

## search result

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**valantic GmbH****Munich****Consolidated financial statements for the financial year from 01/01/2018 to 12/31/2018****Group management report for the 2018 financial year****BASICS OF THE GROUP****Valantic's strategy, philosophy and values**

valantic is one of the fastest growing digital solutions, consulting and software companies on market <sup>1</sup> and is one of the leading experts in digital transformation. Valantic combines technological competence with industry knowledge and humanity. Over 800 customers already trust valantic - including several DAX companies and leading Swiss and Austrian companies.

Valantic was created through the partnership of highly specialized IT solutions, consulting and software companies that are market leaders in their segment. We maintain this strategy - growth through the partnership merger of compatible and performance-wise complementary companies. Our goal is to expand our range of services with highly qualified employees, new technologies and the connection of other companies that are market leaders in their field. We are consistently pursuing the goal of achieving the market-leading position in the respective segment.<sup>1</sup> valantic intends to grow organically as well as by adding further companies in the coming years. These should be selected in such a way that they strategically expand the performance profile.

**Structure of valantic**

After the rebranding in 2017, valantic was characterized by another strong growth in the group in 2018. In addition to the acquisition of new companies, the focus was placed on the further expansion of a joint recruiting and marketing team. These measures strengthen the group image and improve valantic's position both in dealing with customers and in recruiting.

With the acquisition of three companies or groups of companies during the year, the growth trend of the previous years was successfully continued. The following acquisitions were made in 2018:

In September 2018, with INTARGIA Managementberatungs GmbH (Dreieich), valantic's service portfolio was expanded to include expert knowledge in the areas of IT architectures and IT strategy development. The consulting focus of INTARGIA is on the digital transformation of companies and organizations and thus forms a complement to the previous consulting topics of valantic.

<sup>1</sup> Lünendonk study 2018: The market for IT consulting and IT service in Germany

Also in September, the business operations of Dion Global Solutions GmbH were completely taken over by Dion Transaction Solutions GmbH (Frankfurt) as part of an asset deal. In addition to the employees that were taken over, the trading software, which serves all asset classes traded on the stock exchange, was acquired as an essential asset. The newly acquired transaction middleware not only realizes payment transaction solutions, but also enables financial institutions to be digitally transformed across applications and platforms.

Finally, elements.at New Media Solutions GmbH (Salzburg) joined valantic in December 2018 by acquiring a majority stake. The company and its subsidiary (together "Elements") specialize in consulting in the areas of digital commerce, content marketing and digital marketing. With the development of solutions based on the pimcore technology, valantic's range has been significantly expanded again. Due to the initial consolidation as of December 31, 2018, only the balance sheet values are taken into account in the consolidated financial statements. The profit and loss account is taken into account in the pro forma values.

**Current service portfolio**

Valantic's range of services can be classified into the three service areas SAP, digitization and financial service (FS) automation. Valantic offers the following core competencies in the SAP area:

- Consulting on the integration and implementation of e-commerce platforms for web shops based on SAP Hybris (CX) and Spryker
- CRM consulting and implementation of individual cloud CRM solutions based on SAP
- Conception and implementation of big data, business analytics systems and special solutions as well as advice on performance management, business intelligence, predictive analytics based on SAP
- SAP consulting and implementation along the entire SAP product range (via SAP Gold Partnership) for medium-sized and large companies as well as SAP system integration and license sales
- SAP complementary products in the area of master data management to reduce maintenance effort and improve quality

The SAP offer is supplemented by extensive digitization consulting with individual solutions:

- IT strategy and process consulting for the complete digital transformation - from a 360 ° IT assessment to the conception of a digitization strategy to the implementation and takeover of interim and project management
- Management and IT consulting across the entire value chain in the field of supply chain management and logistics
- Software solution as a supplement to the ERP system for the entire supply chain in order to generate real-time data for analysis, visualization and planning purposes using an in-memory planning suite
- Simulation software for supplier network and transport planning for location selection and optimization of inventory and transport costs
- Industry-specific solutions for an integrated structure of an optimal data warehouse
- Enterprise software solutions as customer-specific software solutions and infrastructures for e-collaboration and business applications
- Advice and support on compliance, fraud management and general IT security advice
- Advice on migration from the IBM Notes and Domino Family to other technologies

The portfolio is completed by FS Automation applications and advice:

- A product suite for optimizing electronic interbank trading and trading with institutional investors through efficient and convenient prices, quoting and trading of financial instruments such as bonds, derivatives, swaps, currencies and repos (clear market leadership in Germany)
- Equity brokerage software in the area of issuance and market making and solutions for the automation and implementation of message-based financial service processes and the implementation of real-time payments
- Advice on the professional and technical integration of interbank trading systems as well as the implementation of regulatory requirements, especially in the areas of supervisory law and bank management
- Support of the customer in the analysis of the Basel III / SolvV consultation papers

### Research and Development

In the 2018 financial year, the valantic Group further developed the existing product portfolio and created new solutions. The aim is to secure the existing competitive advantage in the future. The drivers of innovation are continuously increasing customer requirements and the increased complexity of IT systems. Especially in the areas of SCM, GRC and banking, new high-end solutions have been and are currently being developed to expand the existing product range and to serve existing and new customers in combination with appropriate services. As part of the development, the group primarily relies on the internal experts and supports them as required by external service providers.

The development costs incurred are not capitalized at group level. These can be found primarily in the personnel costs and other operating expenses.

### Performance indicators

valantic uses various financial and non-financial performance indicators to manage and develop the group. These are defined for the individual units and for the group as a whole and are regularly reviewed. In terms of financial indicators, in addition to sales growth, particular attention is paid to the development of the return on sales (sales revenues in relation to earnings - EBITDA). In addition to an absolute growth in sales and earnings, the aim is to constantly increase profitability. This is supported above all by the constant review of the range of services offered and was further increased in 2018, above all thanks to the rapidly growing and very profitable acquisitions. When it comes to non-financial performance indicators, valantic places particular emphasis on employee and customer satisfaction and their loyalty. Here, too, the group strives to constantly improve the already high values and is investing specifically in these areas.

The indicator for employees and customer satisfaction is measured, among other things, through internal surveys and regular feedback processes. But valantic also achieves very good results on relevant online platforms such as kununu.de, or in surveys of relevant specialist portals.

### Economic report: general

With a 78% share of group sales, Germany is the most important market for valantic. According to the Federal Statistical Office, the German economy grew steadily and solidly in 2018. The gross domestic product rose by 1.4% in 2018 (2.2% in 2017).<sup>2</sup> With 11% of the group turnover, Switzerland is the second most important regional market for valantic. After a growth of the federal economy in 2017 of 1%, in 2018 it was able to achieve a higher growth of the real GDP of 2.5%.<sup>3</sup> Growth rates are expected in 2019 and 2020, with 1.1% real GDP growth in 2019 and 1.7% in 2020.<sup>4</sup> This growth is being supported by robust domestic demand and the positive global economic situation. With around 2% of sales, Austria is currently still a small market in valantic's portfolio, but the membership of elements.at New Media Solutions GmbH will significantly increase the sales share in 2019.

With growth of 2.7% of real GDP in 2018 and a forecast growth rate of 1.7% for 2019, valantic is also relying on an economic area that continues to be promising.<sup>5</sup> In summary, it can be said that the overall economic situation in valantic's core markets is characterized by steady and solid economic growth.

According to the industry association BITKOM (Federal Association for Information Technology, Telecommunications and New Media), the German market for IT consulting and solutions<sup>6</sup> again recorded strong growth in 2018 with market growth of 3.8% (2017: 3.8%). In a report from February 2019, the association also assumes a market volume for IT consulting and solutions of EUR 64.3 billion in 2018. In 2019, sales are expected to grow by 3.9% to EUR 66.8 billion.<sup>7</sup> Also a current study by the industry expert Lünendonk<sup>8</sup> among IT consulting and system integration companies<sup>9</sup> in Germany confirms the assessment for the development of the market. It is precisely in this area that valantic sees itself very well positioned with its current service portfolio.

