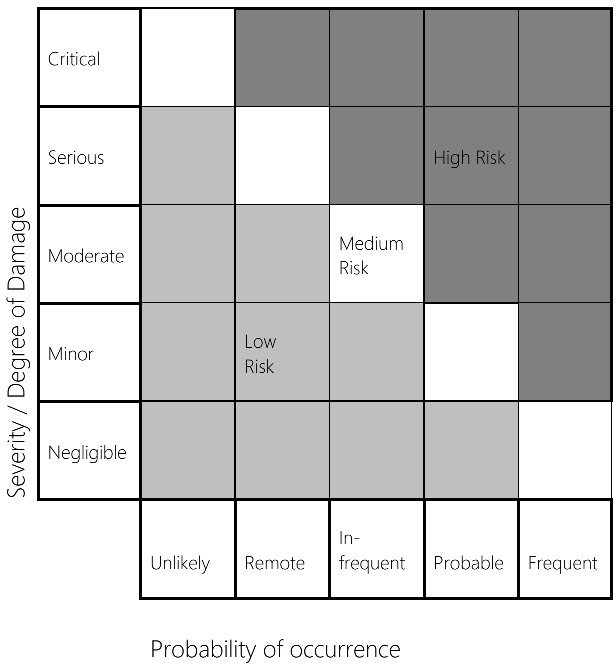
Our risk catalogue does not include those risks with a probability of occurrence of more than 50%, as we have not identified any such risks. In addition to our own experience and outside appraisals, we also include comparative values from other market participants in our assessment.

The severity or degree of damage that these identified risks can present ranges from »negligible« to »critical« according to the following scale. For reasons of practicability and continuity, risk classification is purely qualitative using the following method that we have standardised across the Group. This methodology ensures better comparability of risk trends, even over the course of several years, especially when more severe changes to our net assets, financial position and results of operations occur. It also allows for more consistent tracking and management of risks that are difficult to quantify – such as risks to our reputation. The timeframe for the assessment of these impacts corresponds at least to the forecast period specified in the »Outlook« section.

Severity/ Degree of Damage	Description
Negligible	Negligible negative impact on assets, financial and earnings situation
Minor	Limited negative impact on assets, financial and earnings situation
Moderate	Some potential negative impact on assets, financial and earnings situation
Serious	Considerable negative impact on assets, financial and earnings situation
Critical	Detrimental negative impact on assets, financial and earnings situation

Risk matrix

We have compiled both assessments – namely the probability of occurrence and severity/degree of damage – in the form of risk priority figures 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.



Summary of the change in the risk situation as a result of »Covid-19«

The change to our risk situation as a result of »Covid-19« has been unexpectedly fast and severe. Back in our report for the first half-year as of 31 March 2020 we had already discussed the substantial changes compared to our risk report 2018/19. We had raised the classification of our »market and industry risks«, »risks associated with bad debts and customer insolvencies«, »project risks« and »risks associated with human resources« in each case from previously »medium« to »high«. At the same time we changed the classification of our »financial and liquidity risks« (from »low« to »medium«). In our risk report 2018/19, we had already classified »economic risk« (included in the »risks associated with social, political, overall economic and regulatory developments«) as »high«.

The relevant risks that our risk management system has flagged and which we are tracking are discussed below (in summary).

Individual risks

	Probability of occurrence	Severity/ Degree of damage	Risk category
Environmental risks			
Risks associated with social, political, overall economic and regulatory developments	Frequent	Serious	High
Market and industry risks	Probable	Serious	High
Strategy risks			
Risks associated with »co-competition« with strategic partners	Probable	Serious	High
Financial risks			
Financial and liquidity risks	Remote	Serious	Medium
Risks associated with bad debts and customer insolvencies	Probable	Moderate	High
Operational risks			
Risks associated with the operation of computer centres	Unlikely	Critical	Medium
Cyber risks	Remote	Serious	Medium
Data protection risks	Remote	Serious	Medium
Risks associated with human resources	Infrequent	Critical	High
Risks associated with acquisitions	Infrequent	Moderate	Medium
Project risks	Probable	Moderate	High
Risks associated with legal disputes	Remote	Serious	Medium
Compliance risks	Remote	Serious	Medium

Environmental risks

The »environmental risks« category is where we address and examine the risks stemming from overall economic, political, social and regulatory changes and developments as well as special risks in our markets and in the industries of our customers.

Risks associated with social, political, overall economic and regulatory developments

In an environment of extremely volatile markets, the economic risks to our business performance could scarcely be greater. Measures to contain »Covid-19« could be sustained for longer periods or could even be extended. This could lead to further worsening of the global recession (see Section »3. Economic report«). There is no knowing when life will return to normal. By the same token, predicting the impacts of future economic development in our geographic markets of Germany, Austria and Switzerland is extremely difficult, especially with regard to export-dependent key industries such as the machinery and equipment manufacturing and automotive supply industries. A lot of companies will probably »plan one day at a time« and put investment plans on hold. IT projects may well be halted or postponed – even at short notice – or might well never materialise. Accordingly, the considerable adverse effect on our sales activities – especially with regard to generating new contracts – could continue, both in the current forecast period and beyond. At the same time, a lot of customers are cutting jobs, which could well make it even harder to sell software licenses.

Social developments and the resulting stricter regulatory requirements can also have a lasting adverse impact on our business performance. These include transformation processes such as the progress of e-mobility and targets for climate protection, energy management and the limitation of pollutant emissions. Sustainability aspects such as compliance with environmental, social and ethical standards, changes to laws and regulations and their interpretations in the fields of tax and accounting may also delay our business development. In addition, the already high level of regulation for capital market-oriented companies could increase further, resulting in considerable additional burdens.

The ramifications of the risks associated with social, political, overall economic and regulatory developments are mostly beyond our direct control. Although extremely difficult to estimate, we categorise the probability that these environmental risks will occur as »frequent«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. For this reason, we have categorised these risks in our overall assessment as »high«.

Market and industry risks

»Covid-19« threatens health, restricts mobility, results in lockdowns, disrupts supply chains and thus interferes with sales and procurement markets. The already severe pressure on our customers, industries and markets will probably become even worse as a result of »Covid-19«. This could lead to transformation risks that adversely affect the sustainability of our customer relationships, change the competitive environment, and increase competitive, price and margin pressure even more than planned.

Companies operating in the automobile industry – and thus our customers in the supply sector – are in the midst of far-reaching changes. Our large customer base in the machinery and equipment manufacturing and consumer goods industries is facing similar »disruption«. New technologies and business models could prompt increased user-based billing rather than the sale of systems. These huge changes could compete with investments in IT solutions and services, and have an even more adverse effect than expected on our sales success and thus our business development.

As a »trusted advisor« to our customers, we are increasingly facing an »innovator's dilemma« with regard to market and industry risks. We are required to invest considerable effort in both building and expanding new themes all at the same time to ensure our ability to continue comprehensively supporting our customers in strengthening their ability to compete. The associated investment is considerable.

Within these waves of transformation, we need to continue servicing our large base of customers and their business-critical application landscapes for the time being before we can gradually migrate them to the new world – a process that will probably take several years. This requires considerable up-front effort and ties up multiple resources. In addition, the risk associated with any generation change to mature software solutions that are well established in the marketplace is huge. A lack of confidence on the part of our customers – with regard to security, integration ability, scalability, configuration ability and reliability, for example – could weigh on our customer relationships and thus adversely affect our business development.

The ongoing transformation of local systems and data to the cloud also poses considerable risks. Sustainable success in marketing cloud solutions to raise our recurring revenues could increasingly lead to lower-than-planned non-recurring revenues from the sale of conventional software licenses before they are more than offset by – albeit lower but at least recurring – revenues from cloud-based software utilisation, which could take years to materialise. Ongoing market consolidation and the rapid pace of innovation could, moreover, adversely affect the further expansion of our managed cloud services for operating and supporting extensive corporate software landscapes.

As part of our »Strategy22«, we have developed a comprehensive regime of »strategic cornerstones« to mitigate market and industry risks. We are strengthening our Group organisation and carefully expanding our portfolio to further intensify our customer relationships and to enhance the customer experience. We are also expanding our market access beyond just small and medium enterprises in an effort to include the »larger« midmarket. Likewise, we are improving our ability to grow internationally with our customers, as well. To this end, we are strengthening cooperation within our United VARs alliance. These measures should increasingly help to further improve our position within the current competitive landscape and to mitigate increased transformation risks.

Our solutions portfolio for specialised departments is increasingly allowing us to venture beyond our former target markets in manufacturing and consumer goods into all sorts of new industries. We are gradually expanding our »industry mix« and, in doing so, reducing our dependency on the manufacturing sector with its strong reliance on exports. We are also focusing closely on ensuring the integrated presentation of our Group in the markets and on a comprehensive and staggered approach to »customer success management« across the Group that centres around the entire Group's portfolio covering all aspects of transformation processes. Our role as a service provider who masters both the business software platforms and, above all, their integration, and can therefore look after our customers' entire software landscape and the operation of the same, is becoming increasingly important. In doing so, we should be able to at least cushion the increased competitive, price and margin pressure.

In an attempt to further mitigate our market and industry risks, we are connecting our managed cloud services from computer centres in Germany ever more closely to the computing resources of large public cloud platforms, such as Microsoft Azure, with their virtually limitless upward and downward scalability. For the computer centres we use ourselves, we rely staunchly on the co-location services of leading providers, and their facilities to give us added flexibility.

In addition, our strategic initiative »CONVERSION/4« is a subscription model offering our customers particularly »smart« migration to SAP S/4HANA. This enables us to increase our recurring revenues further and to set ourselves apart from our competitors.

The knock-on effects of »Covid-19«, in particular, are largely outside our control. As a result, considerable market and industry risks will probably remain – despite mitigating measures – whose likelihood of occurrence we believe to be »probable«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. For this reason, we have categorised these risks in our overall assessment as »high«.

Strategy risks

Our analysis of »strategy risks« encompasses the examination of the impacts of changing competitive situations along our supply chains and in our »business networks«. These include, in particular, the risks associated with strategic partnerships, their solutions, technologies, partner models and resulting competitive situations (»co-competition«). Our detailed assessment of these trends and the associated risks is as follows.

Risks associated with »co-competition« with strategic partners

Our strategic partners are themselves also exposed to severe transformation pressure and are adapting their strategies. Changes such as these in the general environment in which our partners operate could expose us to increased risks of competition (»co-competition«).

For example, customers could implement strategic initiatives to cement their customers' loyalty that involve the development of their own industrial platforms and proprietary IT-affiliated business models that build on the same. Our customers could themselves build more of the IT resources and services needed to achieve this than expected by us, or they could procure them directly from our strategic partners.

In addition, our suppliers – operators of major platforms (»hyperscalers«), for example – could successfully attempt to offer our customers their own higher quality support on top of their infrastructure-based services and thus increase the price and margin pressure on our service portfolio. Our strategy of increasingly helping »larger« midmarket companies to enhance their ability to compete could, moreover, produce new competitive situations with major »players« and thus adversely affect our development.

Further risks arise in connection with our focus on the portfolio of a few selected providers of business software, especially SAP and Microsoft. In addition, the strategic cooperation with SNP Schneider-Neureither & Partner SE, Heidelberg, which we entered into in financial year 2019/20, could increase the risk to which we might be exposed from co-competition with strategic partners if our business interests diverge.

The sustainability of the midmarket strategies of our strategic partners, and changes to contractual rules, terms and conditions for partner sales cannot be predicted with certainty and could significantly impair our business performance. Divergent business interests of our strategic partners could have a significant impact on the continued market success of our products and services. For example, the successful distribution of our proprietary business process solutions for S/4HANA might be adversely affected by SAP's strategy of driving the marketing of its own cloud services for S/4HANA (»SAP S/4HANA Public Cloud Edition«) with proprietary sector-specific features.

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 (internet of things), could take a different direction to the one we planned, temporarily result in gaps in our service portfolio, inhibit the quality of our customer service and support.

To mitigate the above risks, we monitor dependency on strategic partners very closely. For example, we examine in detail which proprietary solutions we could develop to expand the standard scope of the solutions to suit our target customers' needs and thus to design a customer-specific solution architecture.

The emergence of more mutual dependencies also helps to reduce the risks. Our strong performance in the SAP midmarket segment and as a member of United VARs – one of the leading SAP global platinum resellers – is important for the progress of SAP's own business. Moreover, the strong global standing of United VARs is increasingly helping us to promote the interests of our midmarket customers within the global SAP organisation.

Microsoft also plans to further increase the growth momentum of its indirect business, to which end it is increasingly relying on major partners with extensive innovative and distribution competence. Added to which, »Covid-19« has increased the pace of agile and strongly digitalised working worlds enormously. This is providing additional tailwind to our »communications & collaboration activities«. We have also developed new service packages based on Microsoft, which are giving us a stronger stand within Microsoft's partner distribution and increasingly enabling us to ensure the risk-mitigating positioning of our interests. One of the measures taken to reduce the risks associated with our strategic partnership with SNP was to enter into a comprehensive and well-balanced cooperation agreement.

We assess as »probable« the likelihood that those risks arising from competitive situations with strategic partnerships, will materialise. We do, however, consider their potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. 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-related risks and risks associated with bad debts and customer insolvencies. Our more detailed assessment of these risks is as follows.

Financial and liquidity risks

Our liabilities to financial institutions largely comprise issued promissory note bonds (see section »3.5. Group assets and financial situation«).

The promissory note bonds are unsecured and not subordinated. Should certain events occur, the holders of the promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory note bonds 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 Group SE (change of control), the creditors will also be authorised to completely cancel their loan commitments and call the loans due immediately.

We carefully monitor compliance with the terms and conditions of the promissory note bonds. 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 specifically counteract any unplanned outflows or insufficient inflows of cash. Although we remain confident of our ability to comply with the »covenants« governing the promissory note bonds, not just with regard to the financial year 2019/20 just ended, but also in the future, we cannot rule out the possibility that refinancing All for One Group SE could become considerably more difficult – depending on how »Covid-19« progresses and how it impacts capital market trends.

We estimate the probability of these financial and liquidity risks occurring as being »remote«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »serious«. Our overall assessment categorises these risks 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 »financial risks«. The severe recession in the wake of »Covid-19« is significantly increasing this risk, as well. Accordingly, we must expect insolvencies in our customer base – possibly to an even greater extent than was the case during the financial and economic crisis in 2008/09.

We have systematically expanded our systems and practices for the early detection of risks of insolvency among customers in order to limit exposure as effectively as possible. Insurance is also used to mitigate the risks posed by bad debts. Our strict receivables management, for which we use a software tool, enables us to identify and closely monitor the first signs of changes in the payment behaviour of individual customers. We have, moreover, increased our insurance cover against bad debts and, in particular, improved its effectiveness in phases of severe economic downturn.

In light of the severe recession, we estimate the likelihood of occurrence of the risk of bad debts and customer insolvencies to be increasingly »probable«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »moderate«. For this reason, we now categorise these risks in our overall assessment as »high«.

Operational risks

Risks associated with the operation of computer centres, cyber risks, data protection risks, risks associated with human resources, risks associated with acquisitions, project risks, risks associated with legal disputes and compliance risks are all addressed under »operational risks«. Our more detailed assessment of these risks is as follows.

Risks associated with the operation of computer centres

All for One Group is exposed to the specific risks inherent with the operation of computer centres. 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 »5. Outlook«).

Extensive measures are employed to reduce these risks. Systems and applications are operated redundantly in modern buildings and infrastructures that are located entirely separately. 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 computer centre, operations can be continued essentially without interruption from other computer centres. We also invest in sophisticated and cutting-edge technologies – for permanent data mirroring and backup purposes, for example – from pre-eminent manufacturers.

We also examined the possible impacts of »Covid-19» to enable us to better substantiate our risk assessment. This analysis also included scenarios assuming extended »lockdowns« and particularly strict mobility restrictions. The high level of automation of our entire computer centre operations mitigates this risk. The strongly system-driven control and monitoring of resources, systems and applications is performed remotely by employees spread over different locations.

Even under special consideration of »Covid-19«, we estimate the probability of these risks materialising as »unlikely«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »critical«. Therefore, we have again categorised the risks associated with the operation of computer centres 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 cyber attacks 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).

Cyber attacks against companies are becoming increasingly sophisticated and are by no means just an »external« threat; on the contrary, they can be launched by our own employees in house or indirectly as a result of stolen smartphones and tablets. 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). This can also cause data losses. Cyber attacks can, moreover, intentionally spread »fake news« or trigger »shitstorms« and thus cause harmful damage to our reputation, which could significantly impair our business prospects.

In order to mitigate such risks most effectively, we again increased investments in cyber security. We use smart tools to speed up the identification of attack patterns. We have also further expanded our information security management system. Our service management processes reflect and adhere to strict process definitions, and compliance is monitored on an ongoing basis. We anchor the high quality of our processes in day-to-day business with compulsory training programmes for our employees, in particular for new employees as part of our regular starter training courses, with special cyber training and audits, with periodically renewed certifications – for example in accordance with the requirements of the Sarbanes Oxley Act according to ISAE 3402 or ISO 27001. We also took even more additional precautions and conducted further training during financial year 2019/20 mainly with the intent of increasing our already high security standards in such areas as monetary transactions.

Extensive rights and authorisations systems are used to control access to our information systems. This is yet another way in which we achieve and maintain a very high level of security and protection for the data of both our customers and our own business. Our computer centres are located exclusively in Germany. In order to maintain and further expand our high standards of security, protection and process quality, we are constantly looking into further certification options. We have established a Group-wide Cyber Security Organisation (»Security Board«). With the aid of external service providers, this board coordinates measures for mitigating cyber risks throughout the Group so that – if waves of attack are recognisable – it can respond quickly and trigger agreed countermeasures. In addition, we have insurance cover – including a special cyber risk policy – to further contain the potential damage. We also use our well-established customer communication formats – such as the All for One Group forum for the midmarket – which are in high demand in the marketplace, and actively communicate the dangers associated with cyber attacks in workshops and seminars as well as advising on how to implement and handle countermeasures and the appropriate technologies (»identity management«, »security governance«). The increased attention attracted by the enforcement of the EU's General Data Protection Regulation has also raised the awareness of our customers further as far as cyber risks are concerned.

In order to anchor effective strategies as firmly and pro-actively as possible with each individual customer, we continue to significantly expand our cyber security & compliance consulting portfolio as part of our »Strategy22«.

In spite of these extensive precautions, cyber risks and their economic consequences – including reputational damage – cannot be entirely ruled out. 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.

Bearing in mind the extensive number of technical and organisational measures that we have put in place, we believe the likelihood of cyber risks occurring to be »remote«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »serious«. Therefore, we have again categorised the risks associated with the operation of computer centres in our overall assessment as »medium«.

Data protection risks

As a cloud services and HR business process outsourcing provider, we handle huge amounts of personal information on behalf of our customers 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 the extremely stringent requirements of the EU General Data Protection Regulation in terms of privacy and data protection and whose introduction has again significantly raised the bar on what is already a high level of protection offered to personal information. This regulation gave users even more rights and control over their personal data. Moreover, service providers like All for One Group have to fulfil significantly greater information, documentation, verification and notification requirements. Any violation is subject to very heavy fines.

Even in the run-up to these regulatory developments over the past few years, we had already begun adapting our data protection organisation to comply with the EU General Data Protection Regulation. In addition to our ISO 27001 (information security) audit, we have also successfully completed certification of our data protection processes according to ISO 27008 (data protection for cloud services).

We also undertook a number of well-coordinated individual steps to expand and enhance our data protection landscape in financial year 2019/20.

We estimate the probability of data protection risks materialising as »remote«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »serious«. Therefore, we have again categorised the data protection risks in our overall assessment as »medium«.

Risks associated with human resources

The sustainability of our economic success is inseparably linked to a sufficiently highly qualified and motivated workforce. If we are unable to recruit new resources and to develop our workforce effectively, we may no longer be able to successfully grow and expand our business. If, without suitable replacements, more employees than planned fall ill or leave the company, our service quality and our business development may be significantly impaired.

The shortage of experts is the driving factor behind our risks associated with human resources. Although previously freelance consultants could increasingly strive for fixed employment in the future, it is unlikely that the recruitment of well-trained experts and »high potentials« will become easier overall. On the contrary, the increased demand for specialists and correspondingly tight labour markets will probably persist, given the fast pace of innovation and increased transformation pressure, both in the IT market and among our customers.

Our employees have been working virtually exclusively »remotely« outside our offices since the outbreak of »Covid-19«. Such a fast and fundamental change in our working world naturally incurs enormous risks associated with human resources. There is a growing danger of losing personal contact and thus a »feeling« for key changes affecting our customers and suppliers. Depending on how »Covid-19« progresses, moreover, increasing health risks in our employees' private lives could lead to them being unable to work or larger numbers going off sick, which could have a stronger-than-expected adverse effect on the good quality of our service provision and thus our business performance.

