ANNUAL REPORT 2018

HIGH POTENTIAL

ALSO

KEY PERFORMANCE INDICATORS

To view the key performance indicators in augmented reality, download the **Discover ALSO app** onto your smartphone, available in the **App Store** and the **Google Play Store.**

1

REVENUE AND NET PROFIT

2

EARNINGS BEFORE INTEREST AND TAXES
(EBIT)

3

RETURN ON INVESTED CAPITAL
(ROIC)

4

CASH CONVERSION DEVELOPMENT

5

EQUITY AND RETURN ON EQUITY
(ROE)

6

RETURN ON CAPITAL EMPLOYED
(ROCE)

7

PRICE-EARNINGS RATIO
(P/E RATIO)

8

NET WORKING CAPITAL
(NWC)

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4 FINANCIAL REPORT

1
STATUS REPORT

Dear shareholders

2018 was characterized by fundamental structural optimizations for the ALSO Group. They were made possible due to investments in our enterprise resource planning-system (ERP), business intelligence tools and customer relationship management systems (CRM) as well as the systematic implementation of our projects to improve and optimize our business processes (PIP and POP). The aim we are pursuing is to further develop the company to sustainably enhance our operational excellence, thus being even better geared towards the needs of our customers and the conditions of the market. At the same time, this opens up scope for investments in our Solutions and as-a-Service business model.

ALSO Group's net sales increased from 8.9 billion euros to 9.2 billion euros (+3.2 percent) in a slightly expanding market (+1.7 percent). 90 percent of this growth was organic, primarily in Germany, France, Austria and the Baltics. In particular, IT-as-a-Service posted an increase of 36 percent. Adjusted for restructuring costs and currency effects, in 2018 the company generated an EBITDA of 162.4 million euros compared to 153.2 million euros in the previous year (+6.0 percent). Without this adjustment, EBITDA decreased from 157.3 million euros to 152.7 million euros.

Due to the improved efficiency achieved and the positive development in the strategically important areas for ALSO, we are confident that we will achieve further improvements in earnings in the years to come. Thus, the Board of Directors proposes a distribution to the shareholders from the reserve from contribution in kind of 3.00 Swiss francs per share. The proposal will be submitted to the shareholders for approval at the Annual General Meeting of March 29, 2019.

ALSO ON THE MARKET

The MORE strategy lays the foundation for the steady and long-term development of our company while taking the requirements of all stakeholders into account. In addition to optimizing the transactional Supply business model, ALSO is systematically expanding its portfolio. With a clear focus on the needs of our customers, the two other business models Solutions and as-a-Service have been defined. In the practical development of these three models, we have concentrated internally on the following five levers to optimize income:

BUSINESS MODEL MIX

In particular, the development of the as-a-Service business model, with which we now reach 2.3 million Seats via the ALSO Cloud Marketplace, of which 1.3 million are in the ALSO core countries and 1.0 million via our platform partners, was pleasing. In 2018, we started selling further software applications and infrastructure solutions. 53 new services from vendors such as Samsung, Telefónica Germany, Telekom Deutschland, IBM, Symantic, SEPC and others were integrated in the ACMP.

VENDOR MIX

By integrating new vendors in the existing product categories and intensifying the cooperation with existing vendors, we have substantially expanded both vendor and product diversity. The focus was on expanding the vendor portfolio in the Solutions and as-a-Service areas.

PRODUCT MIX

By intensifying and expanding the cooperation with our providers, we have been able to incorporate other new products in the existing product categories. In mid-2018, ALSO entered into a distribution agreement with Materialise, a leading provider of 3D printing software. Materialise bundles a number of software solutions, engineering expertise and printing services that form the backbone of the 3D printing sector. ALSO’s quickly growing product range in the Additive Manufacturing area is supported by its own European Center of Competence for 3D printing, which was established at the research location Berlin-Adlershof. ALSO has as well secured numerous competitive advantages for itself in the establishment of new product categories; our offerings involving IoT and in the area of security can be listed as examples.

RESELLER MIX

ALSO continued to boost the increase in the share of wallet with its customers (proportion of the total spend of a customer for a specific product group at ALSO) supported by granular data mining in the various categories in 2018. In the segment of the small and medium-sized business (SMB) resellers, we further developed our customer base in a number of countries. In the IT-as-a-Service area, we are represented in more than 80 countries via the ALSO Cloud Marketplace (ACMP) and have tapped other new buyers. This year, a partnership with the IT distributor Treolan was concluded for the Russian market. Via the ALSO Cloud Marketplace, Treolan can offer its more than 2 900 channel partners and their customers a broad range of Software-, Infrastructure- and Device-as-a-Service.

OPERATIONAL EXCELLENCE

Our investments mentioned above in a harmonized ERP system (SAP), customer relationship management software, and a business intelligence platform have enabled the team to implement enhanced efficiency and effectiveness faster than expected. Owing to the successful harmonization of IT systems, administrative functions such as product management and order entry were optimized and tailored to customer requirements. By using several AI tools, a significant optimization of our processes has been realized. With these measures, ALSO is not only streamlining its processes, but simultaneously boosting its customer focus and reducing costs. Another key step was to strengthen the individual responsibility of the national sales organizations, which has already resulted in a very positive development in Austria in particular. We have also continued to expand transnational ALSO Centers of Competence.

ORGANIC GROWTH THROUGH THE FURTHER DEVELOPMENT OF OUR BUSINESS MODELS

In the area of Supply, the strategy is primarily concerned with “Maintain” and “Optimize”, strengthening and expanding the market position and optimizing the portfolio and processes. In terms of products, the focus is on systematically expanding our vendor portfolio and our product groups. In terms of sales, we are supporting our customers on how to use our webshop and providing them with tailored support for the design and purchase of complex systems via our sales experts. We see many advantages in focusing our business processes on the webshop, for our customers and for us. The order and delivery process can be made quicker and more efficient. Based on the data we have since collected, we can use our business intelligence to indicate emerging requirements and potential cross and upselling opportunities to customers in good time.

The assumption of direct support of larger customers by one vendor slowed the net sales growth in the Solutions business in the first half of 2018. By expanding the customer portfolio, we compensated for this during the course of the fiscal year. To develop individual and customized solutions for every requirement of our customers, the further development and expansion of a vendor-independent business unit within the Solutions business model will also be a focal point of our work in 2019. We generated year-on-year growth of approximately 1.3 percent in the Solutions business and about 8.7 percent in our as-a-Service business compared to the last year.

NON-ORGANIC GROWTH THROUGH ACQUISITIONS

The acquisition of DistriWan in mid-2018 improves ALSO's product range in the key security solutions and network infrastructure segment with Cisco being the dominant provider. This allows access to an even broader customer base and boosts the content and regional presence on the market.

As a result of the acquisition of DISS, headquartered in Ljubljana and its subsidiaries VAD and Marmis, ALSO has expanded its resources and expertize in relation to data centers, security and solutions. Together with its subsidiaries, the company has focused on product lines that require intense pre-sales support. DISS also offers its customers technical training and individual advice on site.

Since November 2018, ALSO has acquired the sales and service business of Hewlett Packard Enterprise (HPE) in Ukraine, Belarus and Lithuania. The agreement is a new type of service for manufacturers within our Solution and as-a-Service business model and opens additional possibilities with more added value for the two companies.

With RECRO, ALSO acquired one of the largest IT distributors in Croatia shortly after the end of the year. RECRO is well established in the market and places great emphasis on providing high-quality training to employees and professional IT support. With this acquisition, ALSO can further strengthen its market position in the Eastern European Adriatic region, thereby bolstering its presence in a market that is clearly expanding and has significant momentum in terms of investment.

The acquisitions underline ALSO's aim to consolidate or take first or second market position in those countries in which the company operates within Europe.

Since 2011, ALSO has made 14 acquisitions and successfully integrated the companies, providing a strong M&A track record. In the next few years, acquisitions will also be a key component for ALSO's strategic development.

ALSO ON THE CAPITAL MARKET

In Switzerland, the stock market came under pressure in the wake of global turmoil. The Swiss Stock Index SPI decreased by –9.5 percent year-on-year. Technology stocks, in particular, suffered price losses in the reporting year. Thus the technology index SWX ID TECH decreased by –27.0 percent year-on-year. The ALSO share did not manage to escape this negative trend either. As of January 1, 2018, the ALSO share price was 137.60 Swiss francs, closing at 111.40 Swiss francs as of the end of the year, corresponding to a decrease of –19.0 percent as against the start of the year.

ALSO SHARE

Due to the sustainable improvement in the ALSO Group's earnings, the free float has climbed steadily to 48.70 percent. As a result, the ALSO share has become even more attractive for institutional and small investors, and their numbers have quadrupled from 855 in 2015 to 3 424 in 2018. Interest in the ALSO share has steadily increased and the ALSO share is now tracked by several analysts.

OUTLOOK

For the ICT market in the countries in which ALSO operates, customer spending is expected to increase by 0.9 percent. Given this background, we expect that the potential for further profitable growth will be possible, organically on the basis of winning market share, constantly expanding the product categories in our portfolio and further developing our business models. We will generate additional growth through acquisitions in the countries in which ALSO is present to further consolidate the market in the traditional distribution business and to invest in companies that operate in the Solutions and as-a-Service business models. We will open up new countries within Europe through acquisitions and partnerships. These will also play an important role in the international rollout of our as-a-Service platform across Europe and beyond.

We will achieve a further increase in profitability by working intensively on the five levers. Further digitalization of the transactional business is a critical factor for success in the area of operational excellence. We are planning to harmonize our operating systems for the webshop and the ACMP with the aim of using the knowledge gained from our business intelligence to further increase sales and develop customized solutions for our customers, thereby boosting customer loyalty. Furthermore, we are dedicated to continue boosting the expansion of the high-margin Solutions (IT architecture and design) and as-a-Service (Logistics-, IT- and Marketing-as-a-Service) business models.

The anticipated sales increase of ALSO in 2019 should be above the market growth of 0.9 percent forecast by Gartner. For 2019 we are expecting an improvement of the reported EBITDA of 10 to 15 million euros from the increase of gross profit and further cost optimization. In the medium term, the ALSO Group is aiming for net sales of 10 to 14 billion euros and an EBITDA margin of 2.1 to 2.6 percent.

THANKS

On behalf of the ALSO Group, I would like to thank all our stakeholders, our buyers and providers for the trust they have placed in us and for the opportunity to be their partners. At the same time, we value the flexibility and support of our suppliers. Our performance would not be possible without the great dedication of our employees and their expertise to consistently implement the measures defined in our MORE strategy.

All our activities have been boosted by the valuable discussions that we constantly hold with our customers and by the contributions made by my colleagues on the Board of Directors.

Also in 2018, we sought dialog with analysts and investors who gave us relevant input for sharpening and communicating our portfolio.

Last but not least, I would like to express my gratitude to you, our valued shareholders. Thank you to those of you who invested in us for the first time in 2018 for the trust you have placed in us, and thank you to the long-standing shareholders amongst you for your continuing strong association with the ALSO Group.

GUSTAVO MÖLLER-HERGT

CEO AND CHAIRMAN OF THE BOARD OF DIRECTORS

ALSO SHARE AND SHAREHOLDER STRUCTURE

KEY FIGURES OF THE ALSO SHARE

	2018	2017	2016	2015	2014
Number of registered shares with a nominal value of CHF 1.00 per share	12 848 962	12 848 962	12 848 962	12 848 962	12 848 962
Dividend per share (CHF)	3.00[1)]	2.75	2.25	1.90	1.60
Earnings per share (CHF)	7.31	8.03	7.09	5.26	5.82
Equity per share (CHF)	59.26	56.77	47.24	41.56	42.49
Highest price (in CHF)	145.60	140.00	92.50	71.00	57.50
Lowest price (in CHF)	103.00	90.15	61.65	49.00	47.55
Market capitalization as of December 31 (CHF million)	1 431	1 722	1 155	884	666

1) Proposal of the Board of Directors

SHARE PRICE DEVELOPMENT IN THE REPORTING YEAR

2018 was a tough year on capital markets. Even though stock markets were still in a record mood at the beginning of the year, investor sentiment increasingly began to turn. The drop in prices was triggered primarily by concerns about rising interest rates and fears of a global trade war.

In Switzerland, the stock market also came under pressure in the wake of global turbulence. The Swiss stock index SPI tumbled by –9.5 percent compared with the previous year. Technology stocks in particular suffered price falls in the reporting year. For example, the SWX ID TECH technology index retreated by –27.0 percent year on year.

The ALSO share was also caught up in this negative trend. Trading at 137.60 Swiss francs on January 1, 2018, it closed the year at 111.40 Swiss francs, representing a decline of –19.0 percent.

As of December 31, 2018, the total market capitalization of ALSO was 1 431 million Swiss francs (previous year: 1 722 million Swiss francs).

SHARE PRICE DEVELOPMENT 2012–2018

With the systematic implementation of the MORE strategy introduced in the 2012 fiscal year, the share price steadily gained ground until the start of 2018 before correcting in line with global stock markets. On July 1, 2012, the share was being traded for 39.65 Swiss francs, peaking at 145.60 Swiss francs on January 15, 2018 and then closing the year at 111.40 Swiss francs.

Therefore, the net capital gain resulting from the positive share price performance and the dividend amounts to 209 percent for the period from July 2012 to December 2018.

LISTING

ALSO Holding AG's share have been listed on the SIX Swiss Exchange since 1986 (symbol: ALSN, security no.: 2 459 027, ISIN: CH0024590272) and are listed in various indices, including: SPI, SPI Extra, SWX ID TECH and UBS 100.

SHARE PRICE CHART 2012 – 2018

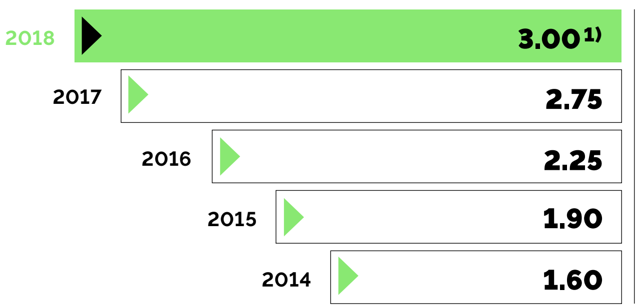
DIVIDEND POLICY

The Board of Directors of ALSO Holding AG follows a continuous dividend policy and aims for a payout ratio of 25 to 35 percent. Current earnings, financial position, and corresponding outlook are all considered when deciding on the size of the dividend each year. In light of the efficiency increases achieved and progress made in the areas of strategic importance for ALSO, we are confident earnings will continue to improve in subsequent years. Therefore, the Board of Directors proposes a distribution to the shareholders from the reserve from contribution in kind of 3.00 Swiss francs per share. This represents a total dividend payment of 38.5 million Swiss francs. The proposal will be submitted to the shareholders for approval at the Annual General Meeting of March 29, 2019.

In the event that the proposal is accepted by the shareholders, the dividend is tax-free for private Swiss shareholders, as it is paid from the reserve from contribution in kind.

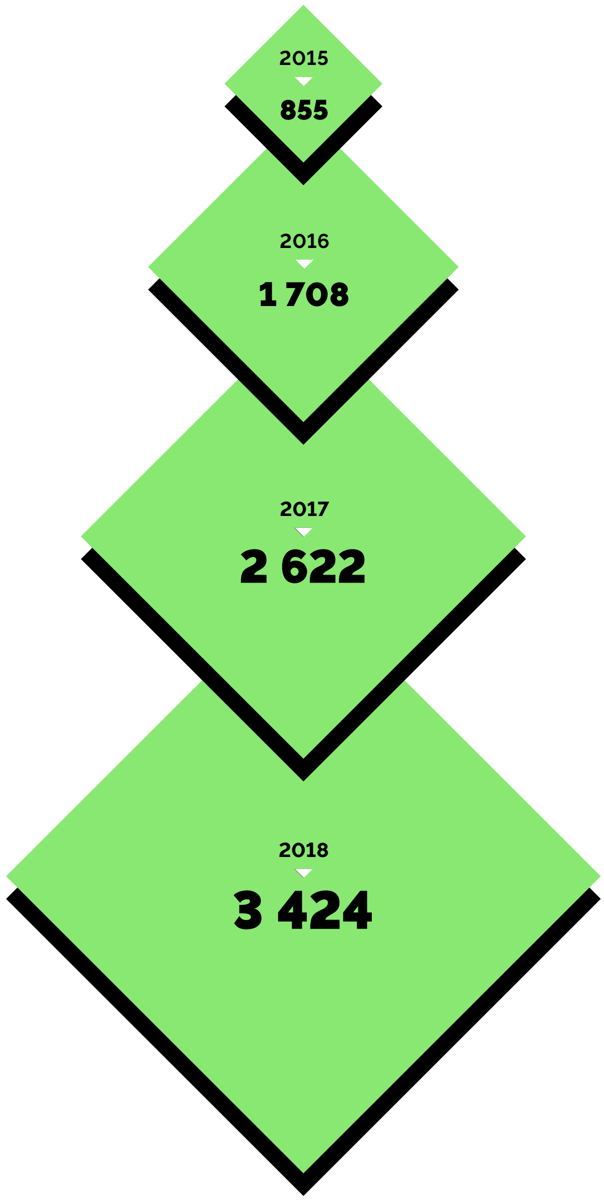
In the previous year, 33 percent of the Group net profit was distributed.

DIVIDEND PER SHARE (IN SWISS FRANCS)



1) Proposal of the Board of Directors

NUMBER OF INSTITUTIONAL AND SMALL INVESTORS



SHAREHOLDERS

ALSO has a broadly diversified, international and long-term shareholder base with one anchor shareholder, Special Distribution Holding GmbH, with a 51.30 percent holding.

The company, with its registered office in Düsseldorf, Germany, is a company of the Droege Group. The Droege Group is an independent consultancy and investment company. With its range of services, the group has been operating for over 30 years as a specialist in tailored transformation programs with the aim of increasing enterprise value. The Droege Group combines a family business structure with a strong capital base to create a family equity business model. The group carries out direct investments with own equity in corporate subsidiaries and medium-sized companies in "special situations" or acts as a "temporary partner" in comprehensive value enhancement projects on the basis of performance-related fees. As an industrial holding company, a diversified portfolio is formed.

Due to the conversion of a convertible bond of the Schindler Group and the sustainable improvement in the ALSO Group's earnings, which have resulted in a consistently high ALSO share price, the free float has climbed steadily to 48.70 percent. As a result, the ALSO share has become even more attractive for institutional and small investors, and their numbers have quadrupled from 855 in 2015 to 3 424 in 2018.

INVESTOR RELATIONS

ALSO informs its shareholders and the capital market openly, comprehensively and promptly about major events and developments. It ensures all stakeholder groups are treated equally in terms of time and content in its periodic and ongoing reporting.

Besides its detailed annual report and the half-year report, ALSO updates shareholders and market participants through ad hoc announcements. Comprehensive information on the Company is available at ► www.also.com under "Investor Relations". Current and previous reports, ad hoc announcements and investor presentations can also be found here. In the "Investor Relations" – "News Subscription" section, it is also possible to subscribe to ad hoc announcements.

Moreover, the members of the Group Management are available to answer shareholders' questions at the Annual General Meeting and also in personal meetings during the year. Since October of the reporting year, Dynamics Group AG, a leading service provider in investor relations, has also been available by telephone or via the central email address ► investor-relations@also.com.

Interest in the ALSO share has risen steadily and the share is now observed and regularly evaluated by various banking institutions and analysts. The management of the ALSO Group keeps interested analysts up to date on the Group's performance within the legal framework. ALSO holds roadshows at regular intervals at which institutional investors and analysts can obtain detailed information about the ALSO Group's strategy and business performance.

In 2018, ALSO was tracked by three analysts, followed by another at the start of 2019. This gives our investors the opportunity to obtain various assessments of the Company's performance.

FINANCIAL CALENDAR

Annual General Meeting	March 29, 2019
Publication of half-year report	July 25, 2019

THE ALSO GROUP

ALSO IN BRIEF

ALSO was founded in 1984 and is now one of Europe's leading service providers for the ICT industry. We bring the providers and buyers in the ICT industry together and offer them services at all levels of the value chain from a single source. We have systematically expanded our business model from a traditional ICT distributor to an end-to-end service provider for the ICT industry. Our goal is to ensure sustainable growth of the Company by increasing our customers' competitiveness and growing their business sustainably and profitably.

ALSO Holding AG has its headquarters in Emmen, Switzerland, and is listed on the Swiss Stock Exchange.

ALSO is represented in 18 European countries and generates total net sales of approximately 9.2 billion euros with around 4 000 employees.

The basis of ALSO's business models are the two customer categories "providers" and "buyers". The ALSO Group has a portfolio of more than 550 vendors in the ICT product categories of hardware, software, and IT services, including all global market leaders.

We offer the vendors access to over 100 000 buyers, who can call a broad spectrum of other customized services in the logistics, finance, and IT services sectors, as well as traditional distribution services. From the development of complex IT landscapes, the provision and maintenance of hardware and software, right through to the return, reconditioning and remarketing of IT hardware, ALSO offers all services as a one-stop shop.

On the ALSO Cloud Marketplace (ACMP) platform, more than 1 600 services are offered, 9 500 channel partners are connected, and we now serve around 105 000 end customers with over 2 300 000 Seats are reached. By expanding the offer of the ACMP in the form of a Platform-as-a-Service for our distribution partners in various regions, we can currently, additional to the countries with ALSO presence, reach 65 countries in Europe, the Near and Middle East, Africa, Asia (including China), Russia, and North and Latin America.

THE TRADITIONAL TRANSACTIONAL BUSINESS MODEL: SUPPLY

Marketing in the ICT industry is largely a three-step process. In a first step, the providers supply the ALSO companies. In a second step, these supply a very heterogeneous selection of buyers, which in a third step serves the end customers.

