Global Pandemic Weighs on Sales and Earnings Growth Plans Hampered Temporarily

Sales (in EUR millions)	10/2019 – 03/2020	10/2018 – 03/2019	Change
Sales	182.2	180.8	+1%
EBIT	9.4	10.0	-6%
Cloud & Software Revenue	107.8	106.9	+1%
Recurring Revenue	91.9	85.1	+8%

- » Robust growth in cloud services and support revenue: up 11%
- » Ratio of recurring revenues increases to 50% (Oct 2018 – Mar 2019: 47%)
- » License revenues: minus 27%
- » »Strongest-Selling Partner SAP BusinessByDesign Germany«
- » »SAP on Azure« leader in Microsoft Ecosystem 2020 study by ISG
- » Corona pandemic is making it difficult to revise forecast for 2019/20
- » Digitalisation and transformation momentum expected to increase

Swift response to the corona situation

The priorities at the top of our agenda during the corona pandemic are protecting the health of our staff and their families and assuring provision of systems operation and support for our customers from the home offices of our staff, while at the same time taking extensive steps to secure our earnings.

During the launch phase of our strategy offensive 2022, we had invested considerably in expanding our cloud services, in service and business continuity technologies and processes, and in digital distribution, for example. These investments are really paying off in the exceptional circumstances that are currently prevailing. Our staff are very well equipped with remote desks and are doing a great job from their home offices. Both operation and support for our base of more than 2,500 customers are assured.

Big leap towards sustainability, agility and digitalisation

We are increasingly performing remotely work that customers previously only would have accepted being delivered in a consultancy capacity on site. This is proving true even for SAP S/4HANA rollouts for both new and existing customers. Following lockdown, their warehousing processes need to start up again. They also need to replenish spare parts and procure material for production. Here, again, our consultants are supporting our customers mostly from their home offices. We are also offering immediate service packages – for setting up short-time compensation for furloughed staff or digital collaboration, for example – to help our customers cope with the current challenges. In doing so, we are helping to contain the spread of the COVID-19 virus.

The challenge now is to overcome this crisis and to then grasp the opportunity to take a huge leap forward towards sustainability, agility and digitalisation, and to emerge from the crisis stronger than before. SAP has awarded us the accolade of »Strongest-Selling Partner in Germany« for our successful marketing of the SAP Business ByDesign ERP cloud solution. In their study »Provider Lens Microsoft Ecosystem 2020«, market observers ISG ranked us as »Leader SAP on Azure« in recognition of the scope and performance of our SAP S/4HANA portfolio on Microsoft's cloud platform. United VARs, our alliance that rolls out SAP projects around the globe, was awarded an SAP Pinnacle Award as strongest-selling »SAP Global Platinum Reseller« for the second time in 2020 following 2017.

EARNINGS SITUATION

Sales performance

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019
Cloud services and support (1)	37,695	33,916
Software licenses and support (2)	70,093	72,963
Software licenses	15,917	21,739
Software support (3)	54,176	51,224
Consulting and services	74,370	73,960
Sales revenues	182,158	180,839
Cloud and software revenues (1) + (2)	107,788	106,879
Recurring revenues (1) + (3)	91,871	85,140

In spite of strongly declining willingness to invest and the failure to materialise of follow-on licenses, we were able to increase our non-recurring revenues from the sale of software licenses by 5% in the 2nd quarter 2019/20 to EUR 5.5 million. By year on year comparison for the first six months, however, the decrease to EUR 15.9 million (minus 27%) is still considerable.

Despite corona, our cloud business – a core module in our strategy offensive 2022 – continues to grow robustly albeit somewhat more moderately. We were able to increase recurring revenues from cloud services and support by 10% to EUR 18.8 million in the second 2nd quarter 2019/20. By year on year comparison for the first six months, this equates to growth of 11% to EUR 37.7 million.

Overall, recurring revenues increased by 8% to EUR 91.9 million compared to the prior half-year and include both the aforementioned cloud services and support sales, as well as software support revenues (up 6% to EUR 54.2 million). As such, the share of total sales attributable to recurring revenues increased to 50% (Oct 2018 – Mar 2019: 47%) in the 6-month period. The increase in recurring revenues (plus EUR 6.7 million) was therefore greater than the decrease in non-recurring revenues from the sale of software licenses (minus EUR 5.8 million). Including consulting and services sales (plus 1% to EUR 74.4 million), total revenue for the 6-month period (Oct 2019 – Mar 2020) amounted to EUR 182.2 million (plus 1%). The 2nd quarter 2019/20 contributed to this development with sales of EUR 89.8 million (plus 4%, of which around 1 percentage point was generated inorganically).