<sup>2</sup> Federal Statistical Office, National Economic Accounts 2018, [https://www.destatis.de/DE/Topics/Economy/National-Economic-Total-Accounts-Inlandsprodukt/Tables/inlandsprodukt-volkseinkommen1925-pdf.pdf?\\_\\_blob=publicationFile&v=5](https://www.destatis.de/DE/Topics/Economy/National-Economic-Total-Accounts-Inlandsprodukt/Tables/inlandsprodukt-volkseinkommen1925-pdf.pdf?__blob=publicationFile&v=5)

<sup>3</sup> State Secretariat for Economic Affairs, [https://www.seco.ad-min.ch/seco/de/home/economic situation --- economic policy / economic situation / bip-quarterly estimates.html](https://www.seco.ad-min.ch/seco/de/home/economic%20situation---economic%20policy/economic%20situation/bip-quarterly%20estimates.html) <sup>4</sup> State Secretariat for Economic Affairs, [https://www.seco.ad-min.ch/seco/de/home/economic situation --- economic policy / economic situation / konjektivprognosen.html](https://www.seco.ad-min.ch/seco/de/home/economic%20situation---economic%20policy/economic%20situation/konjektivprognosen.html) <sup>5</sup>

Austrian Chamber of Commerce, Economic Situation and Forecast, March 2019, <http://wko.at/statistik/prognose/prognose.pdf>

<sup>6</sup> Definition of valantic for the relevant market; is made up of the weighted values of the IT Services & Software markets of the BITKOM industry association <sup>7</sup> BITKOM, <https://www.bitkom.org/Marktdaten/ITK-Konjendung/ITK-Markt-Deutschland.html> <sup>8</sup> Lünendonk, the market for IT consulting and IT services in Germany <http://lunendonk.de/> <sup>9</sup>

This includes providers who "generate more than 60 percent of their sales with IT consulting, individual software development and system integration, i.e. with change the business"

## Economic report: business development

valantic can also look back on a very good development in the 2018 financial year. Total output (sales plus changes in inventories) and EBITDA on the basis of the figures consolidated under commercial law increased significantly compared to the previous year. The total output increased in 2018 by EUR 8,572 thousand to EUR 88,488 thousand, which corresponds to a growth of 11%. While EBITDA (earnings before interest, taxes, depreciation and special items) was still EUR 10,864 thousand in 2017, EUR 11,236 thousand was achieved in 2018, increasing earnings by EUR 372 thousand or 3%. The EBITDA margin fell slightly due to the disproportionate growth in sales from 13.6% in 2017 to 12.7% in 2018.

The transaction costs incurred in the context of intended but not carried out acquisitions, as well as special personnel payments (holding bonuses) and refinancing costs are included in the special effects in the financial year. In contrast, income from the sale of shares as part of the re-participation of managers is also included in the special effects. The net effect of expenses and income is adjusted when calculating the key performance indicator EBITDA in order to better assess the development compared to the previous year as well as the operative earning power. In 2018, this amounts to total income of EUR 389 thousand (previous year: EUR 23 thousand).

The development based on pro forma values is much more informative for the Group's performance. For this purpose, the companies acquired during the year as part of share deals in 2018 are included in the analysis for the whole year. Here valantic was able to achieve a total output of KEUR 109,612 (+ 37% compared to KEUR 79,916 in the previous year). The EBITDA was EUR 16,140 thousand (+ 49% compared to EUR 10,864 thousand in the previous year) and the EBITDA margin was 14.7% (previous year: 13.6%). The valantic Group has thus exceeded the limit of EUR 100,000 thousand in sales based on the pro forma values, which means significant growth and also significantly increases perception in the market.

The group has thus largely achieved the targets set for the 2018 financial year. In addition to broadening the range of services through acquisitions, this also included significant growth in sales and earnings. For the 2019 financial year, the management expects double-digit percentage growth in sales and EBITDA.

A key success factor for further growth is the acquisition of qualified employees. This should be supported by the Shared Service Center Recruiting and the Shared Service Center Marketing. Due to the increasing awareness in the market, valantic is increasingly able to attract highly specialized specialists in the highly competitive IT consulting and solutions.

## Earnings, financial and asset position

The management of valantic GmbH assesses the economic situation of the group very positively. The presentations and explanations under the following points provide an overview of the Group's economic development:

### Earnings situation

The total output of the group in the financial year was EUR 88,488 thousand. In the financial year, changes in inventories for work in progress amounting to EUR -1,358 thousand were released, which was due to the billing of several large projects. For a breakdown of sales by market, we refer to the notes to the consolidated financial statements.

Personnel expenses in the Group are significantly influenced by variable performance-based remuneration for management and employees. 784 people were employed at the end of the financial year.

The goodwill shown in the balance sheet is amortized on a straight-line basis over 10 years and has a significant influence on the amortization. The other operating expenses consist largely of travel expenses, costs for buildings, vehicle costs and consulting costs.

The interest result mainly consists of interest payments for financial liabilities to banks as well as for bullet interest liabilities to shareholders.

The consolidated annual result amounts to EUR -62 thousand and is significantly influenced by the regular amortization of goodwill as well as software activated as part of the initial consolidation.

### Financial condition

The financial resources (EUR 15,268 thousand, previous year: EUR 13,574 thousand) consist of bank balances, most of which are held in euros, less current account lines used (EUR 791 thousand). Financial resources increased by EUR 1,694 thousand compared to the previous year. The group received EUR 9,875 thousand from ongoing business activities. The cash flow from operating activities was positively influenced by the reduction in trade receivables, which, adjusted for the increase from the newly consolidated companies, were below the previous year. Income tax payments (EUR 2,907 thousand) were at the level of the previous year (EUR 2,968 thousand).

The inflows from financing activities in the amount of EUR 13,734 thousand come from taking out shareholder loans (EUR 12,378 thousand) as well as financial loans (EUR 4,000 thousand). In contrast, EUR 1,688 thousand was used for the repayment of financial loans and EUR 956 thousand for the payment of interest from financial liabilities.

The liquidity taken up in the context of financing activities was mainly used in the cash flow from investing activities for the acquisition of new companies or business operations (EUR 16,468 thousand). In addition, payments were made for purchase price shares from companies not acquired in the financial year (EUR 3,877 thousand) and for investments in financial assets (EUR 2,009 thousand). Payments for investments in property, plant and equipment and intangible assets were at the previous year's level. On the other hand, there are receipts from disposals from the consolidation group of EUR 1,000 thousand, so that a total outflow of EUR 21,973 thousand can be recorded here.

The financial resources were only slightly positively influenced by exchange rate effects of EUR 58 thousand.

In total, valantic has a high level of liquid funds and also has the ability to convert operational profitability into building up liquidity. For a detailed presentation of the financial position, we refer to the consolidated cash flow statement (Annex IV).

### Financial position

In the 2018 financial year, investments in intangible assets and property, plant and equipment in the amount of EUR 31,876 thousand were offset by scheduled depreciation in the amount of EUR 7,696 thousand. Additions to goodwill result from the first-time consolidation of the companies or business operations acquired in the financial year. The residual book value of the goodwill amounts to EUR 48,540 thousand. The share of long-term tied assets is 61%.

The deferred work in progress, goods and advance payments as of December 31, 2018 are shown under inventories. The work in progress was valued at production cost.

The risk of default in trade receivables is low overall, as these are largely directed against major customers with a high credit rating.