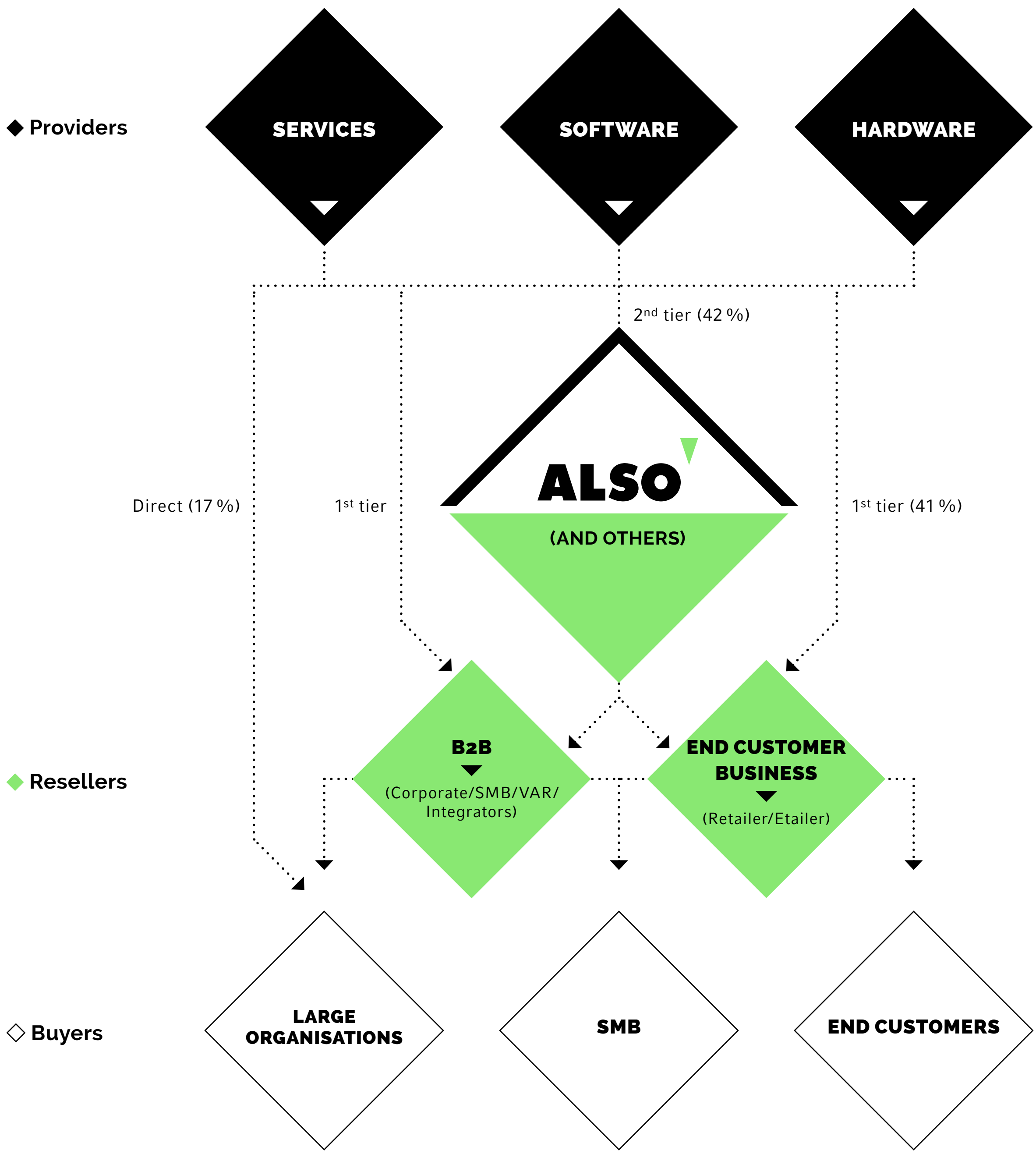
Because of non-existent scaling effects, small and medium-sized buyers are not always served directly by the providers. Here, ALSO takes over aspects such as fine logistics and financing. Larger buyers, which for economic reasons outsource functions and processes, have the possibility of downloading these from ALSO as modular services.

For the provider, outsourcing these tasks results in a reduction of complexity, and thereby in easier access to the various channels and regions. Smaller providers, who have no country organization of their own, use ALSO to obtain access to the market.

We offer our customers a comprehensive range of products and services in over 1 200 product categories. These categories, 60 of which were added in 2018 alone, range from 3D printing products through IoT applications to security software.

On the basis of Europe's biggest marketplace for the ICT industry, we enable our customers to sustainably shape and develop their businesses. Our webshop has more than 400 000 visitors per month and generated net sales of 1.2 billion euros in 2018.

ICT MARKET MODEL



NEW BUSINESS MODELS: SOLUTIONS AND AS-A-SERVICE

In recent years, solution-oriented business models have increasingly been added to the traditional, transaction-based business model of Supply. The Solutions business comprises the sale of tailor-made IT equipment which is integrated into complex system solutions. Here, ALSO experts support resellers in IT architecture and design issues. For example, they translate requirements into specific configurations at short notice and deliver the appropriate products for implementation.

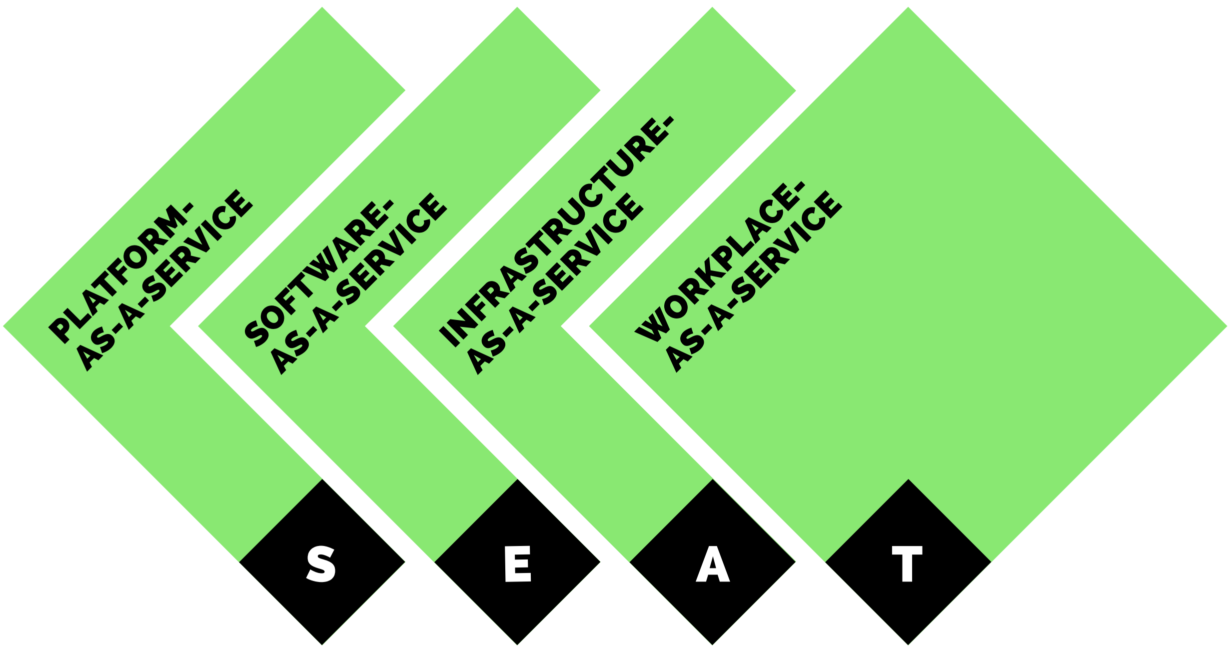
Our as-a-Service offering is playing an increasingly important role. This ranges from Logistics-as-a-Service to marketing services to completely cloud-based services, for example in the area of Platform-as-a-Service and Software-as-a-Service, or in combination with hardware components as in the case of Infrastructure-as-a-Service and Workplace-as-a-Service. We pool this business under IT-as-a-Service. Driven by the dynamics of technological development and the steady evolution of the cloud, it will become considerably more important for the ICT industry and therefore also for ALSO in the future.

OUR GROUP STRUCTURE AND ORGANIZATION

The Board of Directors of ALSO Holding AG is responsible for the highest level of management. It defines the strategic, organizational, and financial goals of the Group. There are also three committees (Compensation and Nomination Committee, Board Committee, and Audit Committee). The Board Committee advises and supervises Group Management.

The Board of Directors has delegated the management of the day-to-day business of the Company to the CEO of the Group. To take account of the rapidly changing requirements in the ICT sector, Group Management expanded the second management level with the Transformation Executive Team.

IT-AS-A-SERVICE



TRANSFORMATION EXECUTIVE TEAM 2018

Jan Bogdanovich, Chief Transformation Officer, age 33, Riga location / Laurent Mitais, SVP Mergers & Acquisitions, age 56, Paris location / Joachim Streitberg, Chief Information Officer, age 49, Soest location / Thomas Meyerhans, General Counsel, age 38, Düsseldorf location / Michael Gericks, SVP for Consumptional Business Model, age 33, Berlin location / Jorge Gállego Pérez de Larraya, MD of ALSO Sweden, age 36, Sweden location / Volkan Weissenberg, SVP for Vendor Management, age 40, Soest location / Philipp Koch, SVP E-Commerce, age 32, Berlin location / Hanna Osetek-Pasquet, MD of ALSO Poland, age 34, Warsaw location / Reiner Schwitzki, Chief Process Officer, age 51, Soest location / Simone Blome-Schwitzki, MD of ALSO Germany, age 43, Soest location / (all from left to right)

THE TRANSFORMATION EXECUTIVE TEAM

Created in 2017, the 11-member Transformation Executive Team (TET) is tasked with discussing issues relating to the business development and actively advancing the digital transformation of the Company. The composition of the team, consisting of digital natives and experienced employees from the distribution business, will be adjusted as needed.

The matrix organization, which we continuously develop and expand, has proven effective for the efficient daily operating management of the Company.

COMPANY MANAGEMENT

ALSO uses quantitative and qualitative key figures for the short-, medium-, and long-term management of the Company. The Company aims to maintain a balanced relationship between growth, profitability, and the capital structure. Earnings, growth, and capital ratios are therefore used as quantitative key figures. The management focus is on sustainable improvement of these KPIs.

QUALITATIVE PERFORMANCE INDICATORS

Customer loyalty: Scientific studies show that there is a strong correlation between corporate success and the Net Promoter Score (NPS). The NPS measures customer loyalty and helps identify areas where action is needed to improve customer satisfaction and loyalty. ALSO uses this key figure because the financial targets set can be achieved only with a loyal and satisfied customer base. The NPS for customers has been measured online continuously since mid-2016. In 2018, a total of 2 827 customers from all business areas and all countries with ALSO locations were included in the survey. If a customer reports a problem, he or she is immediately contacted by a team. The Managing Director of the relevant country manages this process. The NPS amounts to 46.1 percent (previous year: 40.4 percent).

QUANTITATIVE PERFORMANCE INDICATORS

ALSO has defined various KPIs for managing its profitability and capital structure. These are continuously monitored, reported to the management on a regular basis, and can also be called up by the management independently via our IT systems (particularly SAP and BI). For ALSO, EBITDA and earnings before taxes (EBT) are used as a basis for evaluating the success of the various business models, which differ greatly in terms of sales volumes and margins. Their performance is evaluated in several stages.

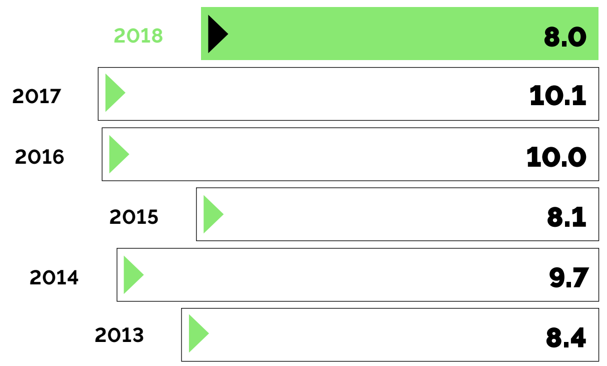
To measure the success of the sales activities, the Company analyzes the performance of the various product categories, market shares by country and manufacturer and change in e-commerce's share of turnover and the customer channels. The resulting gross profit is examined in detail. To determine the success of backend functions, costs are broken down by cost components and cost centers. With regard to monitoring the capital structure, the focus is on controlling net working capital. There is a particular focus here on the inventory-related key figures of days inventory outstanding and the age structure of inventories. Other important key figures in our reporting are overdue receivables, customer breadth, net financial debt and changes in cash flow.

Profitability: The change in EBITDA and EBT on the previous year is analyzed. At the same time, comparisons are made between the individual ALSO companies. In 2018, we generated an EBTIDA, adjusted for currency effects and restructuring costs, of 162 million euros representing an improvement of 6.0 percent compared with the previous year (153 million euros). The EBITDA margin came to 1.7 percent. In 2018 we generated an EBT, adjusted for currenccy effects and restructuring costs, of 127 million euros, representing an improvement of 5.8 percent in comparison to the previous year (120 million euros). The EBT margin came to 1.3 percent.

Sustainable growth: ALSO aims to generate sustainable growth. This is monitored and managed on the basis of the sustainable growth rate (SGR). The SGR represents the maximum possible growth in net sales that can be achieved without a deterioration in the financial structure. It is calculated by multiplying the profit margin [1], the retention rate [2], the capital turnover ratio [3], and the equity ratio [4]. When developing new business areas or acquisitions, the impact on this Group key figure is considered.

Between 2014 and 2018, ALSO grew at slightly below the potential sustainable growth rate on average, also including acquisitions, and thus achieved the goal of a stable financial structure. In 2019, sustainable growth of 8.0 percent can be achieved without a deterioration in the Company's financial structure. For investors, this means that while the dividend yield remains constant (previous year: 2.1 percent) there is no capital dilution, and they can additionally benefit from the increase in value from the targeted growth.

DEVELOPMENT OF THE SGR



2018 with provisional figures and retention rate at 2017 level.

Capital structure: The Group aims to ensure that it does not generate profit or growth at the expense of changes in the capital structure. One service that ALSO offers its customers is the provision of credit lines. For this reason, the Group's capital requirements are managed with strict monitoring of the different country organizations' liquidity cycles. The country Managing Directors, as well as some Business Unit Managers since the year before last, have specific targets in this regard.

ALSO's total assets are influenced by the high availability of our broad product portfolio and by the payment targets granted to buyers, and reflect the value proposition for our customers, providers and buyers in the ICT industry. At the same time, the high net working capital requirements represent a significant barrier to entry for potential new market players. The steady expansion of our customer base and the continuous optimization and automation of our processes enable us to sell and replace our inventory around ten times per year. This efficient use of capital forms the basis for profitability and sustainable growth.

1) Profit margin: Net profit/net sales
2) 1 minus payout ratio
3) Net sales/total assets
4) Total assets/equity

GOALS AND STRATEGY

MORE

The Company's main objective is sustainable profitable growth. The key figures explained in the "Company management" section are the benchmark for this. This means that ALSO attains growth that takes into account the capital structure and profitability of the Company. These pillars define the area where there are conflicting priorities between our activities, and each individual decision is aligned with them.

Within this area of tension, we have defined and prioritized four activities:

M for **MAINTAIN** stands for securing the transactional business model, based on which the as-a-Service and Solutions business will be further expanded to attain the targeted growth and income goals.

O as in **OPTIMIZE** stands for continuous optimization of processes, particularly to increase the profitability of the transactional business model. The introduction of our SAP system and Business Intelligence 2.0 will create solid foundations for the Company's future growth.

R stands for **REINVENT**. ALSO aims to continue growing with the transactional business model while also generating additional growth with solution- and service-oriented business models and resulting offers.

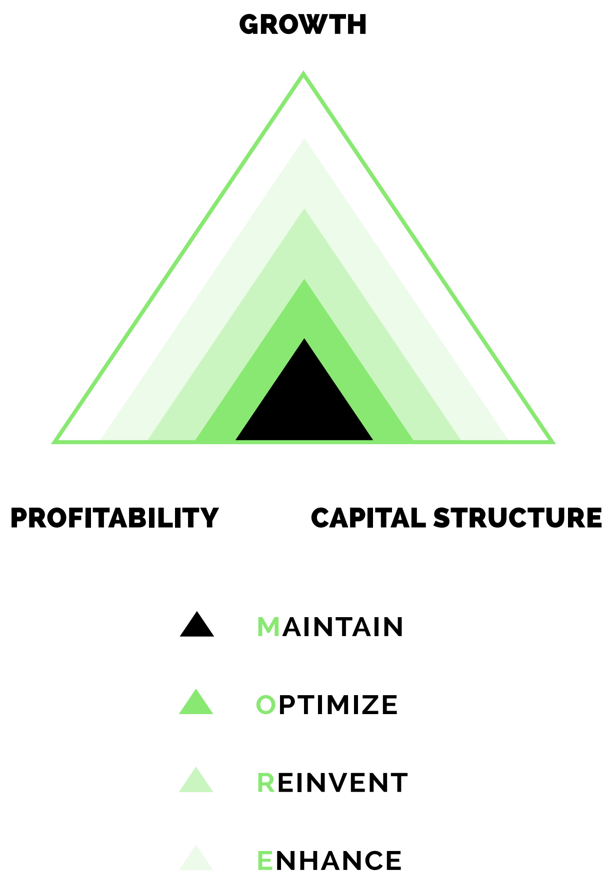
E stands for **ENHANCE**. The main aim is to consolidate the market in which ALSO does not have a dominant market share and to expand market position through acquisitions in line with Reinvent's objectives in markets where ALSO does have a dominant market position. In markets in which we do not have a presence, but where the framework conditions and the legal ecosystem are in place, we carry out acquisitions or grow in new business models by means of joint ventures and partnerships.

ALSO aligns its activities to markets with long-term profitability and/or growth potential. The goal of the portfolio policy is to attain or hold a dominant market position in all countries.

In summary, new countries and regions will be penetrated based on the following priorities:

- Signing cooperation agreements with existing companies to develop new business models.
- Moving into new markets with new business models (greenfield).
- Acquiring established market providers.

THE MORE STRATEGY PROGRAM



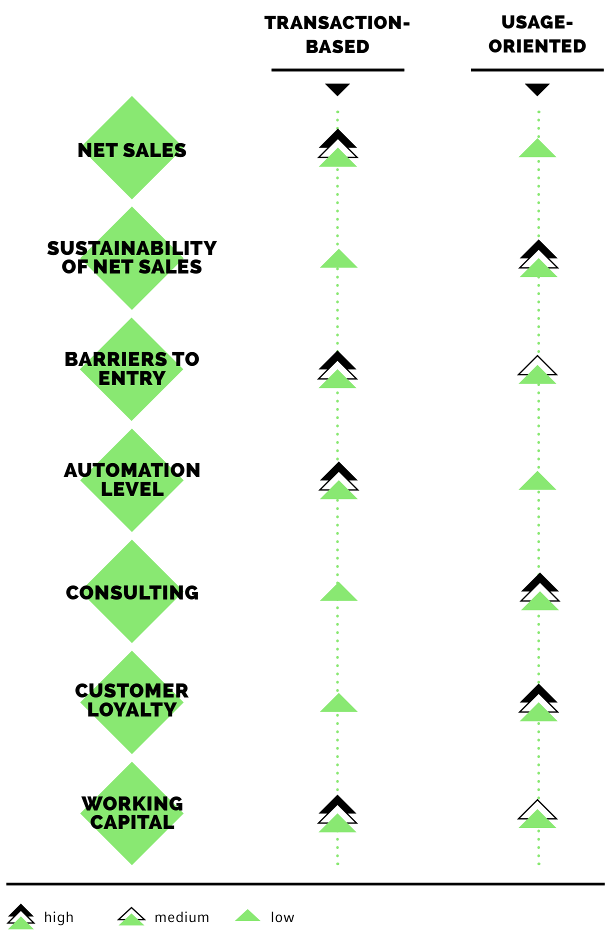
OUR 3S BUSINESS MODEL: SUPPLY, SOLUTIONS AND AS-A-SERVICE

We enable our customers, suppliers and buyers of hardware, software and services to fully exploit their existing potential and make new business ideas a reality. In order to scale our services, we systematically take advantage of the market opportunities arising from digitalization in particular.

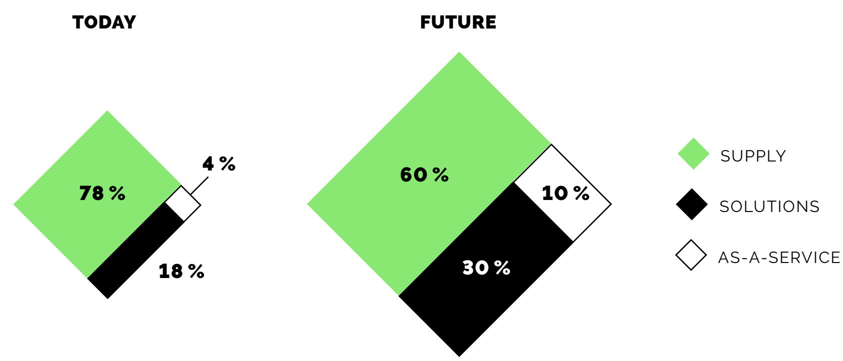
The starting point for our business was and still is the digital workplace or “Seat” and the associated infrastructure. The service offered by ALSO in marketing the Seat may be transactional – e.g. associated with a change in ownership of software and/or hardware, expert reports, concepts, etc. – or usage-oriented (consumptional/recurrent) with flexible, needs-based delivery and management of these items. This is made possible by the ALSO Cloud Marketplace. New developments in WiFi network infrastructure, edge computing and IoT are opening up completely new opportunities for the ICT industry and ALSO: the implementation, networking and maintenance of “Machine Seat”, an analogy of Seats based on the Internet of Things.

Against the backdrop of the broad customer base, the Solutions and as-a-Service business models will be further expanded in order to generate additional growth with higher margins and compensate for potentially falling margins in traditional business. ALSO consequently has a service portfolio that combines the **strong net sales of transactional business** with the **loyalty arising from consultancy expertise** and the **profitability of long-term**, **usage-based offers**. At the same time, this gives rise to an important strategic differentiating criterion in competition.