Earnings performance

We started applying IFRS 16 Leases with effect from 1 October 2019. Prior-year figures were not adjusted (modified retrospective method).

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019 [1]
Sales revenues	182,158	180,839
Cost of materials and purchased services	-61,779	-63,985
Personnel expenses	-80,058	-76,418
Depreciation, amortisation and impairment on intangible and fixed assets	-11,221	-5,638
Impairment expenses of financial assets	-66	-32
Other operating expenses/income	-19,642	-24,774
EBIT	9,392	9,992
Financial result	-731	-124
EBT	8,661	9,868
Income tax	-2,638	106
Result for the period	6,023	9,974

1) Limited prior year comparison due to IFRS 16

Impact of first-time application of IFRS 16 for the period October 2019 – March 2020

in KEUR	IFRS 16 effect
EBITDA	+4,571
Depreciation, amortisation and impairment on intangible and fixed assets	-4,605
EBIT	-34
Financial expenses	-138
EBT	-172
Income tax	+51
Result for the period	-121

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. As such, cost of materials and purchased services decreased by minus 3% to EUR 61.8 million year on year. The cost of materials ratio is now 34% (Oct 2018 – Mar 2019: 35%). Personnel expenses increased at a higher rate than sales, to EUR 80.1 million (up 5%), mainly as a result of recruitments (plus 5% to 1,656 full-time employees on average).

As a result, the ratio of personnel expenses to sales increased to 44% (Oct 2018 – Mar 2019: 42%). The decrease in other operating expenses of 18% to EUR 21.5 million is primarily due to IFRS 16. From a purely operational perspective, the other operating expenses are on a par with the prior year. Amortisation and depreciation of intangible and fixed assets approximately doubled as a result of IFRS 16, to EUR 11.2 million. Without IFRS 16, the figure would have only increased by 17%.

EBITDA totalled EUR 20.6 million (Oct 2018 – Mar 2019: EUR 15.6 million), up 32%. The EBITDA margin relative to sales was 11.3% (Oct 2018 – Mar 2019: 8.6%). Disregarding IFRS 16, EBITDA would have been 3% above the prior year. The effect of IFRS 16 on EBIT – which decreased by 6% to EUR 9.4 million – was virtually zero. As a result, the EBIT margin amounted to 5.2% (Oct 2018 – Mar 2019: 5.5%). The prior-year figure of EUR 10.0 million included separately recognised extraordinary costs (minus EUR 1.0 million) relating to the strategy offensive 2022. Accordingly, the comparable EBIT in the prior-year period (without extraordinary costs) totalled EUR 11.0 million. The resulting decrease of EBIT by EUR 1.6 million to 9.4 million (minus 14%) over the half-year period from October 2019 to March 2020 is primarily due to the declining non-recurring revenues from license sales and to the absence of customer projects.

The financial result for the first half-year 2019/20 was minus EUR 0.7 million (Oct 2018 – Mar 2019: minus EUR 0.1 million) and income taxes were minus EUR 2.6 million (Oct 2018 – Mar 2019: plus EUR 0.1 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 8.7 million (minus 12%), while the income tax rate increased sharply to 30% (Oct 2018 – Mar 2019: 1%). Accordingly, the result for the period declined 40% to EUR 6.0 million.

Sales and earnings performance by segment

	CORE		LOB	
in KEUR	10/2019 – 03/2020	10/2018 – 03/2019	10/2019 – 03/2020	10/2018 – 03/2019
Statement of profit and loss				
Sales to external customers	149,960	151,333	32,198	29,506
Intersegment sales	2,796	2,025	5,148	5,093
Sales revenues	152,756	153,358	37,346	34,599
Segment EBIT [1]	8,294	11,142	1,093	-185

1) Prior year figures adjusted to reflect extraordinary costs of strategy offensive

The CORE segment comprises ERP and collaboration solutions for companies' core business processes. Current segment performance is influenced, above all, by targeted investments in preparations to migrate our customer base to SAP S/4HANA. In addition to our business process library (»Scope Items«), platform business (Microsoft Azure, AWS) is playing an increasingly important role. Our investments in our CORE segment are, moreover, focusing on building our portfolio of IoT & machine learning, cyber security & compliance and new work & collaboration expertise. The strong decline in non-recurring license revenues was attributable virtually entirely to the CORE segment, where sales decreased marginally to EUR 152.8 million (Oct 2018 – Mar 2019: EUR 153.4 million). The segment's EBIT declined to EUR 8.3 million (minus 26%). In our only relatively recently established 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. LOB segment sales increased by 8% to EUR 37.3 million while EBIT improved significantly to plus EUR 1.1 million (Oct 2018 – Mar 2019: minus EUR 0.2 million).