As of December 31, 2018, equity shows an uncovered deficit of EUR 2,562 thousand. The deficit results primarily from high, non-cash depreciation on goodwill and the software discovered during the initial consolidation. The parent company, valantic GmbH, on the other hand, has positive equity. It is even more meaningful to consider economic equity as the sum of equity on the balance sheet and liabilities to shareholders, which are provided with a declaration of subordination. As of December 31, 2018, this economic equity amounted to EUR 32,277 thousand and thus 32.3% of the balance sheet total. As of December 31, 2017, it was EUR 17,422 thousand or 24.6%.

The need for provisions has increased significantly compared to the previous year, primarily due to the build-up of purchase price components that are expected to be paid in the future. Except for a portion of KEUR 9,092, the provisions are due in the short term.

As of December 31, 2018, EUR 22,450 thousand of the liabilities were due between 1 and 5 years and almost entirely related to liabilities to banks. The liabilities to shareholders were subordinated to EUR 34,480 thousand and were long-term (> 5 years). In particular, the liabilities with a maturity greater than one year were restructured by a change of shareholder in March 2019 and replaced by new long-term liabilities. The remaining liabilities under other liabilities are short-term.

The accounting for deferred tax liabilities is mainly based on the capitalization of intangible assets, which were recognized at fair value in the course of the acquisition of valantic Supply Chain Excellence AG and valantic Trading Solutions AG.

## **FORECAST, RISK AND OPPORTUNITY REPORT**

### **Forecast report**

The valantic management sees the current development in the digitization of business processes as a key growth driver for the coming years. This development strengthens the structural growth opportunities of the IT consulting and solutions market in general and valantic in particular, as valantic is an optimally positioned partner for existing and potential customers.

The management sees the opportunity for cross-group projects and thus a further expansion of cross-selling activities, especially in the area of major customers. Possible risks from the dependency on individual customers are manageable. The customer relationships with all major customers in the group are of a long-term nature and management does not expect any significant decline in sales for any of the top 10 customers. With the successful re-branding and the associated uniform appearance, the management expects additional opportunities in the acquisition of major projects, but also in the recruiting of new employees and thus an increase in operational growth.

Under the umbrella term of digitization, the areas of Customer Engagement and Commerce, Banking Automation, SAP S / 4HANA, Industry 4.0, Internet of Things and Artificial Intelligence / BigData will lead to a high and growing demand for IT services, consulting and solutions. valantic has know-how in all of these areas and will benefit from economic growth in the DA-CH region as well as the strong sales growth in the relevant markets.

In the technological area, the management expects a strong increase in demand for SAP S / 4 HANA consulting; Here, too, valantic sees itself well positioned and is already successfully supporting customers with projects.

The fragmentation and ongoing consolidation of the German IT service market represents a significant opportunity for valantic. A significant company size and uniform branding are convincing arguments in customer discussions and represent an increasingly important competitive advantage in the context of new acquisitions potential customers are seen as too small to be listed as a reliable business partner with "Preferred Supplier Status". For this reason, valantic is pursuing the goal of achieving the necessary size in the coming years through strong organic and inorganic growth,

Valantic's goal is to achieve additional growth through further acquisitions in addition to the operational growth of the existing group companies. To this end, the management has ongoing talks with potential new group companies. Based on the existing group companies, based on the pro forma figures, the group expects increasing sales revenues and results (EBITDA before special items and non-period results) of more than 10% in 2019. The EBITDA margin should also be kept in the double-digit percentage range.

It cannot be ruled out that there will be deviations from the forecast due to one-off effects. If further acquisitions are made in the next year, the forecast could possibly be significantly exceeded.

### **Risk report**

#### **Liquidity and credit risks**

To ensure the long-term success of the company, it is necessary to identify risks and to eliminate or limit them by means of suitable control measures. Over time, valantic has introduced tiered risk management and control systems at the level of the group companies as well as at the level of the group management. These are intended to support management and identify risks and developments that jeopardize the continued existence of the company at an early stage. The risk management and control systems are further developed annually and adapted to the changed requirements of the group and its environment.

At the level of the competence center, board members and management teams act independently and independently. The controlling systems used in the individual companies and the management organizations in the companies ensure a high level of transparency, which enables timely information on the development of the competence centers.

The work of the individual board members and managing directors is monitored and controlled by the group management via the corresponding control bodies such as supervisory boards and shareholders' meetings and also on the basis of ongoing monthly reports. The rules of procedure for the management of the group companies regulate information obligations and approval requirements. In addition, there is an intensive and regular exchange between the management of the individual group companies and with the group management.

Group-wide, periodically meeting committees serve the regular exchange of information and group transparency.

At valantic GmbH level, there is group or corporate controlling, the function and efficiency of which is regularly checked. This is systemically based on integrated planning, controlling and reporting instruments that ensure the ongoing business analysis of the individual companies through to the group. At group level, all company figures, among other things, flow into the system on a monthly basis.

The annual business planning in the sense of a budget to be approved for the following financial year - consisting of an income statement, budgeted balance sheet and liquidity plan - is based on bottom-up planning of the individual companies, which are presented in planning discussions with the management of valantic GmbH is discussed. The budget is supplemented by an annual plan for the two following years. The monthly target / actual analysis as well as the comparison with the respective period of the previous year enable adequate management of both the individual companies and the group. The results of the analyzes are discussed in a personal conversation with management, discussed possible deviations and, if necessary, decided on appropriate measures. An escalation process is defined for significant deviations from the planning, which provides for various measures such as immediate, more in-depth testing through to the initiation of restructuring steps. In the event of major deviations from the planning, updated forecast invoices are created.

#### **Financial risks**

Various risks arise from the obligation to service external financing. On the one hand, contractually agreed repayments must be made. In order to meet these payment obligations at all times, valantic IT Group GmbH must have appropriate liquidity available. This is supported by the existence of profit and loss transfer agreements between valantic IT Group GmbH and all major subsidiaries. The liquidity risk is limited due to the company's current financial position (earnings position, cash and cash equivalents and positive cash flow from operating activities). There is also an interest rate risk, since the interest for the external financing also consists of an interest margin and the EURIBOR. To hedge against an increase in the EURIBOR, interest rate cap transactions (CAP) were concluded, which limit the interest rate risk to a maximum of 2%. However, the management of valantic GmbH does not currently assume that this will result in a short or medium-term risk.

A further risk in connection with the external financing can arise from the non-compliance or deterioration of the financial ratios listed in the loan agreement. However, both as of December 31, 2018 and during the year, valantic complied with all financial indicators with a sufficient margin from the upper and lower limits. For the future, valantic will have to comply with fewer covenants as part of the integration into the new financing set up as a result of the change in shareholders, which reduces the risk. On the other hand, there is a higher net debt, which was reflected in the limit values of the covenant with a headroom of > 30%. With a view to the next few years, however, the management sees a low risk

When investing any liquidity reserves, there is generally the risk that investments will fail due to the insolvency of a bank or another address. For this reason, the companies in the group ensure that their liquidity reserves are conservatively invested in banks. There is currently no investment in the form of securities etc. Ensuring the solvency of the valantic companies is an important corporate goal. With the implemented liquidity planning and control, possible bottlenecks are made transparent in good time and appropriate steps are initiated. As part of corporate planning, the liquidity and financing situation is forecast for the planning horizon of three years.

There is only a minor currency risk, as the majority of sales are converted into EUR and the majority of liquid funds are held in EUR.

As a result of the refinancing as part of the change of shareholder in March 2019, the financing structure was also realigned, so that the group now has an acquisition line in addition to a significantly higher current account line. Thanks to a bullet repayment structure, the operational liquidity can also be invested in growth. Possible risks from non-compliance with the covenants set out in the loan agreement are currently assessed to be very low, as corporate planning shows sufficient leeway up to the specified limit values.