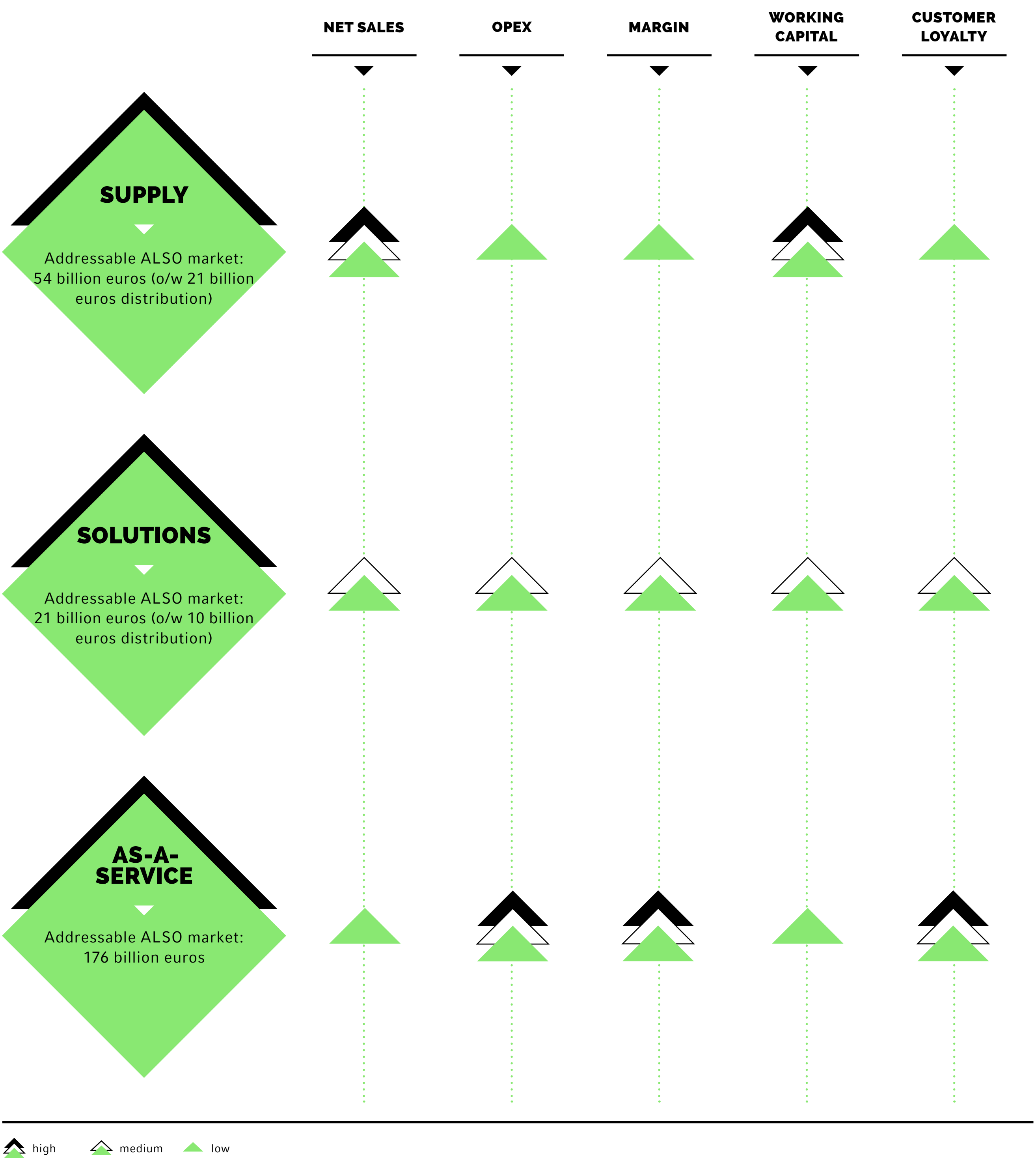
EVALUATION OF DISTRIBUTION METHODS



DISTRIBUTION OF NET SALES & MEDIUM-TERM TARGET FOR DISTRIBUTION OF NET SALES



EVALUATION OF THE 3S

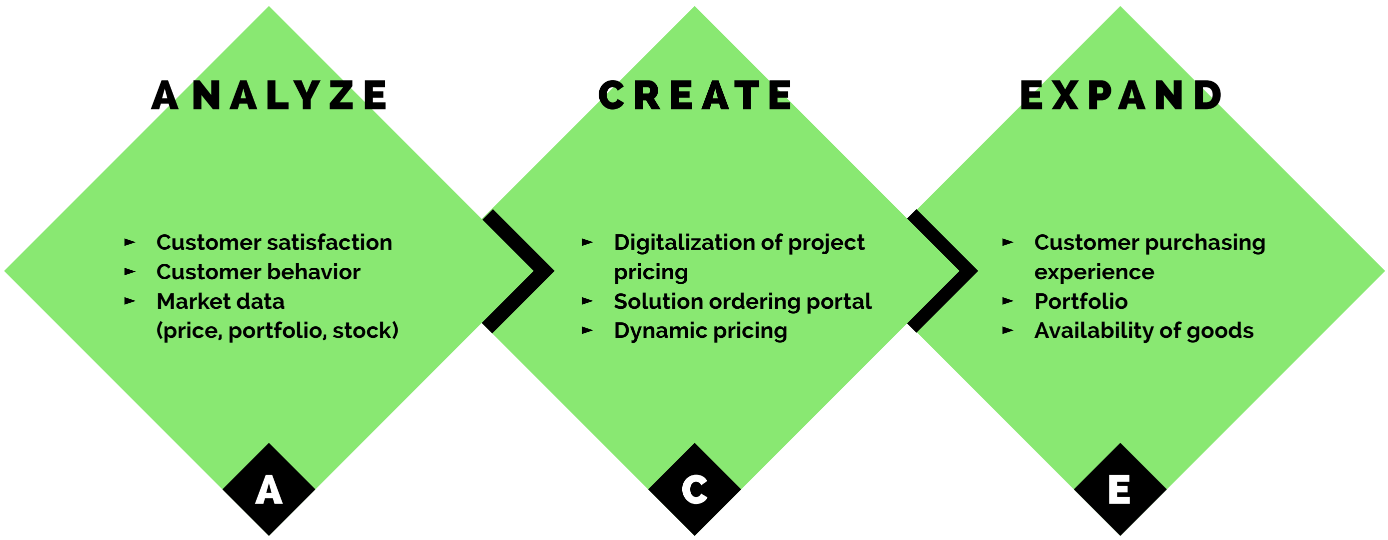


SUPPLY

Net sales in the traditional transactional business model (Supply) include business with optimized trading processes and logistics for the IT, consumer electronics, and telecommunication sectors. The business model is characterized by a high number and frequency of transactions, high net sales, high scalability, high working capital requirements, low retention rates, and low margins. In short, it is a model based on economies of scale. Here, growth and profitability can be increased through market displacement, portfolio optimization and improvements in operational efficiency.

The ALSO value proposition for the providers consists of creating a broad range of customers, providing detailed logistics, and managing complexity. For the buyers, it consists of providing a product portfolio, managing detailed logistics, and providing the credit line.

The focus in Supply business is the ability to map orders of any size for the reseller rapidly and as simply as possible. ALSO can deliver to its customers – or their customers – within the same day. Smaller resellers can order any quantity of products from a broad portfolio. Buyers have 24/7 access to the information in ALSO's webshop about our extensive product offerings and ordering methods. Net sales are recognized at the date when a product is sold.



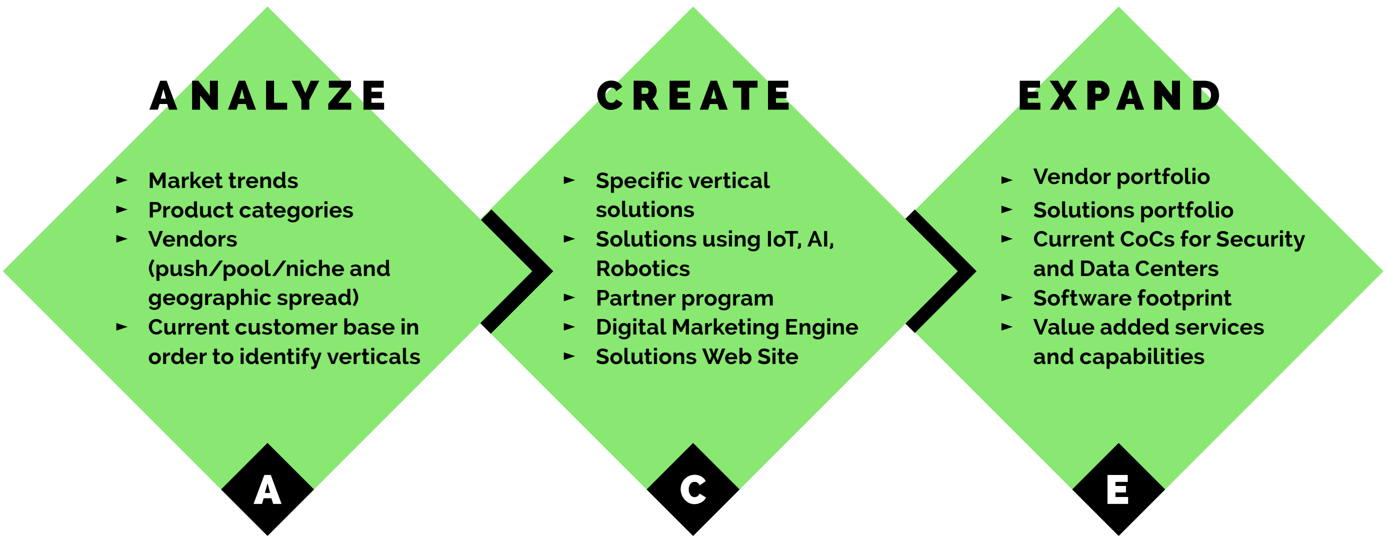
SOLUTIONS

Designing and implementing complex infrastructure and virtualizing networks, servers, and storage opens up new dimensions in IT but also requires a high level of consultancy expertise in the different fields. In the solutions business, ALSO therefore provides project-based support in particular to small and medium-sized businesses (SMB) on questions of IT architecture and design, rapidly translates requirements into specific configurations, and monitors the status of projects.

The business model, which comprises all net sales from trading business with those products that form part of comprehensive solutions, is characterized by consultancy services across all phases of the project.

For the providers, the value proposition includes the broad range of customers and the provision of first-/second-level support. For the buyers, the focus is on configuration, engineering, proof of concept, provision of the credit line, and delivery of the entire product range required in the specific case.

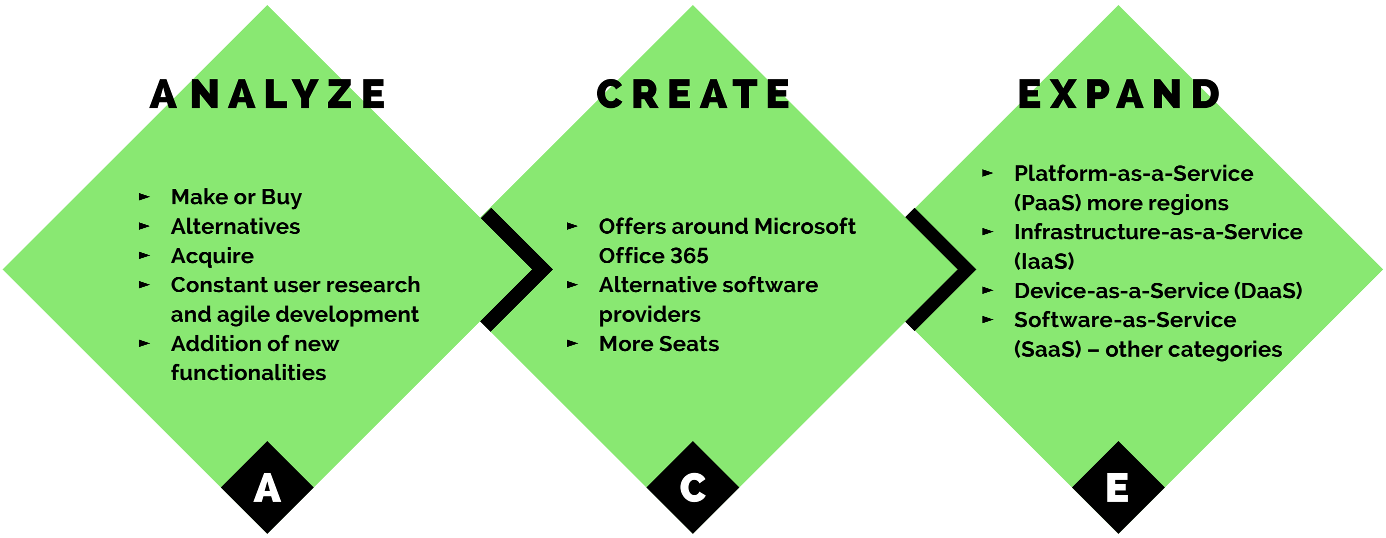
Net sales are recognized at the date when a product is sold. Specific solutions businesses include performance tests, optimization of the IT environment and after-sales support. ALSO offers resellers the opportunity to present products and solutions to their consumers live in the demo center.



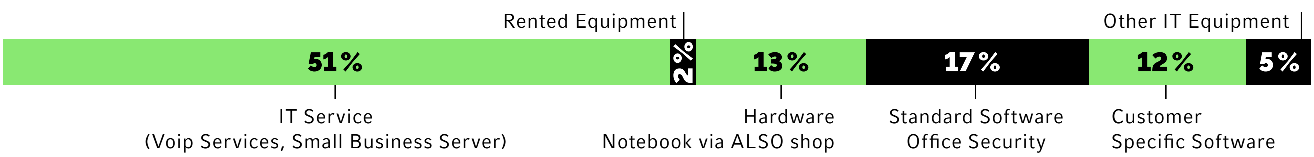
AS-A-SERVICE

In this area, ALSO acts as a service provider rather than a seller. The services offered are called up as needed and remunerated with variable payments based on usage. The reported net sales include services from the areas of cloud marketplace, outsourcing, and process (re-)engineering:

- Logistics-as-a-Service: supply chain solutions along the complete value chain for providers and buyers.
- Marketing-as-a-Service: traditional and digital marketing for providers, in order to widen their customer base.
- IT-as-a-Service: Platform-, Infrastructure-, Workplace-, and Software-as-a-Service. This may include reconditioning used hardware and subsequently marketing it (end-to-end).



SEAT STRUCTURE



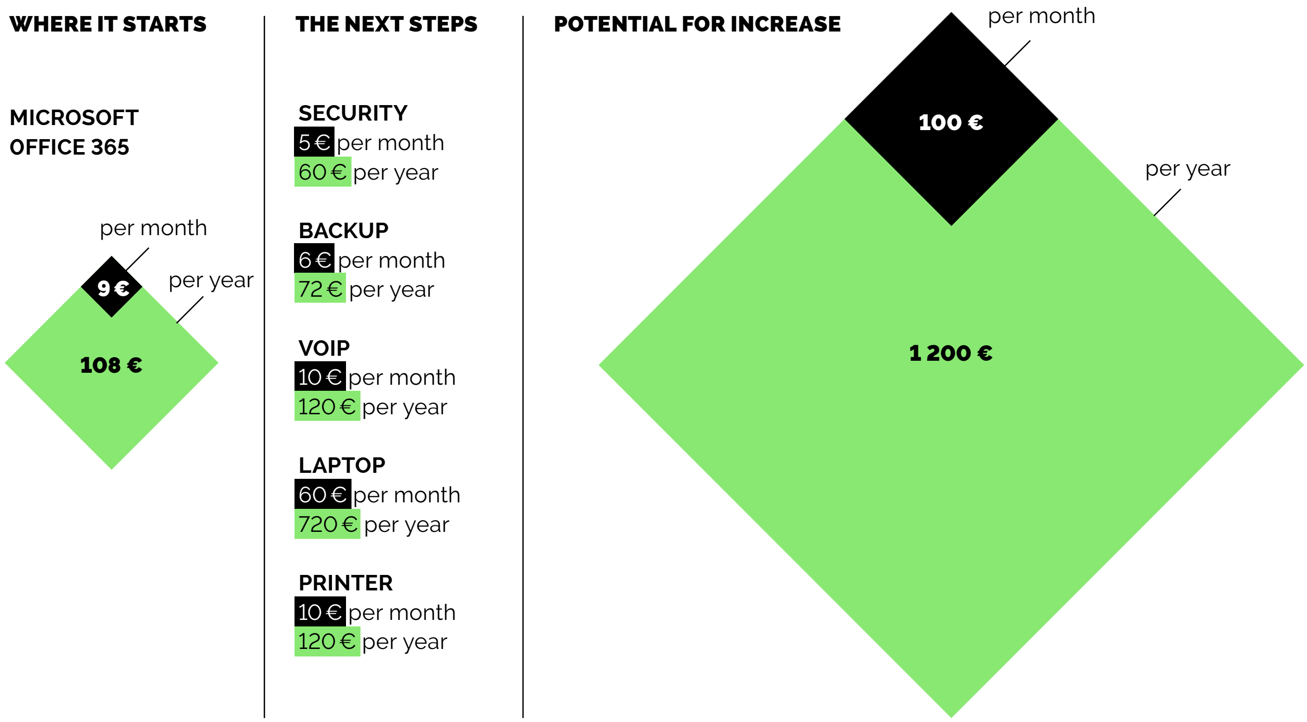
TOTAL COST OF A SEAT FOR SMBS (<50 EMPLOYEES)

The value proposition for providers consists of tapping a diverse customer base via the ALSO platforms and developing a usage-based ecosystem for their customers, while significantly reducing complexity in distribution. For our buyers, meanwhile, using the platform offers means that they do not have to operate their own infrastructure in order to offer complex usage-oriented services.

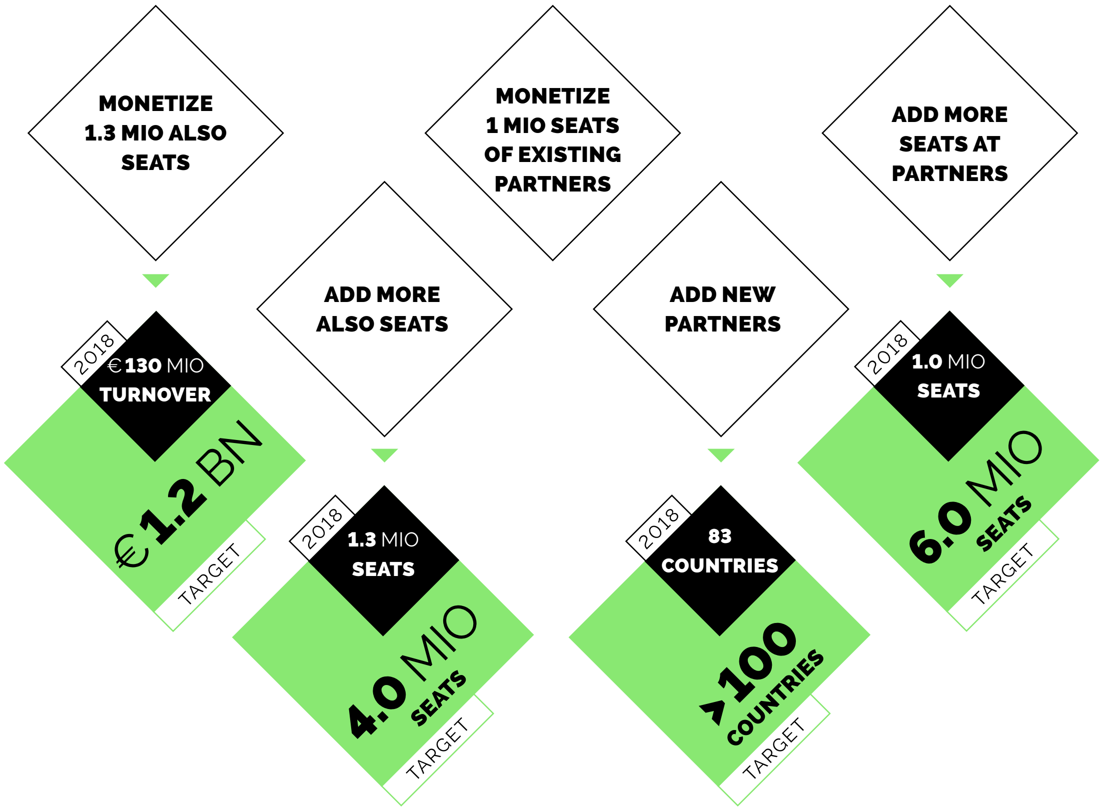
The expansion of the service offering around Seats coupled with the continuous geographic expansion through ACMP partnerships worldwide means this area can expect the highest growth of all three business models in the next few years.

Net sales are recognized when the service is performed (brokerage commission) or when the processed product is sold (reconditioning of used hardware) or they are distributed over a period of use (managed print services). Specific types of service business include IT services (ICT services in the areas of recruitment, 2nd-level support, and tele sales), logistics services, training, and marketing.

POTENTIAL FOR INCREASE OF AS-A-SERVICE



5 FACTORS FOR SUSTAINABLE RECURRING GROWTH IN «AS-A-SERVICE» BUSINESS MODEL



INCOME OPTIMIZATION IN 2018

ALSO steers the continual earnings optimization of the income using the following five levers:

BUSINESS MODEL MIX

Systematically expanding and developing the Solutions and as-a-Service business models.

- The ALSO Group began working on extending its services in the direction of usage-based ICT models back in 2012. The area includes as-a-Service offers for Platform-, Infrastructure- and Workplace-as-a-Service. Grouped under IT-as-a-Service, ALSO thus provides critical competitive advantages to its resellers, which are able to respond with agility and dynamism to the constantly changing requirements of the market thanks to the ALSO Cloud Marketplace. The establishment and development of the offers of Seats as a central element of the business model in the context of the PaaS program (Platform-as-a-Service) has to be highlighted in particular. In 2018, ALSO offered a total of 2.3 million Seats, over 1 million of which are PaaS Seats for customers.
- Since November 2018, ALSO has acquired the sales and services business of Hewlett Packard Enterprise (HPE) in Ukraine, Belarus and Lithuania. Under this service agreement, ALSO has established separate companies in Ukraine, Belarus and Lithuania, which independently distribute HPE offerings and related services. By assuming responsibility for sales, channel management, services and marketing, ALSO uses its local expertise to help HPE strengthen its activities in these countries. The agreement is a new type of offering for manufacturers within our Solutions and as-a-Service business models and creates additional value for both organizations.
- At the start of 2017, ALSO began to strategically expand its expertise and product range to participate in the rapid growth of the Internet of Things ("Computing on the Edge", IoT). Here, the Company also acquired two value-added distributors for security and network products, Smartsec in Finland and BeIP in France. The acquisition of DistriWan in June 2018 was the next decisive step along this path. DistriWan mainly serves larger corporate customers and resellers with a range of network solutions, often based on CISCO products. The Company also has a growing security portfolio consisting of several other brands such as Ekahau and Ucopia. With a dedicated and well-trained pre-sales team, DistriWan offers support in creating the architecture for and design of IT solutions. The acquisition of DistriWan improves ALSO's offering in the relevant security solutions segment, gives it access to an even broader customer base and strengthens its presence in the market both in terms of content and region.
- By taking over DISS, headquartered in Ljubljana, and its subsidiaries VAD and Marmis, ALSO has expanded its resources and expertise in data centers, security and solutions. Together with its subsidiaries, the value-added distributor has focused on product lines requiring intensive pre-sales support. DISS also offers its customers technical training and customized on-site consulting. Just after the end of the year, ALSO acquired RECRO, one of the largest IT distributors in Croatia. This takeover will allow ALSO to further strengthen its market position in the eastern European Adriatic region. The acquisition will bolster ALSO's presence in a market that is on a clear expansion course and shows clear investment momentum. RECRO is well established in the market and places great importance on high-quality employee training and professional IT support.