ASSETS AND FINANCIAL SITUATION

Assets situation

The changes in the balance sheet structure as of 31 March 2020 were predominantly influenced by IFRS 16 and the issuance of further promissory note bonds. With the application of IFRS 16, we introduced a separate balance sheet item – »Right-of-use assets« – to enhance transparency. All financial commitments relating to lease and rental contracts (office equipment, real estate, etc.) 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 years (EUR 7.5 million in total) and eight years (EUR 16.0 million in total) and one forward tranche (value date: 30 April 2020) with a term of 6.5 years (EUR 10.0 million in total). The main purpose of the forward tranche is to redeem a residual tranche of EUR 8.5 million on 30 April 2020. All three tranches incur interest at fixed rates ranging between 0.90% and 1.10%, depending on the tranche. The balance sheet total has increased to EUR 239.4 million (plus 20%).

Asset performance (plus EUR 39.8 million) was primarily influenced by the increase in cash and cash equivalents (plus EUR 16.9 million) and in right-of-use assets (plus EUR 36.4 million). Liabilities were likewise influenced by higher liabilities to financial institutions (plus EUR 23.5 million) and increased current and non-current lease liabilities (plus EUR 30.2 million). As a result, net debt increased substantially to EUR 38.3 million (30 Sep 2019: EUR 1.5 million) mainly as a result of IFRS 16. The decline in the equity ratio to 34% (30 Sep 2019: 41%) was also primarily due to IFRS 16 and the issuance of promissory note bonds.

Financial situation

Cash flow from operating activities totalled EUR 10.4 million (Oct 2018 – Mar 2019: EUR 6.2 million). This increase is primarily due to the first-time application of IFRS 16 (plus EUR 4.6 million). Rental and lease contract payments will now be recognised in the cash flow from financing activities and no longer, as previously, in the cash flow from operating activities. In the current reporting period, income tax payments and refunds resulted in cash inflows (EUR 0.1 million), compared with cash outflows of EUR 3.7 million in the prior-year period. Cash outflows from changes in working capital currently totals EUR 9.0 million (Oct 2018 – Mar 2019: EUR 4.9 million). Cash flow from investing activities totalled minus EUR 5.0 million (Oct 2018 – Mar 2019: minus EUR 11.8 million). In the prior-year period, higher cash outflows were needed to fund the acquisition of TalentChamp (EUR 6.3 million). Cash flow from financing activities also changed considerably. Including the newly issued promissory note bonds, cash inflows of EUR 11.4 million in total (Oct 2018 – Mar 2019: minus EUR 7.4 million) were achieved. As a result, cash and cash equivalents totalled EUR 45.4 million (31 Mar 2019: EUR 23.4 million).

Employees

	10/2019 – 03/2020	10/2018 – 03/2019
Employees		
Number of employees (period end)	1,838	1,794
Number of full-time equivalents (ø)	1,656	1,575
Non-financial performance indicators		
Employee retention	92.5%	92.2%
Health index	96.7%	97.3%

Keeping our staff and their families safe and healthy is our top priority, for which we have taken a whole host of steps. The level of our health index remains high and has so far only weakened by 0.6 percentage points. We have virtually stopped the expansion of our workforce. New recruitments are very sporadic and extremely focused. Compared to 31 December 2019, the number of employees decreased by 1% from 1,859 to 1,838 (31 Mar 2020). Employee retention increased by 0.3 percentage points to 92.5% and is, we believe, well above the industry average.

Corporate governance

The new recommendations of the government commission responsible for the German Corporate Governance Code came into force on 20 March 2020, replacing the last amendment from 24 April 2017. Even before then, we had started discussing the new recommendations. Our declaration of conformity for the current year is planned for September 2020. For details of directors' dealings in the reporting period, please refer to our website (www.all-for-one.com/dd_e).