The increase in our project risks as described later (see section »Project risks«) could make it much harder to keep our consultants occupied and could thus result in enhanced risks associated with human resources and significantly impair our business performance. Additional risks associated with human resources could also arise if we are unable to successfully advance our values system together or to further strengthen the high degree to which our employees identify with our objectives and values.

In order to mitigate the risk of a shortage of experts, in particular, we have expanded our personnel development and training programme and converted to virtual processes. In doing so, we hope to further strengthen the outstanding expertise of our consultants so that we can support our customers across the board with their digitalisation and make them »fit« for future challenges. The programmes are also designed to enable us to increasingly recruit from within when vacancies arise. Other training content focuses specifically on maintaining good health in a working world that is changing dramatically. All of these measures are also designed to enhance employee retention.

In light of the difficulty in recruiting consulting resources for the upcoming generation change from SAP Business Suite to SAP S/4HANA, we have also firmly embedded some of the market's leading automation tools in our CONVERSION/4 program. In doing so, we can ensure the automated processing of at least some of the individual transformation steps and the more efficient use of scarce human capital, and can improve scalability.

In an attempt to uphold personal contact with our employees, we have developed a special format – »Altogether Now« – and organise Group-wide video conferences to provide regular and transparent updates on the implementation of our programmes. We also conduct employee surveys to monitor the transformation of our working world to enable us to better identify upsets and take faster and specific action. We use our non-financial performance indicators for this purpose, all of which are aimed at managing our human capital (see section »2.3. Management system – Financial and non-financial targets«).

We also train our employees in the efficient use of the landscape of digital communication tools that we have further expanded. In addition, we use our Group-wide project »Corporate values and leadership guidelines« to hone our shared values.

In spite of these extensive measures, we believe the likelihood of risks associated with human resources arising – especially in light of the considerably increased risk of keeping our employees occupied – to be »infrequent« overall. The »critical« assessment of the possible impacts of the additional risks discussed in this report on our net assets, financial position and results of operations and on our revenue and earnings forecasts (see section »5. Outlook«) therefore produces a revised overall assessment of these risks as »high«.

Risks associated with acquisitions

Acquisitions are, by their very nature, exposed to integration risks, particularly with regard to the acquired customers and employees. (see section »2.1. Group structure and organisation« and, specifically, the sub-section »Mergers and acquisitions: Strategy and transactions«). Equally, incorrect financial and economic estimations or disputes with former shareholders or remaining minority interests can seriously harm business development and, accordingly, the balance sheet value of the acquired investment interests. Despite our wealth of experience with company acquisitions and the care we take with preparation, due diligence and integration of the new customers and employees, risks always remain.

We estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. 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 customers' locations. These projects can extend over periods of several years. In addition to our own teams of consultants, we engage partners to help deliver 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 more to their daily operations than to the project. For this reason, our costs might exceed the agreed revenue, especially in the case of fixed-price projects. What is more, customers who are dissatisfied with the implementation may hold back payment, 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 generation 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 qualification of our consultants and consulting partners' skills. This approach enables us to identify and appropriately manage quality and completion risks mostly at an early stage. The integrated project management methods we have developed ourselves also help to ensure compliance with the agreed project objectives. For example, we monitor aspects such as quality and risks, project progress and resources, cost and communication within the project on an ongoing basis. Our own business process and add-on solutions offer considerable help in containing project risks as does our global partner network United VARs in the case of international projects.

In order to limit the project risks associated with the generation change from the SAP Business Suite to the SAP S/4HANA solution, we continue to invest heavily in the training of our consultants. When migrating to the new software generation, we are, moreover, relying on some of the market's leading transformation technologies that we have embedded firmly in our »CONVERSION/4« subscription model.

In light of »Covid-19«, we assume that the execution of projects will be increasingly fraught with adversity in the future. Mitigating in this respect is the hope that, while projects may be postponed temporarily, it would be very unlikely for them to be suspended permanently given the increasing pressure to implement digitalisation. Added to which, we are increasingly executing even major projects remotely. Insurance cover is available for the project risks that remain regardless, and can at least contain them. We also take reasonable precautions by including the remaining project risks in our financial planning process.

We estimate the likelihood of project risks occurring as being »probable«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »moderate«. For this reason, we now categorise these risks in our overall assessment as »high«.

Risks associated with legal disputes

In light of the strong growth we have been experiencing continuously for years, we are of course also exposed to the increased risk of possible legal disputes that can arise in the wake of the individual risks described above. For example, disputed rollout projects could lead to bad debts and fines, or even claims for damages. In addition, we continue to invest significant amounts in expanding our lines-of-business strategies and also plan to develop more proprietary products. These actions could, for example, infringe the existing proprietary rights of others. In addition, we are increasingly exposed directly and indirectly (through our supply chain) to compliance risks – in connection with employee, social or environmental matters, for example. Legal risks can also arise in connection with anti-corruption or human rights violations, such as discrimination or harassment of any kind. In addition, there could be an increase in legal disputes relating to employment relationships.

To limit the risks associated with legal disputes, we have further expanded our own legal and compliance department and refined our strategies and processes to enable better management of legal risks. We are also 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 »remote«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »serious«. For this reason, we have categorised the risks associated with legal disputes in our overall assessment as »medium«.

Compliance risks

One core element of our compliance management system is our »Code of Conduct« (»DO IT RIGHT«). It contains our values and rules governing responsible, ethical, sustainable and law-abiding actions. Specifically, the Code addresses issues such as integrity, responsibility for the company's reputation, business dealings with partners, sponsorship and donations, how to behave if conflicts of interest arise, anti-corruption, environmental protection, health & safety or dealing with information, especially insider knowledge.

Compliance risks include all types of violations of applicable laws and our regulations, such as the Code of Conduct, and the consequences of the same, such as fines, prosecution, claims by harmed parties or damage to our reputation. Both the Group and the parent company could suffer considerable damage as a result of failure to comply with applicable laws or our standards of integrity, for example collusion with third parties to »help« get contracts concluded, or as a result of ethically reprehensible or fraudulent conduct by the staff, of violations of anti-corruption and bribery legislation or even through the accidental provision of insider information.

In order to limit such risks effectively, both now and in the future, we further extended our Code of Conduct in financial year 2019/20, including the addition of mandatory reports of suspicion and a more detailed description of our financial and tax compliance.

All members of staff must know our Code of Conduct and must understand, apply and adhere to its content and objectives. Our Code of Conduct is available to all members of staff on our intranet and is supplemented by routine mandatory eLearning sessions. We also organise training programmes focusing on the application of the same and – with the aid of proprietary programmes – strive constantly to firmly anchor the individual elements of our Code in our daily business. New recruits are familiarised with our values and rules as soon as they attend their induction training.

We classify the occurrence of compliance risks as »remote«. We consider the potential impact on our net assets, financial position and results of operations, the other risks discussed in this report, and on our revenue and earnings forecasts (see section »5. Outlook«) to be »serious«. In our overall assessment, the risks are classed as »medium«.

4.6. OVERALL RISK PROFILE

We have created a strong dynamic with our »Strategy22«. Moreover – in the interests of presenting a balanced picture of the opportunities and risks – a qualitative overall assessment of both the aforementioned opportunities and the aforementioned risks is appropriately reflected in our revenue and earnings forecasts (see section »5. Outlook«).

In our overall assessment, and in spite of the apparent domination of reported risks as compared to the aforementioned opportunities (see section »4.1. Opportunities and risk management system«), we believe that the 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.

The digitalisation of business processes within our customer markets and the generational change to the new SAP S/4HANA business software in close connection with innovative cloud solutions for lines of business are likely to continue at a rapid pace in the wake of »Covid-19« and are also likely to continue in the medium to long term. We continue to specifically gear both our organisation and our products and services to the powerful momentum of these trends, as we are determined to underscore our claim to a permanent place in the relevant set of IT contract awards and projects.

5. OUTLOOK

5.1. OUTLOOK: ECONOMY

Following the severe slump in overall economic development in calendar year 2020, the economy is expected to gradually pick up pace again in 2021. Gross domestic product in Germany, for example, which is expected to shrink by approximately 6.5% in 2020, could rise by between 4.2% and 4.5% next year (2021) *(sources: German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) 23 Jun 2020, International Monetary Fund, 13 Oct 2020)*.

As far as customers in our target markets are concerned, we expect performance to differ dramatically overall in our financial year 2020/21. We would by no means rule out a wave of insolvencies – following expiry of the government subsidy programmes combined with further waves of infection, for example – although hopes for the future were brightening again, in part, as our financial year 2019/20 drew to a close. The ifo business climate index, for example, increased from 90.4 to 92.6 points in August 2020. Prior to the crisis, the index had been around 96 points (*source: ifo Institut, 25 Aug 2020)*.

A lot of companies are, however, preparing to face an even longer period of great difficulty. Around every second automotive supplier, for example, expects it will be 2022 at the earliest before they return to pre-crisis level, every tenth supply company thinks it won't happen until 2023 (*source: German Association of the Automotive Industry (VDA, Verband der Automobilindustrie), 25 Aug 2020)*.

Added to which, trade wars and conflicts and the further increase in geopolitical tension will place added burdens on the global economy – and thus on Germany as an exporting country – in 2021. On the other hand, market experts still believe German companies to be well positioned in the global market, both now and in the future, given the strength in equal measure of their industrial and technological clout, and their good innovative strength.

5.2. OUTLOOK: TRENDS IN IT MARKETS

Severe transformation pressure will doubtless prevail across the board, while the pressure on companies to digitalise workflows and business models will increase further. We believe a return back to the pre-»Covid-19« level is fairly unlikely, by contrast. In the process, the role played by corporate IT will shift increasingly towards becoming a business partner in the digital transformation. The shortage of specialists, a lack of strategy, application and technology expertise and growing requirements in respect of security and availability when operating the applications and systems will probably result in the increased involvement of external service providers. IT providers, particularly, who work in close proximity to their customers' business workflows, are recognised process experts, and operate in the still small, but strongly growing IT sub-markets for »new themes« should continue to witness positive momentum in 2021. Sales of ITC products and services could increase by around 2% in Germany in 2021 (*sources: German Association for IT, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien, Bitkom), based on own estimates, and EITO, IDC, GfK, 29 Jun 2020*).

5.3. PROBABLE CORPORATE DEVELOPMENT

in EUR millions, unless otherwise stated	Forecast 2020/21	Actual 2019/20
Group		
Sales revenue (IFRS)	slight plus	355.4
EBIT (IFRS)	17.5 to 20.5	19.3
Employee retention (in %)	92.7 to 93.7	93.2
Health index (in %)	96.8 to 97.8	97.3
All for One Group SE		
Sales revenue (IFRS)	slight plus	254.3
EBIT (IFRS)	6.0 to 9.0	7.1
Employee retention (in %)	93.7 to 94.7	94.2
Health index (in %)	97.0 to 98.0	97.5

Although financial year 2019/20 was dominated by »Covid-19«, we were able to consistently and successfully push ahead with implementing our strategic priorities in line with our »Strategy22«, which we had already finished launching in the prior year. By driving the transformation of our organisation, we plan to achieve much greater scalability, speed and flexibility of our resources.

In financial year 2020/21, we will continue to focus on the careful expansion of our cloud business in keeping with our strategy of generating more and more sustainable recurring revenue and increasingly benefiting from economies of scale to raise the profitability of our operations (EBIT). Depending on how the economy develops, we expect the sale of conventional software licenses to show a certain degree of stabilisation, albeit while continuing to labour under considerable fluctuation. By contrast, we assume that software support revenue will continue to grow and, together with the expected increase in cloud services and support revenue, expect further growth in recurring revenue.

In our CORE segment, we hope to benefit from added stimulus, especially from our CONVERSION/4 initiative together with SAP, Microsoft and SNP. Likewise, in the CORE segment we want to continue expanding our portfolio of Microsoft-based services for improving communication and »collaboration« in companies, towards digital worlds of work (»new work«), towards »Cloud First« (business solutions on Azure), security & compliance and »one stop shopping« (integration of SAP plus

Microsoft). Our forecast also includes carefully targeted additional investments in our cyber security & compliance portfolio and in building our IoT & machine learning business. In our LOB segment, capital expenditure will focus, above all, on further strengthening our »customer experience« activities to enable our customers to improve the management of their sales, marketing and service units.

We believe that the momentum driving the expansion of our good position in the strongly growing and emerging cloud transformation sub-markets will also be consistently favourable in 2020/21, although it is extremely difficult to assess the impact of »Covid-19«.

Overall, our level of investment to further increase the scalability of our business model should increase slightly in financial year 2020/21. The headcount is expected to develop in line with the sales trend.

Due to »Covid-19« it is very difficult to predict economic development, and especially its specific impacts on the development of our business in financial year 2020/21.

For the 1st half of financial year 2020/21, the company continues to anticipate a difficult environment. Customers and potential customers will rarely enter into large SAP S/4HANA implementation or conversion projects. From spring 2021 onwards, the global pandemic is expected to ease significantly, leading to a noticeable upturn in incoming orders. Further economic setbacks and a longer-than-expected phase of recession cannot be ruled out by any means, and could result in lower demand, increased bad debt losses and insolvencies among our customer base and thus jeopardise the achievement of our forecast. This is why potential economic setbacks continue to pose the largest risk to our projected business performance.

We use sales and EBIT calculated in accordance with IFRS as the financial performance indicators for both All for One Group and for the parent company, All for One Group SE. On the other hand, the annual financial statements of All for One Group SE are prepared in accordance with German commercial law (HGB). The operating result (HGB) could be around EUR 3 million (expected for 2020/21) lower than EBIT under IFRS (partly due to amortisation of intangible assets, which is not included in EBIT under IFRS).

The non-financial performance indicators of employee retention and health index were again used by the parent company All for One Group SE as well as the Group as a whole as supplemental management and control parameters. For the financial year 2020/21, we have set ourselves the target for the parent company and the Group of further stabilising the »employee retention« level of the 2019/20 reporting year. In the 2020/21 financial year, we also aim to keep the »health index« more or less on a par (+/- 0.5 percentage points) with the prior-year level. Despite the tight labour markets, our human capital in All for One Group SE as well as the Group as whole should grow in financial year 2020/21 at the same pace as business development and at a slightly lesser rate than sales growth.

Having successfully completed the launch of our strategy offensive last year, we believe we are even better equipped to grow profitably and to emerge from the corona crisis in an even stronger competitive position than before once the markets return to normal.

6. COMPENSATION REPORT

The compensation report is an integral part of the combined management report and includes both the basic principles of compensation paid to the management and supervisory boards, and the relevant amounts and structure. The compensation report complies with the requirements of the applicable provisions in Sections 289a (2), 314 (1) Nos. 6a and b, and 315a (2) HGB. All for One Group SE discloses the compensation paid to the individual members of both the management and supervisory boards. The compensation report reflects the recommendations of the German Corporate Governance Code (DCGK) as amended on 7 February 2017 and published on 24 April 2017.

The provisions of Section 162 German Stock Corporation Act [AktG] (»compensation report«) and the recommendations of the German Corporate Governance Code (DCGK) as amended on 16 December 2019 and announced on 20 March 2020 will be applied for the first time in the compensation report for financial year 2020/21.

6.1. MANAGEMENT BOARD

Members of management board

- Lars Landwehrkamp (CEO since May 2007)
- Stefan Land (CFO since Apr 2008)

Basic principles of the compensation system for the management board

The total compensation paid to members of the management board is comprised of »Fixed compensation« and »Variable compensation« plus the »Benefits« and »Pension expenses« that are customary in the market and the Group. Benefits include a company car and health/nursing insurance contributions. Pension expenses include premiums paid into a pension scheme. The supervisory board regularly reviews the total compensation packages to ensure they are appropriate.

- Fixed compensation
  Members of the management board receive a fixed annual salary that is agreed in their individual contracts and is not performance-based. It is paid in twelve equal instalments at the end of each month. In addition, members of the management board receive fixed allowances for benefits in kind relating to the provision of a company car and contributions to a direct insurance scheme.

- Variable compensation
  On top of their annual fixed compensation, members of the management board receive a performance-based element of compensation that is derived from the annual achievement of EBT targets as per the audited consolidated financial statements of All for One Group. A long-term variable compensation component is also paid, based on the cumulative earnings per share over a period of years. Bonus amounts differ in the management board contracts to reflect the different areas of responsibility of the management board members.

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%.

Management Board Compensation

Lars Landwehrkamp

Benefits granted

	Lars Landwehrkamp – CEO since 5/2007			
in KEUR	10/2019 – 09/2020	10/2018 – 09/2019	10/2019 – 09/2020 (Min)	10/2019 – 09/2020 (Max)
Fixed compensation	360	348	360	360
Fringe benefits [1]	62	61	62	62
Total fixed compensation	**422**	**409**	**422**	**422**
One-year variable compensation [2]	308	210	0	710
Multi-year variable compensation [2]				
Achievement depends on the aggregate earnings per share and dividends paid for the timeframe 10/2019 to 09/2023	188	0	0	350
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	24	0	0
Total variable compensation	**496**	**234**	**0**	**1,060**
Service cost	79	80	79	79
Total compensation	**997**	**723**	**501**	**1,561**

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

2) The variable benefits granted are based on estimates

Allocation

	Lars Landwehrkamp – CEO since 5/2007	
in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Fixed compensation	360	348
Fringe benefits [1]	62	61
Total fixed compensation	**422**	**409**
One-year variable compensation [2]	199	661
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	119	0
Total variable compensation	**318**	**661**
Service cost	79	80
Total compensation	**818**	**1,150**

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

2) 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	10/2019 – 09/2020	10/2018 – 09/2019	10/2019 – 09/2020 (Min)	10/2019 – 09/2020 (Max)
Fixed compensation	276	264	276	276
Fringe benefits [1]	19	18	19	19
Total fixed compensation	**295**	**282**	**295**	**295**
One-year variable compensation [2]	225	131	0	553
Multi-year variable compensation [2]				
Achievement depends on the aggregate earnings per share and dividends paid for the timeframe 10/2019 to 09/2023	158	0	0	290
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	24	0	0
Total variable compensation	**383**	**155**	**0**	**843**
Service cost	45	45	45	45
Total compensation	**723**	**482**	**340**	**1,183**

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

2) The variable benefits granted are based on estimates

Allocation

	Stefan Land – CFO since 4/2008	
in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Fixed compensation	276	264
Fringe benefits [1]	19	18
Total fixed compensation	**295**	**282**
One-year variable compensation [2]	131	454
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	119	0
Total variable compensation	**250**	**454**
Service cost	45	45
Total compensation	**589**	**781**

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

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

The variable elements of total compensation as explained individually above contain estimates, which may deviate from the amounts determined as part of the final accounting. An allocation from the multi-year variable compensation was not made in financial year 2019/20 or in the prior-year period. Furthermore, no loans were extended and no options for shares of All for One Group SE were granted to the management board during financial year 2019/20 or in the prior year. Unusual transactions with related parties did not take place.

Short-term variable compensation is based on the achievement of annual EBT targets as per the audited consolidated financial statements of All for One Group SE. In addition, long-term variable compensation is awarded on the basis of the cumulative earnings per share and the dividend paid to the shareholders of All for One Group SE over a multi-year period. The new management board contracts also govern the continued payment of the base compensation and annual pension contributions owing to the management board member up to the regular end of the contract term, if their appointment is revoked or the member is released from duty prematurely. Moreover, up to the regular end of the contract term, the relevant member of the management board is also entitled to continue receiving the annual short-term and long-term variable compensation based on the achievement of fixed targets.

6.2. SUPERVISORY BOARD

Members of the supervisory board

- Josef Blazicek (chairman)
- Paul Neumann (deputy chairman)
- Peter Fritsch
- Dr. Rudolf Knünz
- Maria Caldarelli
- Jörgen Dalhoff

Basic principles of the compensation system for the supervisory board

The annual general meeting determines the compensation payable to the supervisory board, which was last changed at the annual general meeting on 15 March 2018 to take effect from financial year 2017/18 onwards. The members of the supervisory board each receive annual fixed compensation of KEUR 12.5 (plus any value-added tax that may be owed) and which is payable at the end of the financial year. The chairman of the supervisory board receives four times and the deputy chairman two times the preceding fixed amount of compensation. Members of the supervisory board are paid fixed compensation of KEUR 3 p.a. for each seat on a committee (plus any value-added tax that may be owed). The chairman of a committee receives four times the above committee membership remuneration. Members of the supervisory board who do not serve for a full financial year are paid pro rata temporis. Performance-related components are not included in the compensation for the supervisory board.

Supervisory board compensation

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Josef Blazicek	65.0	65.0
Paul Neumann	31.0	31.0
Peter Fritsch	23.6	24.5
Dr. Rudolf Knünz	15.5	15.5
Maria Caldarelli	12.5	12.5
Jörgen Dalhoff	12.5	12.5
Total	160.1	161.0

The total fixed compensation owing to the supervisory board is paid in the following financial year.

Furthermore, no loans were extended and no options for shares of All for One Group SE were granted to members of the supervisory board during financial year 2019/20 or in the prior year. Unusual transactions with related parties did not take place.