VENDOR MIX

Securing an attractive supplier portfolio by means of short reaction times to changes in general conditions on the ALSO marketplace.

- We built on our existing cooperation with famous vendors such as Microsoft, HPE and Lenovo. We were also able to add numerous new providers to our portfolio. Approximately 20 independent software vendors (ISVs) offered over 50 new services on the ALSO Cloud Marketplace in 2018. Currently, 1 600 vertical cloud services from a total of around 100 ISVs can thus be accessed via the ALSO Cloud Marketplace.

PRODUCT MIX

Rapidly providing innovative products and services with high growth potential.

- In mid-2018, ALSO signed a distribution agreement with Materialise, a leading provider of 3D printing software. Materialise bundles a range of software solutions, engineering expertise and printing services that are the backbone of the 3D printing sector. The 3D printing suite from Materialise Magics is the software of choice for companies around the world to develop state-of-the-art 3D printing applications. The agreement to market Materialise HP Build Processor and Materialise Magics software applies to Europe (excluding the UK and Ireland). Besides pre- and post-sales technical support, ALSO offers value-added resellers a range of services to recruit, train and authorize them to distribute these software packages to end customers. The software distribution has complemented ALSO's successful market entry with the sale of a three-digit number of HP Multi Jet Fusion 3D printers last year alone. ALSO's rapidly growing range of additive manufacturing products is bolstered by its own European center of competence for 3D printing.
- ALSO significantly expanded its range of financing and services in 2018 by acquiring a stake in the leasing company ALSO Financial Services GmbH. The offer is aimed at resellers and further rounds off the ALSO Consumptional Business Model. Through the partnership with ALSO Financial Services GmbH, ALSO customers will receive a new, expanded financing offer from a single source. This guarantees faster response times and a flexible, wide range of products. This gives resellers more flexibility and simplified processes to expand their own service offerings to end customers with little effort. The new offering includes equipment rental agreements for end customers that can also bear the reseller's own logo. ALSO Financial Services GmbH offers contract drafting, structuring and management services and can also take on financing and risks. In cooperation with the reseller or a remarketing company, the hardware can be replaced during the term of the contract and an attractive purchase option is available for the reseller at the end of the term. Through its cooperation agreement with ALSO Financial Services GmbH, ALSO initially only offers leasing services in Germany. The offer will be extended in stages to other European countries.

RESELLER MIX

Focusing on fast-growing buyer groups with perfectly tailored services and connection to the CRM.

- In 2018, we continued consistently to follow the path we set out on in 2016 to develop our international presence through regional partners. For the Russian market, a partnership was concluded with the IT distributor Treolan. Via the ALSO Cloud Marketplace, Treolan can offer its 2 900 plus channel partners and their end customers a wide range of Software-, Infrastructure-, and Device-as-a-Service. With this new partnership – the seventh ALSO has agreed since 2015 – Treolan's sales partners will be able to manage their end customers' Seats and develop, operate and manage applications. This will eliminate the complexity that would normally be required when operating such infrastructure. Treolan has already launched the Microsoft Cloud Solution Provider (CSP) program for new vertical offerings and is creating new regional access points for ALSO's vendor partners.
- In recent years, we have strategically expanded our Platform-as-a-Service offering across various regions. With the globally accessible Consumptional Business Model, we are already active in 83 countries and manage 1 million PaaS partner Seats through the ALSO Cloud Marketplace.

OPERATIONAL EXCELLENCE

Continuously optimizing structures and processes to reduce operating expense.

- Our investments in a harmonized ERP system (SAP), customer relationship management software, and Business Intelligence 2.0 have enabled the team to implement efficiency measures faster than expected. Thanks to the successful harmonization of IT systems, administrative functions such as product management and order entry were optimized and tailored to customer requirements. Through the use of Robotics, our processes were optimized to a considerable extent. With these measures, the Company is streamlining its processes, strengthening its customer focus and simultaneously reducing costs. Another important step was to strengthen the independence of the national sales organizations, which has already had a very positive impact, especially in Austria. We have also pushed ahead with the creation of ALSO centers of competence, such as the center for 3D Printing at the Berlin-Adlershof research site.

All the applications mentioned are given as examples, which should not be regarded as exhaustive, to illustrate the practical work related to the five levers.

EMPLOYEES AND SOCIETY

EMPLOYEES

Customers are at the heart of our business activities. But ultimately it is the employees, with their knowledge and their commitment, who make the Company successful. As a result of digital change, new possibilities are emerging for our employees to contribute to shaping their work. We want our employees to complete further training and achieve their professional goals, and we want our managers to motivate talented employees so that we can create a flexible, dynamic organization that reacts in a rapid and agile way to our constantly changing market.

In 2018, ALSO had an annual average of 3 984 employees (corresponding to 3 708 full-time equivalent positions), which is 74 less employees than in the previous year (–2 percent). Personnel expenses amounted to 218.9 million euros in the reporting year.

2017

HEADS	Central Europe	Northern/Eastern Europe	Group functions	Group
Average headcount	2 519	1 390	149	4 058
Headcount at year end	2 556	1 467	147	4 170

SHARE ADMINISTRATION / OPERATIONAL FUNCTIONS

	Central Europe	Northern/Eastern Europe	Group functions	Group
Administration	21 %	17 %	86 %	22 %
Operational functions	79 %	83 %	14 %	78 %

2018

HEADS	Central Europe	Northern/Eastern Europe	Group functions	Group
Average headcount	2 445	1 398	141	3 984
Headcount at year end	2 368	1 494	135	3 997

SHARE ADMINISTRATION / OPERATIONAL FUNCTIONS

	Central Europe	Northern/Eastern Europe	Group functions	Group
Administration	19 %	13 %	86 %	19 %
Operational functions	81 %	87 %	14 %	81 %

ALSO conducts a group-wide survey of employee satisfaction (NPS) on a regularly basis. In this way, we obtain valuable results for developing specific improvement measures and integrating them in the organization.

In addition to the interesting sector in which we work, our employees value in particular the innovative strength of the Company. The personal work environment and the tasks assigned to them are also seen in a positive light by employees.

With the web-based Performance Appraisal Tool, the performance of around 200 managers is systematically evaluated twice a year. It also reveals any necessary training measures.

The age structure of our employees is balanced and displays a good mixture between highly qualified employees, internationally experienced managers, and young talents.

AGE STRUCTURE [1)]

	Central Europe	Northern/Eastern Europe	Group functions	Group	Previous year
<21	4 %	0 %	0 %	2 %	2 %
21–30	20 %	15 %	12 %	19 %	18 %
31–40	26 %	41 %	26 %	31 %	29 %
41–50	29 %	30 %	33 %	29 %	31 %
>50	21 %	14 %	29 %	19 %	20 %

1) As of December 31, 2018

COMPLIANCE

ALSO sees part of its corporate responsibility in harmonizing its economic objectives with the social requirements as well as the requirements of its customers, employees, investors and partners. For us, this means creating added value while at the same time reducing detrimental effects for people and the environment.

A variety of measures and tools are available to our Company that we can use to embed sustainability and drive that process forward: Approaches to responsible corporate management and to integrity in our conduct. These include for example our corporate governance and compliance structures just as much as defining and monitoring key performance indicators in the field of sustainability and formulating sustainability targets within our areas of responsibility. All ALSO activities are carried out in compliance with the code of conduct. A focus is placed within the national companies on raising the awareness of all employees concerning ecological and social concerns.

The ALSO compliance program is an important element in our risk management and is applied in all countries. A key component of the program is the training of our employees. New employees are familiarized with the contents of the training online and in on-site courses, while refresher courses are conducted regularly for all employees. The training ratio of all employees required to undergo the compliance online training (excluding employees working purely in logistics and temporary staff) amounted to 98.2 percent in 2018.

ECOLOGY

The responsible use of resources is an element that is firmly integrated in our business processes. This involves making it possible to quantify, and thus also to control and manage our environmental efforts. We are currently focusing on three main points throughout the Company: Increasing efficiency in the areas of electricity, heating and reducing waste. We also examine our future investments from this perspective.

The following countries currently form the basis for collecting our sustainability figures: Denmark, Germany, Estonia, Finland, France, Latvia, the Netherlands (ALSO International B.V. and ALSO Nederland B.V.), Norway, Sweden and Switzerland and Lithuania for the first time in 2018. The objective for 2019 is to include Poland and the companies recently added in Slovenia and Croatia when collecting the figures.

IMPROVED EFFICIENCY IN THE USE OF ENERGY

We understand improved efficiency to involve reducing the consumption of electricity and fossil fuels by optimizing the heating and lighting concepts of all buildings as well as installing building insulation, which we are also undertaking in some properties that are not actually owned by the Company.

TREND IN HEATING COSTS

	kWh p.a.	CO_2/kg	CO_2/FTE
2015	14 932 546	3 179 660	1 096
2016	14 895 230	3 175 713	1 091
2017	13 706 098	2 942 778	975
2018	14 145 202	3 014 139	921
CHANGE 2018 VS. 2015	**−5.3 %**	**−5.2 %**	**−16.0 %**

The selection of samples covers >90 percent of the total net sales of ALSO.

TREND IN ELECTRICITY CONSUMPTION

	kWh p.a.	CO_2/kg	CO_2/FTE
2015	13 653 601	2 305 394	795
2016	12 916 234	2 125 928	730
2017	11 372 628	1 710 992	567
2018	11 928 711	1 839 453	562
CHANGE 2018 VS. 2015	**−12.5 %**	**−20.2 %**	**−29.3 %**

The selection of samples covers >90 percent of the total net sales of ALSO.

Although as a result of adding Lithuania when collecting the figures, consumption in absolute terms in kWh p.a. and CO_2/kg increased year-on-year, consumption per FTE was reduced again in both heating costs and electricity.

TREND IN WASTE/RECYCLING

The objective here is to record and optimize the material and substance flows, to ensure recycling and appropriate disposal, and to avoid waste while systematically considering the environmental requirements at our suppliers and waste disposal partners.

WASTE/RECYCLING

	Total waste/ metric tons	Recyclable/ metric tons	Total in %	Non-recyclable/ metric tons	Total in %	Waste per delivery/kg
2015	4 182	3 655	87 %	527	13 %	0.579
2016	3 907	3 485	89 %	422	11 %	0.516
2017	4 120	3 700	90 %	420	10 %	0.493
2018	4 768	4 231	89 %	537	11 %	0.507
CHANGE 2018 VS. 2015						**–12.4 %**

The selection of samples covers >90 percent of the total net sales of ALSO.

By separating waste consistently and more efficiently, we have been able to increase the proportion of recyclable packaging components at the warehouse facilities. It has thus proved possible to further reduce the high level of non-recyclable waste throughout the Group. In addition, more detailed separation of the materials has been implemented.

SUSTAINABILITY IN THE SUPPLY CHAIN

The ALSO Group has set itself the target of continually improving its CO_2 footprint, and in this process the entire supply chain from manufacturer to customer is investigated to see whether there are any possibilities for improvements.

In 2018, various projects were implemented that contributed to reduce CO_2emissions in the Group. The following individual initiatives are presented by way of example here:

PROJECT 1

The plan was to switch from conventional lighting to LED lighting in our warehouse facilities in Braunschweig and Soest in Germany. However, the implementation was not realized for technical reasons in Braunschweig. Instead it was decided to implement the switch in the warehouse in Wünnenberg-Haaren.

	Wünnenberg-Haaren	Soest
Days of use	250	250
Period of use	10 h	13 h
Electricity consumption for lighting, current	402 MWh	258 MWh
Saving in %	57 %	56 %
Electricity saving p.a.	231 MWh	144 MWh
CO_2 saving p.a.	40 t	25 t

By switching to LED lighting, the energy demand in both warehouses was reduced by approximately 60 percent each.

PROJECT 2

We took a first large step to minimizing our CO_2 emissions when we moved into our new warehouse facility in Pirkkala, Finland, in the middle of 2016. Exclusively geothermal energy is used to supply heat for the entire warehouse. In 2018, the procurement of electricity was switched to 100 percent wind energy. Compared to 2015 (old warehouse), CO_2 emissions were reduced by 99.5 percent in 2018.

Other projects are planned for 2019 which will contribute to further reduce CO_2 emissions in the Group. For example, as part of the Group’s transformation, electronic signature technology and digital transaction management services are to be increasingly used for the electronic exchange of signed documents.

BUSINESS DEVELOPMENT OF THE GROUP

ICT MARKET OVERVIEW

The market in the devices, data center systems and enterprise application software segments in the countries relevant for ALSO grew by 1.7 percent year on year (according to Gartner). The enterprise application software market grew most strongly, at 8.3 percent. The data center systems segment grew by 5.3 percent. The main driver for this was the server segment (+10.3 percent). The enterprise network equipment (+2.5 percent), unified communications (+3.4 percent) and external controller-based storage (+3.8 percent) market segments also performed well. The devices segment declined (–2.5 percent). All three categories contracted: mobile phones –1.7 percent, PCs and tablets –3.4 percent and printers –2.3 percent.

BUSINESS DEVELOPMENT OF THE GROUP

ALSO outperformed the market with growth of 3.2 percent. Adjusted for restructuring costs and currency effects, EBITDA rose by 6.0 percent to 162.4 million euros in 2018 (previous year: 153.2 million euros). Adjusted EBT improved by 5.8 percent to 127.0 million euros (previous year: 120.1 million euros). ALSO has thus achieved its 2018 targets. The increase in sales was market beating and adjusted earnings rose faster than sales growth.

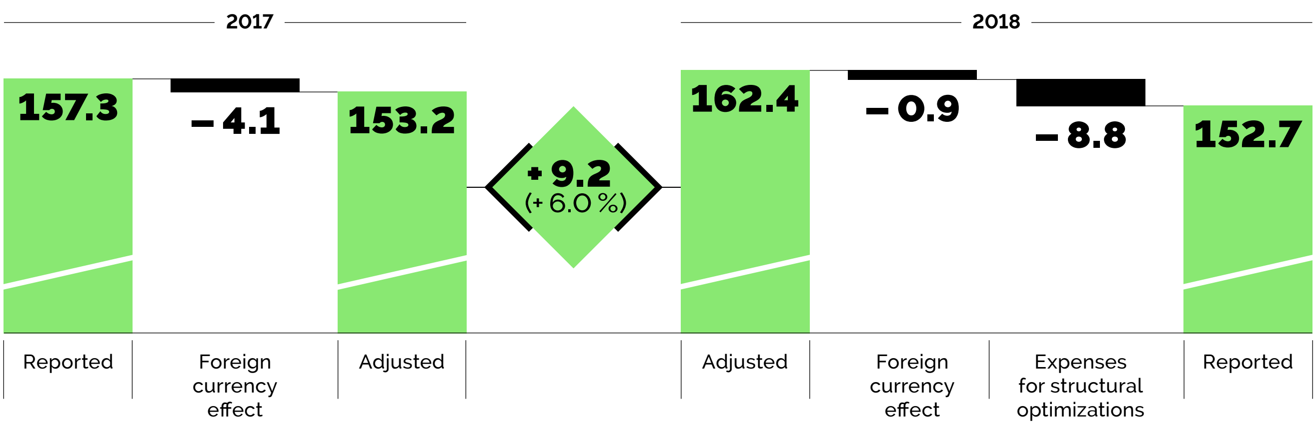
The sales growth of 3.2 percent was mainly organic in nature. France, Germany and Austria in particular recorded significant growth. The ITaaS business model also achieved pleasing growth of 36 percent.

ADJUSTED EARNINGS

The 2018 earnings were significantly influenced by two factors. Currency effects had a negative impact of 5.0 million euros compared with the previous year. On the other hand, the 2018 financial year included expenses for structural optimization amounting to 8.8 million euros. The following reconciliation shows the adjusted performance for EBITDA and EBT.

IN MIO EUR	2018	2017
EBITDA as reported	152.7	157.3
Foreign currency effect	–0.9	4.1
Non-recurring expenses for structural optimizations	–8.8	–
EBITDA ADJUSTED	**162.4**	**153.2**

EBITDA (IN MIO EUR)



IN MIO EUR	2018	2017
EBT as reported	117.3	124.2
Foreign currency effect	–0.9	4.1
Non-recurring expenses for structural optimizations	–8.8	–
EBT ADJUSTED	**127.0**	**120.1**

In 2018, our national companies succeeded in implementing efficiency measures that were made possible by our investments in a uniform ERP system, CRM software and a business intelligence platform, for example. Regular consultation with the Transformation Executive Team (TET), which was set up at the end of 2017, accelerated the structural optimization of a large number of different initiatives, particularly in administration and sales functions, while honing the customer focus. The one-off investment of 8.8 million euros already generated savings of 9.3 million euros in 2018. This almost offset the additional personnel costs from acquisitions and the restructuring costs.

The Group's digital transformation will also be driven forward with support from TET in 2019 and implemented in the national companies; a one-off investment of 12 to 15 million euros is expected overall, and this should lead to savings of around 25 to 30 million euros in the full-year effect.

IN MIO EUR	2018
PERSONNEL COSTS 2017	219.3
Savings from structural optimization	–9.3
SUBTOTAL	**210.0**
Restructuring costs 2018	8.8
New personnel costs from acquisitions	4.8
Other	–4.7
PERSONNEL COSTS 2018	**218.9**

In fiscal year 2018, movements on foreign currency markets resulted in income of 1.5 million euros reported in total net sales (previous year: expenses of –5.9 million euros) and expenses of 2.4 million euros (previous year: income of 10.0 million euros) reported in cost of goods sold and services provided. ALSO strives to neutralize effects on earnings from price changes. Significant effects can arise from reporting date valuations as, for example, opportunities expected to be sold cannot yet be recognized in the income statement due to the valuation being too low.

IN MIO EUR	2018	2017
Foreign currency effects on total net sales	1.5	–5.9
Foreign currency effects on cost of goods sold and services provided	–2.4	10.0
FOREIGN CURRENCY EFFECT	**–0.9**	**4.1**

CENTRAL EUROPE AND NORTHERN/ EASTERN EUROPE MARKET SEGMENTS

The Company is represented in 18 countries, which are grouped into two market segments: the Central Europe market segment (Austria, France, Germany, and Switzerland) and the Northern/Eastern Europe market segment (Belarus, Belgium, Croatia, Denmark, Estonia, Finland, Latvia, Lithuania, Netherlands, Norway, Poland, Slovenia, Sweden and Ukraine).

In the Central Europe market segment, ALSO posted a year-on-year increase in net sales of 1.6 percent from 5 436 million euros to 5 521 million euros. EBITDA increased slightly by 1.7 percent from 107.6 million euros to 109.4 million euros. This included restructuring costs. The significant improvement in earnings in Switzerland and slight improvements in France and Germany offset the effects of the restructuring.

In the Northern/Eastern Europe market segment, net sales rose by 3.7 percent compared to the previous year, from 3 878 million euros to 4 023 million euros. EBITDA fell from 47.2 million euros to 41.3 million euros. In addition to the restructuring costs, currency changes in particular negatively impacted the segment. Better earnings were achieved in Eastern Europe in the Baltics and Poland. In Northern Europe, competition intensified, leading to declines in sales and earnings, particularly in Denmark, Finland and the Netherlands.

INVESTMENTS AND ACQUISITIONS

INVESTMENTS

Investments in property, plant and equipment and intangible assets amounted to around 14.2 million euros in 2018 (previous year: 15.5 million euros), of which around 13.6 million euros had an impact on the Group's cash flow. These funds were mainly used to expand buildings and storage facilities for repair services, logistics infrastructure, IT leased to customers as part of IaaS and for the Group's own IT infrastructure. The ratio of investments to EBITDA was 9.3 percent (previous year: 9.9 percent). Investments were made in particular in the warehouse facilities in Switzerland and the Netherlands. The main investments in intangible assets were the modernization of warehouse management systems, the updating of the ERP system, BI system, the ALSO webshop and the expansion of the in-house development of the ALSO Cloud Marketplace. In Poland, 3 million euros was disinvested in 2018 due to a warehouse sale.

The investments will make a key contribution to achieving the ambitious growth targets. ALSO will continue its investment policy moving ahead as well. To facilitate further growth and achieve synergies, investments in the automation of warehouse systems and support processes through the use of process mining are envisaged for 2019, as are a further homogenization of the ERP systems used by the newly acquired Group companies.

ACQUISITIONS

The funds used for acquisitions amounted to around 14.6 million euros in 2018 (previous year 9.7 million euros) and relate primarily to the purchase price payments for three companies. With the acquisition of Diss d.o.o., ALSO has become the market leader in Slovenia. The company specializes in products from HP and HPE and also has resources and expertise in security and solutions. The outcome is a product portfolio that goes beyond traditional distribution and provides customers with customized services. ALSO thus offers all services covering the various stages of ICT value creation under one roof. ALSO acquired DistriWan S.A.S., a French value-added distributor (VAD), in order to optimize its business model mix and expand its service-focused offering. The company has a growing security portfolio consisting of several brands such as Cisco, Ekahau and Ucopia. To expand its solutions and as-a-Service business models, ALSO acquired the sales and service business of Hewlett Packard Enterprise (HPE) in Ukraine, Belarus and Lithuania. With this acquisition, ALSO is again highlighting its intention to grow in promising markets and regions.

ALSO is still striving to support the ambitious growth targets with value-adding acquisitions. The focus is on acquisitions of Solution and Service activities that can be scaled up based on the ALSO platform, and on acquisitions on European growth markets to expand the ALSO platform. Options on developed European

INVESTMENTS AND ACQUISITIONS IN BRIEF

EUR 1 000	2018	2017	2016	2015
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND IN INTANGIBLE ASSETS	**14 180**	**15 534**	**13 351**	**13 751**
Thereof in land and buildings	562	148	291	854
Thereof in warehouse equipment	4 273	1 972	3 218	5 432
Thereof in other property, plant and equipment	5 916	9 012	4 014	4 061
Thereof in intangible assets	3 429	4 402	5 828	3 404
Investments as a percentage of EBITDA	9.3 %	9.9 %	9.2 %	9.8 %
ACQUISITIONS	**14 623**	**9 734**	**3 676**	**11 346**
Diss d.o.o	11 053			
Distriwan S.A.S.	2 430			
Sophela	1 140			
TOTAL INVESTMENTS AND ACQUISITIONS	**28 803**	**25 268**	**17 027**	**25 097**

markets, where ALSO is not represented, are also being considered to expand the platform.