OPPORTUNITIES AND RISK MANAGEMENT

Change in the risk situation

With the corona crisis worsening in the 2nd quarter of our financial year 2019/20, the impacts on business are also increasing. The spread of COVID-19, which the World Health Organisation classified as a pandemic on 11 March 2020, will have a significantly adverse effect on global growth in 2020. In just a very short space of time, the global pandemic has also started impacting our immediate environment, and has changed our risk situation much more quickly and decisively than had been previously expected. As a result of the pandemic, the likelihood of occurrence of the following individual risks, in particular, has changed substantially compared to the risks and opportunities discussed in both our Annual Report 2018/19 and our most recent quarterly statement as of 31 December 2019.

Environmental risks

As a result of the pandemic, All for One Group is exposed to a greater »economic risk« (included in the »risks associated with social, political, overall economic and regulatory developments«, risk classification to date: »high«). Keeping pace with the unexpectedly swift spread of the coronavirus, the drop in Germany's leading economic indicator – the ifo business climate index – is the strongest since 1991 *(source: ifo Institut, Munich University, 25 Mar 2020)*. Until recently, consensus estimates of gross domestic product (GDP) growth were still around 1% whereas GDP is now expected to shrink by anywhere between 1.5% and 9% in 2020 *(source: Handelsblatt 20/22 Mar 2020)*. The IT sector could be one of those that is hit hard. Previously, market researchers such as IDC were expecting global IT spending to grow by 5.1%, whereas just two months later the experts are predicting a decrease of 2.7% *(sources: IDC, Handelsblatt, 22 Apr 2020)*.

The »market and industry risks« (risk classification raised from »medium« to »high«) could also increase further in the wake of changes in the economic risk. Especially if the measures to contain the coronavirus are upheld for a longer period or expanded, causing the global recession to worsen further. Over the coming quarters, our sales activities – especially the generation of new contracts – could suffer considerably.

Financial risks

With signs of recession increasing, the risk of bad debts is growing and, with it, the danger of customer insolvencies – possibly more so even than witnessed in the financial and economic crisis 2008/09. Furthermore, it cannot be ruled out that, depending on further developments on the capital markets, the refinancing of the All for One Group could also become more difficult in the future. Taken as a whole, the risk in the current reporting period has increased, and the classification of »risks associated with bad debts and customer insolvencies« has been raised (from »medium« to »high«) as have the »financial and liquidity risks« (from »low« to »medium«).

In spite of the heightened financial risks, our high recurring cloud and software support revenues continue to guarantee stable cash flows and help to maintain our currently good level of funding.

Operational risks

We currently expect the implementation of individual projects to be significantly hampered, at least in the second half of our financial year 2019/20, as a result of the corona pandemic (»project risks«, so the classification was raised from »medium« to »high«). The temporary postponing of projects will have a risk-reducing effect, as it would be very unlikely for them to be suspended permanently given the increasing pressure to implement digitalisation.

Added to which, we are increasingly delivering even major projects remotely. One immediate consequence of the heightened project risks could be changes in the workload of our consultants (»risks associated with human resources«). As a result, we have also raised the classification of the »risks associated with human resources« in the current reporting period (from »medium« to »high«).

To secure our profitability, we are reducing holiday backlogs, furloughing individual members of staff, reducing our recruiting activities and focusing more on virtual meetings and events. With mobility expected to remain restricted, travel expenses will be quite considerably lower in financial year 2019/20 too.

Change in the opportunity situation

The launch of our strategy offensive 2022 strengthened our Group-wide organisation and considerably expanded our portfolio. As a result, we can respond swiftly and specifically to changes in the marketplace.

We are currently focusing enormous effort on marketing our newly designed immediate service packages to deal with the most urgent challenges facing businesses at present – such as setting up short-time compensation for furloughed staff or coordinating collaboration throughout a company split into virtual teams working in home offices. This not only increases our chances of accelerating penetration among our existing customers; it also enables us to enhance customer loyalty. At the same time, we are using our immediate service packages as door openers in our attempts to acquire new customers. Even before things return to normal, we expect the opportunities for driving transformation towards cloud-based software utilisation to increase. Solutions such as these are ideal for »remote access« rollout and enable our customers to quickly implement digital processes.

Outlook

In our guidance for financial year 2019/20 that we published on 26 November 2019, we forecast sales of between EUR 375 million and 385 million and EBIT of between EUR 20 million and 22 million. This guidance was based on our objectives prior to the impacts of the corona pandemic. Given the enormous uncertainty surrounding the financial impacts of the corona pandemic, we repealed our guidance back on 23 March 2020. At the time of preparing this half-year financial report, with the enormous uncertainty surrounding the further progress of the crisis continuing to prevail, we remain unable to issue our usual interim guidance for financial year 2019/20.