### **Legal risks**

As part of their operational business, the companies sometimes assume contractual liabilities and warranties in the contracts with their customers. These are partially covered by insurance or claims against third parties. Appropriate provisions are set up at the companies concerned for all legal risks and if specific risks arise from the contractual liabilities. In addition, the group reviewed and updated its insurance coverage in an internal project at the end of the year, for example insurance against cyber damage was also taken out.

### **Regulatory Risks**

Changes in legislation or in the interpretation of laws can affect the sales and profitability of the companies in the group. Should the legal requirements in Germany change, e.g. in the area of taxes and social security contributions, labor law, service or work contract law, this can lead to higher costs or higher liability risks for the company. Due to the fact that its business activities are still largely concentrated in Germany, there are currently no regulatory risks for the group arising from foreign legal systems and cultures.

In summary, the management sees valantic as very well positioned to manage the identified risks and to identify new risks at an early stage. In addition to the implemented processes, the group also benefits from the decentralized management structure in which managers and employees take on a lot of responsibility and therefore feel responsible for risks.

### **Opportunity report**

In addition to the risks already described, there are also opportunities that go beyond the business development recorded in the planning. The management of valantic sees this particularly in the following areas:

### **Employee**

The group companies' appearance under a common brand has further increased the group's visibility and attractiveness. The opportunity to help shape the future success of the group and to be able to work in a dynamic environment with short decision-making paths and a flat hierarchy is attracting more and more applicants. Valantic also offers new employees the opportunity to work on complex and challenging projects. Valantic also invests constantly in further training and in management concepts, thus ensuring that both young and long-term employees can constantly develop and thus remain loyal to the group. This effect is reinforced by the long-time employment of the managers. This includes, among other things, the diverse perspectives with regard to personal and professional development within the group. In order to be able to continue to survive the acute shortage of skilled workers and the advancing demographic change, valantic is also active in cooperation with universities in order to retain talent over the long term through the internship and trainee stages.

### **Technologies and Markets**

valantic has extensive technological know-how, especially in trend technologies. The described change in the IT market, which affects both IT companies and companies from traditional industries, opens up great sales potential for the group. The expertise in technological topics enables the valantic group companies to find access to new business areas with significant growth potential and thus to differentiate themselves from the competition. But entering new market segments and regions through organic or acquisitive growth also creates new opportunities. The group is also constantly working on various IT solutions, which should also contribute to earnings power in the future.

### **internationalization**

In addition to the core markets of Germany, Austria and Switzerland, other countries also offer potential for growth. Further growth opportunities are opening up internationally, especially in the area of own solutions. When working with service providers in the nearshore area or acquiring such companies, there may be an option to support the targeted growth and at the same time to achieve an improvement in the margin. There is already a successful collaboration in several projects. The main criteria here are reliability, quality and also a cultural fit. The management of the group continuously reviews both cases, taking into account opportunities and risks.

### **Acquisitions**

In the 2019 financial year, valantic should also grow through acquisitions, as these represent an important part of the corporate strategy and development. In addition to the risks from acquisitions described, these also represent a significant opportunity to accelerate growth for the further, targeted and strategic development of the group. The focus of acquisition activities is on medium-sized IT companies whose business model has already proven itself in the past as these companies will benefit most from joining a larger group. The management of valantic GmbH holds numerous discussions about this every year.

### **Processes and systems**

The constant improvement of internal organization and cooperation is a high priority for valantic. The use of modern systems and well thought-out processes makes it possible to work together efficiently across groups. The introduction of further systems holds great potential. The priority here is the sharing of know-how and available resources as well as the intensification of existing and new customer relationships and the successful implementation of customer projects.

In summary, it can be stated that the overall risk to which valantic is exposed can be viewed as limited and manageable, taking into account the risk management used. The group-wide risk management system and the associated organizational measures enable the management to find out about risks promptly in order to initiate appropriate measures.

At the time this report was completed, there were no existential risks. On the other hand, the structures were further optimized in the past financial year in order to be able to use the existing opportunities successfully. This applies to the development of additional employees through joint recruiting in the group, the development of new solutions for customers and the use of synergy potential. These measures were supported by an expansion of the new brand. In addition, the positive operational development is additionally reinforced by potential future acquisitions.

The management sees valantic as being very well positioned for the future. The service portfolio was expanded again in 2018 and is geared to the needs of customers in the context of digitization and is optimally supported by the flexible organizational structure. Overall, the management expects the positive development of recent years to continue in the future.

Munich, May 22, 2019

*Dr. Holger von Daniels, managing director**Joachim Lauterbach, managing director**Marcus Leeb, managing director***CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017****ASSETS**

	December 31, 2018 KEUR	December 31, 2017 TEUR
<b>A. FIXED ASSETS</b>		
<b>I. Intangible Assets</b>		
1. Purchased software, licenses, industrial property rights and similar rights and assets	6,214	7,847
2. Goodwill	48,540	25,651
	54,754	33,498
<b>II. Tangible assets</b>		
1. Leasehold improvements	658	-
2. Factory and office equipment	1,435	1,267
3. Advance payments made on leasehold improvements	72	-
	2,165	1,267
<b>III. Financial assets</b>		
1. Shares in associated companies	2,009	-
2. Cooperative shares	0	0
	2,009	0
Total fixed assets	58,927	34,765
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Work in progress	1,218	1,568
2. Finished products and merchandise	34	349
3. Advance payments made	7th	10
	1,259	1.927
<b>II. Receivables and other assets</b>		
1. Trade accounts receivable	19,744	15,060
2. Other assets	692	744
	20,435	15,803
<b>III. Cash and bank balances</b>	16,060	13,849
Total current assets	37,753	31,579
<b>C. PREPAID EXPENSES</b>	704	739
<b>D. DEFECTIVE AMOUNT NOT COVERED BY EQUITY</b>	2,562	3,882
	99,947	70.964

**LIABILITIES**

	December 31, 2018 KEUR	December 31, 2017 TEUR
<b>A. EQUITY</b>		
I. Drawn capital	100	100
II. Difference in equity from currency conversion	-58	-112
III. Consolidated balance sheet loss	-4,063	-3,994
IV. Non-controlling interests	1,458	125
V. Deficit not covered by equity	2,562	3,882
Total equity	-	-
<b>B. PROVISIONS</b>		
1. Provisions for pensions and similar obligations	413	317
2. Tax provisions	1,391	842
3. Other provisions	19,569	11,490
Total provisions	21,372	12,649
<b>C. LIABILITIES</b>		
1. Liabilities to banks	26,625	23,796
2. Advance payments received on orders	2,901	1,949
3. Trade accounts payable	5,302	4,040

	December 31, 2018 KEUR	December 31, 2017 TEUR
4. Liabilities to shareholders	34,840	21.304
- of which loans with subordination: EUR 29,912 thousand; Previous year: EUR 17,534 thousand		
- thereof bullet interest liabilities with subordination: KEUR 4,928; Previous year: EUR 3,770 thousand		
5. Other Liabilities	5,096	3,859
Total liabilities	74,763	54,948
D. PREPAID EXPENSES	2,258	1,069
E. PASSIVE DEFERRED TAXES	1,555	2,298
	99,947	70.964

#### CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE FISCAL YEARS 2018 AND 2017

	2018 kEUR	2017 kEUR
1. Sales	89,846	78,979
2. Reduction or increase in the inventory of work in progress	-1,358	937
3. Other operating income	1,903	1,734
4. Cost of materials		
a) Expenses for purchased goods	4,407	3,960
b) Expenses for purchased services	13,050	11,884
5. Personnel expenses		
a) Wages and salaries	41,862	37,622
b) Social security and pension and support expenses	6,262	5,501
6. Depreciation		
a) on intangible assets and property, plant and equipment (excluding goodwill and software acquired as part of the initial consolidation)	740	695
b) on software acquired as part of the initial consolidation	2,636	2,580
c) on the goodwill	4,320	3,792
7. Other operating expenses	13,178	11,776
8. Income from other securities	-	1
9. Other Interest and Similar Income	16	11
10. Interest and Similar Expenses	2,251	2,131
11. Taxes on income and earnings	1,756	1,475
12. Profit after tax	-55	248
13. Other taxes	7th	21st
14. Consolidated net loss / consolidated net profit	-62	227
15. Non-controlling interests	-8th	-4
16. Group loss carryforward	-3,994	-4,217
17. Consolidated balance sheet loss	-4,063	-3,994

#### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR 2018

	2018 kEUR
Group net loss for the year	-62
+ Depreciation on fixed assets	7,696
- Decrease in provisions	-536
+ Decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	2,027
+ Increase in trade payables and other liabilities that cannot be allocated to investing or financing activities	472
- Profits from the disposal of fixed assets	-806
+ Interest income	2,235
+ Income tax expense	1,756
- Income tax payments	-2,907
Cash flow from operating activities	9,875
- Payments for investments in intangible assets	-82
+ Payments from the disposal of items of property, plant and equipment	22nd
- Payments for investments in property, plant and equipment	-585
- Payments for investments in financial assets	-2,000

	2018 kEUR
+ Payments from disposals from the scope of consolidation	1,000
- Payments for additions to the scope of consolidation	-14,950
- Payments of purchase price shares from companies not acquired in the financial year	-3,877
- Payments for businesses acquired in the financial year	-1,518
+ Interest received	16
Cash flow from investing activities	-21,973
+ Deposits from taking out financial loans	4,000
- Payments from the repayment of financial loans	-1,688
+ Payments from taking out shareholder loans	12,378
- Interest paid and similar expenses	-956
Cash flow from financing activities	13,734
Change in cash funds affecting cash	1,636
+ / - Changes in financial resources due to exchange rates	58
+ Financial resources at the beginning of the year	13,574
Financial resources at the end of the year	15,268
Composition of financial resources [T €]	December 31, 2018
Cash and bank balances	16,060
- Current account liabilities to banks	-791
Financial resources at the end of the year	15,268

**CONSOLIDATED STATEMENT OF EQUITY AS OF DECEMBER 31, 2018**

	Parent Company Equity (MU)		
	Subscribed capital EUR thousand	Equity difference from currency conversion EUR thousand	Group loss carryforward EUR thousand
As of 01/01/2017	100	119	-1,937
Appropriation of earnings	-	-	-2,280
Sale to minorities	-	-	-
Currency conversion	-	-232	-
Group result	-	-	-
As of 01/01/2018	100	-112	-4,217
Appropriation of earnings	-	-	223
Changes in the scope of consolidation	-	-	-
Sale to minorities	-	-	-
Currency conversion	-	55	-
Group result	-	-	-
As of December 31, 2018	100	-58	-3,994

	Parent Company Equity (MU)		
	Annual result of the parent company TEUR	Difference for the lower consolidated result compared to the MU EUR thousand	Sum of TEUR
As of 01/01/2017	-90	-2,189	-3,998
Appropriation of earnings	90	2,189	-
Sale to minorities	-	-	-
Currency conversion	-	-	-232
Group result	368	-145	223
As of 01/01/2018	368	-145	-4,006
Appropriation of earnings	-368	145	-
Changes in the scope of consolidation	-	-	-
Sale to minorities	-	-	-
Currency conversion	-	-	55
Group result	637	-706	-69
As of December 31, 2018	637	-706	-4,021

	Non-controlling interests (minorities)		
	Minority interests before consolidated earnings and currency translation EUR thousand	Consolidated earnings attributable to minorities EUR k	Currency conversion attributable to minorities in EUR thousand
As of 01/01/2017	-	-	-
Appropriation of earnings	-	-	-



		Non-controlling interests (minorities)		Currency	Sum
	Minority interests before consolidated earnings and currency translation EUR thousand	Consolidated earnings attributable to minorities EUR k	conversion attributable to minorities	in EUR thousand	of TEUR
Sale to minorities	122	-	-	-	122
Currency conversion	-	-	-1	-1	-1
Group result	-	4th	-	-	4th
As of 01/01/2018	122	4th	-1	-1	125
Appropriation of earnings	-	-	-	-	-
Changes in the scope of consolidation	1,129	-	-	-	1,129
Sale to minorities	194	-	-	-	194
Currency conversion	-	-	3	3	3
Group result	-	8th	-	-	8th
As of December 31, 2018	1,445	11	3	3	1,458
					Group equity TEUR
As of 01/01/2017					-3,998
Appropriation of earnings					-
Sale to minorities					122
Currency conversion					-232
Group result					227
As of 01/01/2018					-3,882
Appropriation of earnings					-
Changes in the scope of consolidation					1,129
Sale to minorities					194
Currency conversion					58
Group result					-62
As of December 31, 2018					-2,562
<b>Additional information on group equity as of December 31, 2018: *</b>					
of which available for distribution to the shareholders:				EUR 680 thousand	
of which subject to statutory distribution bans:				KEUR 0	
of which subject to a distribution block according to the articles of association:				KEUR 0	

\* these details refer to the parent company, valantic GmbH

## Notes to the consolidated financial statements for the 2018 financial year

### I. General information

Valantic GmbH is based in Munich and is entered in the commercial register of the Munich Local Court under the registration number HRB 199123. The consolidated financial statements of valantic GmbH for the consolidated financial year from January 1 to December 31, 2018 are prepared on the assumption that the company will continue as a going concern and in accordance with the provisions of Sections 290 ff. Of the German Commercial Code (HGB).

The going concern results, despite the negative group equity, by the positive equity of the parent company and by the subordination agreement of the shareholders regarding the shareholder loans to valantic GmbH and the positive continuation prognoses for the group companies.

In order to improve the clarity of the presentation, from which notations are given in the appendix, if permitted.

### II. Consolidation

#### Scope of consolidation

In addition to the financial statements of valantic GmbH, the financial statements of the subsidiaries listed below are included in the consolidated financial statements. The annual financial statements of the subsidiaries included are drawn up on the same date as the parent company. Exceptions to this are elemantic GmbH, elements.at New Media Solutions GmbH and Punkt & Komma GmbH. They prepared interim financial statements as of December 31, 2018, as their financial year ends on March 31, 2019.

The structure, approach and valuation are carried out in the scope of consolidation according to uniform group regulations.