SOLID FINANCING STRUCTURE

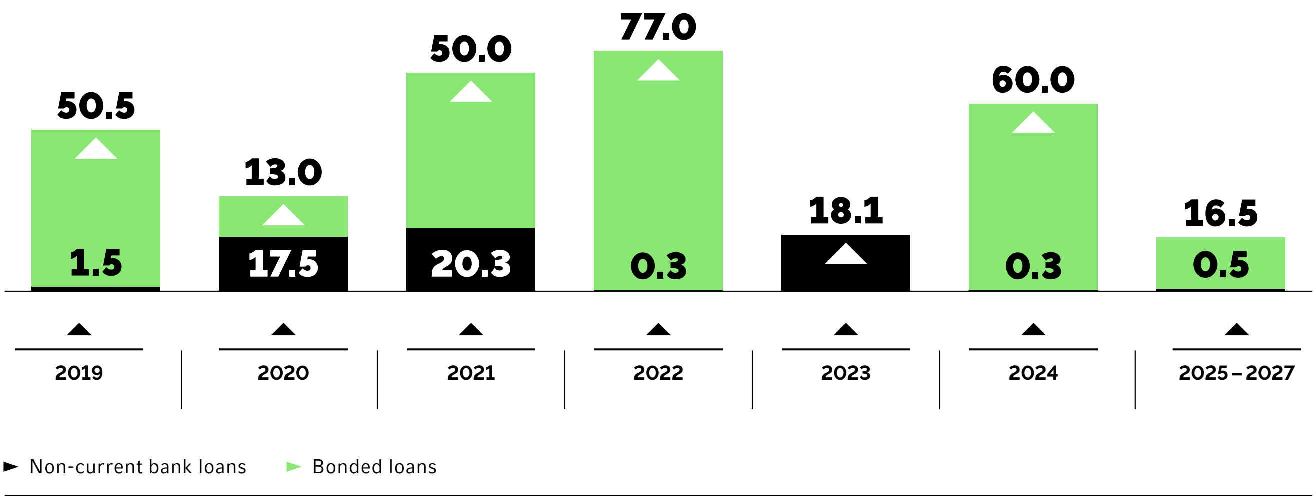
ALSO is optimizing the provision of the liquidity needed to finance the Company's operating business on the condition of securing the capital structure. It aims to finance the required maturities at the best possible conditions. As a result of the transactional business, the majority of financing requirements are short-term. Owing to seasonal effects, working capital is subject to short-term fluctuations. The necessary cash is obtained mainly by selling existing receivables to factoring companies. This is supplemented by bank lines of credit that are available at short notice. In addition, ALSO continuously increased the proportion of long-term financing by placing bonded loans on the capital market. In 2017, the last time round new bonded loans totaling 153.5 million euros were raised with terms of five, seven and ten years. The positive response from investors is a clear sign of confidence in the business model of ALSO. In order to minimize risk, attention was paid to obtaining a diversified term structure at favorable financing conditions. As a result of this optimization of the financing structure, we will enhance the flexibility of our MORE program and enable the strategic development of the Group also in terms of potential future acquisitions.

The financing structure now offers great flexibility to cover net working capital financing. The long-term financing displays a balanced distribution of the maturity structure over the years 2019 to 2027.

CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities before changes in net working capital amounted to 104.1 million euros (previous year 97.7 million euros). It is available to ALSO for its operational and strategic further development and can be regarded as sustainable cash. The Group net profit in 2018 (calculated at average rates) was lower, but exchange differences in particular were lower on account of the rate on the reporting date of December 31, 2018, at the Group companies that report in CHF and expenses for provisions higher.

MATURITY PROFILE (IN MIO EUR)



The amount of the change in net working capital is strongly dependent on seasonal effects, the timing of customer sales and payments and fluctuates between periods. Increasing sales of customer receivables normally result in a positive cash flow from the change in net working capital. After deducting the change in net working capital of –16.0 million euros, the remaining cash flow from operating activities amounted to 88.1 million euros (previous year 94.9 million euros).

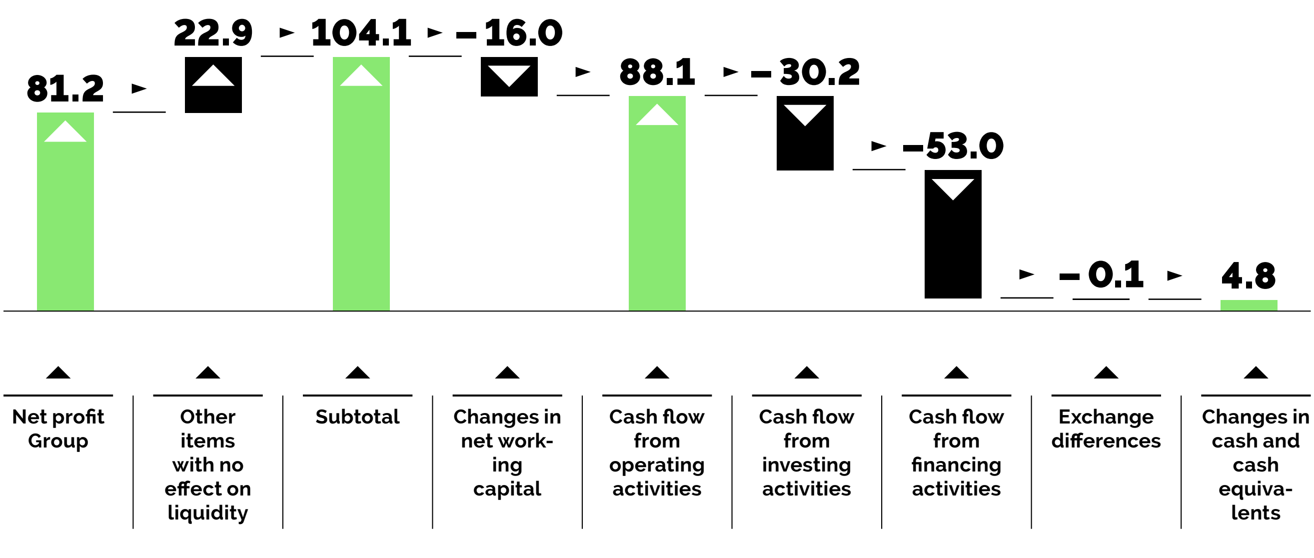
Trade payables increased by 13.4 percent year on year. This is mainly due to three reasons. First, at the end of 2018, inventories were increased for planned sales volumes in the first quarter of 2019. The corresponding liabilities had not yet been paid as of December 31, 2018. Second, it was possible to negotiate better payment terms with several manufacturers at short notice and third, at the end of 2018 there was a shift in the manufacturer mix, resulting in longer payment terms compared with the previous year. This led to a cash flow from the increase in trade payables of 151.5 million euros. This amount was offset by the increase in inventories due to an expected shortage of Intel processors in the first quarter of 2019, receivables from factoring and trade receivables. The remaining effect resulted from net other items.

The cash flow was further reduced by investments in the amount of 30.2 million euros. Included here is the purchase price payment of 14.6 million euros arising from the acquisitions, which essentially relates to the companies Diss d.o.o., DistriWan S.A.S. and Sophela. Furthermore, a total of EUR 13.6 million was invested in property, plant and equipment and intangible assets, mainly for the expansion of buildings and the storage of repair services, logistics infrastructure, IT leased to customers as part of IaaS and for the Company's own IT infrastructure.

In the cash flow from financing activities of –53.0 million euros (previous year 112.9 million euros), there were cash outflows from the distribution to the shareholders of 30.7 million euros. The remaining amount results primarily from the repayment of current bank loans. Adjusted for the addition of financial liabilities of 7.5 million euros due to acquisitions, the increase in finance leases of 4.8 million euros and further non-cash changes of 4.2 million euros, the total decrease in financial liabilities in the consolidated balance sheet was 5.8 million euros.

With cash and cash equivalents of 240.4 million euros and bank credits available at short notice of 355.3 million euros, the ALSO Group has a high level of available liquidity.

CONSOLIDATED STATEMENT OF CASH FLOWS (IN MIO EUR)



RISK REPORT

ORGANIZATION AND PROCESS

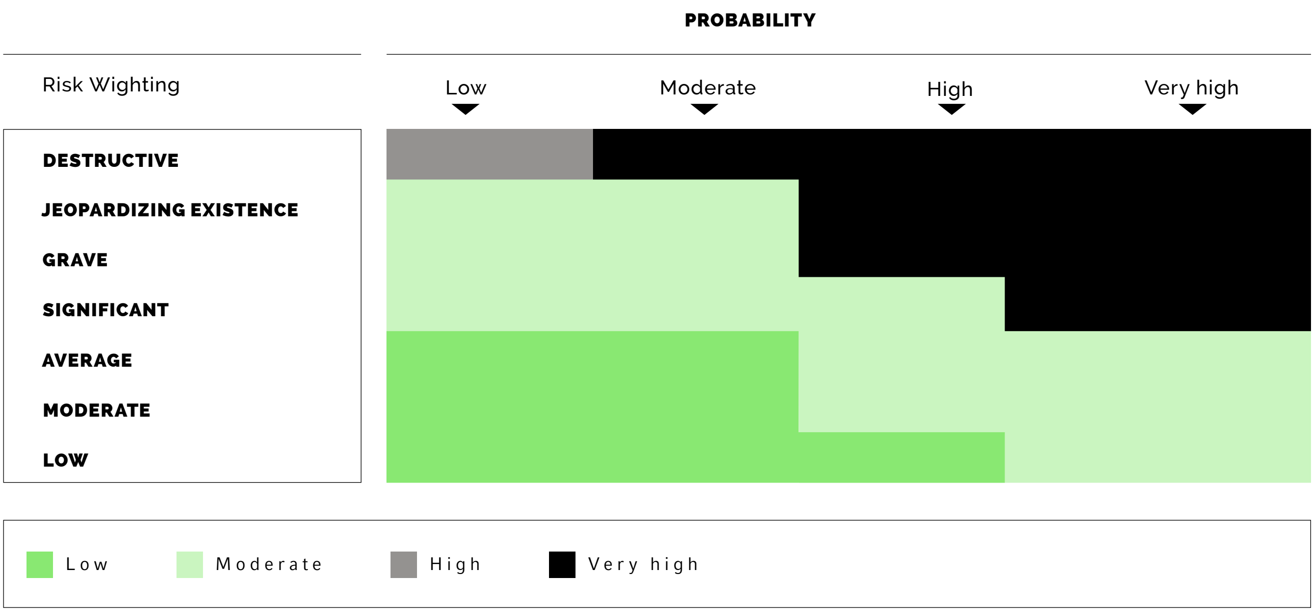
ALSO implements a standardized risk management process that is applicable throughout the Group. This ensures that risks are systematically analyzed in all major Group companies and a uniform evaluation carried out. The risk transparency that has been created allows suitable control actions and countermeasures to be derived. The implementation of these measures generally results in reduced potential for damage. At ALSO, the organization of the risk management is the responsibility of Internal Audit. It collects information from the ALSO companies every six months on the risks that have been identified and the countermeasures that have been initiated. To this end, one person is assigned responsibility for each issue in the ALSO companies. The respective risk officers or managing directors are responsible for ensuring that the contents are complete and correct.

Group Management and Internal Audit must be informed immediately by the risk officers and additionally in an ad hoc report if new critical risks emerge.

The principles of the risk management system are defined in the risk management manual of the ALSO Group. The risk management process considers all the relevant risks of the major Group companies. The individual risks are identified, assessed, and consolidated. ALSO classifies the risks into four special risk fields based on the source of the risk (company-related risks, market risks, financial risks, and tax risks).

The individual risks are assessed in terms of their possible effect on profits or liquidity (low to destructive) and their probability of occurrence (low to very high). The classification of the possible effect is determined as a function of the consolidated net profit of the ALSO Group, and an annual review is carried out to assess whether it is necessary to revise the classification. The changes to the risk categories made in 2017 did not have an effect in part until the reporting year. Based on the possible effect as well as the probability of occurrence, the risks are broken down into the categories black, grey, light green and green.

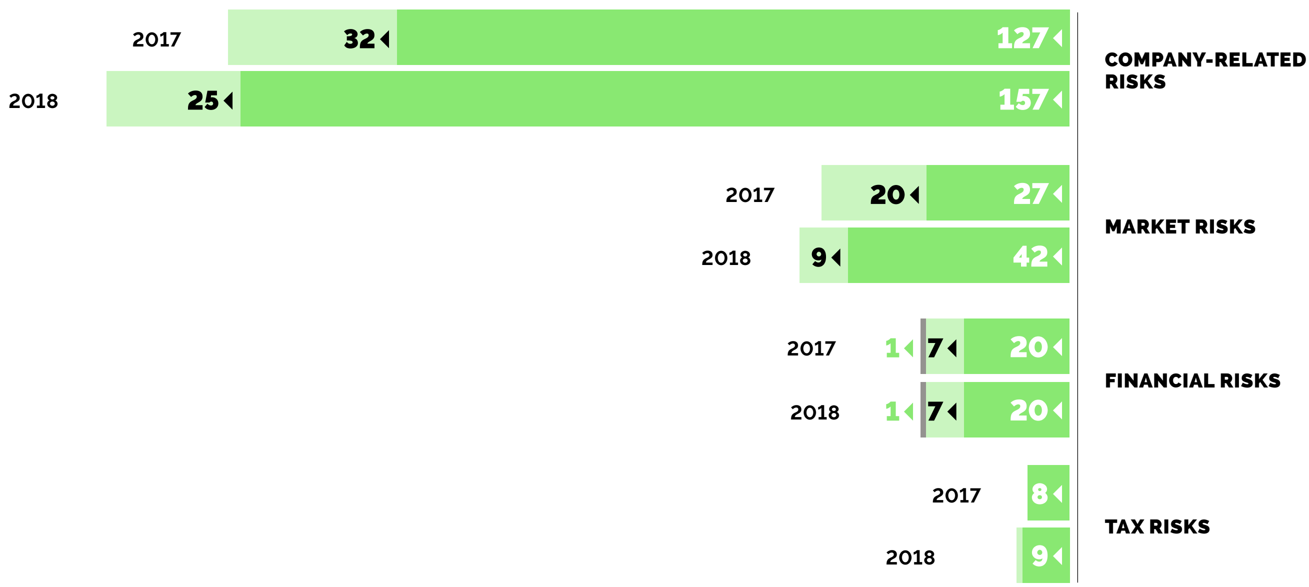
RISK REPORT



GENERAL RISK SITUATION

The business performance of the ALSO Group depends significantly on the general economic situation, economic developments, and technological progress, especially as a result of digitalization. In order to prevent a substantial decline in the enterprise value, the ALSO Group is systematically expanding its vendor and buyer structure and investing in the development of the Supply, Solutions, and as-a-Service business segments. The following picture emerges in the individual risk fields in 2018. The focus is placed on the company-related risks, followed by the market risks. No risk is currently reported as a black risk. There is an grey risk related to the impairment of the goodwill, which is currently estimated to be around 152 million euros. This represents a derived risk, as the impairment of the goodwill depends on the expected future business performance. The risk is countered by the consistent development of the ALSO strategy.

NUMBER OF IDENTIFIED RISKS



The basis for the risk management is illustrated in the following graphic on the risks and opportunities of the business, which is constantly monitored, analyzed and further developed by the management.

TOWS

SPECIFIC RISK FACTORS

COMPANY-RELATED RISKS

INFORMATION TECHNOLOGY

Information security, IT availability and performance are the key prerequisites for successful entrepreneurial activity. IT systems are constantly being monitored and optimized. Hybrid Cloud IT architecture enables fast provisioning of IT capacity to meet new demands. The Cybersecurity department is conducting regular information security risks assessments and penetration tests of the business critical IT systems and processes. The risks are systematically mitigated using controls and code of practices defined in ISO 27001/ISO 27002 standards. New technologies deployed to increase protection level. Business critical IT systems have backup and recovery plan in place with recovery time and recovery point objectives.

LOGISTICS AND STORAGE

The business model of ALSO depends to a high degree on the availability of efficient, discrete logistics structures, the security of the stock on hand, and high-performance and cost-effective external logistics partners. The logistics structures are vulnerable to traditional risks of failure, such as fire, flood and theft, as well as risks that prices for transport and the rent for warehouse facilities will change. There are also risks associated with the competitiveness of our logistics structures. There is currently a risk here in a warehouse in the Northern/Eastern Europe market segment. This is to be address with a new concept. The inventory held by ALSO is subject to depreciation risks as a result of the relatively short product lifecycles of IT products. ALSO counters this risk through dedicated, demand-based scheduling of the inventory with the aim of generating higher availability and corresponding inventory turnover times as well as through appropriate rights contained in the agreements with providers (price protection, stock protection, or stock rotation).

PERSONNEL

The further development of ALSO depends materially on the knowledge and the dedication of its workforce. ALSO concerns itself with personnel risks and works with systematic staff planning and qualification in order to deploy, promote and retain employees in line with their abilities. Furthermore, active monitoring of employee satisfaction is carried out. The development of our personnel and managers is an important condition for proactively and reliably ensuring our human resources capacities. Despite all our efforts, a shortage of specialists remains a challenge. The in-house possibilities for continuous professional development will therefore continue to be strengthened in order to train our own personnel optimally in the medium and long term and thus counteract the skills shortage. Bottlenecks in the recruitment of appropriately certified employees exist in particular in the Group companies focusing on the Solutions business field. To reach a broad circle of potential new employees, recruitment is carried out with the help of social media tools.

LEGAL AND COMPLIANCE

As a Group with international operations, ALSO has to comply with numerous legal and fiscal regulations as well as regulations under antitrust and patent law. The large number of relevant provisions at the local and international levels and their increasing complexity increase the risk that ALSO may incur significant legal and economic risks, such as fines and claims for compensation, in the event that it fails to comply with them. In order to minimize compliance risks, ALSO has set up a compliance management system that is aligned with the usual market standards and accordingly features the key elements. The program stipulates that all new hires joining the Group are trained in good time before they take up their job. These training courses are repeated regularly. The use of an e-learning platform additionally allows employees to be tested about what they have learned. Current and impending legal disputes are continuously identified, analyzed, and evaluated in terms of their legal and financial effects and taken into appropriate consideration in the ongoing risk management process. ALSO Deutschland GmbH faces a risk in connection with copyright fees here. Following the conclusion of a general contract between the industry association BITKOM and the copyright collective ZPÜ (Zentralstelle für private Überspielungsrechte), which ALSO Deutschland GmbH joined, risk from external hard disks has been significantly reduced.

MARKET RISKS

GROWTH RISKS

A significant increase in delivery volumes at the end of the month could result in critical volume and delivery capacities at certain locations. This would result in constraints on the shipping quality. The further significant increase in the scope of delivery with a larger retailer created an increased risk for ALSO Deutschland GmbH as a result of a failure to meet guaranteed delivery times. Besides short-term aids through changing special orders or manufacturers between the individual locations and permanently optimizing inventory turnover times, our logistics strategy is regularly subjected to a comprehensive review and modification.

COMPETITION RISKS

ALSO works to counteract the competition in the ICT industry through its growth strategy. The scaling of the business models and the related increase in volumes result in competitive advantages for ALSO and its resellers. Active engagement with providers and the design of the price structure for buyers are crucial levers to this end. Furthermore, ALSO distinguishes itself within the market through unique selling points in the as-a-Service and Solutions business models.

BUYERS

On the buyer side, risks can arise from the dependence on several large customers. In 2018, net sales with the largest individual customer totaled 1 011 million euros. Growth will be promoted and targeted at the fourth- to tenth-largest customers of a market in order to avoid concentration risks. By carrying out measures continuously in the area of SMB customers, diversification increases the number of customers and thus reduces the risks. The campaigns carried out in the reporting year focused on the online shop. In its operating business, ALSO is exposed to default risks in customer receivables. A credit check is performed on the customer as early as the quotation phase in order to limit the risk of losses on receivables. Default risks are additionally limited by active receivables management. Active customer monitoring, balance sheet analyses, disclosures, insurance rating, and factoring programs are some of the important measures carried out here. A considerable proportion of the receivables are hedged by commercial credit insurance.

PROVIDERS

ALSO works with the major providers of hardware and software especially in the Supply business field. Concentration risks and dependencies on large individual providers result from this. ALSO counters these with active market share management as part of the vendor mix lever. On the ICT market, ALSO constantly monitors the product innovations of the providers so that it can get involved in fields with high potential at an early stage. Large receivables from providers regularly arise as a result of various programs designed to support sales promotion activities by providers (including marketing programs, bonuses, sales discounts, price protection, for example). Complete documentation of the basis of claim is required at all times in order to enforce these claims. ALSO counters the risk with a permanent and efficient process organization for the relevant business transactions. Political developments in recent years have resulted in potential risks in relationships with providers. Increased protectionist and nationalist tendencies could lead to tensions with providers. In recent years, ALSO has increasingly expanded its portfolio of providers in order to reduce such risks. The tariff disputes between the USA and China resulting from nationalist developments could also be an opportunity for European IT companies.

FINANCIAL RISKS

LIQUIDITY RISKS

One of the central tasks of ALSO is to guarantee the Group's solvency at all times by providing sufficient funds when necessary as well as by ensuring the profitability through management of the financial risks. The central liquidity risk management system ensures that the Group is always in a position to fulfill its payment obligations promptly. ALSO continuously monitors its liquidity with a detailed cash flow plan on a daily basis. In addition, far-reaching planning ensures that sufficient financial resources are also available in the medium and long term. In the area of financing, ALSO uses a wide variety of financial institutions in order to reduce any dependency on individual banks. ALSO was always able to fulfill all financial obligations also in fiscal year 2018.

RISK RELATED TO DEPOSITS

ALSO is exposed to a default risk arising from its financing activities. In the financial area, ALSO manages the resulting risk position by the diversification of financial institutions and by verification of the financial strength of each counterparty based on publicly available ratings, as well as on publicly available ad-hoc information about the financial institutions. As a result, ALSO is generally able to keep the credit risks to a minimum. Some larger receivables from financial institutions arise in particular in the factoring area. No losses on receivables have occurred during the long-standing business relationships with the factoring companies. The risk of loss on receivables from factoring partners is not insured with credit insurances. The default risk of loss is minimized by ALSO through regular evaluation of the factoring partners.