At present, we estimate that sales in financial year 2019/20 could be slightly below the prior-year figure of EUR 359.2 million (financial year 2018/19). By contrast, the drop in EBIT in 2019/20 compared to the prior-year figure of EUR 19.8 million (»adjusted EBIT« in financial year 2018/19) could be much more severe. »Adjusted EBIT« reflects the EBIT from the prior year (EUR 12.6 million) adjusted for the extraordinary costs that occurred in financial year 2018/19 (EUR 7.2 million) (see Annual Report 2018/19, Note 3.4). By contrast, our non-financial performance indicators – »employee retention« and »health index« – are proving to hold largely firm, despite the corona pandemic. As such, we continue to view the achievement of these targets as defined in our guidance in November 2019 as realistic.

Depending on how long the recession lasts in the key industrial countries around the globe, negative impacts on our original growth plans and on the targets set as part of our strategy offensive 2022 cannot be ruled out. At present, we expect the market environment to weaken in the mid-term. As such, it may take longer to achieve the EBIT margin in excess of 7% and sales of between EUR 550 million and 600 million envisaged in our strategy offensive 2022 and originally planned for financial year 2022/23. Even in the currently uncertain economic environment, our strategy offensive and innovative business model give us the confidence to believe in our growth potential.

Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, we affirm that the consolidated interim financial statements give a true and fair view of the assets, financial position and earnings of the Group, and that the Group interim 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 principle opportunities and risks associated with the expected development of the Group in the remaining financial year.

Lars Landwehrkamp Chief Executive Officer	Stefan Land Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF ALL FOR ONE GROUP AG
from 1 October 2019 to 31 March 2020

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019 1)	01/2020 – 03/2020	01/2019 – 03/2019 1)
Sales revenues	182,158	180,839	89,813	86,655
Other operating income	1,884	1,346	367	648
Cost of materials and purchased services	-61,779	-63,985	-29,835	-28,290
Personnel expenses	-80,058	-76,418	-39,907	-39,178
Depreciation, amortisation and impairment on intangible and fixed assets	-11,221	-5,638	-5,480	-2,892
Impairment expenses of financial assets	-66	-32	-164	-43
Other operating expenses	-21,526	-26,120	-10,192	-12,348
EBIT	9,392	9,992	4,602	4,552
Financial income	6	404	5	346
Financial expenses	-737	-528	-358	-267
Financial result	-731	-124	-353	79
Earnings before tax (EBT)	8,661	9,868	4,249	4,631
Income tax	-2,638	106	-1,351	1,699
Result for the period	6,023	9,974	2,898	6,330
attributable to owners of the parent	5,915	10,002	2,835	6,313
attributable to non-controlling interests	108	-28	63	17
Earnings per share				
Undiluted and diluted earnings per share (in EUR)	1.19	2.01	0.57	1.27

1) Limited prior year comparison due to IFRS 16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALL FOR ONE GROUP AG
from 1 October 2019 to 31 March 2020

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019	01/2020 – 03/2020	01/2019 – 03/2019
Result for the period	6,023	9,974	2,898	6,330
Items that may be reclassified to profit or loss in subsequent periods				
Unrealised profits (+) / losses (-) from currency translation	-65	64	-13	-26
Other comprehensive income	-65	64	-13	-26
Total comprehensive income	5,958	10,038	2,885	6,304
attributable to owners of the parent	5,850	10,066	2,822	6,287
attributable to non-controlling interests	108	-28	63	17

CONSOLIDATED BALANCE SHEET OF ALL FOR ONE GROUP AG

as at 31 March 2020

Assets in KEUR	31.03.2020	30.09.2019 1)
Current assets		
Cash and cash equivalents	45,356	28,498
Finance lease receivables	3,984	4,035
Trade receivables	45,152	49,556
Contract assets	4,739	3,993
Income tax assets	983	3,767
Other assets	8,435	7,849
	108,649	97,698
Non-current assets		
Goodwill	30,785	30,724
Other intangible assets	34,729	36,786
Fixed assets	17,009	23,417
Right-of-use assets	36,404	–
Finance lease receivables	6,494	6,630
Deferred tax assets	483	547
Other assets	4,797	3,700
	130,701	101,804
Total assets	239,350	199,502