The shareholdings in accordance with Section 313 (2) HGB can be seen in the following overview:

Shareholdings as of December 31, 2018				
No.	society	Seat	Shares in the capital	currency
1.	valantic GmbH	Munich	100%	EUR
	Direct investments by valantic GmbH			
2.	valantic IT Group GmbH *	Munich	100%	EUR
3.	valantic MP GmbH & Co. KG	Mannheim	79%	EUR
4th	valantic MP Verwaltungs GmbH	Munich	100%	EUR

No.	society	Seat	Shares in the capital	currency
5.	elemantic GmbH Indirect holdings through dependent subsidiary	Salzburg (AT)	100%	EUR
6th	valantic .more GmbH *	Munich	100%	EUR
7th	Dion Transaction Solutions GmbH	Frankfurt am Main	100%	EUR
8th.	valantic Operation 2 GmbH	Munich	100%	EUR
9.	valantic IBS GmbH *	Saint Augustine	100%	EUR
10.	valantic Trading Solutions AG *	Magdeburg	100%	EUR
11.	valantic Business Analytics GmbH	Hamburg	100%	EUR
12th	valantic Supply Chain Excellence AG *	Munich	100%	EUR
13.	valantic ERP Services GmbH *	Langenfeld	100%	EUR
14th	valantic CEC Germany GmbH *	Mannheim	100%	EUR
15th	quadracon GmbH	Mannheim	100%	EUR
16.	valantic CEC Schweiz AG	St. Gallen (CH)	100%	CHF
17th	valantic .more AT GmbH	Vienna (AT)	100%	EUR
18th	valantic Financial Services GmbH *	Frankfurt am Main	100%	EUR
19th	valantic Business Analytics Swiss AG	Zurich (CH)	100%	CHF
20th	valantic SCE (USA), Inc.	Dover, Delaware (USA)	100%	USD
21st	INTARGIA Managementberatung GmbH	Dreieich	100%	EUR
22nd	elements.at New Media Solutions GmbH	Salzburg (AT)	75%	EUR
23	Punkt & Komma GmbH Associated companies (consolidated at equity)	Salzburg (AT)	75%	EUR
24.	pimcore GmbH	Salzburg (AT)	25%	EUR

\* These companies made use of the exemption provision of Section 264 (3) HGB in the reporting year

The main changes in the scope of consolidation in the reporting year relate to:

- On May 18, 2018, valantic SCE (USA), Inc. was founded by valantic Supply Chain Excellence AG.
- By means of a merger agreement dated June 18, 2018, novem business services AG was merged with valantic Business Analytics GmbH with retroactive effect from January 1, 2018.
- INTARGIA Managementberatung GmbH, Dreieich, acquired on September 3, 2018, was consolidated for the first time on September 1, 2018.
- On September 1, 2018, Dion Transaction Solutions GmbH (formerly: valantic Operation 1 GmbH) took over the business operations of Dion Global Solutions GmbH, Frankfurt am Main, with branches in Frankfurt, Luxembourg and Madrid as part of an asset deal.
- On September 25, 2018, the parent company sold a further 13.4% of the shares in valantic MP GmbH & Co. KG to minority shareholders.
- On December 7, 2018, valantic GmbH acquired 100% of the shares in elemantic GmbH, which in turn holds 75% of the shares in elements.at New Media Solutions GmbH and 25% in pimcore GmbH. Elements.at New Media Solutions GmbH also holds 100% of the shares in Punkt & Komma GmbH. Elemantic GmbH was consolidated for the first time on December 01, 2018, while the remaining companies were consolidated for the first time on December 31, 2018. The consolidation of pimcore GmbH takes place "at equity".

Compared to the previous year, the first-time inclusion of INTARGIA Managementberatung GmbH and the business operations of Dion led to increased sales revenues of EUR 6,459 thousand for the months September to December as well as a decrease in inventory of EUR 272 thousand and other operating income of EUR 33 thousand. Purchased services in the amount of EUR 783 thousand and personnel in the amount of EUR 3,781 thousand as well as depreciation of EUR 169 thousand and other operating expenses of EUR 962 thousand. Earnings before interest and taxes (EBIT) were thus positively influenced by EUR 525 thousand. Due to the first-time consolidation of these two companies, of elemantic GmbH and its subsidiaries, the consolidated balance sheet as of December 31, 2018 was also significantly changed in several items. The fixed assets of the companies mentioned increased the fixed assets of the group by EUR 3,352 thousand as of December 31, 2018. The group's trade accounts receivable increased by EUR 6,079 thousand and liquid funds by EUR 7,051 thousand. The provisions increased by EUR 4,739 thousand.

### Consolidation Methods

When preparing the consolidated financial statements, the regulations on capital consolidation (Section 301 HGB), debt consolidation (Section 303 HGB), elimination of interim results (Section 304 HGB), expense and income consolidation (Section 305 HGB), deferred taxes (Section 306 HGB) and currency conversion (§ 308a HGB) are observed.

The capital consolidation (initial consolidation) was carried out according to the revaluation method (Section 301 (1) sentence 2 HGB). The acquisition costs of the shares in the subsidiaries included are offset against the respective pro rata net assets based on the fair values of the assets and liabilities taken over from these companies at the time the respective company became a subsidiary. Any difference remaining after offsetting is reported as goodwill. If third-party shares are acquired during the group financial year, the difference on the acquisition date is determined and allocated to the existing goodwill.

Receivables and liabilities between the companies included in the consolidated financial statements have been offset against each other. Intra-group sales and other income are offset against the corresponding expenses. There are no significant interim results from business transactions between included companies.

When converting the annual financial statements drawn up in a foreign currency, all assets and liabilities, with the exception of capital, are converted at the closing rate. The capital is converted at historical rates. The income statements are converted using the monthly average rates. Any resulting conversion difference is shown in equity under the item "Equity difference from currency conversion" in accordance with Section 308a of the German Commercial Code (HGB).

### III. Accounting and valuation methods

The following accounting and valuation methods are used in the consolidated financial statements: Assets and debts are generally valued individually.

#### assets

Software developed in-house, which is partially capitalized at production cost (development cost) at individual company level, is not included in the balance sheet determination at group level.

Intangible fixed assets purchased from third parties are capitalized at cost and depreciated on a straight-line basis over their expected useful life, pro rata temporis in the year of acquisition. Computer programs acquired for a fee are usually amortized over a normal useful life of 5 years.

Goodwill is amortized on a straight-line basis over the expected useful life of 10 years. Valantic GmbH sees the useful life at 10 years, as the acquired companies have an above-average market and competitive position. By implementing your products for customers with long-term or usually annually renewing service contracts, there is a high level of security with regard to future income. In addition, the acquired group companies have, thanks to their positioning in subject areas with constantly increasing requirements, such as banking regulations or the documentation and information requirements in the telecommunications industry a very good market positioning. The long years of service of key employees and competent persons is also a reason for the chosen depreciation period.

Tangible assets are generally valued at acquisition or production cost, insofar as they can be worn down, less scheduled depreciation. The additions are valued at the cost of acquisition or production cost that must be capitalized. Depreciation on additions to property, plant and equipment is always pro rata temporis.

In the case of property, plant and equipment with temporary use, straight-line depreciation is carried out over the normal useful life. The tax depreciation tables are used to estimate the normal useful lives and, provided that the useful lives specified there lie within the estimation framework that is justifiable under commercial law, are taken into account.

With regard to the accounting for low-value assets, the tax regulation of Section 6 (2) EStG is applied under commercial law. Acquisition or production costs of wear-and-tear moveable fixed assets that are capable of independent use are recognized in full in the financial year of acquisition, production or contribution. Irrespective of whether the use is limited in time, impairment losses are made to the lower fair value in the event of a likely permanent decrease in value of fixed assets. If the reason for an unscheduled depreciation no longer applies,

The financial assets were valued at cost.

The orders in progress that have not yet been billed on December 31, 2018, are valued at an hourly rate determined on the basis of commercial production costs in accordance with Section 255 (2) HGB.

The goods are valued at acquisition cost.

Receivables and other assets are valued at their nominal value, taking into account the lowest value principle.

Cash in hand and bank balances are shown at their nominal value.

Expenses before the balance sheet date are recognized as prepaid expenses insofar as they represent expenses for a certain period after this point in time.

#### liabilities

The parent company's share capital is recognized as subscribed capital at nominal value.

The provisions are valued in the amount of the settlement amount required according to prudent business judgment. The other provisions contain all identifiable risks and uncertain liabilities up to the date of the preparation of the balance sheet. They cover obligations that are identifiable in terms of reason, but are indefinite in terms of their amount or when they will occur.

Provisions have been set up for contingent pension obligations. The existing pension obligations are shown in accordance with actuarial reports after offsetting them against the plan assets. The "projected unit credit method" (method of ongoing single premiums) was used to determine the actuarial liability amount.