7. INFORMATION CONCERNING TAKEOVERS

Information pursuant to Sections 289a (1), 315a (1) HGB

Composition of issued share capital (no. 1)
The issued share capital of EUR 14,946,000 (30 Sep 2019: EUR 14,946,000) consists of 4,982,000 (30 Sep 2019: 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, and UIAG Informatik-Holding GmbH, Vienna/Austria, each hold 25.07% of the share capital and voting rights in the company.

Holders of shares with special rights (no. 4)
No All for One Group SE 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 Group SE, 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 Section 84 (1) AktG and Article 7 (1) of the company's 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 consists of at least two people in accordance with Article 7 (2) of the company's articles of association. Furthermore, the supervisory board determines the number of members on 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 Section 85 (1) AktG the court can, in urgent cases and on petition by an involved party, appoint a member in the event that the management board is a member short (for example when there is only one member of the management board in office). In any case, and pursuant to Section 85 (2) AktG, 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 Section 84 (3) sentence 1 AktG. Good cause according to Section 84 (3) sentence 2 AktG 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 Section 84 (3) sentence 4 AktG until such time as the invalidity of such revocation may be judged legally final.

c) Amendments to the company's articles of association

Pursuant to Section 179 (1) sentence 1 AktG, a resolution of the annual general meeting is required for any amendment to the company's articles of association. The supervisory board is, however, authorised according to Article 18 of the company's articles of association in connection with Section 179 (1) sentence 2 AktG to approve amendments to the company's articles of association that only affect its wording.

According to Section 179 (2) sentence 1 AktG, a resolution by the annual meeting on amending the company's 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 Section 179 (2) sentence 2 AktG, the company's 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, Article 15 (3) sentence 3 of the company's articles of association provides that resolutions for amending the company's 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 Article 6 (5) of the company's articles of association, and with the consent of the supervisory board, the management board is authorised until 11 March 2025 to increase the share capital by as much as EUR 7,473,000 through one or more issues of new registered shares for cash and/or contributions in kind (2020 Authorised Capital). Shareholders must always be granted subscription rights. The new shares may also be taken over by one or more financial institutions 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's 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 statutory subscription rights for shareholders:

a) to the extent needed 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 (Section 186 (3) AktG); when using this authorisation to exclude subscription rights according to Section 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorisations according to Section 186 (3) sentence 4 AktG must be taken into account.

The annual general meeting of 12 March 2020 authorised the management board in accordance with Section 71 (1) No. 8 AktG to repurchase shares of All for One Group SE stock in a total amount of up to 10% of the share capital by 11 March 2025. 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 Group (change of control) may result in the holders of the promissory note bonds being able to call their share of the bonds 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.

8. DEPENDENT COMPANY REPORT

All for One Group SE has compiled a dependent company report for financial year 2019/20 as required in Section 312 (3) AktG.

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 Group SE.

In January 2019, Unternehmens Invest AG raised its stake in UIAG Informatik-Holding GmbH from 49.55% to 90.95%, and now controls UIAG Informatik-Holding GmbH. Since then, All for One Group SE, Filderstadt, has been solely dependent on Unternehmens Invest AG, according to Sections 16 (1), (2) and 17 (2) AktG.

In its concluding statement on the dependent company report, the management declares that All for One Group SE received appropriate consideration for all of the legal transactions listed in the dependent company report in accordance with the circumstances known to it at the time the legal transactions were conducted. No measures were taken or omitted at the instigation of or in the interests of the controlling company or one of its affiliates.

9. NON-FINANCIAL STATEMENT

All for One Group SE publishes its combined non-financial statement as per Sections 289b, 289c, 315b, 315c HGB on its website at www.all-for-one.com/csr_e. It collates the key information of the five specified aspects: environmental matters, staff matters, social matters, respect for human rights, combating corruption and bribery. Pursuant to Section 317 (2) sentence 4 HGB, these disclosures are not subject to a substantive examination by the auditors.

10. CORPORATE GOVERNANCE STATEMENT

All for One Group SE publishes its corporate governance statement (Section 289f HGB), respectively the Group corporate governance statement (Section 315d HGB) on its website at www.all-for-one.com/governance_e. The statement includes the declaration of compliance with the German Corporate Governance Code as required in Section 161 AktG, which can be viewed at www.all-for-one.com/conformity-declaration. A substantive examination by the final auditor is not planned.

Filderstadt, 9 December 2020
All for One Group SE

Lars Landwehrkamp CEO	Stefan Land CFO

CONSOLIDATED FINANCIAL STATEMENTS

of All for One Group SE, Filderstadt
Financial year from 1 October 2019
to 30 September 2020.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF ALL FOR ONE GROUP

in KEUR	Notes	10/2019 – 09/2020	10/2018 – 09/2019 [1]
Sales revenue	E.1	355,393	359,215
Other operating income	E.2	4,203	3,172
Cost of materials and purchased services	E.3	-133,237	-139,275
Personnel expenses	E.4	-156,449	-154,160
Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets	E.5	-22,004	-12,972
Impairment losses on financial assets	E.11	-938	-974
Other operating expenses	E.6	-27,681	-42,374
EBIT		19,287	12,632
Financial income	E.7	14	520
Financial expense	E.7	-1,397	-1,055
Financial result		-1,383	-535
EBT		17,904	12,097
Income tax	E.8	-4,828	-1,862
Result for the period		13,076	10,235
attributable to owners of the parent		12,722	10,196
attributable to non-controlling interests		354	39
Earnings per share			
Undiluted and diluted earnings per share (in EUR)	E.9	2.55	2.05

1) Limited prior-year comparison due to IFRS 16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALL FOR ONE GROUP

in KEUR	Notes	10/2019 – 09/2020	10/2018 – 09/2019
Result for the period		13,076	10,235
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit liability plans	F.16	-377	-1,230
Related tax		58	262
Items that may be reclassified to profit or loss in subsequent periods			
Unrealised profits (+) / losses (-) from currency translation		-257	838
Other comprehensive income		-576	-130
Total comprehensive income		12,500	10,105
attributable to owners of the parent		12,146	10,066
attributable to non-controlling interests		354	39

CONSOLIDATED BALANCE SHEET OF ALL FOR ONE GROUP

Assets

in KEUR	Notes	30.09.2020	30.09.2019 [1]
Current assets			
Cash and cash equivalents	G.	69,089	28,498
Finance lease receivables	F.10	4,111	4,035
Trade receivables	F.11	38,087	49,556
Contract assets	F.11	4,905	3,993
Income tax assets		448	3,767
Other assets	F.12	8,604	7,849
		125,244	97,698
Non-current assets			
Goodwill	F.13	30,738	30,724
Other intangible assets	F.13	32,945	36,786
Fixed assets	F.14	15,473	23,417
Right-of-use assets	F.14	35,032	–
Finance lease receivables	F.10	6,674	6,630
Deferred tax assets	F.15	708	547
Other assets	F.12	3,890	3,700
		125,460	101,804
Total assets		250,704	199,502

Liabilities and equity

in KEUR	Notes	30.09.2020	30.09.2019 [1]
Current liabilities			
Other provisions	F.17	1,315	1,492
Liabilities to financial institutions	F.18	7	8,499
Lease liabilities	F.19	10,426	2,562
Trade payables		16,784	24,421
Contract liabilities		9,770	7,346
Liabilities to employees		22,596	25,241
Income tax liabilities		1,827	1,406
Other liabilities	F.19	6,261	7,372
		68,986	78,339
Non-current liabilities			
Pension provisions	F.16	3,809	3,862
Other provisions	F.17	690	599
Liabilities to financial institutions	F.18	48,346	14,904
Lease liabilities	F.19	25,252	4,039
Deferred tax liabilities	F.15	14,187	14,794
Other liabilities	F.19	650	674
		92,934	38,872
Equity			
Issued capital	H.	14,946	14,946
Reserves	H.	73,797	67,629
Share of equity attributable to owners of the parent		88,743	82,575
Non-controlling interests	H.	41	-284
		88,784	82,291
Total liabilities and equity		250,704	199,502

1) Limited prior-year comparison due to IFRS 16

CONSOLIDATED CASH FLOW STATEMENT OF ALL FOR ONE GROUP

in KEUR	Notes	10/2019 – 09/2020	10/2018 – 09/2019 [1]
Result for the period		13,076	10,235
Income tax	E.8	4,828	1,862
Financial result	E.7	1,383	535
Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets	E.5	22,004	12,972
Increase (-) / decrease (+) in value adjustments and provisions		-615	826
Increase (-) / decrease (+) in trade receivables		11,508	-1,211
Increase (+) / decrease (-) in trade payables		-5,072	3,984
Increase (-) / decrease (+) in other assets and other liabilities		-4,774	-2,422
Income tax refunds (+) / payments (-)		-971	-6,780
Cash flow from operating activities		41,367	20,001
Payments for purchase of intangible assets and fixed assets		-7,483	-10,011
Proceeds from sale of intangible and fixed assets		202	69
Purchase of subsidiary, net of cash and cash equivalents acquired		-153	-8,136
Sale of subsidiary, net of cash and cash equivalents disposed of		9	-27
Interest received		229	233
Cash flow from investing activities		-7,196	-17,872
Repayment of lease liabilities		-11,303	-2,097
Proceeds from liabilities to financial institutions		33,500	0
Repayment of liabilities to financial institutions		-8,513	-19
Payment of purchase price instalments from acquisition of subsidiaries		0	-845
Payment for acquisition of non-controlling interests		0	-380
Interest paid		-1,162	-785
Dividend payments to shareholders and non-controlling interests		-6,007	-5,995
Cash flow from financing activities		6,515	-10,121
Increase (+) / decrease (-) in cash and cash equivalents		40,686	-7,992
Effect of exchange rate fluctuations on cash funds		-95	159
Cash funds at start of financial year	G.	28,498	36,331
Cash funds at end of financial year	G.	69,089	28,498

1) Limited prior-year comparison due to IFRS 16

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALL FOR ONE GROUP

in KEUR	Share of equity attributable to owners of the parent: Issued share capital	Capital reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Equity
Notes	H.	H.	H.	H.		H.	
01.10.2018 (as previously reported)	14,946	11,228	265	50,769	77,208	-189	77,019
Initial application of IFRS 9 / IFRS 15	0	0	0	1,495	1,495	47	1,542
01.10.2018 (angepasst)	14,946	11,228	265	52,264	78,703	-142	78,561
Result for the period	0	0	0	10,196	10,196	39	10,235
Other comprehensive income	0	0	838	-968	-130	0	-130
Total comprehensive income	0	0	838	9,228	10,066	39	10,105
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-17	-17
Acquisition of non-controlling interests	0	0	0	-216	-216	-164	-380
Transactions with owners of the company	0	0	0	-6,194	-6,194	-181	-6,375
30.09.2019	14,946	11,228	1,103	55,298	82,575	-284	82,291
01.10.2020	14,946	11,228	1,103	55,298	82,575	-284	82,291
Result for the period	0	0	0	12,722	12,722	354	13,076
Other comprehensive income	0	0	-257	-319	-576	0	-576
Total comprehensive income	0	0	-257	12,403	12,146	354	12,500
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-29	-29
Acquisition of non-controlling interests	0	0	0	0	0	0	0
Transactions with owners of the company	0	0	0	-5,978	-5,978	-29	-6,007
30.09.2020	14,946	11,228	846	61,723	88,743	41	88,784

NOTES

to the consolidated financial statements of All for One Group SE, Filderstadt
Financial year from 1 October 2019
to 30 September 2020.

A. BASIS OF PREPARATION

Registered office and legal form of the Company

All for One Group SE, Filderstadt (All for One Group AG, Filderstadt, until 12 Jul 2020), is a European company (Societas Europaea, SE). The company is listed in the commercial register of the District Court of Stuttgart under registration number HRB 774576. Its registered office is Rita-Maiburg-Strasse 40 in 70794 Filderstadt, Germany. The conversion to All for One Group SE was entered in the commercial register on 13 July 2020. All for One Group SE shares are listed in the Prime Standard of the Frankfurt stock exchange (ISIN: DE0005110001).

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, continue to each hold a direct stake of 25.07% of the share capital of All for One Group AG. In January 2019, Unternehmens Invest AG raised its stake in UIAG Informatik-Holding GmbH from 49.55% to 90.95%. Since then, All for One Group AG has been included in the fully consolidated financial statements of Unternehmens Invest AG. Unternehmens Invest AG, Vienna/Austria, prepares consolidated financial statements for the smallest and largest groups of companies to which All for One Group SE belongs as a subsidiary.

Business activities and segments

All for One Group SE and the subsidiaries it controls (together »All for One Group« or »Group«) unite strategic and management consulting, process consulting, industry insight and technology expertise, and IT consulting and services under one roof. All for One Group develops its own software services and uses industry and add-on solutions – primarily based on SAP, Microsoft and IBM – to orchestrate all aspects of competitive strength. They encompass intelligent enterprise resource planning (ERP) – the digital core of any corporate IT – together with strategy, business models, customer & employee experience, new work, big data & analytics, as well as the internet of things, machine learning, and cybersecurity & compliance.

The management, planning and control of All for One Group are aligned to its two segments: »CORE« and »LOB«. The CORE segment focuses on the core business processes of companies and offers solutions and services for ERP, new work & collaboration, internet of things, machine learning, and cybersecurity & compliance, for example. The LOB (»Lines of Business«) segment includes our business with IT solutions for departments such as Sales and Marketing, or HR (»customer & employee experience«).

Accounting standards and general basis of presentation

The consolidated financial statements of All for One Group SE for the financial year 2019/20, which ended on 30 September 2020, have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as applicable in the European Union (EU). All of the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) whose application was mandatory for the financial year 2019/20 have been taken into consideration. In addition, compliance with all legal disclosure and explanatory obligations pursuant to the HGB has been assured.

The financial year of All for One Group begins on 1 October and ends on 30 September of the following year. The consolidated financial statements of All for One Group SE have been prepared strictly in accordance with the historical cost principle and under the going concern assumption.

The consolidated statement of profit and loss has been prepared using the type of expenditure format. Where items on the consolidated balance sheet and/or the consolidated statement of profit and loss and/or the statement of comprehensive income have been grouped together to enhance the clarity of presentation or for reasons of materiality, they are disclosed separately in the notes. The accounting methods used for individual items on the consolidated balance sheet and the consolidated statement of profit and loss and/or the consolidated statement of comprehensive income are explained in the individual notes, together with the specific relevant disclosures.

The reporting currency and functional currency of All for One Group SE is the euro (EUR). Unless otherwise indicated, all amounts are reported in thousands of euros (KEUR). For technical reasons, the information provided in these financial statements may contain rounding differences of +/- one unit (KEUR, %, etc.).

The consolidated financial statements of All for One Group SE for the financial year from 1 October 2019 to 30 September 2020 were approved by the management board on 9 December 2020 and forwarded to the supervisory board for its consent.

B. CHANGES TO THE ACCOUNTING AND VALUATION METHODS

New and amended standards and interpretations applied for the first time in financial year 2019/20

The same accounting methods were used in the consolidated financial statements of All for One Group SE for financial year 2019/20 as had been applied the previous year (financial year 2018/19). When preparing the consolidated financial statements as at 30 September 2020, however, All for One Group also applied for the first time the following new and/or amended standards and interpretations as adopted by the European Union into EU law:

Standards / Interpretations

	Title	Initial application All for One Group	Adopted by the EU	Impact on All for One Group
IFRS 16	Leases	01.10.2019	Endorsed on 31.10.2017	Description below this table
Amendments to IFRS 9	Prepayment features with negative compensation	01.10.2019	Endorsed on 22.03.2018	No relevance
Amendments to IAS 19	Employee benefits: Plan amendment, curtailment or settlement	01.10.2019	Endorsed on 13.03.2019	No material impact
Amendments to IAS 28	Long-term interests in associates and joint ventures	01.10.2019	Endorsed on 08.02.2019	No relevance
Annual improvements	Annual improvements to IFRSs – 2015-2017 cycle: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.10.2019	Endorsed on 14.03.2019	No material impact
IFRIC 23	Uncertainty over income tax treatments	01.10.2019	Endorsed on 23.10.2018	No material impact

Initial application of IFRS 16 Leases in the financial year 2019/20 had a not inconsiderable impact on the net assets, financial position and results of operations of the consolidated financial statements of the All for One Group. The All for One Group has applied IFRS 16 from 1 October 2019 using the modified retrospective method. Comparability with prior-year figures is therefore limited to a not inconsiderable degree since – in keeping with the transition rules – the comparative figures from financial year 2018/19 have not been amended to reflect IFRS 16.

Within the scope of its business transactions, All for One Group acts as a lessee (of buildings, computer centres, and vehicles, for example) and as a lessor (of buildings that it rents out and of IT products). The effects of initial application of IFRS 16 on the consolidated financial statements of All for One Group are limited largely to accounting procedures for lessees.

IFRS 16 replaces the former regulations governing lease accounting (including IAS 17 and IFRIC 4) and introduces a standardised accounting model for recognition by lessees of right-of-use assets for all leases and a corresponding lease liabilities equivalent to the outstanding lease payments (»right-of-use model«). Accordingly, the previous distinction between finance and operating leases has been eliminated for lessees. Most of the not inconsiderable impacts on the net assets, financial position and results of operations of the consolidated financial statements of All for One Group are the result of accounting procedures for lessees, specifically with regard to those leases that previously required classification as operating leases under IAS 17 but have needed to be recognised in the balance sheet (for the first time) starting in financial year 2019/20. By contrast, the distinction between operating and finance leases as defined in IAS 17 remains applicable for lessors in the future under IFRS 16. With regard to accounting procedures for lessors, first-time application of IFRS 16 did not therefore have any material impacts in principle. The following discussion refers solely to accounting procedures for lessees.

The cost of acquiring a right-of-use asset is derived at first measurement essentially from the present value of all future lease instalments plus any lease payments at or prior to commencement of the lease, together with the cost of contract performance and the estimated cost of returning the lease asset to its original state. Subsequent measurement is at purchase price less cumulative depreciation and cumulative impairment losses. Right-of-use leased assets are recognised separately in the consolidated balance sheet and broken down individually in the relevant discussion in note 14 in the notes to the consolidated financial statements. Depreciation and impairment on capitalised right-of-use assets are recognised in the consolidated statement of profit and loss under »Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets«. Depreciation of right-of-use assets is generally scheduled over the term of the lease. In exceptional cases, right-of-use assets are written down over the useful life of the underlying asset if they are specifically designed so that the relevant lease payments incorporate the transfer of title to the underlying asset at the end of the lease term or it is highly likely that a purchase option will be exercised.

The current and non-current lease liabilities recognised separately in »Lease liabilities« were measured for the first time at the present value of the outstanding lease payments. When remeasured, the carrying amount of the lease liabilities is increased by the annual interest expense and reduced by the lease payments effected. The resulting interest expenses are recognised in the consolidated statement of profit and loss under the financial result (»Financial expenses«). By contrast, the lease expenses relating to operating leases were recognised fully in operating expenses in line with the former legal requirement under IAS 17. This will result in an increase by a not inconsiderable amount in the operating result adjusted for interest, income tax, and depreciation and amortisation (»EBITDA«) in the financial years starting after 1 October 2019. Instead of lease expenses of EUR 9.1 million for former operating leases, a total of EUR 9.1 million was recognised for depreciation and EUR 0.3 million for interest expenses in the consolidated statement of profit and loss of All for One Group for financial year 2019/20, resulting in a significant improvement in EBITDA (even if the countervailing »upfront« effect is ignored). Impairment tests of cash-generating units of the All for One Group, e.g. for the purpose of testing goodwill, took into account the effects of IFRS 16.

In the consolidated cash flow statement, the portion of lease instalments representing repayments on former operating leases reduces the cash flow from financing activities, starting in financial year 2019/20, and no longer the cash flow from operating activities. By the same token, the interest portion of the lease instalments is recognised in cash flow from financing activities, starting in financial year 2019/20. As a result, cash flow from operating activities improved by EUR 9.1 million in financial year 2019/20.

Upon first-time application of IFRS 16 All for One Group applied the following practical simplifications:

» At the time of first application, assessment as to whether an agreement constituted or included a lease was not repeated. Accordingly, the definition of a lease as per IFRS 16 is only applied to contracts entered into (or amended) at the time of first application or thereafter.

» Leases previously classified as finance leases under IAS 17 were recognised at the carrying amount of the right-of-use asset and of the lease liability at the time of transition to IFRS 16, determined as the carrying amount resulting from the valuation of the leased asset and the lease liability as per IAS 17 immediately prior to this point in time. As of 1 October 2019, the carrying amounts attributable to former finance leases totalled EUR 6.3 million (right-of-use assets) and EUR 6.6 million (lease liabilities) respectively.

» In the case of leases previously classified as operating leases under IAS 17, the lease liability was recognised at the present value of the outstanding lease instalments discounted by the appropriate incremental borrowing rate as of 1 October 2019 for the residual term. The incremental borrowing rate was derived from reference rates for a period of up to twelve years. The weighted average incremental borrowing rate was 0.97% for property and 0.48% for vehicles.