Liabilities and equity in KEUR	31.12.2019	30.09.2019 1)
Current liabilities		
Other provisions	529	1,492
Liabilities to financial institutions	8,506	8,499
Lease liabilities	10,280	2,562
Trade payables	17,194	24,421
Contract liabilities	9,020	7,346
Liabilities to employees	17,487	25,241
Income tax liabilities	1,691	1,406
Other liabilities	7,272	7,372
	71,979	78,339
Non-current liabilities		
Pension provisions	4,038	3,862
Other provisions	659	599
Liabilities to financial institutions	38,349	14,904
Lease liabilities	26,506	4,039
Deferred tax liabilities	14,665	14,794
Other liabilities	912	674
	85,129	38,872
Equity		
Issued capital	14,946	14,946
Reserves	67,501	67,629
Share of equity attributable to owners of the parent	82,447	82,575
Non-controlling interests	-205	-284
	82,242	82,291
Total liabilities and equity	239,350	199,502

1) Limited prior year comparison due to IFRS 16

CONSOLIDATED CASH FLOW STATEMENT OF ALL FOR ONE GROUP AG

from 1 October 2019 to 31 March 2020

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019 [1)]
Result for the period	6,023	9,974
Income tax	2,638	-106
Financial result	731	124
Depreciation, amortisation and impairment on intangible and fixed assets	11,221	5,638
Increase (+) / decrease (-) in value adjustments and provisions	-1,314	-763
Increase (-) / decrease (+) in trade receivables	4,861	2,735
Increase (+) / decrease (-) in trade payables	-5,158	-782
Increase (+) / decrease (-) in other assets and other liabilities	-8,735	-6,868
Income tax refunds (+) / income tax payments (-)	125	-3,725
Cash flow from operating activities	10,392	6,227
Payments for purchase of intangible and fixed assets	-5,284	-5,709
Proceeds from sale of intangible and fixed assets	170	42
Purchase of subsidiary, net of cash and cash equivalents acquired	-65	-6,260
Sale of subsidiary, net of cash and cash equivalents disposed of	-7	-5
Interest received	216	119
Cash flow from investing activities	-4,970	-11,813
Repayment of lease liabilities	-5,761	-902
Proceeds from liabilities to financial institutions	23,500	0
Repayment of liabilities to financial institutions	-10	-10
Payment for acquisition of non-controlling interests	0	-380
Interest paid	-289	-94
Dividend payments to shareholders and non-controlling interests	-6,007	-5,995
Cash flow from financing activities	11,433	-7,381
Increase (+) / decrease (-) in cash and cash equivalents	16,855	-12,967
Effect of exchange rate fluctuations on cash funds	3	82
Cash funds at start of period	28,498	36,331
Cash funds at end of period	45,356	23,446

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALL FOR ONE GROUP AG

from 1 October 2019 to 31 March 2020

	Share of equity attributable to owners of the parent					Non-controlling interests	Equity
in KEUR	Issued share capital	Capital reserve	Currency translation reserves	Retained earnings	Total		
01.10.2018 (as previously reported)	14,946	11,228	265	50,769	77,208	-189	77,019
First-time application of IFRS 9 / IFRS 15	0	0	0	1,495	1,495	47	1,542
01.10.2018 (adjusted)	14,946	11,228	265	52,264	78,703	-142	78,561
Result for the period	0	0	0	10,002	10,002	-28	9,974
Other comprehensive income	0	0	64	0	64	0	64
Total comprehensive income	0	0	64	10,002	10,066	-28	10,038
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	0	-164	-380
Transactions with owners of the company	0	0	0	-6,194	-6,194	-181	-6,375
31.03.2019	14,946	11,228	329	56,072	82,575	-351	82,224
01.10.2019	14,946	11,228	1,103	55,298	82,575	-284	82,291
Result for the period	0	0	0	5,915	5,915	108	6,023
Other comprehensive income	0	0	-65	0	-65	0	-65
Total comprehensive income	0	0	-65	5,915	5,850	108	5,958
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-29	-29
Transactions with owners of the company	0	0	0	-5,978	-5,978	-29	-6,007
31.03.2020	14,946	11,228	1,038	55,235	82,447	-205	82,242