The following assumptions were made for the calculations:

Interest rate:	3.21% or 3.29%
Expected wage and salary increases:	0.00% or 2.25%
Underlying mortality table:	Mortality tables 2018 G by Prof. Dr. Klaus Heubeck

For defined contribution pension obligations, the valuation is based on the asset value that is to be applied for the congruent reinsurance as of December 31, 2018.

The liabilities are stated at their settlement amount.

Income before the balance sheet date is recognized as deferred income, insofar as it represents sales for a certain period after this point in time.

#### Foreign currency conversion

Assets and debts denominated in foreign currencies are converted in accordance with Section 256a of the German Commercial Code (HGB) at the mean spot exchange rate on the reporting date, and the resulting exchange rate differences are shown in income and expenses.

#### Deferred taxes

Deferred taxes are accounted for on temporary differences between tax and commercial law accounting values with a group-wide average tax rate of 30.0%. On the liabilities side, there are temporarily different valuations due to different legal regulations in commercial and tax law at the level of the financial statements included in the consolidated financial statements and due to consolidation measures. The differences are mainly based on the values of software products determined as part of the revaluation.

#### IV. Notes on the balance sheet

##### Capital assets

The development of the individual items of fixed assets and depreciation are shown in the following schedule:

##### Development of consolidated assets from December 31, 2017 to December 31, 2018

December 31, 2017 TEUR	Additions to the scope of consolidation EUR thousand	Additions of TEUR	Acquisition and production costs		Currency differences in EUR thousand	December 31, 2018 KEUR
			Disposals in EUR thousand			
I. Intangible Assets						

Acquisition and production costs						
	December 31, 2017 TEUR	Additions to the scope of consolidation EUR thousand	Additions of TEUR	Disposals in EUR thousand	Currency differences in EUR thousand	December 31, 2018 KEUR
1. Purchased software, licenses, industrial property rights and similar rights and assets	15,460	82	1,079	339	1	16,284
2. Goodwill	37,787	24,225	2,984	0	0	64,996
	53,247	24,307	4,063	339	1	81,280
II. Tangible assets						
1. Leasehold improvements	0	1,122				1,122
2. Factory and office equipment	6.130	984	592	791	15th	6,930
3. Advance payments made on leasehold improvements	0		72	0	0	72
	6.130	2,107	663	791	15th	8,124
III. Financial assets						
1. Shares in associated companies	0	9	2,000	0	0	2,009
2. Cooperative shares	0	0	0	0	0	0
	0	9	2,000	0	0	2,009
	59,378	26,423	6,726	1,130	17th	91,413
Depreciation						
	December 31, 2017 TEUR	Additions to the scope of consolidation EUR thousand	Additions of TEUR	Disposals in EUR thousand	Currency differences in EUR thousand	December 31, 2018 KEUR
I. Intangible Assets						
1. Purchased software, licenses, industrial property rights and similar rights and assets	7,613	61	2,733	339	1	10,069
2. Goodwill	12,137	0	4,320		0	16,456
	19,750	61	7,053	339	1	26,526
II. Tangible assets						
1. Leasehold improvements	0	464				464
2. Factory and office equipment	4,863	747	643	767	8th	5,495
3. Advance payments made on leasehold improvements	0	0	0	0	0	0
	4,863	1,212	643	767	8th	5,959
III. Financial assets						
1. Shares in associated companies	0	0	0	0	0	0
2. Cooperative shares	0	0	0	0	0	0
	0	0	0	0	0	0
	24,613	1,272	7,696	1,106	10	32,485
Residual book values						
	December 31, 2018 KEUR			December 31, 2017 TEUR		
I. Intangible Assets						
1. Purchased software, licenses, industrial property rights and similar rights and assets	6,214			7,847		
2. Goodwill	48,540			25,651		
	54,754			33,498		
II. Tangible assets						
1. Leasehold improvements	658			0		
2. Factory and office equipment	1,435			1,267		
3. Advance payments made on leasehold improvements	72			0		
	2,165			1,267		
III. Financial assets						
1. Shares in associated companies	2,009			0		
2. Cooperative shares	0			0		
	2,009			0		
	58,927			34,765		

### Company Value

The additions to goodwill relate to the companies acquired in the financial year (EUR 24,225 thousand), to a business operation taken over as part of an asset deal (EUR 2,571 thousand) and, to a lesser extent, to adjustments to purchase price payments from companies not acquired in the financial year (EUR 413). The goodwill shown in the annual financial statements of Dion Transaction Solutions GmbH is valued at EUR 2,485 thousand as of December 31, 2018. The difference between the book value of the investment and the proportionate equity of Pimcore GmbH, which is consolidated at equity, is not material.

**Receivables and other assets**

All trade receivables (as in the previous year) have a remaining term of less than one year. Of the other assets, EUR 88 thousand (previous year: EUR 57 thousand) have a remaining term of more than one year.

**Equity**

The development of equity can be found in the consolidated equity statement (Annex V).

**accruals**

The pension provisions amount to EUR 413 thousand (December 31, 2017: EUR 317 thousand). The settlement amount of the pension provisions as of December 31, 2018 was EUR 1,118 thousand. The plan assets valued at fair value in accordance with Section 253 (1) sentence 4 HGB and offset against pension provisions in accordance with Section 246 (2) sentence 2 HGB amounted to EUR 706 thousand on the balance sheet date Paragraph 4 Clause 3 HGB.

The other provisions (EUR 19,569 thousand; December 31, 2017: EUR 11,490 thousand) essentially include variable purchase price components, personnel provisions, provisions for vacation and overtime, provisions for warranties, costs for the annual financial statements, outstanding invoices and archiving costs. Of the other provisions, EUR 8,679 thousand (December 31, 2017: EUR 12 thousand) have a remaining term of more than one year.

**liabilities**

Type of liability	thereof with a remaining maturity			
	Total amount of TEUR	of up to one year kEUR	from one to five years kEUR	of more than five years kEUR
1. Liabilities to banks	26,625	5,708	20,917	0
(Previous year)	(23,796)	(1,688)	(13,983)	(8,125)
2. Advance payments received on orders	2,901	2,901	0	0
(Previous year)	(1,949)	(1,949)	(0)	(0)
3. Trade accounts payable	5,302	5,302	0	0
(Previous year)	(4,040)	(4,040)	(0)	(0)
4. Liabilities to shareholders	34,840	0	0	34,840
(Previous year)	(21,304)	(0)	(0)	(21,304)
5. Other Liabilities	5,096	3,562	1,533	0
(Previous year)	(3,859)	(2,365)	(1,494)	(0)
total	74,763	17,473	22,450	34,840
(Previous year total)	(54,948)	(10,042)	(15,477)	(29,429)

The liabilities to banks relate to EUR 25,833 thousand (December 31, 2017: EUR 23,500 thousand) mainly loans taken out to finance the acquisition of the operating companies, as well as current account lines of EUR 791 thousand (December 31, 2017: EUR 275 thousand) used. The following essential securities were provided for the loans:

- Pledging of shares or shares in the major subsidiaries
- Global assignment of receivables, claims and rights (including those from deliveries and services and insurance, loans and corporate contracts) of the main subsidiaries,
- Pledging the credit accounts at banks of the major subsidiaries as well
- Assignment of intangible rights of valantic Trading Solutions AG and valantic Supply Chain Excellence AG

The risk of a claim on the collateral is estimated to be very low, since the operating companies generate sufficient cash flows to service the loans.