» In keeping with the transition provisions, the right-of-use assets were recognised for reasons of simplification at the amount of the lease liabilities at the time of first application, and therefore did not affect the amount of retained earnings when the transition took place on 1 October 2019.

» Leases with an original term of less than one year were treated as current leases, i.e. neither right-of-use assets nor lease liabilities were recognised; instead, the agreed lease instalments were recognised directly as expenses (assigned to the correct period, where applicable). By contrast, upon transition to IFRS 16 right-of-use assets and lease liabilities were recognised for leases expiring up to 30 September 2020 whose original term was more than one year at the time of first application.

» No right-of-use assets or lease liabilities were recognised for low-value leased objects; instead, the agreed lease instalments were recognised directly as expenses (assigned to the correct period, where applicable).

» The measurement of right-of-use assets did not include the initial direct costs at the time of first application of IFRS 16.

» Determination of the term of leases with extension or premature termination options included consideration of what was known at the time of transition.

Reconciliation of lease obligations

in KEUR	
Future minimum lease payments under operating leases as per IAS 17 as at 30.09.2019	44,468
Practical simplification for short-term leases and leases of low value	-1,560
Payments for non-leasing components	-7,462
Concluded contracts with rights of use not yet received at reporting date	-1,176
Lease obligations as at 01.10.2019 (gross amount without discount)	34,270
Discount	-1,380
Lease obligations as at 01.10.2019 (discounted net amount)	32,890
Present value of finance lease liabilities as at 30.09.2019	6,601
Lease liabilities as per IFRS 16 as at 01.10.2019	39,491

Impact of initial application of IFRS 16 on the consolidated balance sheet as at 1 October 2019

in KEUR	30.09.2019 (as previously reported)	IFRS 16 adjustment effects	Balancing	01.10.2019 (adjusted)
Assets				
Non-current assets				
Fixed assets	23,417	-6,278		17,139
Right-of-use assets	–	39,168		39,168
Deferred tax assets	547	9,765	-9,765	547
Liabilities and equity				
Current liabilities				
Lease liabilities	2,562	7,961		10,523
Non-current liabilities				
Lease liabilities	4,039	24,929		28,968
Deferred tax liabilities	14,794	9,765	-9,765	14,794

Impact of initial application of IFRS 16 on the consolidated balance sheet as at 30 September 2020

in KEUR	30.09.2020 (IFRS 16)	30.09.2020 (IAS 17)	IFRS 16 adjustment effects
Assets			
Non-current assets			
Fixed assets	15,473	20,202	-4,729
Right-of-use assets	35,032	0	35,032
Deferred tax assets	708	579	129
Liabilities and equity			
Current liabilities			
Other provisions	1,315	1,439	-124
Lease liabilities	10,426	2,480	7,946
Non-current liabilities			
Lease liabilities	25,252	2,438	22,814
Deferred tax liabilities	14,187	14,187	0
Equity			
Reserves	73,797	74,001	-204
Non-controlling interests	41	41	0

Impact of initial application of IFRS 16 on the consolidated statement of profit and loss for financial year 2019/20

in KEUR	10/2019 – 09/2020 (IFRS 16)	10/2019 – 09/2020 (IAS 17)	IFRS 16 adjustment effects
Cost of materials and purchased services	-133,237	-134,393	1,156
Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets	-22,004	-12,868	-9,136
Other operating expenses	-27,681	-35,611	7,930
Financial expenses	-1,397	-1,114	-283
Income tax	-4,828	-4,957	129
Result for the period	13,076	13,280	-204
Undiluted and diluted earnings per share (in EUR)	2.55	2.59	-0.04

Change in disclosure

All for One Group has made a change in disclosure to improve the presentation of its results of operations in the consolidated statement of profit and loss. As a result of the restructuring of All for One Group's business models, expenses for computer centre operation, which were previously reported under »other operating expenses«, now represent purchased services and are reported under »cost of materials and purchased services«. Prior-year figures have been adjusted accordingly to improve comparability. The reclassification effect totalled KEUR 10,873 in financial year 2019/20 and KEUR 12,250 in the previous year.

Furthermore, from financial year 2019/20 onwards, All for One Group will report interest income relating to finance lease receivables of KEUR 162 as »Sales revenue« in the consolidated statement of profit and loss to improve the presentation of the earnings situation. This income was included in the financial result in the amount of KEUR 207 in financial year 2018/19. For reasons of materiality, the prior-year figures were not adjusted.

No further material changes from standards or interpretations requiring mandatory first-time application arose for All for One Group in financial year 2019/20.

Standards and interpretations whose application will become mandatory in future

The IASB and IFRS IC have issued the following announcements whose application was not yet mandatory in financial year 2019/20. All for One Group does not plan to apply these new and/or amended standards and interpretations prematurely.

Standards / Interpretations

	Title	Initial application All for One Group	Adopted by the EU	Impact on All for One Group
Amendments to IFRS 3	Definition of a business	01.10.2020	Endorsed on 21.04.2020	No material impact
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	01.10.2020	Endorsed on 15.01.2020	No material impact
Amendments to IFRS 16	Covid 19-related rent concessions	01.10.2020	Endorsed on 09.10.2020	No material impact
Amendments to IAS 1 and IAS 8	Definition of material	01.10.2020	Endorsed on 29.11.2019	No material impact
Conceptual framework for financial reporting	Amendments to references to the conceptual framework in IFRS standards	01.10.2020	Endorsed on 29.11.2019	No impact
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	01.10.2021	Planned in Q4 2020	No relevance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	01.10.2021	Planned in Q4 2020	Impact is currently being analysed
Amendments to IAS 1	Classification of liabilities as current or non-current	01.10.2022	Open	Impact is currently being analysed
Various amendments	Amendments to IFRS 3, IAS 16 and IAS 37 and annual improvements to IFRS cycle	01.10.2022	Planned in H2 2021	Impact is currently being analysed

C. SCOPE OF CONSOLIDATION, CONSOLIDATION PRINCIPLES AND CURRENCY TRANSLATION

Scope of consolidation

These consolidated financial statements include All for One Group SE and those of its subsidiaries in Germany and abroad over which it exercises control. Control is considered to exist if All for One Group SE has exposure or rights to fluctuating returns on its investment in an entity and if it can use its power over this entity to influence said returns. Generally, majority ownership of the (direct or indirect) voting rights is assumed to constitute control. The financial statements of the relevant subsidiaries are included in the consolidated financial statements from the start of possible exercise of control until the possibility to exercise control no longer exists.

The consolidated financial statements as of 30 September 2020 include both All for One Group SE and ten (previous year: ten) subsidiaries in Germany and nine (previous year: nine) subsidiaries abroad, all of which were fully consolidated:

Company	Direct share in %	Indirect share in % [1]
Process Partner AG, St. Gallen/Switzerland	100.0	
All for One Steeb GmbH, Vienna/Austria	100.0	
AC Automation Center S.à.r.l., Luxemburg/Luxemburg (10% of which is indirect)	100.0	
AC Automation Center SA/NV, Zaventem/Belgium	100.0	
All for One Steeb Yazılım Servisleri Limited Sirketi, Istanbul/Turkey	100.0	
KWP INSIDE HR GmbH, Heilbronn/Germany	100.0	
KWP Austria GmbH, Vienna/Austria		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 i.L. (in liquidation), Filderstadt/Germany	100.0	
B4B Solutions GmbH, Graz/Austria	70.0	
B4B Solutions GmbH, Ratingen/Germany		100.0
TalentChamp Consulting GmbH, Vienna/Austria	100.0	
TalentChamp Deutschland GmbH, Munich/Germany		100.0
CDE – Communications Data Engineering GmbH, Hagenberg/Germany	100.0	

1) The indirect shareholdings via subsidiaries of All for One Group SE are shown with the respective amount of shareholding in their parent company

Exemption provided by Section 264 (3) HGB

The following subsidiaries have exercised their right of exemption under Section 264 (3) HGB from preparing, auditing and disclosing commercial-law financial statements and management reports in accordance with the provisions applicable to listed companies for financial year 2018/19:

- KWP INSIDE HR GmbH, Heilbronn
- avantum consult AG, Düsseldorf
- OSC AG, Lübeck

Changes in the scope of consolidation

	Germany	Abroad	Total
Number of companies as at 01.10.2018	10	9	19
Additions from acquisitions	1	2	3
Disposals from sale / mergers / liquidation	1	2	3
Number of companies as at 30.09.2019	10	9	19
Number of companies as at 01.10.2019	10	9	19
Additions from acquisitions	0	0	0
Disposals from sale / mergers / liquidation	0	0	0
Number of companies as at 30.09.2020	10	9	19

The companies acquired in the prior year are discussed in the notes to the consolidated financial statements (Section C) of the Annual Report 2018/19.

Consolidation principles

The financial statements of All for One Group SE and its consolidated subsidiaries are prepared in accordance with uniformly applicable measurement and valuation principles as of the closing date for the consolidated financial statements (30 Sep 2020). Measurement, valuation, consolidation and structuring principles were applied consistently by all the companies included in the consolidated financial statements. All intra-Group assets, liabilities, income and expenses are eliminated during consolidation, as are all cash flows from business transactions between the companies included in the consolidated financial statements. The income tax effects of consolidation operations that affect profit or loss were taken into consideration and deferred taxes recognised.

The acquisition method is used to consolidate the subsidiaries' capital. Accordingly, the purchase price of the investment (consideration transferred) is allocated to the acquired identifiable assets and liabilities, as well as the contingent liabilities, on the basis of their fair values at the time of acquisition. Deferred taxes were recognised on hidden reserves and liabilities identified during initial consolidation unless they were recognised for tax purposes. In subsequent periods, identified hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities. Any positive difference between the purchase price of the investment (consideration transferred) and the proportionate net fair values of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the fair value of the acquired net assets is greater than the total consideration, All for One Group re-examines all acquired assets and liabilities to make sure they have been correctly identified. All for One Group also validates the methods used to determine the amounts. If the fair value of the acquired net assets is still greater than the total consideration, even after remeasurement, the difference is recognised through profit or loss in the consolidated statement of profit and loss. Costs incurred in connection with the acquisition of a company are recognised as expenses. Non-controlling interests in an acquired company are measured on the basis of the proportionate share in the identifiable net assets of the acquired company and recognised as »Non-controlling interests« in the consolidated balance sheet of All for One Group. The future recognition of shares attributable to non-controlling shareholders in subsequent periods is determined by the relevant profit or losses, distributions and currency differences. Shares attributable to non-controlling shareholders are reported as a separate item in equity on the consolidated balance sheet. Transactions that involve non-controlling interests and do not result in a loss of control are recognised as equity transactions without affecting profit or loss. Forward transactions relating to the acquisition of further shares in existing subsidiaries are recognised using the anticipated acquisition method, i.e. shares attributable to non-controlling shareholders are not stated.

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. All for One Group's reporting currency is the euro. (EUR).

Transactions in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the business transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate on the reporting date. Exchange differences are recognised in the statement of profit and loss under other operating expenses or income respectively. Non-monetary assets and liabilities valued at historical cost in a foreign currency are translated at the exchange rate on the day of the business transaction.

Financial statements of consolidated companies whose functional currency differs from the Group's reporting currency are translated as follows: The assets and liabilities are translated at the (mid-)rate of exchange applicable on the balance sheet reporting date, equity is translated at historical rates, and income and expenditure are converted at the annual average exchange rate. Translation differences arising due to changes in exchange rates from one financial year to the next are always recognised under »Currency translation reserve« in equity without affecting profit or loss.

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

	Year-end rate		Average exchange rate	
	30.09. 2020	30.09. 2019	10/2019 – 09/2020	10/2018 – 09/2019
CHF	1.0795	1.0860	1.0749	1.1227
CZK	–	25.8420	–	25.7426
TRY	9.1649	6.1895	7.2794	6.3244

D. DISCRETIONARY MANAGEMENT DECISIONS AND ESTIMATION UNCERTAINTIES

To a limited extent, estimates and discretionary assumptions must be made when preparing the consolidated financial statements of All for One Group SE which impact the measurement, amount and recognition of the assets and liabilities, income and expenses, and contingent liabilities in the financial statements. Given the currently unpredictable global consequences of the coronavirus pandemic, management's discretionary judgements and estimates are surrounded by more uncertainty than usual.

Key discretionary management decisions and estimation uncertainties relate particularly to the recognition and valuation of goodwill and other intangible assets (Note 13), valuation allowances on trade receivables and contract assets (Notes 11 and 21), the amount and likelihood of occurrence of provisions (Note 17) and the recognition and measurement of current and deferred tax assets and liabilities (Note 15). When assessing these discretionary judgements and estimation uncertainties, management is guided by empirical values from the past, estimates by experts (lawyers, rating agencies, associations, etc.) and its findings from careful consideration of different scenarios. Since actual results and developments outside management's sphere of control may differ considerably from the stated developments and assumptions, All for One Group reviews the estimates and assumptions made by management on an ongoing basis. Changes in estimates are recognised through profit or loss if and when knowledge improves.

Key discretionary judgements with regard to revenue recognition are made when determining the contract unit for accounting purposes (contract collation), when defining separate performance obligations, when determining the timing of completion of the performance obligations (possibly together with determination of the method for measuring performance progress), when determining individual sale prices, when assessing significant financing components and when capitalising contract acquisition costs:

- The decision whether to collate multiple separately agreed IT service contracts with one customer that have an identical or similar timeline into (just) one contract unit for accounting purposes can involve not inconsiderable discretionary judgements in individual instances.

- Determining whether a promise of performance must be treated as a separate performance obligation (e.g. if implementation services are to be performed or if customers are offered options of acquiring additional products and services) can involve not inconsiderable discretionary judgements in individual instances.

- In the case of customer-specific consultancy projects to be executed within a specific time frame, management believes that the input-based efforts expended method is fundamentally best suited to measuring performance progress given the existence of a direct connection between the consultancy services already provided by All for One Group (e.g. consultancy hours worked up to closing date) and the transfer of the right of disposal to the customer. Estimates of performance progress are based on empirical values and are monitored and adjusted on an ongoing basis.

- If multiple performance obligations exist, the estimated contract fee must be allocated to the identified performance obligations based on the relative individual sale prices in each case. All for One Group only uses alternative suitable methods to estimate individual sale prices if prices for the individual goods and services are not directly observable in the marketplace. Depending on the specific facts and circumstances, preference is given to the »expected cost plus margin« approach.

- Significant financing components must always be considered when determining transaction prices if the timing of performance and payment differs. Identifying whether a significant financing component exists (at all) in individual instances requires discretionary assessment of all relevant facts and circumstances pertaining to the relevant individual case.

- IFRS 15 requires that contract acquisition costs be capitalised and written off parallel to the transfer of right of disposal to the underlying goods and services to the customer. Determining both the scope of the contract acquisition costs to be capitalised and the write-down period can involve not inconsiderable discretionary judgement in individual instances. All for One Group SE is choosing to avail itself of the option of immediately recognising an expense in cases where the period of amortisation would be less than one year. Accordingly, the sales commission owing on software licenses, for example, is therefore not capitalised.

Material discretionary judgements when accounting for leases under IFRS 16 relate to individual property lease contracts containing options to extend after the primary term (including any subsequent automatic extensions of rental periods) that were not included when measuring the lease liabilities. They were left out due to the lack of sufficient certainty that these options would be exercised, which could lead to undiscounted potential cash outflows. For further details of these financial obligations not reported on the balance sheet, please refer to the discussion in note 22.

The probable impacts of the coronavirus pandemic were estimated by the management of All for One Group in particular when calculating the impairment on trade receivables (»expected credit loss model«), when testing goodwill for impairment, and for trademark rights with indefinite useful lives. According to their underlying assumptions, the coronavirus pandemic will probably not have any significant impact on the net assets, financial position and results of operations of All for One Group.

E. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

1. Sales revenue

All for One Group generates sales revenue primarily from the sale of software licenses and the provision of specific IT services (cloud contracts, outsourcing and managed services, software maintenance agreements, software implementation and optimisation projects, management and technology consulting, and training). Contract terms vary depending on the relevant activities. Revenue from the sale of software licenses is generally recognised when the software is delivered. By contrast, contract terms for IT services tend to span periods ranging from several months to five years, although individual contracts can be outside this range. Invoices for services provided are generally payable immediately or within a short period of up to 60 days. For internal reporting purposes, All for One Group breaks its sales revenue down by type, country and business segment (»CORE« and »LOB«).

Sales revenue by type of revenue

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Cloud services and support (1)	77,088	70,575
Software licenses and support (2)	134,845	145,515
Software licenses	25,542	41,394
Software support (3)	109,303	104,121
Consulting and services	143,460	143,125
Consulting	136,310	136,069
Service	6,988	7,056
Other revenue	162	–
Total	355,393	359,215
Cloud and software revenue (1) + (2)	211,933	216,090
Recurring revenue (1) + (3)	186,391	174,696

The item »Other revenue« includes interest income on receivables from finance leases.

Sales revenue by country [1]

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Germany	306,878	306,508
Austria	19,727	20,003
Switzerland	14,388	17,860
Luxemburg	9,080	8,989
Italy	2,223	2,679
Other countries	3,097	3,176
Total	355,393	359,215

1) Based on domicile of the customer

For details of the sales broken down by business segment (»CORE« and »LOB«), please refer to the segment report in note 20.

Outstanding performance obligations

All for One Group uses the practical expedient of not disclosing the portion of the transaction price that is attributable to outstanding performance obligations as long as the original term of the relevant customer contracts is not more than one year or performance corresponds to the claim to reimbursement. The conditions for applying this practical expedient are, however, not met by some customer-specific IT services that are subject to PoC completion and some multi-component contracts. The transaction price relating to these performance obligations that are wholly or partially outstanding amounted to EUR 34.3 million as at 30 September 2020 (prior year: EUR 27.7 million). Most of the related revenue will probably be recognised within the twelve months following the reporting date.

Of the advance payments by customers that were recognised as contract liabilities as of 1 October 2020 (prior year: 1 Oct 2019) in an amount of EUR 7.5 million (prior year: EUR 5.7 million), EUR 6.9 million (prior year: EUR 5.4 million) were stated as sales revenues in financial year 2019/20.

Significant Accounting Policies

Sales revenue is measured on the basis of the consideration that is agreed with a customer in a contract and which All for One Group receives and realises when that customer gains control over the agreed goods and services. Such control can be transferred at a specific point in time or over a specific period. Revenue is stated exclusive of sales tax and less any reductions, such as credits, trade discounts, and the like. Significant financing components must always be considered when determining transaction prices if the timing of performance and payment differs by no more than one year.

Contracts with customers regularly contain different promises of performance (IT products and/or IT services) which may require classification as separate performance obligations and, as a result, partial allocation of the contract price. Determining whether an IT product or IT service must be classified as a separate performance obligation (e.g. in the case of software implementation projects or if customers are offered options of acquiring additional products and services) can involve not inconsiderable discretionary judgements in individual instances. If several services are provided to one customer, they must either be specified in separate individual contracts or combined into a single contract consisting of several performance obligations. Where economically interdependent services are agreed with a customer in separate, individual contracts within a narrow time frame, they must be collated into a standard multi-component contract.

Revenue relating to the sale of software licenses and other IT products is recognised at the time of software delivery (start of transfer of use). Within All for One Group, IT services are generally realised in instalments over the course of service provision. Likewise, sales relating to customer-specific consultancy projects are realised in line with the progress of performance over the course of the project (PoC (percentage of completion) method). All for One Group uses input-based methods – and specifically the efforts expended method – to determine revenue from customer-specific consultancy projects. This method involves determining the degree of completion as a ratio of the consultancy hours worked up to closing date compared to the total estimated number of hours for the project as a whole. The product of these two variables constitutes the portion of project revenue (cumulative performance) to be realised as of the balance sheet reporting date. As required under IFRS 15, the recognition of contract revenue includes contract modifications – i.e. amendments and supplements – in addition to the revenue from the initial contract. If cumulative performance as of the balance sheet reporting date exceeds the project services that have already been invoiced or the advance payments that have already been made or are due, the balance is recognised as a contract asset and included in »Contract assets« (current portion) respectively »Other assets« (non-current portion) in the balance sheet. By contrast, if the balance is negative, it is recognised as a contract liability and included in »Contract liabilities« (current portion) respectively »Other liabilities« (non-current portion) in the balance sheet. Anticipated contract losses are taken into consideration on the basis of the identifiable risks and included immediately and in full in the contract result.

2. Other operating income

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Advertising and marketing reinbursements from partners	994	1,304
Insurance compensation	584	3
Income from co-payments from employees	400	337
Investment tax credits (public authorities)	309	295
Income from subleases	146	144
Income from currency differences	126	30
Reversal of provisions	121	244
Income from disposal of assets	115	20
Income from cost allocation to partners	101	109
Other income	1,307	686
Total	4,203	3,172

The »Other income« item includes non-recurring income primarily from events, sales taxes and the sale of software rights.

Significant Accounting Policies

Other operating income stated by All for One Group includes all income that is earned in the course of business operations but has no connection to its core business. Other operating income is measured at the fair values of the considerations (to be) received less any discounts or other similar deductions.