CONDENSED NOTES TO THE INTERIM REPORT OF ALL FOR ONE GROUP AG

from 1 October 2019 to 31 March 2020

1. General principles

Unless otherwise indicated, »All for One Group AG«, »All for One Group«, »company«, »firm« or »Group« in this Interim Report all refer to All for One Group AG, including its subsidiaries. This half-year financial report of All for One Group AG as specified in Sections 115 and 117 Securities Trading Act [WpHG] has been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Section 51a of the regulations issued by the Frankfurt Stock Exchange (FWB). The Interim Report also complies with the requirements of IAS 34 Interim Financial Reporting and has not been audited. Apart from the first-time application of new accounting standards, which is discussed separately in this half-year financial report, the consolidated financial statements were prepared in accordance with the accounting and measurement methods applying as of 30 September 2019. The figures include all ongoing business transactions and deferrals that the company deems necessary to ensure correct presentation of the interim results. The company believes that the information and explanations presented in this report present a fair and true picture of its net assets, financial position and results of operations. Our business is subject to various seasonal fluctuations, while major contract acquisitions and the execution of large contracts can significantly change sales and earnings results.

This interim report contains forecasts, estimates and expectations that involve risks and uncertainties. Actual results and developments may differ considerably from our expectations and assumptions. Such deviations may be the result of changes in the general economic situation and competitive environment, especially in our core business areas and markets, or amendments to laws, especially those governing taxation. The company is under no obligation to update the statements in this interim report.

The consolidated financial statements have been prepared in line with the going concern principle. Please refer to our discussion in the interim management report for information about the current coronavirus situation.

2. First-time application of new accounting standard IFRS 16 in financial year 2019/20

Initial application of the new accounting standard IFRS 16 Leases starting on 1 October 2019 (financial year 2019/20) had not inconsiderable impacts overall on the net assets, financial position and results of operations of All for One Group AG. The modified retrospective method was used. Comparability with prior-year figures is 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 first-time application of IFRS 16 on the consolidated financial statements of All for One Group AG are limited largely to lessee accounting. 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 liability equivalent to the outstanding lease payments (»right-of-use model«). Accordingly, the previous distinction between finance and operating leases has been eliminated for lessees.

Right-of-use assets are recognised separately in the consolidated balance sheet. Depreciation, amortisation 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 and fixed assets«. 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 EBITDA in the financial years starting after 1 October 2019.

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 the cash flow from financing activities, starting in financial year 2019/20. As a result, cash flow from operating activities improved by EUR 4.6 million in the first half of financial year 2019/20.

Impact of first-time 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	01.10.2019 (adjusted)
Assets			
Non-current assets			
Fixed assets	23.417	-6.278	17.139
Right-of-use assets	–	39.183	39.183
Liabilities and equity			
Current liabilities			
Lease liabilities	2.562	7.966	10.528
Non-current liabilities			
Lease liabilities	4.039	24.939	28.978

Impact of first-time application of IFRS 16 on the consolidated balance sheet as at 31 March 2020

in KEUR	31.03.2020 (IFRS 16)	31.03.2020 (IAS 17)	IFRS 16 adjustment effects
Assets			
Non-current assets			
Fixed assets	17,009	23,008	-5,999
Right-of-use assets	36,404	0	36,404
Deferred tax assets	483	482	1
Liabilities and equity			
Current liabilities			
Lease liabilities	10,280	2,618	7,662
Non-current liabilities			
Lease liabilities	26,506	3,590	22,916
Deferred tax liabilities	14,665	14,716	-51
Equity			
Reserves	67,501	67,622	-121
Non-controlling interests	-205	-205	0

Impact of first-time application of IFRS 16 on the consolidated statement of profit and loss for the half-year 2019/20

in KEUR	10/2019 – 03/2020 (IFRS 16)	10/2019 – 03/2020 (IAS 17)	IFRS 16 adjustment effects
EBITDA	20,613	16,042	4,571
Depreciation, amortisation and impairment on intangible and fixed assets	-11,221	-6,616	-4,605
EBIT	9,392	9,426	-34
Financial expenses	-737	-599	-138
EBT	8,661	8,833	-172
Income tax	-2,638	-2,689	51
Result for the period	6,023	6,144	-121
Undiluted and diluted earnings per share (in EUR)	1.19	1.21	-0.02

3. Sales revenues

Sales by type

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019
Cloud services and support (1)	37,695	33,916
Software licenses and support (2)	70,093	72,963
Software licenses	15,917	21,739
Software support (3)	54,176	51,224
Consulting and services	74,370	73,960
Sales revenues	182,158	180,839
Cloud and software revenues (1) + (2)	107,788	106,879
Recurring revenues (1) + (3)	91,871	85,140

Sales by country

in KEUR	10/2019 – 03/2020	10/2018 – 03/2019
Germany	157,861	154,076
Austria	9,507	10,568
Switzerland	7,405	8,248
Luxemburg	4,397	5,002
Italy	1,443	1,226
Other countries	1,545	1,719
Total	182,158	180,839

4. Impairment expenses

Impairment expenses on intangible and fixed assets were not recognised in the first half of financial year 2019/20 nor in the relevant comparison period. Impairment expenses of financial assets were recognised separately in the statement of profit and loss.