INTEREST RATE RISKS

ALSO's interest rate risks relate mainly to current financial liabilities with variable interest rates. Interest rate fluctuations cause changes in the interest income and expense of the interest-bearing assets and liabilities. ALSO is particularly exposed to interest rate risks in euros, Swiss francs, Danish kroner and Polish zloty. The interest rate management is handled centrally. Short-term interest rate risks are partially hedged, a material part of interest bearing-liabilities hence remaining exposed to interest rate fluctuations. Taking into account the existing and planned debt structure, interest derivatives are used if necessary to meet the bandwidths recommended by central Group treasury and prescribed by management. Since ALSO uses fixed as well as variable interest-bearing instruments, interest risks may result from an increase as well as a decrease in market interest rates.

EXCHANGE RATE RISKS

A material part of the cash flows of the operational companies occurs in currencies which are not the functional currencies of those subsidiaries. ALSO is therefore exposed to foreign currency risks. Foreign currency risks are only hedged if they affect the cash flow of the Group. Exchange rate risks that arise in the consolidated financial statements through the translation of statements of comprehensive income and statements of financial position of subsidiaries are not hedged. In the purchasing area, a certain amount is conducted in foreign currencies, especially euros (where it is not the functional currency) and in US dollars. To hedge this exchange rate risk, Central Treasury hedges the purchasing volumes of the operating companies outside their functional currency. Intercompany loans between subsidiaries with different functional currencies give rise to foreign currency risks. ALSO hedges most of these risks. Speculative borrowing or lending in foreign currencies is not permitted. Transaction-related foreign currency risks are also monitored and the corresponding net exposures in the various currencies are calculated. By regular use of forward contracts, ALSO constantly reduces the exchange rate risk.

TAX RISKS

ALSO's operations are heavily networked and carried out across different locations. The accompanying service relationships contain the risk that the underlying transfer prices will not be recognized for tax purposes. In order to limit this risk, ALSO has worked with specialist tax consultants to design the transfer pricing concept and has the underlying transfer pricing documentation audited at regular intervals. ALSO has some tax loss carry-forwards. There is a risk that these loss carry-forwards will not be used and will lapse as a result of time or other restrictions. ALSO regularly examines whether it is possible to use the loss carry-forwards through tax planning.

OUTLOOK

ECONOMIC SITUATION

The economic forecasts produced by UBS Research show that after 3.8 percent in 2018, global economic growth will slow to 3.6 percent in 2019. According to the forecasts the gross domestic product (GDP) of the eurozone will rise by 1.6 percent in 2019 (2018: 2.0 percent). In the eurozone, solid domestic demand will not be sufficient to offset reduced export growth.

Negative risks clearly predominate for the global economy at present. If the trade disputes between the US and other major economic areas were to escalate further, the global economy and world trade would slow down faster than assumed in this forecast. Internationally the high level of debt also harbors considerable risks. If monetary policy normalization continues faster than expected, emerging economies in particular could again be affected by capital outflows and currency fluctuations due to rising interest rates.

Political uncertainty remains high in Europe. In particular, it remains unclear what the relationship between the EU and UK will look like once Brexit comes into force in late March 2019.

DEVELOPMENT OF END-USER SPENDING ON IT BY SEGMENT (IN PERCENT)

Segment	2018	2019
Devices	−2.5 %	−3.4 %
Data Center Systems	+5.3 %	+2.2 %
Enterprise Application Software	+8.3 %	+8.9 %
TOTAL	**+1.7 %**	**+0.9 %**

Chart created by ALSO based on Gartner Research, Source: Gartner, Inc., Gartner Market Databook, 4Q18 Update
Analysts: Lovelock, J.-D. / O'Connell, A. et al.
Publication date: January 03, 2019

MARKET OUTLOOK

For the ICT (Information and Communication Technology) market in the ALSO countries [1], the Gartner market research institute forecasts an increase in end-user spending of 0.9 percent in 2019. All below Gartner data reflects in Euros years 2019 over 2018.

DEVICES

In the devices sector, Gartner anticipates a decrease (−3.4 percent) in end-user spending in 2019. A shrinkage of 5.0 percent is expected in the mobile phones subsegment in 2019. ALSO assumes that the demand slows because smartphone penetration has peaked. This applies to all device types. The market is driven by replacement cycles and higher prices. These replacement cycles are also lengthening as users hold onto phones longer in an effort to save money as prices for flagship models continue to increase.

According to Gartner the spending on PCs and tablets is forecasted to go down (−2.2 percent) in 2019. ALSO expects different factors negatively impacting PCs and tablets forecast. End consumers demand is waning, and upgrades are delaying so that replacement cycles are extending. Furthermore, consumers prefer better mobility and portability. This takes them away from traditional PCs. Additionally, there is no new PC OS to boost further demand.

1) Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Poland, Sweden, Switzerland; excl. Baltics and excl. Slovenia

For the printers subsegment Gartner is forecasting a slight decrease by −0.7 percent during 2019. ALSO assumes the market of printing has reached a saturation point with persistent declines in sales of print devices. Device consolidation and cost-optimization trends resulted in organizations cutting their print spending. Digitalization strategies had resulted in a reduction in office page volumes as business workflows moved from paper to a digital format.

ENTERPRISE APPLICATION SOFTWARE

According to Gartner's forecasts for 2019, the enterprise application software sector will post a strong growth of 8.9 percent. ALSO expects customer relationship management (CRM) to endure as growth driver and assumes three factors behind that. First one is that end users want to provide better customer experiences, particularly through multichannel approaches to marketing and services. Second one is the enhanced ease of use and effectiveness of CRM solutions, through the application of artificial intelligence and adoption of better user interfaces, have led to increased organizational and unit adoption. And last one is the agility and flexibility provided by SaaS have driven increased cloud adoption within CRM, thereby contributing to growth of this segment.

The subsegment Supply Chain Management is expected to show a strong growth, too. Mainly responsible for this is the faster adoption of cloud Supply Chain Management, especially by midsize enterprises. More organizations are beginning to acquire procurement software applications as early-adopter organizations start reaping the benefits from using such software. In parallel, vendors are delivering better time to value through faster deployments and reduced total cost of ownership by incorporating new technologies.

DATA CENTER SYSTEMS

End-user spending on data center systems is expected to increase by 2.2 percent in 2019. Gartner forecasts an increase of 4.6 percent in the subsegment enterprise network equipment. ALSO assumes wireless LAN infrastructure continues to be a key growth engine, fueled by growing demand from advanced mobility and internet of things / digital edge applications.

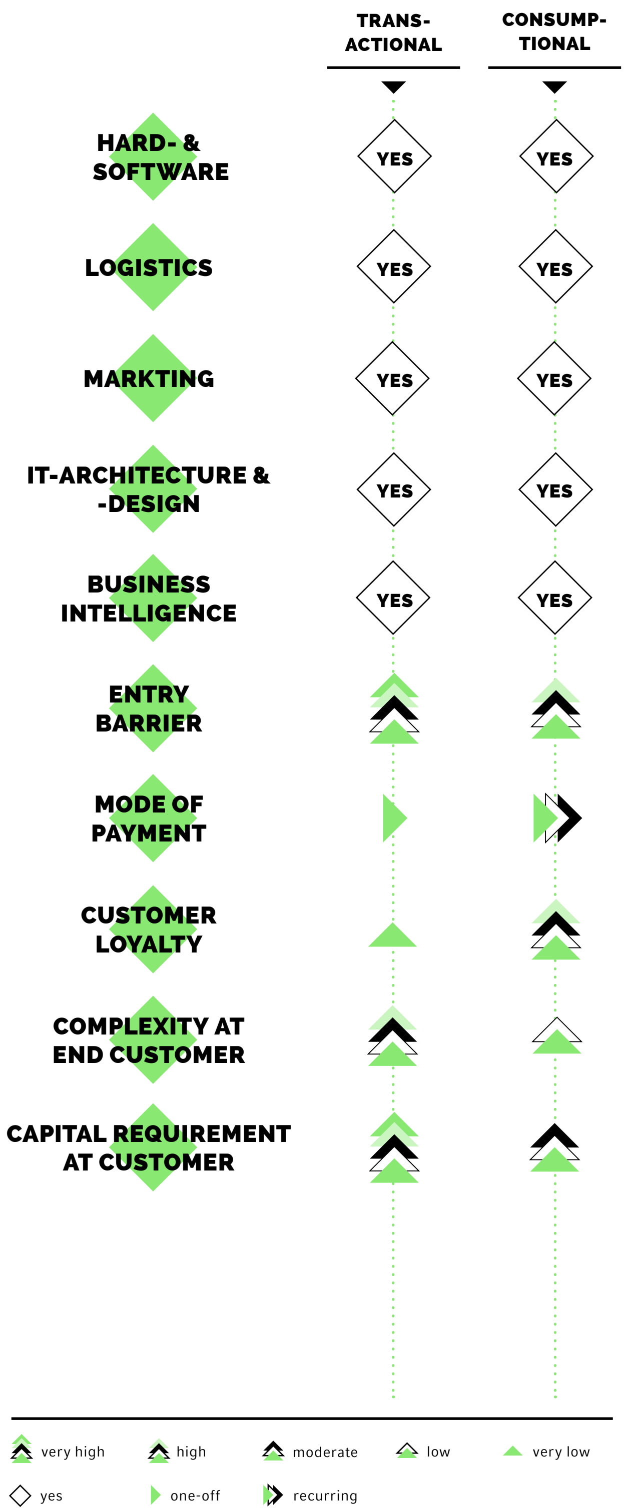
Furthermore, Gartner forecasts a growth of 3.1 percent for servers in 2019. ALSO believes this is caused by the strong demand from the hyperscale segment and rebounding demand from enterprises. Hyperscale customers tend to move to the latest technology generations very quickly, for performance and power advantages.

Based on Gartner's report, in 2019 this growth in end-user spending will be partially offset by the subsegment external controller-based storage (−0.8 percent). ALSO expects an extension of the life of external controller based storage infrastructure. The main reasons for that are corporate budget constraints, which are resulting in the decline of platform refreshment investments. Furthermore, enterprise IT departments are turning toward alternative storage solutions to drive cost out of the IT infrastructure, dampening overall revenue in 2019.

In addition, the spending on unified communications is forecasted to remain stable (0.0 percent). ALSO expects premises-based unified communication prices to rise as suppliers look to recover shrinking margins from rising product costs. Therefore, a part of IT planners will expand the life span of their existing premises-based unified communications solutions.

IT SERVICES

In 2019 Gartner forecasts growth of 4.6 percent in the IT services sector, where all subsegments are expected to grow – with consulting services as the area with the highest growth rate (+7.5 percent). ALSO assumes that the high growth of Infrastructure-as-a-Service, Platform-as-a-Service, Software-as-a-Service, and public and private cloud services will drive demand for cloud-related consulting and implementation services.



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ALSO OUTLOOK

COMPANY

Given this market development, we see potential for further profitable growth in net sales, organically as a result of winning market share, as a result of constantly expanding the product categories in our portfolio, and as a result of further developing our business models. We will generate additional growth through acquisitions in the countries in which ALSO is already present in order to further strengthen our market position through market consolidation in the traditional distribution business and/or through investments in companies that work in the Solutions and as-a-Service business models. We will open up new countries within Europe through acquisitions and partnerships. These will also play an important role in the international rollout of our as-a-Service platform across Europe and beyond.

We will achieve a further increase in profitability by working intensively on these five levers. The continuing automation of the transactional business is a critical factor for success in the area of operational excellence. We are planning to harmonize our operating systems for the webshop and the ACMP with the aim of using the findings from our Business Intelligence to further increase sales and develop customized solutions for our customers, thereby intensifying their development. We will also continue to focus intensively on expanding our high-margin Solutions business models (IT architecture and design) and IT-as-a-Service. A manufacturer-independent business unit will be established in the Solutions business model to develop comprehensive solutions for resellers and end customers.

OPERATIONAL EXCELLENCE

ALSO sees a future focus of its business activity in the further development of the transactional business model. The aim is to supply customers with all the products and services they need as quickly and flexibly as possible. The business model is characterized by a high turnover speed and a low degree of vertical integration, while the processes are automated to the greatest possible extent. ALSO will therefore continue to work rigorously on automating and simplifying processes in 2019.

As part of the structural analysis carried out in 2018, we will systematically optimize other business structures and processes in our organization in 2019 and thus continue the structural optimization. The examination of the internal business processes will be geared toward the needs of our customers and the requirements and conditions of the market. We are using an upstream best practice comparison to define benchmarks and focal points of the examination. In 2019, ALSO will supplement this with AI tools such as process mining tools. A consistent focus on problems will allows us to identify the factors that will play a part in further increasing effectiveness and efficiency. The centers of competence will also be extended and expanded.

PROVIDER-INDEPENDENT BUSINESS UNIT SOLUTION

To develop individual and customized solutions for every requirement of our customers, our work in 2019 will continue to focus on further establishing and expanding a provider-independent business unit within the Solutions business model.

IT-AS-A-SERVICE DEVELOPMENT

A focus will be placed on the development of the usage-oriented business, which primarily covers the area of IT-as-a-Service in addition to logistics and marketing. The aim here is to take the strain off our customers, to provide them with the flexibility and simplicity they need to be able to concentrate on their core competences. This business model is characterized by a high degree of consultancy and specially tailored solutions, which results in high added value. The focus of the 1.3 million Seats currently supplied with our cloud platform by ALSO is mainly on Microsoft solutions. In the future, the aim is to offer these customers additional cloud solutions and thus increase value per Seat. In 2019, ALSO will also be aiming to significantly increase the number of Seats it supports. The Company is also expecting an increase in the value per Seat through additional cloud offers for the Seats supported by partners outside the ALSO countries with the ALSO platform as well as a growing number of Seats. Ultimately ALSO expects to win additional partners for the ALSO Cloud Platform in 2019.

Disclaimer: This Annual Report contains forward-looking statements which are based on current assumptions and forecasts of the ALSO management. Known and unknown risks, uncertainties, and other factors could lead to material differences between the forward-looking statements made here and the actual development, in particular the results, financial situation, and performance of the Group. The Group accepts no responsibility for updating these forward-looking statements or adapting them to future events or developments.

INTEGRATION ACQUISITIONS

Since 2011, ALSO has made and successfully integrated 14 acquisitions and thus set a solid M&A track record. In 2019, the focus will be on integrating the recent acquisitions of Distriwan, Diss, Recro and the sales and services business of Hewlett Packard Enterprise (now Sophela). The integration of these acquisitions into the ALSO platform will bring additional potential. In the case of Eastern Europe, the provider portfolios will be expanded and the opportunities for bundling the tasks of the Eastern European ALSO companies will be exploited to the full. With the new Sophela companies, a new service concept of complete fulfillment for providers in Ukraine, Belarus and Lithuania will be implemented. In the medium term, further offers for other countries and provider will be developed from this.

ACQUISITIONS

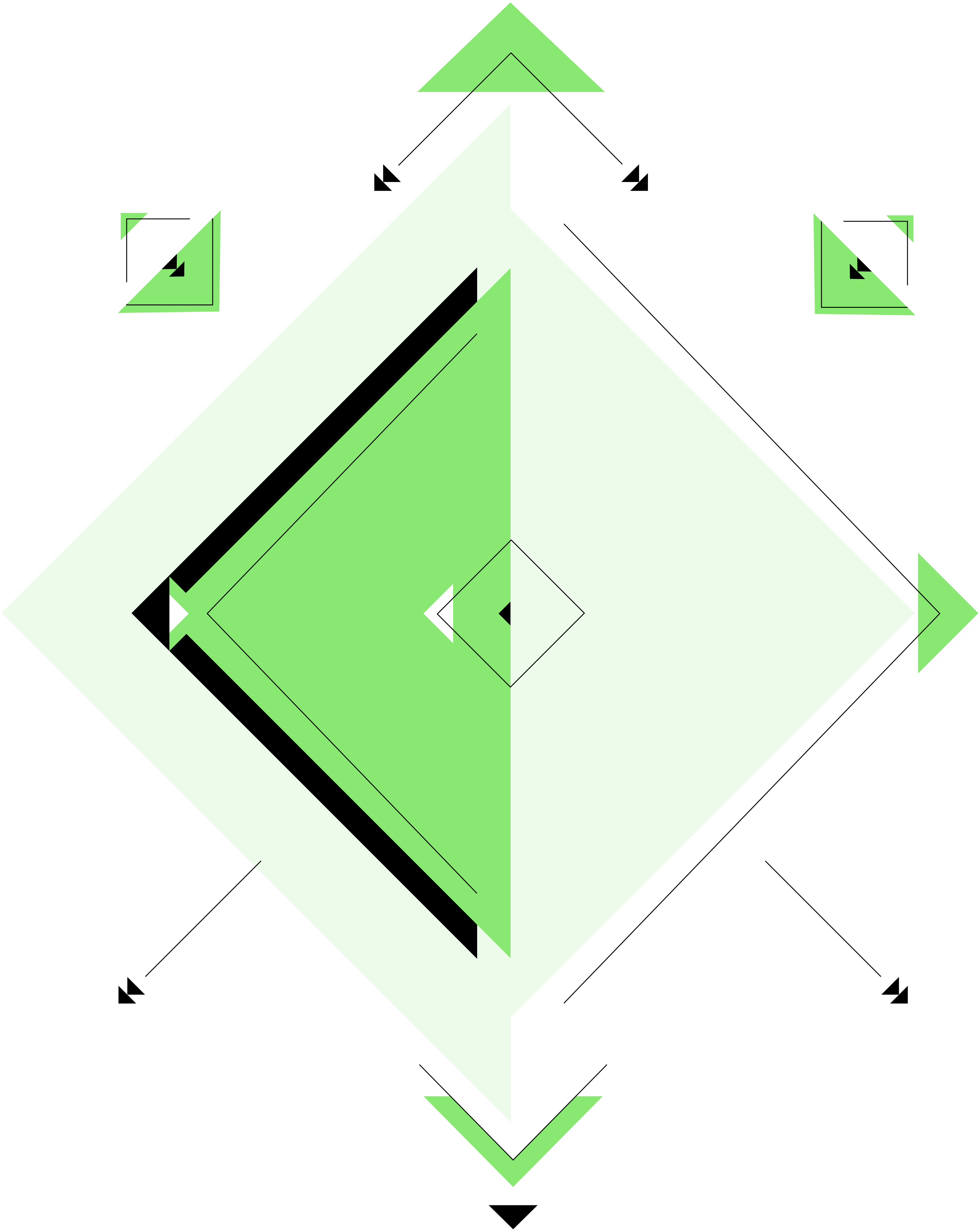
ALSO is striving to support the growth targets with value-adding acquisitions. The focus is on acquisitions of Solution and Service activities that can be scaled up based on the ALSO platform, and on acquisitions on European growth markets to expand the ALSO platform. Options on developed European markets, where ALSO is not represented, are also being considered to expand the platform.

The planned acquisition of ABC Data in Poland, together with the already completed acquisitions in Slovenia and Croatia and the existing ALSO companies in the Baltics region, will raise ALSO's presence in Eastern Europe to a new level and create the basis for further growth. The cooperation agreements with the Eastern European companies can also help boost earnings.

FINANCIAL OUTLOOK

Including acquisitions, ALSO is aiming for a net sales volume of 10 to 14 billion euros in the medium term. The share of Solutions is expected to be about 30 percent, while about 10 percent is targeted in the as-a-Service area. These shares will also depend on the weighting of the acquisitions. ALSO expects them to be focused on the areas of Solutions and as-a-Service. In the area of as-a-Service, the focus is on expanding usage-based business models – Platform-, Infrastructure-, Workplace-and Software-as-a-Service. In the area of Supply, the aim is to optimize the provider and buyer composition, product categories, and operating expenses. This, combined with optimization of the proportionate weighting of the business models, will result in an increase in profitability. In the medium term, ALSO is aiming for an EBITDA margin in a range of 2.1 percent to 2.6 percent of net sales. Despite continuing uncertainties with regard to the economic conditions, ALSO is therefore confident that the targeted measures will take full effect and that an attractive return can be generated in the future, too.

On the basis of the already and yet-to-be implemented structural optimization, we estimate that we will achieve a full-year effect of approximately 25 to 30 million euros compared with the initial situation in 2017, with approximately 12 to 15 million euros in one-off restructuring costs. We will invest some of these savings in new positions in the Solution and as-a-Service segments. The anticipated sales increase in 2019 should therefore be above the market growth of 0.9 percent forecast by Gartner. For 2019 we expect an improvement of the reported EBITDA of 10 to 15 million euros from the increase of gross profit and further cost optimization.



2 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

This Corporate Governance Report contains the information that is stipulated by the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and follows its structure.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

ALSO Holding AG is the parent company of the ALSO Group, which directly or indirectly holds all other Group companies and associates. The shares of ALSO Holding AG have been listed on SIX Swiss Exchange since 1986 (symbol: ALSN, valor symbol: 2 459 027, ISIN: CH0024590272). The market capitalization of the ALSO Group amounted to CHF 1 431 million as of December 31, 2018.

Please ► see page 134 of the annual report for the list of the Group's subsidiaries and equity investments.

The ALSO Group has streamlined and efficient management structures at all levels. The operational Group structure as of December 31, 2018 is as follows: The Board of Directors of ALSO Holding AG is responsible for the highest level of management; ► see also section 3 of this report. It defines the strategic, organizational, and financial goals of the Group. There are also three committees (Compensation and Nomination Committee, Board Committee, and Audit Committee; ► see also section 3.4.2 of this report).

In addition to the Board of Directors, there is a two-person Group Management consisting of the CEO and CFO; ► see also section 4 of this report. The Board of Directors has delegated the management of the day-to-day business of the company to Group Management under the direction of the CEO of the Group. The Board Committee advises and supervises Group Management.

For every country in which ALSO is active, a Managing Director bears the overall operational responsibility. There are also Senior Vice Presidents who are responsible for the Group-wide functional areas of European Key Account, SMB Development, Supply-, Solutions-, Logistics- and Financial-Services, IT Processes, Consumptional Business, Transformation as well as of E-Commerce.

1.2 SIGNIFICANT SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS

	12.31.2018	12.31.2017
Special Distribution Holding GmbH, Dusseldorf (Germany) [1]	51.30 %	51.30 %
Bestinver Gestion, S.G.I.I.C. S.A., Madrid (Spain)	[2]	3.17 %
SaraSelect, c/o J. Safra Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.60 %

Source: Share register as of December 31 (without nominees)
1) Controlling shareholder: Walter P.J. Droege through Droege Group AG
2) Voting rights below the notifiable threshold value of three percent

Notifications made during the fiscal year in accordance with Art. 120 et seqq. Financial Market Infrastructure Act "FMIA" can be viewed on the website of SIX Exchange Regulation using the following link:

► https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As regards the value of the percentage voting rights shown, it should be noted that any changes in the percentage voting rights between the notifiable threshold values are not subject to disclosure requirements.