3. Cost of materials and purchased services

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019 1)
Purchased services	-112,414	-108,859
Cost of materials	-20,823	-30,416
Total	-133,237	-139,275

1) Prior-year figures adjusted (for more details see Section B)

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. The cost of materials declined mainly because fewer SAP software licenses were purchased.

Significant Accounting Policies

Expenditure on materials is recognised through profit or loss when a service is used, or the cost incurred. The amounts to be recognised as cost of materials and/or purchased services are based on the carrying amounts of the inventories and/or the price of purchased third-party performance.

4. Personnel expenses

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Salaries and wages	-132,587	-130,817
Social security contributions	-21,704	-20,642
Defined contribution plan expenses	-1,001	-1,035
Defined benefit plan service costs	169	-306
Other personnel expenses	-1,326	-1,360
Total	-156,449	-154,160

Average headcount by function

	10/2019 – 09/2020	10/2018 – 09/2019
Cloud and consulting	1,288	1,271
Sales and marketing	164	166
Administration and management	192	161
Total	1,644	1,598

The average number of employees during financial year 2019/20 was 1,697 (prior year: 1,642). In addition, the workforce in financial year 2019/20 included an average of 38 apprentices/trainees (prior year: 41) and 84 in marginal employment, on parental leave and on extended sick leave (prior year: 88).

Significant Accounting Policies

Personnel expenses include all benefits (monetary and in-kind benefits) paid by All for One Group to its staff. They are recognised when a benefit is provided, or a cost incurred. The principle of accrual is applied to personnel expenses to allocate them to the period in which the entitlement of the relevant member of staff at All for One Group arises.

Part-time employees are converted into full-time employees when indicating the headcount.

The average headcount does not include board members, apprentices/trainees, staff with mini jobs and employees on parental or long-term sick leave.

5. Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets

A breakdown of the depreciation, amortisation and impairment on intangible, fixed and right-of-use assets is included in the presentation of changes in fixed assets. Please refer to the relevant schedule of fixed assets and discussions in notes 13 and 14.

6. Other operating expenses

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019 1)
Data processing expenses	-5,744	-5,313
Vehicle costs	-5,121	-10,178
Travel and overnight accommodation expenses	-3,651	-7,230
Marketing and advertising	-2,487	-3,374
Consulting and financial statement preparation costs	-2,109	-3,196
Human resource management expenses	-2,073	-2,386
Cost of premises	-1,905	-5,816
Insurances	-680	-675
Expenses from currency differences	0	-117
Other expenses	-3,911	-4,089
Total	-27,681	-42,374

1) Prior-year figures adjusted (for more details see Section B)

Significant Accounting Policies
All for One Group recognises all operations-related reductions in assets in other operating expenses if they cannot be allocated to any of the other expense items on the statement of profit and loss or are not recognised separately for reasons of immateriality.

7. Financial result

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Finance lease interest income	–	207
Other interest income	14	313
Financial income	14	520
Bank loan interest expenses	-786	-669
Interest expenses for lease liabilities	-376	–
Finance lease interest expenses (IAS 17)	–	-97
Net interest on defined benefit pension plans	-6	-28
Other interest expenses	-229	-261
Financial expenses	-1,397	-1,055
Balance	-1,383	-535

Significant Accounting Policies
The financial income/financial expenses recognised by All for One Group includes all income and expenses that are generated/incurred in the course of its financing activities and do not result from operations (e.g. valuation differences on financial assets and financial liabilities including intra-Group finance arrangements resulting from adjustments to exchange rates for foreign currencies). Financial income and expenses are recognised through profit or loss in the period to which they relate in the consolidated statement of profit and loss using the effective interest rate method.

In addition to the interest expense on loans and finance leases, financial expenses also include other expenses directly related to financing of, or investments in, financial assets, unless they must be recognised in equity. Interest expenses are recognised in the statement of profit and loss using the effective interest rate method.

8. Income tax

Breakdown of income tax by geographic location

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Current tax expenses		
National	-4,085	-347
Foreign	-1,452	-1,483
Total	-5,537	-1,830
Deferred tax expenses / income		
National	603	107
Foreign	106	-139
Total	709	-32
Balance	-4,828	-1,862

Breakdown of income tax by integral components

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Current tax result		
Current income tax for the reporting year	-5,352	-4,813
Current income relating to prior periods	-185	2,983
Total	-5,537	-1,830
Deferred tax result		
Change in temporary differences	571	370
Change in tax assets from tax loss carry forwards	138	-402
Total	709	-32
Balance	-4,828	-1,862

The prior-year tax result included non-recurring tax income of KEUR 2,926 from corporate income, solidarity surcharge and trade tax refunds for tax years 2015 and 2016. This tax income was derived from non-capitalised loss carry forwards of EUR 19.7 million (Section 8c German Corporation Tax Act (Körperschaftsteuergesetz)), which were initially rejected following changes in the shareholder structure of All for One Group SE but, following an appeal, ultimately granted.

Tax reconciliation

The following reconciliation shows the difference between expected and actual income tax expenses. The tax expenses were calculated by multiplying the tax rate of 30.4% (prior year: 30.4%) applicable for financial year 2019/20 by the earnings before tax. This tax rate constitutes a combined income tax rate derived from the standard corporation tax rate of 15.0% plus 5.5% solidarity surcharge and an effective trade tax rate of 14.5% (prior year: 14.5%). The relevant country-specific income tax rates applicable for the foreign companies ranged between 14.5% and 29.6% (prior year: 14.5% and 29.6%).

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
EBT	17,904	12,097
Expected tax expenses	-5,443	-3,678
Deviations:		
Current tax expenses/income relating to prior periods	-185	2,983
Tax differences relating to prior periods	88	0
Non-deductible expenses/tax-free income	-255	-405
Waiver of capitalisation of tax loss carry forwards for current year	-66	-670
Reversal of capitalised loss carry forwards relating to prior periods	0	-402
Capitalisation of tax loss carry forwards relating to prior periods	376	0
Use of uncapitalised loss carry forwards for current year	221	0
Effect of different tax rates	493	365
Tax rate changes	0	92
Other influences	-57	-147
Total	-4,828	-1,862

Significant Accounting Policies

The tax income/tax expense recognised by All for One Group relates to the taxes charged in individual countries on taxable profits, and to changes in deferred tax accruals. Income tax is recognised on the basis of the legal regulations applicable and/or approved as of the reporting date and in the amount expected to be refunded by, or paid to, the tax authorities.

Management routinely assesses individual tax matters to determine whether applicable tax regulations allow any room for interpretation. Tax provisions are formed where amounts included in tax returns will probably not materialise (uncertain tax positions). The amount is derived from the best possible estimate of the anticipated tax payment (expected amount or most probable amount of uncertain tax).

For information on deferred tax accounting, please refer to the detailed discussion of the applicable accounting methods in note 15.

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

9. Earnings per share

	10/2019 – 09/2020	10/2018 – 09/2019
Metric in KEUR		
Result for the period (attributable to owner of the parent)	12,722	10,196
Denominator in shares		
Weighted average number of ordinary shares outstanding	4,982,000	4,982,000
Undiluted and diluted earnings per share in EUR	2.55	2.05

Neither in the current nor prior reporting period were any options issued that would have entitled lenders, employees, management board or supervisory board members to acquire All for One Group SE shares. Accordingly, no dilution occurred with regard to the earnings per share as at 30 September 2020 and 30 September 2019, respectively.

Significant Accounting Policies

When calculating undiluted earnings per share, the profits attributable to the holders of All for One Group SE ordinary shares are divided by the weighted average number of ordinary shares in free float during the year.

When calculating diluted earnings per share, the profits attributable to the holders of All for One Group SE ordinary shares are divided by the weighted average number of ordinary shares in free float during the year, plus the weighted average number of ordinary shares that would result if all potentially dilutive shares were to be converted to ordinary shares.

F. EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

10. Finance lease receivables

As a lessor, All for One Group enters into finance lease agreements for IT equipment with its customers. Contracted finance leases run for an average term of five years.

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09. 2020
Finance lease receivables (gross value)	4,139	6,850	0	10,989
Less unrealised financial income	-28	-176	0	-204
Finance lease receivables (net value)	4,111	6,674	0	10,785

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09. 2019
Finance lease receivables (gross value)	4,071	6,867	0	10,938
Less unrealised financial income	-36	-237	0	-273
Finance lease receivables (net value)	4,035	6,630	0	10,665

Significant Accounting Policies

In the accounting procedures for lessors, IFRS 16 distinguishes between finance leases and operating leases. Leases are classified as finance leases if – pursuant to the lease agreement – essentially all the risks and opportunities associated with ownership are transferred to the lessee.

Finance lease amounts due from lessees are recognised as »Finance lease receivables« in an amount equivalent to the net investment in the lease contracts. Finance lease income is spread over the respective reporting periods to ensure the interest on the outstanding net investment relating to the leases remains constant in each period.

11. Trade receivables and contract assets

in KEUR	30.09. 2020	30.09. 2019
Trade receivables	39,858	51,348
Contract assets	4,905	3,993
Gross carrying amount	44,763	55,341
Impairment	-1,771	-1,792
Net carrying amount	42,992	53,549

Changes in impairment of doubtful accounts

in KEUR	30.09. 2020	30.09. 2019
Impairments on 1 October	-1,792	-1,754
Additions	-1,410	-1,072
Usage	959	961
Reversals	472	73
Impairments on 30 September	-1,771	-1,792

Significant Accounting Policies

Trade receivables are recognised at the time of occurrence at the fair value of the consideration provided (transaction price). Trade receivables are never discounted since they generally do not contain a material financing component and are due within one year, as a rule.

The following are recognised as contract assets:

» customer-specific consultancy projects subject to PoC accounting (especially software implementation and software optimisation projects), where cumulative performance exceeds the project services that have already been invoiced or the advance payments that have already been made or are due (the balance is recognised as an asset);

» positive allocation effects arising from dividing the total transaction price of a multi-component contract among individual performance obligations based on relative individual sale prices; and

» other IT services that have already been provided but not yet billed.

Trade receivables and contract assets are subsequently recognised at amortised cost (less impairment). All for One Group uses the expected credit loss model to calculate impairment. Accordingly, impairment is determined using an impairment matrix based on empirical credit loss data adjusted for forward-looking factors of significance for the borrowers and the general economic environment. Trade receivables and contract assets with impaired creditworthiness are subjected to special examination of the default risks on a case by case basis. Indicators of impaired creditworthiness include, in particular, significant financial difficulties or the likelihood of insolvency of a debtor. Impairment is recognised in the valuation allowance through profit or loss in the consolidated statement of profit and loss. If the reasons for impairment cease to exist in subsequent periods, the value is written up to no more than the original purchase price and recognised as profit. Impairment losses on trade receivables and earnings from write-ups are netted and recognised separately as »Impairment losses on financial assets« in the consolidated statement of profit and loss.

Impairments of doubtful trade receivables and contract assets include assessments regarding a customer's credit rating. If a customer's financial data deteriorates, deviations from the expected impairment may occur.

12. Other assets

in KEUR	30.09.2020 Current	30.09.2020 Non-current	30.09.2020 Total	30.09.2019 Current	30.09.2019 Non-current	30.09.2019 Total
Prepaid services	5,135	2,479	7,614	4,378	2,264	6,642
Inventories	1,636	0	1,636	532	0	532
Contract acquisition costs	363	1,039	1,402	430	1,012	1,442
Pre-tax claims	664	0	664	1,778	0	1,778
Sundry other assets	806	372	1,178	731	424	1,155
Total	8,604	3,890	12,494	7,849	3,700	11,549

The year-on-year increase in inventories as at 30 September 2020 is primarily attributable to a larger hardware sale transaction, which led to a significant increase in inventories at the reporting date.

Sundry other non-current assets include contract assets of KEUR 30 (prior year: KEUR 170).

Significant Accounting Policies

Other assets include both financial and non-financial assets.

Financial assets are based on a contract representing a financial asset for the one party and a financial liability or equity instrument for the other. At All for One Group, these predominantly comprise cash and cash equivalents, finance lease receivables and trade receivables. Financial assets are recognised in the consolidated balance sheet when All for One Group gains contractual entitlement to cash or other financial assets from a third party.

When recognised for the first time, a financial asset is classed as one of the following, and measured:

» measured at amortised cost;

» investments in debt instruments that are measured at fair value, with changes recognised in other comprehensive income;

» equity investments that are measured at fair value, with changes recognised in other comprehensive income; or

» measured at fair value through profit or loss.

Classification is based on the company's business model for managing financial assets and on the characteristics of the contractual cash flows. A financial asset is measured at amortised cost if it is held as part of a business model whose objective is to collect contractual cash flows, and the terms of the contract specify fixed dates for cash flows that solely constitute redemption and interest payments on the outstanding capital. At present, all non-current financial assets held by All for One Group are classified as »Measured at amortised cost«. Impairment of debt instruments measured at amortised cost is recognised in the amount of expected credit loss. On each closing date, it is adjusted to reflect any changes in the credit risk of the relevant financial instruments since first-time recognition and usually reflects the amount of expected credit losses over the term.

If objective substantial signs indicate impairment of a financial asset, it is individually tested for impairment. Such indications of impairment might include deterioration in a debtor's credit rating with associated payment delays, or pending bankruptcy. The expected credit losses on financial and other receivables are determined on the basis of the risk of defaults expected to occur either over the next twelve months or over the residual term. An examination on each closing date determines whether the credit risk has increased significantly.

The following information or expectations might be indicative of a significant increase in the credit risk:

» significant change in the internal or external credit rating of the financial instrument;

» detrimental changes in general business, financial or economic conditions that significantly impact the creditworthiness of the relevant customer;

» signs that a customer is in considerable financial difficulties; or

» failure to meet payment deadlines.

By contrast, a simplified model based on an impairment matrix is used to recognise the expected credit loss on trade receivables. Please refer to the detailed discussion in note 10 for more information.

In contrast to financial assets, non-financial assets are especially those that arise on the basis of legal provisions, as well as deferrals and advance payments. Non-financial assets at All for One Group mainly comprise contract assets, contract acquisition costs, inventories, accruals from maintenance contracts and pre-tax claims. Please refer to the discussion in note 11. for more information about contract assets.

13. Intangible assets

in KEUR	Goodwill	Trademark rights	Customer relationships	Other intangible assets	Total
Costs					
01.10.2018	24,914	12,361	49,845	7,455	94,575
Foreign currency differences	1,352	0	0	0	1,352
Change in scope of consolidation	6,347	56	1,805	710	8,918
Additions	0	0	0	1,358	1,358
Disposals	-18	0	-1,362	-469	-1,849
Reclassifications	0	0	0	-14	-14
30.09.2019	32,595	12,417	50,288	9,040	104,340
01.10.2019	32,595	12,417	50,288	9,040	104,340
Foreign currency differences	25	0	0	0	25
Change in scope of consolidation	0	0	0	0	0
Additions	0	0	0	768	768
Disposals	-80	0	0	-900	-980
Reclassifications	0	0	0	0	0
30.09.2020	32,540	12,417	50,288	8,908	104,153
Accumulated amortisation and impairment					
01.10.2018	1,272	30	25,031	5,995	32,328
Foreign currency differences	599	0	0	0	599
Change in scope of consolidation	0	0	0	-5	-5
Amortisation	0	29	3,916	1,063	5,008
Impairment	18	0	533	190	741
Disposals	-18	0	-1,362	-461	-1,841
Reclassifications	0	0	0	0	0
30.09.2019	1,871	59	28,118	6,782	36,830
01.10.2019	1,871	59	28,118	6,782	36,830
Foreign currency differences	11	0	0	0	11
Change in scope of consolidation	0	0	0	0	0
Amortisation	0	34	3,754	821	4,609
Impairment	0	0	0	0	0
Disposals	-80	0	0	-900	-980
Reclassifications	0	0	0	0	0
30.09.2020	1,802	93	31,872	6,703	40,470
Carrying values					
30.09.2019	30,724	12,358	22,170	2,258	67,510
30.09.2020	30,738	12,324	18,416	2,205	63,683

Goodwill

Goodwill is attributable as follows to the cash-generating units (CGUs) or groups of cash-generating units of All for One Group:

in KEUR	30.09. 2020	30.09. 2019
All for One Group SE, Filderstadt	12,126	12,126
TalentChamp Consulting GmbH, Vienna/Austria (sub-group)	5,046	5,046
KWP INSIDE HR GmbH, Heilbronn (sub-group)	4,352	4,352
avantum consult AG, Düsseldorf	2,569	2,569
Process Partner AG, St. Gallen/Switzerland	2,363	2,349
OSC AG, Lübeck (sub-group)	2,327	2,327
CDE – Communications Data Engineering GmbH, Hagenberg/Austria	1,301	1,301
B4B Solutions GmbH, Graz/Austria (sub-group)	529	529
All for One Steeb GmbH, Vienna/Austria	125	125
Total	30,738	30,724

Trademark rights, customer relationships and other intangible assets

Trademark rights are corporate brands acquired through business combinations that – unlike a product brand – generally do not have a life cycle. Accordingly, it is not possible to define an economic useful life. An unlimited useful life must therefore be assumed. Performance of the mandatory impairment tests at the end of a respective reporting period did not reveal any need to write down the capitalised trademark rights in the current reporting period 2019/20 nor in the previous financial year.

Customer relationships refer to the customer bases acquired through business combinations. They are subject to linear amortisation over an estimated useful life of between 36 and 180 months. No impairment losses were recognised in the current reporting year 2019/20. In the prior year, impairment losses of KEUR 533 were recognised on customer relationships in light of the strategic reorganisation of the LOB segment.

Research and development activities at All for One Group are mainly carried out within the framework of customer orders. The expenses incurred are charged directly to the customer and therefore do not represent original research and development expenses of the All for One Group. There are no other significant non-customer-related research and development expenses.

Impairment testing of goodwill and trademark rights

Goodwill is tested for impairment at the level of the smallest cash-generating unit (CGU) or groups of cash-generating units, based on value in use (»Discounted Cash Flow« method). In addition, All for One Group tests trademark rights for impairment by determining the recoverable amount based on fair value less costs to sell (using a license price analogy method).

To estimate the fair value of trademark rights, management must estimate the probable cash flows from future trademark-relevant sales revenue together with a market-oriented licensing rate for the pertinent brand names, as well as specifying an appropriate discount rate to determine the present value of these cash flows. The cash flow forecasts used to test goodwill impairment are based on management's three-year business plan. External sources are also used in the preparation of such plans, which also incorporate price agreements derived from empirical values, anticipated increases in efficiency and a revenue trend derived from the strategy. Prospective cash flow schedules are derived from the resulting plan and plausible assumptions made regarding trends in the coming years, assuming a growth rate of 1%. The business planning process also assumes a steady or slightly rising EBIT margin. The discount rate used for the impairment tests of goodwill and trademark rights with indefinite useful lives was derived from the weighted average cost of equity and borrowed capital, based on the »Capital Asset Pricing Model«. The cost of equity is based on a risk-free capital market interest rate for the relevant period and allows for a beta factor for the sector and a risk premium relating to the relevant capital market. Based on the tax situation, this was used to deduce a pre-tax discount rate.

Impairment testing of goodwill and trademark rights with indefinite useful lives did not reveal any need for impairment in the current reporting period 2019/20 nor in the prior year. As part of a sensitivity analysis for the cash-generating units (CGUs) of the All for One Group to which goodwill has been allocated, an increase in the discount rate of one percentage point, a decrease in the long-term growth rate of 0.5 percentage points and a reduction in the EBIT margins of 25% were assumed. None of the parameter changes presented, either in isolation or in combination, would result in an impairment of a cash-generating unit.

Impairment testing of the goodwill and trademark rights with indefinite useful lives was based on the following pre-tax discount rates:

in %	30.09. 2020	30.09. 2019
All for One Group SE, Filderstadt	10.11	9.48
Talent Champ Consulting GmbH, Vienna/Austria (sub-group)	9.71	9.10
KWP INSIDE HR GmbH, Heilbronn (sub-group)	10.20	9.44
avantum consult AG, Düsseldorf	10.26	9.68
Process Partner AG, St. Gallen/Switzerland	8.25	7.99
OSC AG, Lübeck (sub-group)	10.34	9.68
CDE – Communications Data Engineering GmbH, Hagenberg/Austria	9.39	8.80
B4B Solutions GmbH, Graz/Austria (sub-group)	9.71	9.10
All for One Steeb GmbH, Vienna/Austria	9.39	8.80

With the coronavirus pandemic spreading further, forecasts in financial year 2019/20 with regard to the duration and extent of the impact on cash flows are surrounded by not inconsiderable uncertainty. Management based its underlying estimates and assumptions on the best available information, using a scenario that built on the assumption that the economic impact of the current pandemic would not be of a lengthy duration.

Significant Accounting Policies

Intangible assets

The intangible assets held by All for One Group essentially comprise software, licenses, trademarks and patents, customer relationships and goodwill. When recognised for the first time, individually acquired intangible assets are stated at purchase price. The purchase price of intangible assets acquired as part of a business combination corresponds to the fair value at the time of acquisition.