5. Promissory note bonds

Promissory note bonds that were issued in October 2019 with a total volume of EUR 23.5 million, split into two tranches with terms of six years (EUR 7.5 million in total) and eight years (EUR 16.0 million in total) are included under »Liabilities to financial institutions«. Interest is levied at fixed rates ranging between 0.90% and 1.10%. Please refer to Note 12. for further explanation.

6. Dividend distribution

The annual general meeting of 12 March 2020 approved a dividend for the financial year 2018/19 of EUR 1.20 (prior year: EUR 1.20) per share entitled to dividends, which led to a distribution of KEUR 5,978 (prior year: KEUR 5,978).

7. Segment reporting

	CORE		LOB		Consolidation		Total	
in KEUR	10/2019 – 03/2020	10/2018 – 03/2019	10/2019 – 03/2020	10/2018 – 03/2019	10/2019 – 03/2020	10/2018 – 03/2019	10/2019 – 03/2020	10/2018 – 03/2019
External sales revenues	149,960	151,333	32,198	29,506	0	0	182,158	180,839
Intersegment revenues	2,796	2,025	5,148	5,093	-7,944	-7,118	0	0
Sales revenues	152,756	153,358	37,346	34,599	-7,944	-7,118	182,158	180,839
Depreciation, amortisation and impairment	-9,892	-4,720	-1,334	-923	5	5	-11,221	-5,638
Segment EBIT	8,294	11,142	1,093	-185	5	5	9,392	10,962
Extraordinary costs of strategy offensive	–	–	–	–	–	–	0	-970
Financial result	–	–	–	–	–	–	-731	-124
EBT	–	–	–	–	–	–	8,661	9,868

8. Financial instruments: Disclosures at fair value

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 31.03.2020	Carrying amount 30.09.2019	Fair value 31.03.2020	Fair value 30.09.2019
Finance lease receivables	10,478	10,665	10,506	10,819
Liabilities to financial institutions	46,855	23,403	46,610	24,008

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

A commitment to invest in fixed assets exists in the amount of KEUR 489 (30 Sep 2019: KEUR 2,951). Starting on 1 October 2019, operating lease liabilities are stated in accordance with the requirements of IFRS 16 (see Note 2). The Group has concluded a property rental contract, which had not begun as of 31 March 2020, and will lead to future lease instalments totalling EUR 1.2 million for the next seven years.

10. Related party transactions

There have been no substantial changes in our relationships with related parties compared to 30 September 2019. All transactions are settled at arm's length conditions. For further details, please refer to Note 23. in the notes to the consolidated financial statements for financial year 2018/19.

11. Auditors

The annual general meeting of 12 March 2020 elected the Frankfurt am Main branch of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, to audit the annual financial and consolidated financial statements for financial year 2019/20.

12. Subsequent events

Under agreements governing promissory note bonds (October 2019) we received a forward tranche as of 30 April 2020 (value date: 30 Apr 2020) with a term of 6.5 years (EUR 10.0 million in total). The purpose of the forward tranche was mainly to pay off a residual tranche of EUR 8.5 million as of 30 April 2020. Interest is fixed at 1.00%.

The annual general meeting on 12 March 2020 adopted a resolution to convert All for One Group AG into a European joint stock corporation (»All for One Group SE«). The corresponding resolutions were submitted to the commercial register on 20 April 2020 and registration of the conversion requested. This registration has not yet been completed.

No further events subject to disclosure occurred since 31 March 2020.

IR SERVICE

Our website offers extensive investor relations services. Apart from finding company reports, analyst reports, financial presentations and information about out annual general meeting, you can also add your name to the mailing list to receive press releases and financial announcements.

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

ALL FOR ONE GROUP AG

All for One Group AG (ISIN DE0005110001) 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 roughly 1,850 experts, All for One Group AG 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. All for One Group AG 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 AG also provides a comprehensive portfolio of consulting and other services, together with best-in-class local support in more than 100 countries. All for One Group AG is listed in the Prime Standard on the Frankfurt Stock Exchange and achieved sales of approx. EUR 360 million in the financial year 2018/19.

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