The liabilities to shareholders in the amount of EUR 34,840 thousand (December 31, 2017: EUR 21,304 thousand) relate to a large extent (EUR 29,912 thousand; December 31, 2017: EUR 17,534 thousand) to loans, which in addition to the loans to banks in the context of the acquisition of the individual operational Units were added. These are all provided with a subordination and pay interest at a final rate of 6% pa. The liabilities are other liabilities.

The other liabilities include tax liabilities of EUR 2,986 thousand (December 31, 2017: EUR 1,849 thousand) and social security liabilities of EUR 170 thousand (December 31, 2017: EUR 262 thousand). All other liabilities from taxes and social security have a remaining term of less than one year.

**Deferred taxes**

On the liabilities side, there are temporarily different valuations due to different legal regulations in commercial and tax law at the level of the financial statements included in the consolidated financial statements and due to consolidation measures. The differences are mainly based on the software products determined during the revaluation. A group-wide average tax rate of 30.0% is used to determine deferred taxes.

The deferred tax liability on the balance sheet date was EUR 1,555 thousand (December 31, 2017: EUR 2,298 thousand). The change in profit or loss amounting to EUR 746 thousand is essentially based on a reduction in the commercial law valuations of the software products determined in the course of the revaluation through their scheduled depreciation.

**V. Notes on the income statement**

The consolidated profit and loss account is structured according to the total cost method. The sales can be broken down as follows:

	2018	
country	KEUR	%
Germany	70.091	78%
Switzerland	10.308	11%
Great Britain	2,317	3%
Austria	1,899	2%
Czech Republic	1,252	1%

	2018	
country	KEUR	%
Others	3,979	5%
total	89,846	100%

The other operating income mainly includes profits from the sale of financial assets, offset payments in kind and the release of provisions and value adjustments. Income from currency translation amounts to EUR 32 thousand (2017 EUR 15 thousand), income relating to other periods is EUR 158 thousand (2017 EUR 536 thousand).

Personnel expenses include expenses for old-age pensions in the amount of EUR 294 thousand (2017: EUR 258 thousand).

Other operating expenses include expenses unrelated to the accounting period in the amount of EUR 24 thousand (2017 EUR 29 thousand) and expenses from currency translation in the amount of EUR 39 thousand (2017 EUR 14 thousand).

Other interest and similar income comes from bank balances at EUR 14 thousand (2017: EUR 6 thousand).

Interest and similar expenses come with EUR 1,158 thousand (2017 EUR 1,094 thousand) from shareholder loans and EUR 814 thousand (2017 EUR 813 thousand) from bank and other loans. EUR 150 thousand (2017 EUR 30 thousand) similar expenses were due to the financing banks as a one-off fee as part of the refinancing. The discounting of provisions results in expenses of EUR 95 thousand (2017: EUR 149 thousand).

Taxes on income and earnings excluding deferred taxes amount to EUR 2,502 thousand (2017: EUR 2,260 thousand). The change in recognized deferred taxes resulted in income of EUR 746 thousand (2017: EUR 785 thousand).

## VI. Notes on the cash flow statement

In the cash flow statement, the payment flows are broken down into business, investment and financing activities in accordance with DRS 21 of the German Accounting Standards Committee.

The payments from companies not acquired in the financial year with purchase price components relate to earn-out payments that are due when the results set at the time of purchase are achieved. The financial resources include the items in cash and bank balances minus current account lines that have been used. Of the credit balances, EUR 102 thousand (December 31, 2017: EUR 75 thousand) are not immediately available on deposit accounts. The credit accounts at banks are available as collateral in the ordinary course of business, despite their predominant pledging.

## VII. Additional information

### Average number of employees

An average of two managing directors and 617 employees (previous year: 531) were employed in the financial year. Of these, 22 were employed on the management board or in the management of the operating subsidiaries as of the balance sheet date. As of December 31, 2018, 784 people were employed.

### Contingent liabilities and other financial obligations

In the past, the Group has received funding of EUR 2,115 thousand from the public sector, which could be reclaimed in whole or in part in the event of violations of the conditions specified in the approval notice (in particular the creation of 23 permanent jobs). According to current estimates, recovery is very unlikely as the funding period has already expired and all requirements have been met at national level. Only a possible examination at European level could lead to a reclaim.

The total amount of other financial obligations for the following 5 years amounts to EUR 15,898 thousand, of which EUR 3,989 thousand for the following year. The obligations result predominantly from rental and leasing contracts.

In addition to these obligations, there are obligations to pay into the capital reserve of the minority participation Pimcore GmbH of up to MEUR 1. The obligation depends on the economic development of the participation. It is currently not possible to reliably estimate whether or when these payments are due. Valantic alone is entitled to claim repayments of the deposit.

### Auditor's fee

The auditor's fees for auditing services amounted to EUR 83 thousand (2017: EUR 82 thousand) in the financial year; expenses for other auditor services included EUR 23 thousand (2017: EUR 58 thousand) and EUR 19 thousand (2017: EUR 0 thousand) were capitalized as incidental acquisition costs.

### Group affiliation

Valantic GmbH is not included in any other consolidated financial statements.

## Proposal for the use of results

The result of the parent company is to be carried forward to the new account.

### Supplementary report

In March 2019, the existing external financing was repaid at valantic IT Group GmbH level, thus releasing all collateral. The background to this was a change in shareholders at the level of the group parent company, valantic GmbH. For 2019, this change will result in valantic GmbH and all subsidiaries being included in a new group of consolidated companies. In addition, it is planned that almost all major group companies join the external financing of a new parent company and also provide collateral for this. In return, the group has access to an acquisition and working capital line. The management does not expect any changes in the operational business.

### Managing directors

The management includes:

- Dr. Holger von Daniels; Munich, business economist
- Joachim Lauterbach (from January 15, 2018); Königstein, business economist
- Marcus Leeb (from November 1, 2018); Icking, business economist

The managing directors Dr. Holger von Daniels and Mr. Joachim Lauterbach have sole power of representation and are exempt from the restrictions of §181 BGB.

With regard to the information on the managing director's remuneration (Section 314 (1) No. 6 HGB), use is made of the exception rule analogous to Section 286 (4) HGB.

Munich, May 22, 2019

*Dr. Holger von Daniels, managing director*

*Joachim Lauterbach, managing director*

*Marcus Leeb, managing director*

### "Independent auditor's report"

To valantic GmbH, Munich

#### Examination Opinions

We have prepared the consolidated financial statements of valantic GmbH, Munich, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from December 1, 2018 January to December 31, 2018 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of valantic GmbH for the financial year from January 1 to December 31, 2018.

According to our assessment based on the knowledge gained during the audit

- the attached consolidated financial statements comply in all material respects with the provisions of German commercial law and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of December 31, 2018 and its earnings position for the financial year from January 1 to as of December 31, 2018 and
- the attached group management report gives an overall accurate picture of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

#### Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors (IDW). Our responsibility under these regulations and principles is described in more detail in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and Group Management Report" section of our auditor's report. We are independent of the group companies in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

#### Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the in compliance with German principles of proper accounting Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misrepresentation.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the group management report can.

#### Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our objective is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the examination, we exercise our due discretion and maintain a critical attitude. Furthermore

- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and the group management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Systems.
- We assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the information related to them.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information

in the consolidated financial statements and in the group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the group can no longer continue its business activities.

- We assess the overall presentation, structure and content of the consolidated financial statements, including the information, and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the group.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the Group's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of adequate, suitable audit evidence, we particularly review the significant assumptions on which the legal representatives are based on the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss the planned scope and timing of the audit with those responsible for monitoring, as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit. "

Hamburg, May 23, 2019

**AC CHRISTES & PARTNER GmbH**  
auditing company  
tax consulting company

*Christes, chartered accountant*

*Schulze, auditor*

#### **Approval of the consolidated financial statements**

The 2018 consolidated financial statements were approved at the shareholders' meeting on June 28, 2019.

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