Capitalisation of an internally developed intangible asset is conditional upon future benefit accruing to All for One Group in all probability from the asset and upon the cost being reliably determined. The technological feasibility of software solutions developed by All for One Group is only ever given shortly before market maturity. During the research and development phase, the processes are generally iteratively closely connected. As a result, the research and development expenses cannot be reliably separated. Development expenses occurring after technological feasibility has been achieved are not material. Accordingly, All for One Group always recognises research and development expenses when they occur.

Following first-time recognition, intangible assets are stated at purchase or manufacturing price less cumulative amortisation and cumulative impairment losses. The scheduled amortisation of intangible assets with quantifiable useful lives is linear over the contractual/estimated useful life. The useful lives used by All for One Group range between 1 and 15 years.

Purchased (derivative) goodwill arising from the capital consolidation of subsidiaries is recognised as an asset in the consolidated balance sheet of All for One Group. By contrast, internally developed (original) goodwill is not allowed to be capitalised.

Goodwill impairment

Capitalised goodwill is tested for impairment at least once a year or whenever signs of goodwill impairment are identified. A single-stage procedure is used to test goodwill impairment at the level of the cash-generating unit (CGU) to which the goodwill is allocated. Goodwill is tested for impairment at the level of the legal entities and/or sub-groups. The impairment test compares the carrying amount of the cash-generating unit with the recoverable amount. If the carrying amount exceeds the recoverable amount, impairment of the recoverable amount is recognised through profit or loss. The impairment expense is first allocated to the goodwill; any amounts exceeding the same are then allocated proportionately to the assets of the CGU, subject to specific restrictions. Goodwill impairment in earlier periods may not be subsequently written up if the reasons for original impairment cease to exist.

The recoverable amount is the higher of fair value less costs to sell or value in use of the asset. Fair value less costs to sell is the amount that could be recovered by selling an asset in an arm's length transaction between knowledgeable, willing parties and after deduction of the costs relating to the sale. Value in use is the present value of the estimated future cash flows expected from continued use of an asset and its disposal at the end of its useful life.

Impairment of other intangible, fixed and right-of-use assets

On each closing date, All for One Group examines all right-of-use, fixed and intangible assets for signs of impairment. If facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment. In addition, intangible assets whose useful life cannot be determined, or which are not yet being used by the company, are tested for impairment at the end of each financial year. This impairment test compares the carrying amount of the asset with the recoverable amount. The recoverable amount is determined individually for each asset or, if this is not possible, for the cash-generating unit (CGU) to whom the asset is allocated. If the carrying amount exceeds the recoverable amount, impairment of the recoverable amount is recognised through profit or loss. Impairment losses are recognised (for goodwill, other intangible assets and fixed assets) under »Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets« in the consolidated statement of profit and loss, while write-ups (where permissible) are recognised as other operating income.

If the reasons for impairment of fixed, intangible or right-of-use assets in earlier periods cease to exist, the assets are written up to no more than the amortised cost and recognised through profit or loss.

14. Fixed assets and right-of-use assets

in KEUR	Leasehold improvements	IT systems	Operating and office equipment	Total
Costs				
01.10.2018	1,748	31,748	8,370	41,866
Currency translation	6	18	11	35
Change in scope of consolidation	-2	9	34	41
Additions	3,204	9,530	1,297	14,031
Disposals	-194	-1,931	-1,045	-3,170
Reclassifications	419	1,461	-2,519	-639
30.09.2019	5,181	40,835	6,148	52,164
01.10.2019	5,181	40,835	6,148	52,164
Currency translation	-78	3	-25	-100
Change in scope of consolidation	0	0	0	0
Additions	620	3,166	356	4,142
Disposals	0	-1,340	-197	-1,537
Reclassifications	-219	-12,363	-22	-12,604
30.09.2020	5,504	30,301	6,260	42,065
Accumulated depreciation and impairment				
01.10.2018	984	19,553	4,050	24,587
Currency translation	4	14	7	25
Change in scope of consolidation	-2	-10	-27	-39
Depreciation	355	6,009	859	7,223
Impairment	0	0	0	0
Disposals	-184	-1,899	-966	-3,049
Reclassifications	3	0	-3	0
30.09.2019	1,160	23,667	3,920	28,747
01.10.2019	1,160	23,667	3,920	28,747
Currency translation	-26	2	-13	-37
Change in scope of consolidation	0	0	0	0
Depreciation	510	4,471	675	5,656
Impairment	0	0	0	0
Disposals	0	-1,263	-185	-1,448
Reclassifications	-128	-6,195	-3	-6,326
30.09.2020	1,516	20,682	4,394	26,592
Carrying values				
30.09.2019	4,021	17,168	2,228	23,417
30.09.2020	3,988	9,619	1,866	15,473

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. IT systems substantially comprise the computer centres operated by All for One Group. The item operating and office equipment includes office machines and equipment, office furniture and furnishings, as well as company cars.

Right-of-use assets under leases

in KEUR	Buildings	IT systems	Operating and office equipment	Total
Costs				
01.10.2019				
Initital application of IFRS 16	26,928	0	5,962	32,890
Currency translation	-127	0	-6	-133
Change in scope of consolidation	0	0	0	0
Additions	3,035	1,055	3,727	7,817
Disposals	-247	-126	-814	-1,187
Reclassifications	225	12,379	0	12,604
30.09.2020	29,814	13,308	8,869	51,991
Accumulated depreciation and impairment				
01.10.2019				
Currency translation	-16	0	-2	-18
Change in scope of consolidation	0	0	0	0
Depreciation	5,248	2,559	3,932	11,739
Impairment	0	0	0	0
Disposals	-229	-126	-733	-1,088
Reclassifications	128	6,198	0	6,326
30.09.2020	5,131	8,631	3,197	16,959
Carrying values				
30.09.2020	24,683	4,677	5,672	35,032

These right-of-use assets relate to both property lease contracts and lease contracts governing operating and office equipment items (including company cars and EDP infrastructure, especially hardware and operating software). The terms of the leases range from one to twelve years.

Up to and including financial year 2018/19, the lease instalments relating to operating leases entered into as a lessee were subjected to linear depreciation over the term of the relevant lease and recognised as operating expenses in the consolidated statement of profit and loss. Please refer to the detailed discussion in Section »B. Changes to the accounting and valuation methods«.

Significant Accounting Policies

Fixed assets

Fixed assets are recognised at historical purchase/manufacturing price less cumulative linear depreciation and cumulative impairment losses. Purchase prices include all expenses directly attributable to the acquisition. Investment subsidies and tax-free investment allowances are deducted from the carrying amounts of the relevant assets. IAS 16 requires that dismantling and removal obligations be capitalised as part of the purchase/manufacturing price of the relevant asset. The purchase price of fixed assets acquired as part of a business combination corresponds to the fair value at the time of acquisition. Retrospective purchase/manufacturing prices are only capitalised if future benefit is likely to accrue to All for One Group and the cost can be reliably determined.

Depreciation is linear over the expected useful life. Tenant fixtures and fixtures in rental premises may be subject to linear depreciation over the shorter term of the lease contract. Scheduled depreciation is based essentially on the following useful lives:

» Leasehold improvements: 2 – 15 years
» IT systems: 3 – 6 years
» Operating and office equipment: 4 – 13 years

Maintenance and repairs are expensed in the period in which they occur. The purchase/manufacturing price and relevant cumulative depreciation are derecognised if fixed assets are scrapped or sold, and any carrying amount gains or losses are recognised through profit or loss in other operating income or other operating expenses.

Impairment of fixed assets

Please refer to the detailed discussion of the applicable accounting methods in note 13.

Lease contract recognition

IFRS 16 defines a lease as a contract under which the lessor conveys the right to the lessee to use an identified asset for a period of time in exchange for one or several payments. The same holds true for agreements that do not expressly describe the transfer of such a right. Within the scope of its business transactions, All for One Group acts as a lessee (of buildings, computer centres and vehicles, for example) and as a lessor (of buildings that it rents out and of IT products).

In the case of leases in which it acts as lessee, All for One Group capitalises a right-of-use asset and recognises a corresponding lease liability for all lease instalments that are payable over the term of the contract. Simplified application is used for low value leases and current leases (term of less than twelve months), where payments are recognised as straight-line expenses in the consolidated statement of profit and loss. The All for One Group makes use of the option under IFRS 16.4 and does not apply the provisions on lease accounting (IFRS 16) to intangible assets (e.g. software licenses).

The cost of acquiring a right-of-use asset is derived essentially from the present value of all future lease instalments plus any lease payments at or prior to commencement of the lease, together with the cost of contract performance and the estimated cost of returning the lease asset to its original state. Subsequent measurement is at purchase price less cumulative (scheduled) depreciation and cumulative impairment losses. Right-of-use assets are recognised separately in the balance sheet and broken down individually in the relevant discussion in note 14 in the notes to the consolidated financial statements. Depreciation and impairment on capitalised right-of-use assets are recognised in the consolidated statement of profit and loss under »Depreciation, amortisation and impairment on intangible, fixed and right-of-use assets«. Right-of-use leased assets are written down over the useful life of the underlying asset if they are specifically designed so that the relevant lease payments incorporate the transfer of title to the underlying asset at the end of the lease term or it is highly likely that a purchase option will be exercised. In all other instances, right-of-use assets are subject to scheduled depreciation over the term of the lease.

The current and non-current lease liabilities recognised separately in »Lease liabilities« were measured for the first time at the present value of the outstanding lease payments. When remeasured, the carrying amount of the lease liabilities is increased by the annual interest expense and reduced by the lease payments effected. The resulting interest expenses are recognised in the consolidated statement of profit and loss under the financial result (»Financial expenses«).

For information on the impairment of right-of-use leased assets, please refer to the detailed discussion of the relevant accounting methods in note 13.

In the case of leases in which All for One Group acts as lessor, please refer to the detailed discussion of the relevant accounting methods in note 10.

15. Deferred tax assets and deferred tax liabilities

in KEUR	Deferred tax assets 30/09/2020	Deferred tax assets 30.09.2019	Deferred tax liabilities 30/09/2020	Deferred tax liabilities 30.09.2019	Deferred tax expenses (-) / Deferred tax income (+) [1] 10/2019 – 09/2020	Deferred tax expenses (-) / Deferred tax income (+) [1] 10/2018 – 09/2019
Measurement differences from:						
acquisitions	0	0	10,184	11,243	1,059	1,036
revenue recognition						
IFRS 15 allocations	135	98	223	349	163	141
POC method	0	0	2,986	2,597	-391	-682
contract acquisition costs	0	0	414	428	14	-116
value adjustments on receivables	93	52	6	1	36	-221
leases						
lessors	0	0	1,332	1,297	-35	29
lessees	129	5	0	0	124	-14
promissory note bonds	0	0	47	36	-11	14
pension committments	879	819	0	0	3	-115
other employee benefits	122	527	0	1	-404	268
other provisions	78	62	21	21	16	26
tax loss carry forwards	376	238	0	0	138	-402
outside basis differences	0	0	92	81	-11	15
other divergences	27	37	13	31	8	-11
Total (before balancing)	1,839	1,838	15,318	16,085	709	-32
Balancing	-1,131	-1,291	-1,131	-1,291		
Net amount	708	547	14,187	14,794		

1) Recognised in the statement of profit and loss

The recognition of deferred tax assets is derived from the business plan of the relevant Group companies. These business plans are reviewed annually and require a whole host of estimates. They are based, for example, on interpretations of existing tax legislation and regulations in the relevant countries. These estimates can change in the wake of changes in the market or competitive environment, customer structure or general economic conditions. When initially recognising and remeasuring deferred tax assets from unused tax loss carry forwards, the future earnings position of the subsidiaries is estimated. In light of the severe volatility and limited visibility, planning horizons are limited to one to three years. In return, loss carry forwards with a likelihood of realisation extending beyond this period are not, or no longer, capitalised. Numerous internal and external factors can affect deferred tax assets and liabilities more positively or more adversely. Changes can occur, for example due to adjustments to tax rates, to finalised tax assessments and to more or less favourable trends in the taxable earnings forecast by subsidiaries. Such factors may necessitate adjustments to recognised tax assets and liabilities. Given the need for regular remeasurement, the recognition of deferred tax assets and liabilities is therefore subject to considerable fluctuation.

As at 30 September 2020, tax loss carry forwards at the German companies totalled KEUR 3,508 (30 Sep 2019: KEUR 4,542). Of this amount, KEUR 596 is attributable to B4B Solutions GmbH, Ratingen (30 Sep 2019: KEUR 1,478), KEUR 599 to Allfoye Managementberatung GmbH, Düsseldorf (30 Sep 2019: KEUR 1,087) and KEUR 2,134 to Grandconsult GmbH i.L. (in liquidation), Filderstadt (30 Sep 2019: KEUR 1,977) and KEUR 179 to OSC Smart Integration GmbH, Hamburg (30. Sep 2019: 0 TEUR). Deferred tax assets were recognised on KEUR 1.014 of these loss carry forwards (30 Sep 2019: KEUR 723). The subsidiary B4B Solutions GmbH, Graz/Austria, also has loss carry forwards totalling KEUR 301 (30 Sep 2019: KEUR 474). Deferred tax assets were recognised on KEUR 301 of these loss carry forwards (30 Sep 2019: KEUR 93). Based on its estimates of future business development, the company assumes that sufficient taxable income will probably be available to enable utilisation of the capitalised deferred tax assets. Future utilisation of tax loss carry forwards amounting to KEUR 3,489 (30 Sep 2019: KEUR 4,200) is not expected. Tax loss carry forwards do not lapse over time.

No deferred tax liabilities were recognised with regard to tax-relevant differences of KEUR 300 (5% of KEUR 6,009) (prior year: KEUR 260, 5% of KEUR 5,196) in connection with shares in subsidiaries given the unlikelihood of any reversal of these temporary differences in the foreseeable future.

Significant Accounting Policies

As per IAS 12, deferred taxes are recognised for all temporary differences between the amounts in the tax balance sheet and the IFRS consolidated balance sheet. Temporary differences result in taxable or tax-deductible amounts when an asset is realised, or a liability paid. Taxable temporary differences result in recognition of a deferred tax liability, while tax-deductible temporary differences are recognised as a deferred tax asset. In addition, deferred tax assets must always be recognised on loss carry forwards to the extent of their probable eligibility in the future. The amount of probable tax charge or tax relief in subsequent financial years is deferred at the tax rate applying at the time of recognition.

The carrying amount of deferred tax assets is examined each year on the closing date and reduced if the availability of sufficient taxable income to claim the full or partial amount no longer seems likely. The relevant impacts of any changes in tax rates on the deferred tax assets and liabilities are recognised through profit or loss. As per IAS 12, deferred tax assets and liabilities are not discounted and are always recognised as non-current assets and liabilities in the balance sheet.

Deferred tax assets and liabilities are netted if All for One Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred taxes are recognised through profit or loss as an expense or income unless they relate to items recognised directly in equity, in which case the taxes are also recognised in equity without affecting profit or loss.

The estimates of deferred taxes on loss carry forwards are substantially dependent on the earnings performance of the relevant tax entities. Accordingly, the amounts actually occurring in future periods may differ from these estimates.

16. Pension provisions

Defined benefit plans

	Present value of defined benefit obligation		Fair value of plan assets		Net liabilities / assets from defined benefit plans	
in KEUR	10/2019 – 09/2020	10/2018 – 09/2019	10/2019 – 09/2020	10/2018 – 09/2019	10/2019 – 09/2020	10/2018 – 09/2019
Balance as at 1 October	15,666	13,585	11,804	11,139	3,862	2,446
Recognised in profit and loss						
Current service cost	354	306	0	0	354	306
Past service cost	-523	0	0	0	-523	0
Net interest on net debt	41	185	35	157	6	28
	-128	491	35	157	-163	334
Recognised in other comprehensive income						
Loss/profit from revaluations						
Actuarial loss/gains from:						
demographic assumptions	-244	-54	0	0	-244	-54
financial assumptions	-194	1,773	295	370	-489	1,403
experience-based adjustments	1,231	-62	0	0	1,231	-62
Return on plan assets	0	0	121	56	-121	-56
Foreign currency differences	51	315	32	228	19	87
	844	1,972	448	654	396	1,318
Other items						
Payments made	851	-725	851	-725	0	0
Employer contributions	0	0	281	231	-281	-231
Contributions by employee beneficiairies	391	343	396	348	-5	-5
	1,242	-382	1,528	-146	-286	-236
Balance as at 30 September	17,624	15,666	13,815	11,804	3,809	3,862
Of which are attributable to:						
Germany	7,057	6,831	6,353	6,124	704	707
Switzerland	10,567	8,835	7,462	5,680	3,105	3,155
	17,624	15,666	13,815	11,804	3,809	3,862

A change in the plan for the Swiss pension obligations produced a negative past service expense in financial year 2019/20 that was recognised in the statement of profit and loss. The payments made include, among other things, funded pension obligations assumed in connection with new employees.

Provisions for pension obligations are made in the consolidated financial statements of All for One Group with regard to six (30 Sep 2019: six) pension schemes for commitments to pay pension, disability and surviving dependants' benefits. The amount of benefit is generally dictated by the length of service and salary of an employee. In addition, one (30 Sep 2019: one) German pension scheme exists in the form of direct commitments. It is funded by the staff and secured by a matching, pledged reinsurance policy. Although the risk of All for One Group having to guarantee a return if the insurance company is unable to do so is very low, IAS 19 requires that this staff-funded pension scheme be classified as a defined benefit pension plan.

The recognition of pension obligations is also exposed to other risks relating to changes in actuarial parameters, which are shown in the following table. The actuarial interest rate is exposed to the most significant risk of change; for more details, please refer to the following separate sensitivity analyses. The assumptions underlying actuarial measurement differ from one scheme to the next as they allow for the specific investment strategy and personnel structure of the affiliated companies. The following table lists the key plan figures that are relevant for calculation, the weighted average assumptions on which calculation is based, and the weighted average assumptions on which the actuarial calculations relating to the defined benefit pension plans are based. Calculation of the obligations in Germany was derived from the 2018G guideline tables issued by Klaus Heubeck, which served as the biometric basis for computation. In Switzerland, the BVG 2015 generation tables are used as the biometric basis for calculating the obligations.

	30.09. 2020	30.09. 2019
Discount rate Germany	0.56% – 0.62%	0.49%
Discount rate Switzerland	0.20%	0.10%
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 2020, the weighted average duration of the defined benefit obligations was 8.2 years (prior year: 8.4 years) in Germany and 21.0 years (prior year: 21.2 years) in Switzerland.

Plan assets

in KEUR	30.09. 2020	30.09. 2019
Assets held by insurance company	6,270	6,047
Debt instruments	2,950	1,934
Equity instruments	2,267	1,670
Property	1,024	746
Cash and cash equivalents	25	109
Other plan assets	1,279	1,298
Total	13,815	11,804

The expected employer contributions for All for One Group's defined benefit plans for the financial year 2020/21 are KEUR 309 (prior year: KEUR 242).

Future pension payments

in KEUR	30.09. 2020	30.09. 2019
Year 1	647	295
Year 2	614	346
Year 3	663	370
Year 4	585	458
Year 5	566	424
Following 5 years	2,466	2,239
Total	5,541	4,132

The following sensitivity analyses clearly explain the impacts of changes in singular parameters on the present value of the defined benefit obligation in the event that the discount rate changes by 0.25% points, and changes in pension trends of 0.25% points or 0.5% points, assuming none of the other assumptions change. The sensitivity analyses may therefore not accurately represent the actual change in the defined benefit obligation since it is unlikely that changes to the assumptions will occur in isolation.

	Defined benefit plans	
in KEUR	Increase	Decrease
Germany		
Discount rate (+/- 0.25% points)	-142	148
Pension progression (+/- 0.5% points)	142	-132
Switzerland		
Discount rate (+/- 0.25% points)	-361	385
Pension progression (+0.25% points)	289	–

Defined contribution plans

In the year under review, payments to defined contribution pension schemes (including the statutory pension insurance scheme) totalled KEUR 1,001 (prior year: KEUR 1,035).

Significant Accounting Policies

The pension provisions relate solely to defined benefit pension plans. The cost of providing the benefits under these plans is determined using the projected unit credit method. Actuarial assessment is performed on every closing date. The recognised provisions for defined benefit pension plans are determined in accordance with actuarial models based on material assumptions, such as discount factors, mortality rates, and salary and pension trends. Remeasurements arising from actuarial gains and losses, the impacts of the asset ceiling and the income from plan assets (excluding interest payable on the net liability) are recognised directly in other comprehensive income. The remeasurements recognised in other comprehensive income form part of retained earnings and are no longer reclassified through profit or loss to the consolidated statement of profit and loss in subsequent periods. Past service cost is recognised as a personnel expense if the plan changes.

The net interest is determined by multiplying the discount rate and the net liability (pension obligation less plan assets) or net asset value. The defined benefit costs are comprised of the following components:

» the service cost (including current and past service cost and any gains or losses from plan changes, curtailments or settlements);

» the net interest income or expense relating to the net liability or net asset value; and

» the remeasurement of the net liability or net asset value.