1.3
CROSS-SHAREHOLDINGS

ALSO Holding AG has no cross-shareholdings exceeding 5 percent in any company outside the ALSO Group.

2.
CAPITAL STRUCTURE

2.1
ORDINARY SHARE CAPITAL

The ordinary share capital amounts to CHF 12 848 962 as of December 31, 2018. It consists of 12 848 962 fully paid-up registered shares with a nominal value of CHF 1.00 per share. Subject to Art. 5 of the Articles of Association ► www.also.com/goto/articlesofassociation, each registered share entitles the shareholder to one vote as well as to a proportionate share of the available earnings and liquidation proceeds.

The company has issued neither participation certificates nor shares with preferential rights.

The company has not issued any profit-sharing certificates.

2.2
AUTHORIZED AND CONDITIONAL SHARE CAPITAL

The company has authorized share capital and conditional share capital of CHF 2 500 000 each as of December 31, 2018. Capital increases from authorized and conditional share capital are mutually restrictive, i.e. the total number of new shares resulting from the authorized and conditional share capital together in accordance with Art. 2a and 2b of the Articles of Association may not exceed 2 500 000 shares. The proportion of new shares assigned to each of the two categories is stipulated by the Board of Directors. The amount of CHF 2 500 000 corresponds to roughly 19 % of the existing share capital. The newly issued shares are subject to the restrictions set out in Art. 5 of the Articles of Association.

The Articles of Association containing the precise wording of the texts relating to authorized and conditional share capital issue in accordance with Art. 2a and 2b of the Articles of Association, specifically details regarding the beneficiaries and the conditions and forms of, can be downloaded as a .pdf document at ► www.also.com/goto/articlesofassociation.

2.3
CHANGES IN CAPITAL DURING THE LAST THREE YEARS

There were no changes in share capital in the last three years.

2.4
LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

The Board of Directors may refuse to register an acquirer of shares as a full shareholder (i.e. as a shareholder with voting rights) unless the acquirer expressly declares that they have acquired the shares in their own name and on their own account.

There are no specific rules regarding the registration of nominees in the share register.

2.5
CONVERTIBLE BONDS AND OPTIONS

ALSO Holding AG had not issued any convertible bonds or options as of December 31, 2018.

3.
BOARD OF DIRECTORS

3.1
MEMBERS OF THE BOARD OF DIRECTORS, ACTIVITIES, AND VESTED INTERESTS

The Board of Directors, which may have a maximum of eight members, currently has seven members. Except for Gustavo Möller-Hergt, who has been a member of Group Management since 2011, and a member and Chairman of the Board of Directors since March 13, 2014, the Board of Directors is composed of non-executive members.

BOARD OF DIRECTORS

Name	Nationality	Position	Since
Gustavo Möller-Hergt	DE	Chairman	2014
Walter P.J. Droege	DE	Vice Chairman	2011
Rudolf Marty	CH	Member	1993
Karl Hofstetter	CH	Member	1996
Frank Tanski	DE	Member	2011
Peter Athanas	CH	Member	2014
Ernest-W. Droege	DE	Member	2016

As of December 31, 2018

None of the members of the Board of Directors, with the exception of Gustavo Möller-Hergt, has been a member of the Group Management of ALSO Holding AG or a subsidiary of the ALSO Group in the three fiscal years preceding the year under review.

Walter P.J. Droege is the majority shareholder of Droege Group AG (the Droege Group). Please ► see section 6.6 on page 136 of the annual report for details of the business relationships between the ALSO Group and the Droege Group. There are no other material business relationships between the members of the Board of Directors and ALSO Holding AG.

3.2
NUMBER OF PERMISSIBLE ACTIVITIES

A member of the Board of Directors may exercise a maximum of ten additional activities as a member of the highest management or directorial body of other legal entities that are entered in the Commercial Register, or required by Art. 12 of VegüV to be so entered, and are not controlled by the company. The Board of Directors shall ensure that such activities do not conflict with the exercise of duties to the ALSO Group. Functions in various legal entities that are under joint control, or in entities in which this legal entity has a material interest, are counted as one function.

3.3
ELECTION AND TERM OF OFFICE

The members of the Board of Directors are elected individually by the Annual General Meeting for a term of office of one year and can be re-elected. The Chairman of the Board of Directors is also elected by the Annual General Meeting for a period of office of one year. There is no limit on the term in office.

The Board of Directors has decided that, as a rule, members should retire at the Annual General Meeting held to approve the Annual Report for the fiscal year in which they reach the age of 70. In exceptional cases, the Board of Directors may decide to waive this rule.

For information on the first election of the members, please ► refer to Note 3.1.

3.4
INTERNAL ORGANIZATION

3.4.1
DIVISION OF ROLES WITHIN THE BOARD OF DIRECTORS AND WORKING METHODS

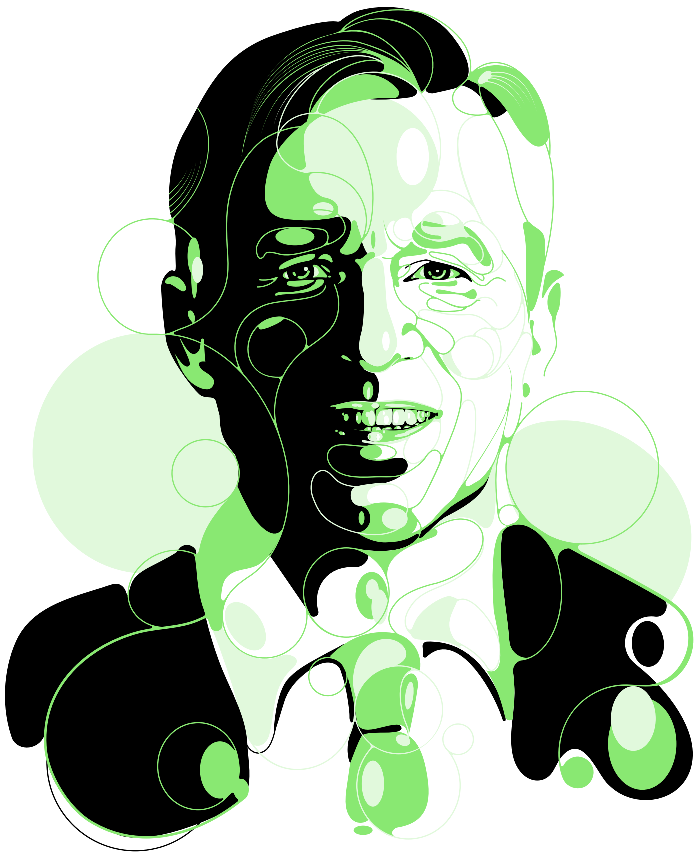
The Board of Directors represents ALSO Holding AG towards third parties. It can delegate the representation powers to one or more of its members or to third parties. The Chairman convenes meetings of the Board of Directors as often as the Group's business requires, but at least four times a year. The Chairman prepares the meetings, chairs them, and draws up their agenda. The Vice Chairman deputies for the Chairman. Any member of the Board can ask for a meeting to be convened and for the inclusion of an item on the agenda.

MEMBERS OF THE BOARD OF DIRECTORS

ACTIVITIES AND VESTED INTERESTS

WALTER P. J. DROEGE

Member and Vice Chairman of the Board of Directors of ALSO Holding AG since 2011 and Chairman of the Board Committee. **CAREER MILESTONES** ► Founder and Director of Droege Group AG, Dusseldorf, Germany, which is wholly owned by the Walter P. J. Droege family. **EDUCATION** ► Diploma in Business Management **OTHER ACTIVITIES AND VESTED INTERESTS** ► Member of the supervisory boards, CEO, or member of the advisory boards of various subsidiaries within the Droege Group AG; member of the Advisory Board of Deutsche Bank AG, Dusseldorf, Germany; Vice Chairman of the Supervisory Board of Trenkwalder Group AG and of Trenkwalder Beteiligungs GmbH, both in Vienna, Austria; member of the Advisory Board of Weltbild Holding GmbH, Augsburg, Germany.



PETER ATHANAS

▼

Member of the Board of Directors of ALSO Holding AG since 2014 and Chairman of the Compensation and Nomination Committee. **CAREER MILESTONES** ► CEO of pa impact GmbH, Baden, Switzerland. Previously Senior Executive Vice President Corporate Development of Schindler Holding AG. Member of the Board of Directors and of the Executive Committee of the Board of the Schindler Group. Chairman of the Board of Directors and CEO of Ernst & Young Switzerland, member of the Global Executive Board and member of the Global Management Group. Partner in the Arthur Andersen organization, CEO of Arthur Andersen Switzerland, and member of the Global Board. **EDUCATION** ► Master's degree in Law and Economics and PhD in Economics from the University of St. Gallen, Switzerland. **OTHER ACTIVITIES AND VESTED INTERESTS** ► Member of the Board of Cembra Money Bank Ltd, Zurich, Switzerland; member of the Board of Directors of Blackrock Asset Management Schweiz AG in Switzerland; member of the Board of Skuani AG, Zurich, Switzerland; member of the Board of Directors of KONTIVIA AG, Zurich, Switzerland; member of the Board of the Institute of Public Finance and Fiscal Law of the University of St. Gallen, Switzerland, council member of the Foundation for the Promotion of Studies for the Master's Degree in Law and Economics of the University of St. Gallen, Switzerland, and Curator of the Werner Siemens Foundation, Zug, Switzerland. Professor of National and International Tax Law at the University of St. Gallen, Switzerland. Member of the Foundation Board of the Swiss Study Foundation, Zurich, Switzerland. Protector of Brunneria Foundation, Vaduz, Liechtenstein.

ERNEST-W. DROEGE

▼

Member of the Board of Directors of ALSO Holding AG since 2016. **CAREER MILESTONES** ► CEO of Droege Group AG, Dusseldorf, Germany. Prior to that, in investment banking at Goldman Sachs AG, Investment Banking, Frankfurt, Germany. **EDUCATION** ► Studied industrial engineering in Karlsruhe and Zurich, doctorate in economics at RWTH Aachen. **OTHER ACTIVITIES AND VESTED INTERESTS** ► CEO or member of the advisory board of various subsidiaries within the Droege Group AG, including CEO of Droege Group Unternehmer-Beratung GmbH, Dusseldorf, Germany; Chairman of the Supervisory Board of Trenkwalder Group AG and Trenkwalder Beteiligungs GmbH, both in Vienna, Austria.

KARL HOFSTETTER

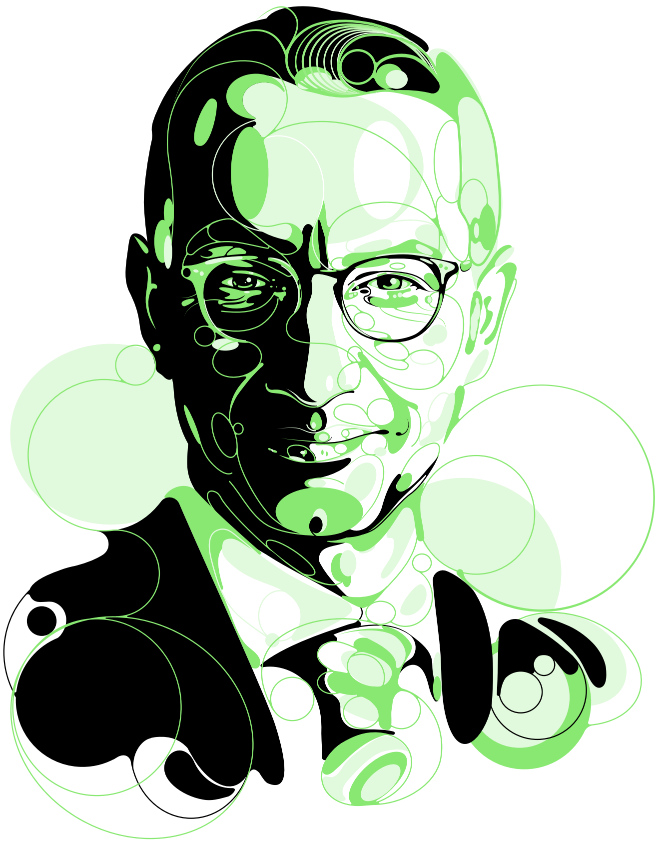
▼

Member of the Board of Directors of ALSO Holding AG since 1996. **CAREER MILESTONES** ► Group General Counsel of the Schindler Group until May 2018. For many years a member of the Executive Committee of Schindler Holding AG, Hergiswil, Switzerland. **EDUCATION** ► Studies in law and economics at the universities of Zurich, Switzerland, Stanford, UCLA, and Harvard, all USA. Licensed attorney in Zurich and New York. **OTHER ACTIVITIES AND VESTED INTERESTS** ► Professor of private and commercial law at the University of Zurich, Switzerland. Member of the Board of Directors of Venture Incubator AG, Zug, Switzerland, and Chairman of the Board of Trustees of the Kuoni and Hugentobler Foundation, Stans, Switzerland. Member of the Board of Trustees of Stichting INPAR, Amsterdam, the Netherlands. Also Chairman of Swiss Holdings (the Federation of Industrial and Service Groups in Switzerland). Member of the University Council of the University of Lucerne, Switzerland, and of the Commission of Experts on Disclosure of the SIX Swiss Exchange; Chairman of the Advisory Committee of the "Program on Comparative Corporate Law, Governance, and Finance" at Harvard Law School, Boston, USA.

RUDOLF MARTY

▼

Member of the Board of Directors of ALSO Holding AG since 1993 and Chairman of the Audit Committee. **CAREER MILESTONES** ► Chairman and majority shareholder of Advexo AG, Lucerne, Switzerland. Previously Managing Partner of itopia AG – corporate information technology, Zurich, Switzerland. Prior to this Professor for IT at University of Zurich, Switzerland, Head of the IT Research Laboratory and Applications Development of Union Bank of Switzerland SBG, Zurich, Switzerland. **EDUCATION** ► MBA and doctorate in Information Technology, Zurich University, Switzerland.



GUSTAVO MÖLLER-HERGT

▼

Member of the Board of Directors of ALSO Holding AG and Chairman since 2014. Chief Executive Officer of the ALSO Group and since 2011 a member of the Group Management. **CAREER MILESTONES BEFORE CURRENT POSITION** ► Chief Operating Officer of the ALSO Group; previously Chief Representative of the Droege Group. CEO and Chief Representative and previously in various positions with the Warsteiner Group. Member of the Supervisory Board of SIAC in Douala, Cameroon, Chairman of the Supervisory Board of CASA Isenbeck in Buenos Aires, Argentina. **EDUCATION** ► Diploma in Engineering from the Technical University, Munich, Germany, and graduate of Harvard Business School, Boston, USA. Doctorate from the Technical University, Berlin, Germany, where he lectures on technical management. **OTHER ACTIVITIES AND VESTED INTERESTS** ► Member of the Advisory Board of Deutsche Bank, Düsseldorf, Germany, and of the Board of Trustees of the Bamberg Symphony Orchestra, Bamberg, Germany.

FRANK TANSKI

▼

Member of the Board of Directors of ALSO Holding AG since 2011. **CAREER MILESTONES** ► Managing Director of Droege Capital GmbH and of Special Distribution Holding GmbH, Dusseldorf, Germany. Previously he held a managerial position with a large bank in Germany. **EDUCATION** ► Diploma in Business Management.

3.4.2
COMMITTEES

The Board of Directors may delegate the preparation and execution of its decisions to committees or to its individual members. The Board of Directors has appointed three standing committees: the Board Committee (BC), the Audit Committee, and the Compensation and Nomination Committee.

For each of the committees, the Board of Directors elects a Chairman from the members of the Board of Directors. The period of office of all committee members is one year. The Board of Directors can dismiss any member of a committee at any time, except for the members of the Compensation and Nomination Committee, whose election and dismissal lie within the competence of the Annual General Meeting.

3.4.2.1
BOARD COMMITTEE (BC)

The Board of Directors appoints a standing BC from among its members. Normally, the BC consists of three members of the Board of Directors who have solid knowledge and extensive experience in the wholesale, financial, corporate governance, and risk control areas.

The BC assists and supports the Board of Directors in the management of the ALSO Group at senior level and in the supervision of the individuals entrusted with running these companies.

The BC reports to the Board of Directors. The Chairman of the BC informs the Board of Directors about the BC's work and decisions at each ordinary board meeting. Exceptional events of major significance are communicated immediately to all members of the Board of Directors.

The BC has among other things the following duties and responsibilities:

- Monitoring implementation of the Group strategy by Group Management
- Preparation and monitoring of Board of Directors decisions regarding investments, mergers and acquisitions, and other significant projects and transactions carried out by the ALSO Group
- Ensuring supervision of the individuals entrusted with the executive management where this function is not performed by the Audit Committee
- Assessments and proposals to the Board of Directors regarding potential capital increases or decreases and the issue of bonds by the company
- Assessments and proposals to the Board of Directors regarding notification of the legal authorities in the event of over-indebtedness
- Decisions on granting significant guarantees, sureties, collateral, and other letters of comfort for the benefit of persons or companies outside the Group
- Decisions regarding significant legal disputes
- Reaching decisions on the necessity and the scope of financial restructuring of ALSO companies
- Reaching decisions on significant increases or decreases in the share capital of ALSO companies (except for ALSO Holding AG)
- Decisions regarding significant deviations from budget
- Decisions regarding measures involving all or a substantial number of employees of ALSO companies or concerning consultations with the works council of individual ALSO companies with regard to such measures

The BC is entitled to delegate certain responsibilities to one of its members, to Group Management, to employees of the ALSO Group who hold an important line and/or staff position, or to third parties.

COMPOSITION OF THE BOARD COMMITTEE

Walter P.J. Droege	Chairman
Frank Tanski	Member
Peter Athanas	Member

As of December 31, 2018

3.4.2.2
AUDIT COMMITTEE

The Board of Directors appoints an Audit Committee. The Audit Committee generally consists of three members who possess the necessary financial, legal, and technical expertise.

The Audit Committee reports to the Board of Directors. The Chairman of the Audit Committee informs the Board of Directors about the Audit Committee's work and decisions at each ordinary board meeting. The Head of Internal Audit and the Chief Compliance Officer have the right to inform the Chairman of the Audit Committee at any time about situations that are relevant to auditing or compliance. Exceptional events of major significance are communicated immediately to all members of the Board of Directors by memorandum.

The Audit Committee has the following specific responsibilities:

- Monitoring and evaluation of the suitability and effectiveness of internal financial controls; monitoring of adjustments following significant changes in the risk profile
- Evaluation of the audit strategy adopted by the statutory auditor and verification that shortcomings are corrected and recommendations are implemented
- Approval of the annual planning of Internal Audit and discussion of the ensuing reporting with the head of Internal Audit
- Evaluation of the performance and remuneration of statutory auditor and its independence
- Evaluation of the collaboration between statutory auditor and Internal Audit
- Evaluation of measures taken by Group Management to ensure appropriate risk management
- Evaluation of the measures taken to ensure adherence to legal requirements and internal regulations (compliance) as well as of the associated supervisory measures
- Analysis of financial reporting, evaluation of the accounting principles, and assessment of the most important items
- Discussion of the year-end closing and annual financial statements with the responsible bodies and submission of a recommendation to the Board of Directors

In the fulfillment of its tasks, the Audit Committee may delegate assignments to other parties, in particular to Group Management, Internal Audit, the Chief Compliance Officer, and the statutory auditor.

COMPOSITION OF THE AUDIT COMMITTEE

Rudolf Marty	Chairman
Frank Tanski	Member
Peter Athanas	Member

As of December 31, 2018

3.4.2.3
COMPENSATION AND NOMINATION COMMITTEE

The members of the Compensation and Nomination Committee are elected annually by the Annual General Meeting. The Board of Directors appoints the Chairman.

The Compensation and Nomination Committee prepares all relevant decisions of the Board of Directors relating to the compensation of the members of the Board of Directors and Group Management, and submits proposals to the Board of Directors regarding the type and amount of the annual compensation of the members of the Board of Directors and Group Management, as well as their fringe benefits and the stipulations of their employment contracts. The Board of Directors has also delegated the following other duties to the Compensation and Nomination Committee:

- Preparation of decisions of the Board of Directors regarding nomination of the Vice Chairman of the Board of Directors and pre-selection of potential candidates for the Board of Directors
- Preparation of decisions of the Board of Directors regarding nomination, promotion, and dismissal of the members of Group Management and Country Managing Directors of the ALSO Group
- Preparation of decisions of the Board of Directors regarding the introduction and amendment of employee participation plans
- Review of the succession planning and leadership qualifications of the members of the Board of Directors and Group Management, the Country Managing Directors, and other individuals in the ALSO Group who exercise central line and/or staff functions

The Board of Directors may delegate further tasks concerning compensation, human resources, and related areas to the Compensation and Nomination Committee. The organization, working methods, and reporting of the Compensation and Nomination Committee are laid down in a set of regulations.

COMPOSITION OF THE COMPENSATION AND NOMINATION COMMITTEE

Peter Athanas	Chairman
Walter P.J. Droege	Member
Frank Tanski	Member

As of December 31, 2018

3.4.3
FREQUENCY OF MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors meets around every two months on average for half-day to full-day meetings, and usually meets with Group management once a year for a joint strategy meeting. The task at these meetings is to analyze the positioning of the ALSO Group in the light of current macro-economic and company-specific circumstances and to review, and if necessary to redefine, the strategic orientation. The meetings of the Board of Directors are sometimes held as conference calls, typically lasting one to two hours. The CFO usually attends the meetings of the Board of Directors as a guest. The representatives of the company's auditor attended one meeting in the reporting year.

The Board of Directors met for a total of seven meetings, including one strategy meeting and three conference calls in 2018.

The BC meets as often as its business requires, normally every two months. Four meetings were held in the year under review, including one conference call.

The Audit Committee meets for half-day or full-day meetings as often as its business requires. The Audit Committee held two meetings concerning the year under review. The CFO, Internal Audit, the compliance officers, and the auditors are usually present as guests at the meetings of the Audit Committee.

The Compensation and Nomination Committee meets as often as its business requires. The Compensation and Nomination Committee held one conference call relating to the year under review.

The agendas for the meetings are defined by their respective chairman. Minutes of the meetings and decisions are recorded. Other members of Group Management or other individuals may attend meetings of the Board of Directors or its committees at the invitation of the respective chairman.