All for One Group recognises service cost as a personnel expense in its consolidated statement of profit and loss, while the net interest expense is included as financial income or expenses. Gains or losses from plan curtailments/settlements are recognised directly through profit or loss.

Payments relating to defined contribution pension plans are recognised through profit or loss as a personnel expense when the eligible employees have performed the work.

17. Other provisions

in KEUR	01.10.2019	Provisions made	Interest effects	Provisions used	Provisions reversed	30.09.2020
Warranty and damage claims	474	779	0	-103	-74	1,076
Impending losses	86	602	0	-449	0	239
Severence payments	932	0	0	-891	-41	0
Short-term other provisions	1,492	1,381	0	-1,443	-115	1,315
Anniversary provision	420	85	0	0	-6	499
Severance payments Austria	179	15	0	-3	0	191
Long-term other provisions	599	100	0	-3	-6	690
Total	2,091	1,481	0	-1,446	-121	2,005

Significant Accounting Policies

A provision is formed as per IAS 37 if one of the entities in All for One Group has a current (legal or constructive) obligation based on a past event as a result of which the outflow of resources embodying economic benefit to fulfil the obligation is probable and the amount of the obligation can be reliably estimated. The provision to be recognised as a liability must represent the best possible estimate of the expenditure required to fulfil the current obligations on the closing date. Provisions that do not result in an outflow of resources in the following year are recognised at the settlement amount that is discounted to the closing date after consideration of any anticipated cost increases. The present value of a provision is calculated using interest rates before taxes that consider both current market expectations with regard to the interest rate effect, and the risks specific to the obligation. If the provision is discounted, the increase over time is recognised as a financial expense. These estimates are reviewed on each balance sheet date.

Provisions for **warranty or damage claims** relate to warranties arising from legal or contractual obligations from disputed implementation and optimisation projects and are formed on the basis of empirical values. These obligations are not treated as separate performance obligations and are therefore included as estimates in the total contract cost. 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) (»**Impending losses**«). 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. 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. The provisions for legal entitlement to so-called severance payments upon retirement or dismissal by the employer in Austria (»Severance payments Austria«) are calculated using the mathematical principles of the projected unit credit method as per IAS 19.

18. Liabilities to financial institutions

in EUR million	Repayment date	Amount
Promissory note 2017 – 2022	30.05.2022	6.0
Promissory note 2017 – 2024	30.05.2024	4.0
Promissory note 2018 – 2022	02.05.2022	5.0
Promissory note 2019 – 2025	17.10.2025	7.5
Promissory note 2019 – 2027	18.10.2027	16.0
Promissory note 2020 – 2026	19.10.2026	10.0
Total		48.5

All for One Group SE issued further promissory note bonds in October 2019. Totalling EUR 33.5 million, the promissory note bonds are split into three tranches: two spot tranches (value date: 17 October 2019) with terms of six (EUR 7.5 million in total) and eight (EUR 16.0 million in total) years and a forward tranche (value date: 30 April 2020) maturing in 6.5 years (EUR 10.0 million in total). The main purpose of the forward loans is to redeem a residual tranche of EUR 8.5 million. All three tranches incur interest at fixed rates ranging between 0.90% and 1.10%, depending on the tranche.

The promissory note bonds with bullet maturity are neither subordinated nor secured. The holders of these promissory note bonds are authorised to raise the interest margin or, as applicable, to call the promissory note bonds totalling EUR 48.5 million due immediately should certain events occur on the basis of the covenants. These events involve adhering to the agreed targets for the equity ratio and the sum of equity as well as 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 48.5 million due immediately should certain changes be made in the All for One Group shareholder structure (change of control). All covenants regarding key financials were complied with, both in financial year 2019/20 and in the comparable prior period.

As at 30 September 2020, All for One Group also had approved lines of credit at banks in the amount of KEUR 5,701 (prior year: KEUR 9,801). Aval guarantees for rental security deposits are being utilised in the amount of KEUR 1,973 (prior year: KEUR 1,308).

Significant Accounting Policies
See note 19.

19. Other liabilities

Other liabilities

in KEUR	30.09.2020 Current	30.09.2020 Non-current	30.09.2020 Total	30.09.2019 Current	30.09.2019 Non-current	30.09.2019 Total
Tax liabilities	4,744	0	4,744	5,859	0	5,859
Purchase price obligations	95	0	95	157	88	245
Sundry other liabilities	1,422	650	2,072	1,356	586	1,942
Total	6,261	650	6,911	7,372	674	8,046

Sundry other non-current liabilities include contract liabilities of KEUR 304 (prior year: KEUR 586) and liabilities to employees of KEUR 346 (prior year: KEUR 0).

Significant Accounting Policies

Other liabilities include both financial and non-financial liabilities.

The financial liabilities of All for One Group are comprised mainly of promissory note bonds, lease liabilities, trade payables and purchase price obligations. Financial liabilities are recognised in the consolidated balance sheet when All for One Group has a contractual obligation to transfer cash or other financial assets to a third party. All financial liabilities are initially recognised at fair value (less any directly attributable transaction costs, if appropriate).

Upon initial recognition, financial liabilities are classified as measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified as measured at FVTPL if it is classed as held for trading, constitutes a derivative, or is designated as such when recognised for the first time. In addition, liabilities arising from contingent considerations classed as liabilities in connection with business combinations as defined in IFRS 3 must be classified as FVTPL. Financial liabilities measured at FVTPL are measured at fair value and any net gains or losses, including interest expenses, are recognised through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses and currency translation differences are recognised through profit or loss.

Financial liabilities are derecognised when the underlying obligation has been fulfilled or cancelled, or has expired. Gains or losses on derecognition are recognised through profit or loss.

Other non-financial liabilities are liabilities based on a contract whose subject does not constitute a financial asset for the one party and a financial liability or equity instrument for the other.

They include, above all, liabilities arising on the basis of legal provisions, as well as deferrals and advance payments. The non-financial liabilities of All for One Group are comprised mainly of liabilities to employees, contract liabilities and income tax liabilities. The balance sheet item »Liabilities to employees« essentially comprises liabilities arising from outstanding vacation entitlements, outstanding variable remuneration components, commissions, flexitime or overtime compensation, bonuses, and social security amounts owing. The following are recognised as contract liabilities:

- customer-specific consultancy projects subject to PoC accounting (especially software implementation and software optimisation projects), where the project services that have already been invoiced or the advance payments that have already been made or are due exceed cumulative performance (the balance is recognised as a liability);
- negative allocation effects arising from dividing the total transaction price of a multi-component contract among individual performance obligations based on relative individual sale prices; and
- other IT services that have already been billed but not yet provided.

The current portion of the contract liabilities is recognised as a current liability in the balance sheet item »Contract liabilities« while the non-current portion is included with the non-current »Other liabilities«.

G. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

in KEUR	30.09.2020	30.09.2019
Bank balances	69,076	28,485
Cash in hand	13	13
Cash and cash equivalents (balance sheet)	69,089	28,498
Current account loans	0	0
Cash funds (cash flow statement)	69,089	28,498

The average interest on bank deposits was 0.01% (prior year: 0.06%).

The changes in the year under review in those financial liabilities whose cash flows are shown as cash flows from financing activities in past and future cash flow statements were as follows:

in KEUR	01.10.2019	Cash changes	Non-cash changes: Changes in scope of consolidation	Non-cash changes: Initial application of IFRS 16	Non-cash changes: Currency effects	Non-cash changes: Other effects	30.09.2020
Liabilities to financial institutions	23,403	24,987	0	0	0	-37	48,353
Lease liabilities	6,601	-11,303	0	32,890	-106	7,596	35,678
Purchase price obligations	245	-153	0	0	0	3	95
Total	30,249	13,531	0	32,890	-106	7,562	84,126

in KEUR	01.10.2018	Cash changes	Non-cash changes: Changes in scope of consolidation	Non-cash changes: Currency effects	Non-cash changes: Other effects	30.09.2019
Liabilities to financial institutions	23,504	-19	0	0	-82	23,403
Lease liabilities	5,806	-2,097	0	0	2,892	6,601
Purchase price obligation	798	-1,225	625	0	47	245
Total	30,108	-3,341	625	0	2,857	30,249

Other effects mainly comprise newly recognised leases. The total cash outflows for leases in financial year 2019/20 amount to KEUR 12,009, of which KEUR 11,679 is attributable to interest and principal repayments for lease liabilities, KEUR 112 to short-term leases and KEUR 218 to leases of low-value assets.

Significant Accounting Policies

Cash and cash equivalents comprise cash in hand and call deposits with banks with residual terms to maturity of no more than three months. The cash flows relating to a financial year are collated in the consolidated cash flow statement to provide information about the movement of the cash and cash equivalents of All for One Group over the course of a financial year.

Cash flow is classified as one of three types: operating, investment and financing.

Cash flow from operating activities is calculated indirectly by adjusting earnings before tax for non-cash transactions and for transactions relating to investment or financing activities. Both cash flow from investment activities and cash flow from financing activities are calculated directly by offsetting gross inflows against gross outflows.

H. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2020, the issued share capital was divided into 4,982,000 (30 Sep 2019: 4,982,000) registered no-par-value shares (individual share certificates) and was fully paid in. The arithmetic nominal value of the shares in circulation remains unchanged at EUR 3.00 per share. The company held no treasury shares in financial year 2019/20 nor in the prior year.

The capital reserve consists primarily of the premium from the issue of shares. The currency translation reserve was accrued from translation gains and losses from the conversion of non-euro-denominated financial statements of foreign Group companies included in the consolidation. This reserve is reclassified to profit or loss as soon as the relevant companies are deconsolidated.

The annual general meeting of 12 March 2020 approved – in each case limited until 11 March 2025 – the creation of new authorised capital totalling EUR 7,473,000 and an authorisation to repurchase shares of All for One Group SE 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.

The annual general meeting of 12 March 2020 approved a dividend of EUR 1.20 (prior year: EUR 1.20) per share, which was distributed in an amount of EUR 6.0 million (prior year: EUR 6.0 million).

Non-controlling interests

in KEUR	30.09. 2020	30.09. 2019
Carrying amount 1 October	-284	-142
Distribution to non-controlling interests	-29	-17
Profit share of the current year	354	39
Acquisition of non-controlling interests	0	-164
Carrying amount 30 September	41	-284

As at 30 September 2020, non-controlling interests were held in OSC Business Xpert GmbH, Burgdorf (stake unchanged at 49%) and in B4B Solutions GmbH, Graz/Austria (stake unchanged at 30%). The key financial figures are presented below.

Combined financial information

	B4B Solutions GmbH, Graz/Austria (sub-group)	
in KEUR	30.09. 2020	30.09. 2019
Current assets	5,558	3,810
of which cash and cash equivalents	2,953	725
Non-current assets	1,794	1,558
Current liabilities	5,909	5,105
of which financial liabilities	3,257	2,818
Non-current liabilities	1,213	1,111
of which financial liabilities	1,213	1,111
Net assets / Net liabilities	230	-848
Sales revenue	20,544	16,564
Result for the period / Total comprehensive income	1,078	-7

I. OTHER EXPLANATORY NOTES

20. Segment reporting

The segment report is aligned to the internal management and reporting procedures of All for One Group (»Management Approach«) based on individual Group companies and subgroups that make up the Group's segments. The organisation and management of All for One Group are aligned to its two business segments: **»CORE«** and **»LOB«**. 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 **»LOB«** segment (»Lines of Business«) includes business with IT solutions for departments such as sales and marketing, or HR, which are increasingly being sourced in the cloud. This business segment has its own brands to enable it to target individual lines of business in companies.

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. The same recognition and valuation methods apply as for the consolidated financial statements. Intersegment sales are recognised at arm's length prices. In addition to sales revenue, management uses earnings before interest and tax (»EBIT«) for management purposes, and to compare operational performance over time and issue forecasts. Extraordinary effects are reconciled to an adjusted EBIT, if necessary, to enable transparent assessment and better comparability of operational performance over time. The extraordinary effects relate to influences that the management board believes to be capable – by virtue of their nature, frequency and/or volume – to substantially detract from the informative value of the key financial indicators of the sustainability of the earnings strength at All for One Group. For control purposes, acquisition-related depreciation and amortisation are 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. The extraordinary costs relating to the strategy offensive reported in the prior year essentially comprise personnel measures (redundancies), impairment on intangible assets following strategic adjustments to the portfolio, as well as extraordinary effects in respect of measures such as changing the name of the company, rolling out a new brand architecture and moving to new headquarters.

in KEUR	CORE 10/2019 – 09/2020	CORE 10/2018 – 09/2019	LOB 10/2019 – 09/2020	LOB 10/2018 – 09/2019	Consolidation 10/2019 – 09/2020	Consolidation 10/2018 – 09/2019	Total 10/2019 – 09/2020	Total 10/2018 – 09/2019
External sales revenue	292,451	298,308	62,942	60,907	0	0	355,393	359,215
Intersegment revenue	5,939	4,266	9,987	10,616	-15,926	-14,882	0	0
Sales revenue	**298,390**	**302,574**	**72,929**	**71,523**	**-15,926**	**-14,882**	**355,393**	**359,215**
Depreciation, amortisation and impairment	-19,561	-10,164	-2,453	-2,818	10	10	-22,004	-12,972
Segment EBIT [1]	**14,783**	**18,317**	**4,494**	**1,273**	**10**	**10**	**19,287**	**19,600**
Extraordinary expenses of strategy offensive	–	–	–	–	–	–	–	-6,968
Financial result	–	–	–	–	–	–	-1,383	-535
EBT	**–**	**–**	**–**	**–**	**–**	**–**	**17,904**	**12,097**

1) Prior-year figures excl. extraordinary costs of strategy offensive

Non-current assets by country [1]

in KEUR	30.09. 2020	30.09. 2019
Germany	103,639	89,166
Austria	10,856	2,435
Switzerland	2,477	2,467
Other countries	777	310
Total	**117,749**	**94,378**

1) Except for finance lease liabilities, deferred tax assets and other financial assets

Sales revenue by country

Please refer to the breakdown in note 1.

21. Additional information about financial instruments

Financial risks

In the course of its normal business operations, All for One Group is exposed to various financial risks, including default, liquidity and market (currency and interest rate) risks. The risk management system and its objectives, methods and processes are described in the risk report, which forms part of the combined management report. 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 are only made with first-class counterparts.

Default risks

Default risks arise primarily from affording clients time to make payments and from the counterparty risk involved in financial transactions. The maximum default risk is theoretically the sum of the carrying amounts of the financial assets stated in the balance sheet.

The creditworthiness of customers is subject to regular examination. Credit assessments and dunning procedures mitigate the risk of bad debts. Outstanding receivables relating to business operations are monitored on an ongoing basis. All for One Group has put appropriate control mechanisms in place to ensure that services are only provided to customers who have proven to be creditworthy in the past and that the default risk associated with these transactions is within reasonable limits. Default risks are reflected by appropriate impairments. Risk-cluster-specific default rates are calculated on the basis of historical default data and after consideration of forward-looking macroeconomic indicators (anticipated insolvency rates) and estimation of the economic impact of the coronavirus pandemic. The resulting default rate is only negligibly higher than the prior year.

Value adjustment matrix for financial year 2019/20

in KEUR	30.09.2020	Value adjustment matrix not applied	Value adjustment matrix: Not overdue	<30 days overdue	31–90 days overdue	>90 days overdue
Trade receivables (gross carrying amount)	39,858	5,813	27,350	5,144	1,070	481
Contract assets (gross carrying amount)	4,905	0	4,905	–	–	–
Weighted average default rate	–	–	0.36%	0.57%	4.41%	34.39%
Impairment	-1,771	-1,412	-118	-29	-47	-165

Value adjustment matrix for financial year 2018/19

in KEUR	30.09.2019	Value adjustment matrix not applied	Value adjustment matrix: Not overdue	<30 days overdue	31–90 days overdue	>90 days overdue
Trade receivables (gross carrying amount)	51,348	4,323	38,828	6,145	1,429	623
Contract assets (gross carrying amount)	3,993	0	3,993	–	–	–
Weighted average default rate	–	–	0.13%	0.20%	2.12%	30.11%
Impairment	-1,792	-1,507	-54	-13	-30	-188

Finance lease receivables substantially relate to receivables from the public sector and are therefore exposed to only minor default risk.

Liquidity risks

All for One Group 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 Group SE also has liquidity reserves and unused operational funding lines of credit.

In the case of the remaining All for One Group promissory note bonds, the holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory note bonds due immediately should certain events occur on the basis of the covenants. These events primarily involve adhering to the agreed targets for the total equity as well as the relationship between total net debt and EBITDA. The effects of first-time application of IFRS 16 when determining covenants are not considered, due to contractual regulations. The creditors will also be authorised to cancel their loan commitments and call the respective amount due immediately should certain changes be made in the All for One Group shareholder structure (change of control). All covenants were complied with in full, both in financial year 2019/20 and in the prior year. Because the management board continuously monitors compliance with the terms and conditions of the promissory note bonds, the risks resulting from such covenants are considered to be minor.

The following tables show the financial liabilities classed by maturity based on the residual term on the relevant reporting date. Reconciliation to the amounts shown in the consolidated balance sheet is not possible since the cash flows in the tables have not been discounted.

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09.2020
Trade payables	16,784	0	0	16,784
Liabilities to financial institutions	7	15,004	33,500	48,511
Lease liabilities	10,721	17,018	9,208	36,947
Purchase price obligations	100	0	0	100
Total	**27,612**	**32,022**	**42,708**	**102,342**

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09.2019
Trade payables	24,421	0	0	24,421
Liabilities to financial institutions	8,513	15,011	0	23,524
Lease liabilities	2,580	4,163	0	6,743
Purchase price obligations	157	100	0	257
Total	**35,671**	**19,274**	**0**	**54,945**

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks include currency risks and risks of interest rate changes.

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. As far as currency risk is concerned, All for One Group strives to use the same currency to fund its assets. Revenue is recognised within the individual companies 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 were neither used in the financial year 2019/20 nor in the prior year.

Floating-rate liabilities with long terms are exposed to risks of changes in interest rates. All for One Group minimises such risks by using interest hedges and the continuous monitoring of global interest-rate policies. Since the only non-current financial liabilities at present relate to the promissory note bonds issued by the company at fixed rates, interest rates were not hedged in financial year 2019/20 nor in the prior year. Accordingly, any potential change in interest rates of +/- 100 basis points would have no impact on net Group earnings before tax.

Financial instrument categories

	Carrying amount per measurement category (IFRS 9)					
	Financial assets		Financial liabilities			
in KEUR	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	IFRS 7 not applicable	30.09.2020
Current assets						
Cash and cash equivalents	–	69,089	–	–	–	69,089
Finance lease receivables	–	4,111	–	–	–	4,111
Trade receivables	–	38,087	–	–	–	38,087
Other assets	–	267	–	–	8,337	8,604
Non-current assets						
Finance lease receivables	–	6,674	–	–	–	6,674
Other assets	–	329	–	–	3,561	3,890
Current liabilities						
Liabilities to financial institutions	–	–	–	7	–	7
Lease liabilities	–	–	–	10,426	–	10,426
Trade payables	–	–	–	16,784	–	16,784
Other liabilities	–	–	95	186	5,980	6,261
Non-current liabilities						
Liabilities to financial institutions	–	–	–	48,346	–	48,346
Lease liabilities	–	–	–	25,252	–	25,252
Other liabilities	–	–	–	–	650	650
Total	0	118,557	95	101,001	18,528	

in KEUR	Carrying amount per measurement category (IFRS 9): Financial assets: At fair value through profit or loss	Financial assets: At amortised cost	Financial liabilities: At fair value through profit or loss	Financial liabilities: At amortised cost	IFRS 7 not applicable	30.09.2019
Current assets						
Cash and cash equivalents	–	28,498	–	–	–	28,498
Finance lease receivables	–	4,035	–	–	–	4,035
Trade receivables	–	49,556	–	–	–	49,556
Other assets	–	267	–	–	7,582	7,849
Non-current assets						
Finance lease receivables	–	6,630	–	–	–	6,630
Other assets	–	248	–	–	3,452	3,700
Current liabilities						
Liabilities to financial institutions	–	–	–	8,499	–	8,499
Lease liabilities	–	–	–	2,562	–	2,562
Trade payables	–	–	–	24,421	–	24,421
Other liabilities	–	–	–	562	6,810	7,372
Non-current liabilities						
Liabilities to financial institutions	–	–	–	14,904	–	14,904
Lease liabilities	–	–	–	4,039	–	4,039
Other liabilities	–	–	88	–	586	674
Total	0	89,234	88	54,987	18,430	

In all valuation categories with the exception of finance lease receivables, liabilities to financial institutions and lease liabilities, the carrying amounts always represent a reasonable approximation of the fair value.

in KEUR	Carrying amount: 30.09. 2020	Carrying amount: 30.09. 2019	Fair value: 30.09. 2020	Fair value: 30.09. 2019
Finance lease receivables	10,785	10,665	10,923	10,819
Liabilities to financial institutions	48,353	23,403	49,724	24,008

Finance lease receivables, liabilities to financial institutions and lease liabilities are recognised at amortised cost and are stated as separate items, classified by maturity, in the balance sheet. The fair value of the finance lease receivables, liabilities to financial institutions and lease liabilities is calculated using the present value of the payments relating to the asset/liability. Calculation of the fair value is based in each case on current interest rate parameters that reflect market-driven changes in conditions and expectations. The valuation parameters for determining the fair value are based on non-observable market data (level 3).

The item »Other liabilities« on the balance sheet includes purchase price components from acquisitions that are measured at fair value through profit or loss. The fair value is calculated as the present value of the expected discounted cash flows based on the planned further business development of the affected entities. The valuation parameters for determining the fair value are based on non-observable market data (level 3).

Net result from financial instruments by measurement categories

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Financial assets at amortised cost	-938	-974
Financial assets at fair value through profit or loss	0	0
Financial liabilities at amortised cost	-56	-54
Financial liabilities at fair value through profit or loss	0	0
Total	-994	-1,028

Interest expenses relating to financial instruments amounted to KEUR 1,162 in financial year 2019/20 (prior year: KEUR 766), while the interest income totalled KEUR 0 (prior year: KEUR 207).

Capital management details

The capital management function aims to assure the availability of liquidity and thus the continuation of business as well as sustainably raising the value of the company and ensuring a reasonable return on equity. Based on the financing concept, the management board of All for One Group SE regularly examines various key figures relating to the company's capital and studies the capital market. Key financial indicators include, above all, net liquidity/debt and the equity ratio.

in KEUR	30.09. 2020	30.09. 2019
Liabilities to financial institutions	48,353	23,403
Lease liabilities	35,678	6,601
Cash and cash equivalents	69,089	28,498
Net debt (-) / Net liquidity (+)	-14,942	-1,506
Equity	88,784	82,291
Equity ratio (in % of the balance sheet total)	35%	41%

The significant increase in net debt of minus KEUR 13,436 to minus KEUR 14,942 as of 30 September 2020 is mostly due to first-time application of IFRS 16 in financial year 2019/20. The decline of 6% in the equity ratio to 35% as of 30 September 2020 was mainly due to first-time application of IFRS 16 and to net borrowings of promissory note bonds in financial year 2019/20.

All for One Group manages the capital structure and adjusts it to allow for changes in general economic conditions. Failure to comply with certain financial indicators specified in lending agreements (»Covenants«) would entitle lenders of All for One Group to raise the interest rates, as well as allowing them to terminate the agreements and demand immediate repayment. All covenants regarding key financials were complied with, both in financial year 2019/20 and in the comparable prior period. All for One Group pursues a dividend policy aimed at ensuring the direct participation of shareholders in the company's profits and cash flows. However, the basic premise is to always maintain adequate financial flexibility for greater business performance and additional inorganic growth.

22. Contingent liabilities and other financial obligations not reported on the balance sheet

There are no material contingent liabilities relating to customer-related legal disputes and claims for damages for which no provisions have been made.

Other financial obligations not reported on the balance sheet

in KEUR	30.09. 2020	30.09. 2019
Commitment to invest in		
fixed assets	7,008	2,951
leases concluded but not yet started	1,193	–
Future obligations under operating leases (IAS 17)	–	44,468

In financial year 2019/20, the expenses relating to unrecognised leases amounted to KEUR 330, of which KEUR 112 was attributable to current leases and KEUR 218 to leases governing low value assets.

Individual property lease contracts contain options to extend after the primary term (including any subsequent automatic extensions of rental periods) that were not included when measuring the lease liabilities. They were left out due to the lack of sufficient certainty that these options would be exercised, which could lead to undiscounted potential cash outflows of KEUR 59,778. If in doubt, calculation of these potential payment obligations would be based on the useful life of the relevant properties.

23. Related party disclosures

Related parties as defined in IAS 24 are legal or natural persons who can influence All for One Group SE or who are subject to control, joint management or significant influence by All for One Group SE. Related parties also include members of management in key positions, their close families, and companies that are controlled solely or jointly, or significantly influenced, by this group of people.

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 Group SE. Unternehmens Invest AG holds a 90.95% stake in UIAG Informatik-Holding GmbH. All for One Group SE, Filderstadt, is therefore solely dependent on Unternehmens Invest AG, according to Sections 16 (1), (2) and 17 (2) AktG.

The following business transactions with related parties were registered in the period from 1 October 2019 to 30 September 2020:

Products and services delivered to Unternehmens Invest AG and other income totalled KEUR 0 in financial year 2019/20 (prior year: KEUR 55), while products and services provided by Unternehmens Invest AG and other expenses amounted to KEUR 0 (prior year: KEUR 3). As at 30 September 2020, liabilities existed in the amount of KEUR 0 (prior year: KEUR 0).

Other expenses of KEUR 1 (prior year: KEUR 3) to close relatives of members of management in key positions were recognised.

Products and services delivered to other related parties and other income totalled KEUR 0 in financial year 2019/20 (prior year: KEUR 32). As at 30 September 2020, receivables from related parties amounted to KEUR 0 (prior year: KEUR 9).

Further transactions within All for One Group with related parties concerned business transactions with companies included in the consolidated financial statements. For a discussion of the volume of these business translations, please refer to the presentation of sales revenue in the segment report in note 20, which also contains intra-Group revenue. All transactions are settled at arm's length and fully eliminated during preparation of the consolidated financial statements. Accordingly, they do not affect the net assets, financial position and results of operations of All for One Group.

Members of the management board

- Lars Landwehrkamp (CEO since May 2007)
- Stefan Land (CFO since Apr 2008)

Membership by management board members in control bodies as defined in Section 125 (1) sentence 5 AktG is limited to various companies within All for One Group SE.

Total compensation paid to members of the management board

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Short-term benefits	1,249	1,032
Share-based payments	0	0
Post-employment benefits	124	125
Termination benefits	0	0
Other long-term benefits	346	48
Total 1)	1,719	1,205

1) Share of management board compensation attributable to the respective financial year

The variable portions of the aforementioned total compensation amounted to KEUR 879 in total (prior year: KEUR 389) and include estimates, which may deviate from the amounts determined as part of the final accounting. 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 Group SE were granted to the management board during the reporting year. Unusual transactions with related parties did not take place.

Detailed information about the compensation system and components of compensation is provided in the compensation report in the combined management report of All for One Group SE.

Members of the supervisory board

Josef Blazicek (chairman)

Independent businessman

Further memberships in supervisory boards and controlling bodies (Section 125 (1) sentence 5 AktG):

- Pierer Mobility AG (formerly: KTM Industries AG), Wels/Austria (chairman of the supervisory board)
- Pankl Racing Systems AG, Kapfenberg/Austria (deputy chairman of the supervisory board)
- Pierer Industrie AG, Wels/Austria (deputy chairman of the supervisory board)
- Pankl AG (formerly: Pankl SHW Industries AG), Kapfenberg/Austria (member of the supervisory board)
- SHW AG, Aalen/Germany (member of the supervisory board)

Paul Neumann (deputy chairman)

Member of the management board of Unternehmens Invest AG, Vienna/Austria

Peter Fritsch

Managing director of BEKO HOLDING GmbH & Co. KG, Nöhagen/Austria

Dr. Rudolf Knünz

Chairman of the management board of Unternehmens Invest AG, Vienna/Austria

Further memberships in supervisory boards and controlling bodies (Section 125 (1) sentence 5 AktG):

- Ganahl Aktiengesellschaft, Frastanz/Austria (chairman of the supervisory board)

Maria Caldarelli

Head of legal & integrity at All for One Group SE, Filderstadt/Germany

Jörgen Dalhoff

Group processes management at All for One Group SE, Filderstadt/Germany

Total compensation paid to members of the supervisory board

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Fixed compensation	125	125
Committee remuneration	35	36
Total 1)	160	161

1) Share of supervisory board compensation attributable to the respective financial year

Performance-related components are not included in the compensation for the supervisory board.

Detailed information about the compensation system and components of compensation is provided in the compensation report in the combined management report of All for One Group SE.

Significant Accounting Policies
Related parties as defined in IAS 24 are parties who control All for One Group SE either on their own or jointly with other companies or who significantly influence All for One Group SE. Likewise, subsidiaries, joint ventures and associates are classified as related to All for One Group SE and – in the case of subsidiaries and joint ventures – to each other. The same applies even if the subsidiaries are not fully consolidated. Related parties also include management in key positions, their close families, and companies that are controlled solely or jointly, or significantly influenced, by this group of people.

24. Auditors' fees and services

in KEUR	10/2019 – 09/2020	10/2018 – 09/2019
Audit services	196	398
of which only BDO AG	180	–
of which only KPMG AG	–	357
Other confirmation services	5	124
of which only BDO AG	5	–
of which only KPMG AG	–	124
Tax advisory services	0	30
of which only BDO AG	0	–
of which only KPMG AG	–	0
Other services	20	0
of which only BDO AG	20	–
of which only KPMG AG	–	0
Total	221	552
of which only BDO AG	205	–
of which only KPMG AG	–	481

The fee for audit services relates mainly to the audit of the consolidated financial statements and the annual financial statements of All for One Group SE as well as the various audits of the annual accounts of its subsidiaries to include the audit focal points agreed with the supervisory board. The prior year's figures had included non-recurring audit issues.

Other confirmation services refer to the conduct of agreed investigations pertaining to All for One Group SE'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 diverse advisory services.

25. Declaration of conformity according to Section 161 AktG

The management board and supervisory board of All for One Group SE have issued their declaration of conformity with the recommendations of the German Corporate Governance Code (DCGK) as specified in Section 161 AktG and made it available to their shareholders.

The full declaration is permanently accessible on the company's website at www.all-for-one.com/conformity-declaration. The declarations of conformity from previous financial years are also available in the same section on the website.

26. Subsequent events

No reportable events occurred after 30 September 2020.

Filderstadt, 9 December 2020
All for One Group SE

Lars Landwehrkamp CEO	Stefan Land CFO

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 combined 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, 9 December 2020
All for One Group SE

Lars Landwehrkamp	Stefan Land
CEO	CFO

INDEPENDENT AUDITORS' REPORT

to All for One Group SE, Filderstadt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

AUDITORS' OPINION

We have audited the consolidated financial statements of All for One Group SE and its subsidiaries (the Group), comprising the consolidated statement of profit and loss and the consolidated statement of comprehensive income for the financial year from 1 October 2019 to 30 September 2020, the consolidated balance sheet as at 30 September 2020, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 October 2019 to 30 September 2020 and the notes to the consolidated financial statements, together with a summary of significant accounting policies. Furthermore, we have audited the combined management report of All for One Group SE for the financial year from 1 October 2019 to 30 September 2020. In compliance with German legislation, we did not audit the content of the combined management report that is included under »OTHER INFORMATION«.

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 Section 315e (1) German Commercial Code (»HGB«) and give a true and fair view of the net assets and financial position of the Group as at 30 September 2020 and of the results of operations for the financial year 1 October 2019 to 30 September 2020.

» The accompanying combined management report provides a suitable view of the Group's situation overall. The combined 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. Our audit assessment of the combined management report does not extend to the content that is included »OTHER INFORMATION« in the combined management report.

Pursuant to Section 322 (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 combined management report.

BASIS FOR THE AUDITORS' OPINION

We conducted our audit of the consolidated financial statements und combined management report in accordance with Section 317 HGB, 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 »AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED 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 (2)(f) of EU Regulation 537/2014 that we provided no prohibited non-audit services as stipulated in Article 5 (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 combined 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 from 1 October 2019 to 30 September 2020. 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 have not provided a separate audit opinion on these matters.

We identified the following areas of focus as particularly important for our audit:

1. Impairment of goodwill and trademark rights
2. Sales revenue from consulting and services

IMPAIRMENT OF GOODWILL AND TRADEMARK RIGHTS

Facts

In the company's consolidated financial statements, goodwill totalling EUR 30.7 million (12.2% of the balance sheet total or 34.6% of equity) and other trademark rights with indefinite useful lives totalling EUR 12.3 million (4.9% of the balance sheet total or 13.9% of equity) are reported under »Intangible assets« on the balance sheet.

The company tests the goodwill and the trademark rights once a year or as indicated to identify any need for impairment. Impairment testing is conducted at the level of the cash-generating units to whom the goodwill and trademark rights are assigned. Impairment testing took account of the impacts of first-time application of IFRS 16. In the course of impairment testing, the carrying amount of the respective cash-generating unit to whom the goodwill and trademark rights are assigned is compared to the relevant recoverable amount. The recoverable amount is always determined on the basis of the value in use. Measurement is routinely based on the present value of future cash flows of the respective cash-generating unit. The discounted cash flow method is used to determine the respective values in use. The Group's approved budgets form the starting point for calculation. Long-term growth rates are used to extrapolate those future cash flows that extend beyond the detailed budget period. The calculation also considers expectations with regard to future market trends, and assumptions about macroeconomic influences. The weighted average cost of capital of the respective cash-generating unit is used for discounting.

Determination of the respective value in use is greatly dependent on estimates made by the legal representatives with regard to the future cash flows of the respective cash-generating unit, the discount rate to be applied, the growth rates, and on further assumptions and is therefore subject to considerable uncertainty. In light of the above and given the measurement complexity and the additional uncertainty surrounding predictions of future business and earnings performance as a result of the coronavirus pandemic, this area of focus was particularly important for our audit.

Auditors' response

In the course of our audit, we learned more about the budgeting process and assessed how appropriate it was. We also traced the methodical approach to impairment testing. We discussed the approved Group budgets and the long-term growth rate assumptions with the management board. After comparing the future cash inflows used to calculate the respective values in use with the approved Group budgets, we assessed how appropriate the material assumptions were, mainly by comparing them to general and industry-specific expectations in the marketplace. In doing so, we paid particular attention to whether the impacts of the coronavirus pandemic had been appropriately considered in the budgets. We also assessed the proper consideration of Group function costs in the budgets. In addition, we examined the adjustments to the budgets and the discount rates of the respective cash-generating units that were necessitated by first-time application of the *right-of-use* model.

Since we are aware that even relatively small changes to discount rates can have a material impact on the amount of the values in use calculated for goodwill or trademark rights using this method, we paid particularly close attention to the parameters used to determine the discount rate and to understanding the method of calculation. We examined the sensitivity analyses conducted by the management board to reflect the present forecasting uncertainties. In doing so, we assessed whether the sensitivity analyses adequately reflect the uncertainty caused by the coronavirus pandemic.

Furthermore, we made sure the obligatory disclosures with regard to impairment testing had been made in the notes to the consolidated financial statements.

The company's disclosures with regard to impairment testing, goodwill, and other intangible assets and fixed assets can be found in Note 13 in Section F of the notes to the consolidated financial statements, while the discretionary judgements made by the management and the estimation uncertainties to which impairment testing is subject are discussed in Section D of the notes to the consolidated financial statements.

RECOGNITION OF SALES REVENUE FROM CONSULTING AND SERVICES

Facts

The consulting and services revenues amount to EUR 143.5 million. These are mainly attributable to consultancy services and long-term project assignments.

The contractual regulations in the area of consulting and services are complex. IFRS 15 requires identification of the performance obligations agreed with the client in a contract. Such contracts must be examined to determine whether multiple performance obligations are bundled together and the agreement in question is therefore a multi-component contract. This assessment requires discretionary assessment.

The distribution of the consideration based on the relative individual sale prices for each performance obligation identified in a contract is, moreover, subject to discretionary judgement. There is therefore a risk of inappropriate allocation and, accordingly, incorrect revenue recognition.

All for One Group SE recognises consulting and services sales revenue both at a certain time and over a certain period.

Performance obligations relating to customer-specific consultancy projects are delivered over a longer period and revenue is recognised based on the degree of completion. Progress is measured using the ratio of consultancy hours already worked to the total estimated number of hours for the project as a whole.

The underlying estimation of total hours for the project as a whole and the means for determining the degree of completion are complex and are subject to discretionary judgement. The consolidated financial statements therefore risk stating incorrect sales revenues relating to customer-specific consultancy projects for a specific period.

Auditors’ response

We learned more about the process for capturing revenues and determined whether it was appropriate. We also examined, in particular, the structure, implementation and effectiveness of the controls to make sure order-related expenses are captured correctly.

We also studied the process for estimating total project hours and determined whether it was appropriate. Furthermore, we examined the structure, implementation and effectiveness of the controls in place within this process.

We consciously selected contracts on a risk-oriented basis to assess the identification of the individual performance obligations and the distribution of the consideration based on relative individual sale prices, which we also checked.

We also consciously selected, on a risk-oriented basis, some customer-specific consultancy projects that were still awaiting completion to check whether the underlying contractual agreements specified the recognition of revenue based on the degree of completion in a specific period. We also assessed the calculation of the degree of completion that was used to determine the amount of revenue recognition by requesting documentation of the actual hours worked, and checking and assessing the estimated total project hours and anticipated income in the client's calculation.

The company's disclosures of revenue recognition can be found in Note 1 in Section E of the notes to the consolidated financial statements, while details of the discretionary judgements made by the management and the estimation uncertainties to which revenue recognition is subject are discussed in Section D of the notes to the consolidated financial statements.

OTHER INFORMATION

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

» the separately published non-financial statement referred to in Section 9 of the combined management report

» the separately published corporate governance statement referred to in Section 10 of the combined management report

» the other parts of the annual report, except for the audited consolidated financial statements, the combined management report and our audit opinion.

Our audit opinion on the consolidated financial statements and the combined management report does not extend to the other information. Accordingly, we will not issue an audit assessment, nor any other form of conclusions drawn from an audit.

In performing our audit of the consolidated financial statements, we are responsible for reading the other information and assessing whether the other information

» contains any material inconsistencies relating to the consolidated financial statements, the combined management report or the knowledge gained during our audit, or

» seems to be otherwise materially misstated.

If we come to the conclusion, based on our audit, that this other information contains material misstatements, we are obliged to report the fact. We have nothing to report in this respect.

RESPONSIBILITY OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED 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 Section 315e (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 combined 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 combined management reports in accordance with the requirements of German law, and for providing sufficient and appropriate evidence for the assertions in the combined 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 combined management reports.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED 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 combined 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, 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 combined management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 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 aggregated, reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements and combined 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 combined 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 combined 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 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 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 combined 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 Section 315e (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 combined 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 combined 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 combined 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 with 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 impartiality, and the safeguards applied with regard to them.

Of the matters communicated with those charged with governance, we determine those of most significance for 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 LEGAL AND STATUTORY REQUIREMENTS

OTHER INFORMATION PURSUANT TO ARTICLE 10 EU-APRVO

We were elected as auditors at annual general meeting on 12 March 2020. We were engaged by the chairman of the audit committee on 23 June 2020. We have been the auditors of All for One Group SE continuously since financial year 2019/2020.

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-APrVO.

We provided the following services, which were not disclosed in the consolidated financial statements nor in the combined management report, in addition to the audit of the financial statements of the Group companies:

In addition to the consolidated financial statements, we audited the annual financial statements of the company and the annual financial statements of a subsidiary. Other confirmation services relate to the performance of agreed activities to examine key financial figures of All for One Group SE. Furthermore, we audited the proper compliance of the electronic archiving processes with regard to digital HR files, incoming invoices/credit notes and travel expense vouchers.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Dr. Jan Fasshauer.

Frankfurt am Main, 9 December 2020
BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Freiberg Auditor	Dr. Fasshauer Auditor

SERVICE

FINANCIAL CALENDAR FOR FINANCIAL YEAR 2020/21

Friday	05.02.2021	Quarterly Statement 2020/21 as at 31 December 2020
Thursday	11.03.2021	Annual General Meeting
Friday	07.05.2021	Half-Year Financial Report 2020/21 as at 31 March 2021
Friday	06.08.2021	Quarterly Statement 2020/21 as at 30 June 2021
Wednesday	15.12.2021	Publication of Consolidated and Annual Financial Statements Financial Year from 1 October 2020 to 30 September 2021
Wednesday	15.12.2021	Financial Statements Press Conference, Filderstadt
Thursday	16.12.2021	Analyst Presentation, Frankfurt

IR SERVICE

Our homepage offers an extensive IR Service. Apart from finding company reports, analyst reports, financial presentations or information concerning the annual general meeting, you can also put yourself on the mailing list for press and financial announcements.

www.all-for-one.com/ir-english

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 of this annual report is definitive. The company assumes no obligation to update statements made in this annual report.

IMPRINT

Investor Relations
Dirk Sonntag
Head of Corporate & Investor Relations
T +49 711 78 80 7-260
F +49 711 78 80 7-222
E-Mail dirk.sonntag@all-for-one.com

Responsible for content
All for One Group AG
Filderstadt, Germany

Design
Veit Quandt, Ostfildern, Germany, www.veitquandt.de

all for one
Group

All for One Group SE
Rita-Maiburg-Strasse 40
70794 Filderstadt
Germany

+49 (0) 711 788 07-0
+49 (0) 711 788 07-222

ALL-FOR-ONE.COM