3.5
AREAS OF RESPONSIBILITY

According to the law, the Board of Directors is responsible for the ultimate management and supervision of the Group. It has the inalienable and non-transferable responsibilities in accordance with Art. 716a, Paragraph 1, of the Swiss Code of Obligations. It can also take decisions on all matters that are not allocated to the Annual General Meeting by law or by the Articles of Association ► www.also.com/goto/articlesofassociation.

In particular, the Board of Directors is required to approve, or make decisions, concerning:

- The Group's objectives and strategy
- The list of measures designed to prevent or mitigate potential loss or damage associated with the main risks
- Appointing the members of Group Management
- Defining the organization and appointing those persons entrusted with the task of representing ALSO Holding AG
- The proposals to the Annual General Meeting regarding the compensation of the Board of Directors and Group Management
- The drafting of the retirement benefit plan for the members of Group Management
- The Group's budget, plan, and forecast
- The consolidated annual and interim financial statements of the Group and the annual financial statements of ALSO Holding AG
- The Group's investment budget
- Transactions that exceed certain financial amounts
- Important mergers and acquisitions, joint ventures, and similar transactions
- The annual report and the compensation report

In addition, the Board of Directors has delegated operational management of the company to Group Management. Operational management comprises the obligation to implement all necessary measures, particularly with regard to personnel- and product-related issues, market orientation, monitoring the competition, and planning for the future.

Group Management is responsible for ensuring that the Group achieves the targets set by the Board of Directors. In addition to its overall responsibility for operational management, Group Management has the following main tasks in particular:

- The pursuit of strategic objectives and enforcement of these objectives using action plans
- Defining HR and compensation policy below Group Management level
- Defining the product mix as well as the marketing and sales policy
- Concluding and canceling agreements with manufacturers at Group level
- Defining sourcing policy
- Defining basic principles of transfer pricing
- Defining logistical concepts and structures
- Approving the budgets, financial results, and investments of the Group companies
- Defining the operational information and reporting systems
- Defining communication policy and outward appearance
- Regulating and performing risk management

The CEO manages the ALSO Group through the members of Group Management, who report to him. He chairs Group Management meetings and supervises the implementation of their decisions. He evaluates the performance and results of the Central Europe and Northern/Eastern Europe market segments. Based on his evaluation, he decides which resources – particularly financial and personnel – should be allocated to the individual business segments. The CEO is responsible for ensuring that the company develops consistently, in accordance with its defined business practices and strategies. It is the duty of the other members of Group Management to ensure that these measures are implemented at national level or in the areas for which they are responsible.

3.6
INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS GROUP MANAGEMENT

The Board of Directors supervises Group Management and uses reporting and controlling processes to monitor its operating methods. The ALSO Group has available a comprehensive electronic management information system (MIS). At each of its meetings, the Board of Directors is informed by the CEO, or by another member of Group Management, of the current business and significant events. At these meetings, members of the Board of Directors may ask other members of the Board of Directors or the CEO to provide information about the ALSO Group that they require in order to carry out their duties. All members of the Board of Directors are notified immediately of any exceptional occurrences.

The Internal Audit, compliance officers, and auditing bodies assist the Board of Directors in carrying out its controlling and supervisory duties. In addition, the BC and the Audit Committee monitor the performance of Group Management. The scope of this remit is agreed with the Board of Directors of ALSO Holding AG.

The BC, the Audit Committee, and the Compensation Committee periodically receive information in the form of Group reports relevant to their needs. These reports are also discussed in depth at regular meetings that take place with the committees involved. The Board of Directors defines and evaluates the Group's most significant risks on the basis of a coordinated and consistent approach to risk management and control. Based on a list of the most important risks, Group Management establishes a list of measures to prevent and mitigate potential loss and damage. The list is presented for assessment and approval to the Board of Directors, which then ensures that the measures are put into practice.

In addition, the Board of Directors is supported by the ALSO Group Internal Audit. The Internal Audit has an unrestricted right to demand information and examine the records of all Group companies and departments. In addition, after consultation with the Audit Committee, Group Management may ask the Internal Audit to carry out special investigations above and beyond its usual remit. The Head of the Internal Audit submits a report to the Audit Committee at half-yearly intervals.

3.7
MEASURES IN ACCORDANCE WITH THE SWISS CODE OF BEST PRACTICE FOR CORPORATE GOVERNANCE

At ALSO, the positions of Chairman of the Board of Directors and CEO are held conjointly. The balance of influence between the Board of Directors and Group Management is safeguarded by three committees that have been established, of which the Chairman of the Board of Directors is not a member, and a clear majority situation. In 2015, the Lead Director concept was introduced as part of an amendment of the Organizational Regulations. In particular, the Lead Director is responsible for heading the meetings of the Board of Directors – possibly only for single items of the agenda – in the event that the Chairman experiences a conflict of interests. He can convene meetings independently. The Vice Chairman of the Board of Directors, Walter P.J. Droege, serves as the Lead Director.

Currently all members of the Board of Directors are men. Should vacancies occur, the Board of Directors will consider filling them with female members.

The Board of Directors conducts regularly a self-evaluation of its working methods and efficiency.

4. GROUP MANAGEMENT

4.1 MEMBERS OF GROUP MANAGEMENT, ACTIVITIES, AND VESTED INTERESTS

The members of the Group Management of ALSO Holding AG are as follows:

MEMBERS OF GROUP MANAGEMENT

Name	Nationality	Position
Gustavo Möller-Hergt	DE	Chief Executive Officer (CEO)
Ralf Retzko	DE	Chief Financial Officer (CFO)

As of December 31, 2018

Changes in Group Management in the reporting year: Ole Eklund, former Corporate Vice President for Northern/Eastern Europe, left the company as per end of February 2018.

4.2 NUMBER OF PERMISSIBLE ACTIVITIES

A member of Group Management may exercise a maximum of ten additional activities as a member of the highest management or directorial body of other legal entities that are entered in the Commercial Register according to Art. 12 of VegüV, or would be required to be so entered, and are not controlled by the company. The Board of Directors shall ensure that such activities do not conflict with the exercise of duties to the company. Functions in various legal entities that are under joint control, or in entities in which this legal entity has a material interest, are counted as one function.

4.3 MANAGEMENT AGREEMENTS

ALSO Holding AG has not entered into any management contracts with persons outside the Group for the delegation of executive management. According to Art. 6 of VegüV, delegation of the executive management to legal entities is not permitted.

5. COMPENSATION, SHAREHOLDINGS, AND LOANS

For information on the compensation and shareholdings of members of the Board of Directors and Group Management, and loans to the same, please see the Compensation Report from page 68.

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 RESTRICTIONS ON VOTING RIGHTS AND REPRESENTATION

Each share that is entered in the share register entitles the shareholder to one vote.

The rights of shareholders to participate in Annual General Meetings comply with legal requirements and the Articles of Association ► www.also.com/goto/articlesofassociation. Every shareholder may personally participate in the Annual General Meeting and cast his/her vote(s), or be represented by a proxy appointed in writing, which proxy need not be a shareholder, or be represented by the Independent Proxy. Shareholders may issue their power of attorney and instructions to the Independent Proxy by post or electronically. The Independent Proxy is obliged to exercise the voting rights that are delegated to him by shareholders according to their instructions. Should he have received no instructions, he shall abstain from voting.

On an annual basis, the Annual General Meeting elects the Independent Proxy with the right of substitution. His term of office terminates at the conclusion of the next Annual General Meeting. Re-election is possible. Should the company have no Independent Proxy, the Board of Directors shall appoint an Independent Proxy for the next Annual General Meeting.

6.2 STATUTORY QUORUM REQUIREMENTS

Unless a qualified majority is stipulated by law, the Annual General Meeting makes its decisions on the basis of the relative majority of valid votes cast, regardless of the number of shareholders present or shares represented. Abstentions and blank votes do not count as votes. In the case of elections, the first round of voting is decided by the absolute majority and the second round by the relative majority. The Chairman has the casting vote in the event of a tie.

6.3 CONVENING THE ANNUAL GENERAL MEETING

Annual General Meetings are convened by the Board of Directors or, if necessary, by the auditors or other bodies in accordance with Art. 699 and Art. 700 of the Swiss Code of Obligations. Shareholders who collectively represent at least 10 percent of the share capital may convene an Annual General Meeting. When doing so, they must indicate the matters to be discussed and the corresponding proposals.

Annual General Meetings are convened by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the date of the meeting. The shareholders may also be informed in writing (by unregistered letter) or by electronic means.

6.4 DEFINITION OF THE AGENDA

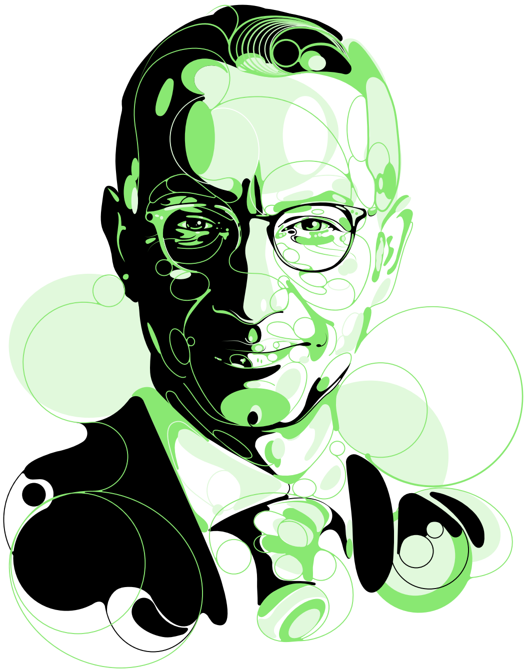
The Board of Directors is responsible for specifying the agenda. Shareholders who together own at least five percent of the share capital may request that specific proposals be put on the agenda. The request, including the agenda item and the proposals, must be submitted in writing at least 60 days prior to the date of the Annual General Meeting.

6.5 REGISTRATION IN THE SHARE REGISTER

Only shareholders who are registered in the share register as shareholders with voting rights at the closing date are entitled to attend an Annual General Meeting and to exercise their voting rights. The Board of Directors ensures that the closing date is set as close as possible to the date of the Annual General Meeting, i.e. not more than five to ten days prior to it. The closing date is published together with the invitation to the Annual General Meeting in the Swiss Official Gazette of Commerce. There are no exceptions to the rule regarding the closing date.

MEMBERS OF GROUP MANAGEMENT

ACTIVITIES AND VESTED INTERESTS



GUSTAVO MÖLLER-HERGT

▼

Member of the Board of Directors of ALSO Holding AG and Chairman since 2014. Chief Executive Officer of the ALSO Group and since 2011 a member of the Group Management. **CAREER MILESTONES BEFORE CURRENT** ► Chief Operating Officer of the ALSO Group; previously Chief Representative of the Droege Group. CEO and Chief Representative and before in various positions with the Warsteiner Group. Member of the Supervisory Board of SIAC in Douala, Cameroon. Chairman of the Supervisory Board of CASA Isenbeck in Buenos Aires, Argentina. **EDUCATION** ► Diploma in Engineering from the Technical University, Munich, Germany, and graduate of Harvard Business School, Boston, USA. Doctorate from the Technical University, Berlin, Germany, where he lectures on technical management. **OTHER ACTIVITIES AND VESTED INTERESTS** ► Member of the Advisory Board of Deutsche Bank AG, Dusseldorf, Germany, and of the Board of Trustees of the Bamberg Symphony Orchestra, Bamberg, Germany.

RALF RETZKO

▼

Chief Financial Officer of the ALSO Group and since 2011 a member of the Group Management. **CAREER MILESTONES BEFORE CURRENT POSITION** ► Head of Controlling, Commercial Manager and Chief Financial Officer of the Actebis Group. Previously Central Controlling of Karstadt AG, Essen, Germany, and, following his studies, Scientific Assistant at the Institute of Business Information Technology, Göttingen University, Germany. **EDUCATION** ► Studied business management, mathematics, and information technology for business in Göttingen, Germany. Subsequently took a doctorate in business management.

7. CHANGE OF CONTROL AND DEFENSE MEASURES

7.1 DUTY TO MAKE AN OFFER

The obligation to submit a public take-over offer pursuant to Art. 125 paragraph 3 and paragraph 4 FMIA (formerly Art. 32 and Art. 52 of the Swiss Stock Exchanges and Securities Trading Act "SESTA") has been waived ("opting out").

7.2 CHANGE OF OWNERSHIP CLAUSES

There are no change-of-control provisions in favor of any member of the Board of Directors and/or Group Management and/or other management personnel.

8. AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE AUDITOR IN CHARGE

The auditors are elected annually at the Annual General Meeting for one year. PricewaterhouseCoopers AG (PwC) have been the statutory auditors of ALSO Holding AG since 2013. The auditor in charge has been responsible for auditing the individual financial statements of ALSO Holding AG as well as the consolidated financial statements of the ALSO Group since fiscal year 2017. The auditor in charge is changed every seven years at the latest as required by law.

The main Group companies are audited by PwC.

8.2 FEES

The fees charged by PwC as the auditors of ALSO Holding AG and of the Group companies audited by them, and their fees for additional services, are as follows:

FEES

CHF 1 000	2018	2017
Audit	891	834
Audit related services	185	159
Tax and other services	638	399
TOTAL	**1 714**	**1 392**

8.3
INFORMATIONAL INSTRUMENTS PERTAINING TO AN AUDIT

The Audit Committee and the auditors determine the content and scope of the audit each year. Any special duties of the Board of Directors are incorporated into the audit program. The results of the audit are recorded in a comprehensive report supplied to the Board of Directors.

Representatives for the auditor take part in individual meetings or individual agenda items of meetings of the Audit Committee, where they explain their activities and respond to questions. Representatives for the auditor attended two meetings of the Audit Committee in the reporting year. There is also regular contact between the auditors and the members of the Board of Directors, Group management and the Audit Committee of ALSO Holding AG outside meetings.

Each year, the Audit Committee assesses the auditor's performance, fee and independence in addition to the audit strategy. It bases this assessment on key criteria, including in particular technical competence, objectivity, the adequacy of the resources used, the appropriateness of prioritization and the definition of the audit focus, the ability to communicate and coordinate with the Internal Audit department, Group management and the Audit Committee, and the quality of the recommendations and reports submitted. The Audit Committee subsequently reports to the Board of Directors on its assessment.

On the basis of the Audit Committee's assessment, the Board of Directors discusses and reviews the scope and quality of audits. Based on this, it resolves any adjustments or improvements. The Board of Directors held one meeting with the auditors on the subject of the annual financial statements for fiscal year 2018.

Additional service or consulting assignments are delegated to the auditors only if they are permitted by the auditors' code of independence.

9.
INFORMATION POLICY

Detailed financial statements are published in the form of the half-year and annual reports. The published accounts comply with the requirements of Swiss company law, the listing rules of SIX Swiss Exchange, and the International Financial Reporting Standards (IFRS).

The ALSO Group also presents its financial statements at its annual results media conference and its Annual General Meeting.

The ALSO Group reports in accordance with the disclosure requirements of Art.124 FMIA and the ad-hoc publication requirements of Art. 53 of the listing rules of SIX Swiss Exchange. At ► www.also.com/goto/subscribe, interested parties can register for the free ALSO Holding AG e-mail distribution list in order to receive direct, up-to-date information that may be relevant to the share price (ad-hoc announcements). Ad-hoc announcements may be viewed at ► www.also.com/goto/mediareleases at the same time as notification to SIX Swiss Exchange and for two years thereafter.

In addition, media releases, presentations, and brochures are published as necessary. These documents are available to all, both electronically at ► www.also.com and in printed form.

Announcements to the shareholders are made by way of unregistered letters or publication in the Swiss Official Gazette of Commerce (SHAB), unless otherwise stipulated in mandatory legal provisions or in the company's articles of association. The invitation to the Annual General Meeting may also be sent by electronic means.

FINANCIAL CALENDAR

Annual General Meeting	March 29, 2019
Publication half-year report	July 25, 2019

ALSO Holding AG
Meierhofstrasse 5
CH-6032 Emmen
Switzerland
Tel. +41 41 266 18 00
Email: info@also.com

10. IMPORTANT CHANGES OCCURRING AFTER THE BALANCE SHEET DATE

No material changes have occurred since the end of the reporting period.

3

COMPENSATION REPORT

COMPENSATION REPORT

This Compensation Report contains information on the compensation of the members of the Board of Directors and Group Management. The report was prepared in accordance with the provisions of the Ordinance Against Excessive Compensation in Listed Companies (VegüV). It satisfies the requirements of SIX Swiss Exchange for information on corporate governance and the standards stipulated in the “Swiss Code of Best Practice for Corporate Governance” of economiesuisse.

This Compensation Report will be presented to the next Annual General Meeting of ALSO Holding AG, which will be held on March 29, 2019, for a consultative vote.

1. PRINCIPLES

The success of the ALSO Group depends largely on the qualifications and commitment of its employees. The purpose of the Group’s compensation policy is to attract, motivate, and retain qualified personnel. It is also intended to bring management interests in line with those of ALSO and its shareholders.

The compensation system is designed so that the compensation is performance-based and market-driven, and so that entrepreneurial thinking and action are encouraged. Compensation decisions should be fair, transparent and therefore understandable for the persons concerned.

2. CHANGES IN THE REPORTING YEAR

Ole Eklund, former Corporate Vice President for Northern/Eastern Europe, left the company as per end of February 2018.

3. COMPENSATION SYSTEM

3.1 BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed fee for their activities and no performance-related payment.

The chairmen and members of committees of the Board of Directors receive an additional fixed fee for these functions.

3.2 GROUP MANAGEMENT

The members of Group Management receive compensation consisting of fixed and performance-related (variable) components. Statutory rules regarding the principles of the performance-related (variable) components can be found in Art. 23 Paragraph 3 of the Articles of Association (► www.also.com/goto/articlesofassociation).

The fixed components consist of a monthly salary and, from case-by-case, a flat-rate vehicle allowance, a company car, or flat-rate representation expenses. Certain fringe benefits may also be paid.

The variable compensation depends on the business success and is paid in the form of a cash bonus. Variable compensation includes a short-term and a long-term component and breaks down as follows:

- **Short-term, variable compensation:** For the CEO and CFO, it depends entirely on the combined target values of EBT and EBITDA that are defined by the Board of Directors. If the targets are attained, the bonus is calculated according to a progressively increasing percentage of the attained EBT, which is defined in advance by the Board of Directors.

  For the other members of Group Management, the bonus was calculated as a fixed percentage of the attained EBT, which was defined in advance by the Board of Directors.

- **Long-term, variable compensation:** A long-term incentive applies to members of Group Management whose contribution has a material influence on the long-term development of the Group. The long-term incentive was agreed with the members of Group Management at the time in 2011. It is designed so that a one-time special premium is paid if long-term financial targets that are defined by the Board of Directors are attained in two successive years. The payment is only made on condition that the recipient is actually employed by the ALSO Group on the date when the payment is made.

In the case of exceptional non-recurring events (e.g. acquisitions) that are not the responsibility of Group Management, the Board of Directors may, at its own discretion, adjust the parameters on which the calculation of variable compensation is based.

For exceptional performance, in addition to the target bonus, the Board of Directors may, at its own discretion, award a special bonus, which is reported under "Cash bonus (gross)" in the Compensation Report.

3.3
CAPITAL PARTICIPATION PLAN

In accordance with Art. 25 Paragraph 1 of the Articles of Association (► www.also.com/goto/articlesofassociation), no participations, conversion rights or options are granted to members of the Board of Directors or Group Management.

4.
RESPONSIBILITIES AND PROCEDURES FOR APPROVING AND SETTING COMPENSATION

Responsibilities for compensation-related decisions are governed by the Articles of Association (► www.also.com/goto/articlesofassociation), the Organizational Regulations and the Regulations of the Compensation and Nomination Committee of ALSO Holding AG.

4.1
COMPENSATION AND NOMINATION COMMITTEE

The Compensation and Nomination Committee prepares all relevant decisions of the Board of Directors relating to the compensation of the members of the Board of Directors and Group Management, and submits proposals to the Board of Directors regarding the type and amount of the annual compensation of the members of the Board of Directors and Group Management, as well as their fringe benefits and the stipulations of their employment contracts.

The Compensation and Nomination Committee can also make proposals to the Board of Directors for amendments to the compensation system.

4.2
BOARD OF DIRECTORS

Under and subject to the approval of the Annual General Meeting, the definitive compensation is determined by the Board of Directors. As a rule, the effective bonus is determined at the proposal of the Compensation and Nomination Committee in the first quarter of the following year. The executive members of the Board of Directors are not present when their compensation is determined. No external consultants were called in during the reporting year.

4.3
GENERAL MEETING

The Annual General Meeting each year approves the following compensation amounts for the respective ongoing fiscal year with binding effect:

- Maximum amount for fixed compensation for members of the Board of Directors
- Maximum amount for fixed compensation for members of the Group Management
- Maximum amount for variable compensation for members of the Group Management

The Annual General Meeting can subsequently increase the compensation already approved at any time.

If the Annual General Meeting refuses its approval, the Board of Directors can submit new proposals at the same general meeting or a new general meeting yet to be convened.

The additional amount for the hiring of new members of Group Management after approval by the Annual General Meeting is 30 percent of the total compensation approved for the respective period per new member. Approval of this additional compensation by the Annual General Meeting is not required.

5. COMPENSATION FOR THE REPORTING YEAR

5.1 GENERAL

The disclosed compensation of the members of the Board of Directors and Group Management includes all compensation paid for the entire reporting year, subject to the following amplifications and restrictions:

- The disclosed variable compensation elements comprise the accrued variable compensation elements attributable to the completed fiscal year.
- The compensation paid to new members of the Board of Directors and Group Management is reckoned from the date on which they take over the respective function.
- If a member resigns from the Board of Directors or Group Management, the compensation up to the resignation date, plus any compensation in the reporting year in connection with these activities, are reported together.
- In individual cases, members of Group Management may be entitled to a company car. Such benefits are reported under "Non-cash benefits".
- Members of Group Management may receive certain fringe benefits in the form of discounts. Provided that such benefits do not exceed the value of CHF 500 per case, and the total of such benefits does not exceed an aggregate value of CHF 20 000 per fiscal year, they are not reported.
- Any contributions to post-employment benefit plans, executive insurance plans, or private insurances are reported as "Pension expenses".
- The compensation of the members of Group Management was in some cases borne directly by ALSO Holding AG and in other cases indirectly by subsidiaries through intercompany charging.

5.2 AGGREGATE COMPENSATION – BOARD OF DIRECTORS

At the Annual General Meeting on March 27, 2018, shareholders approved maximum fixed total compensation of CHF 0.7 million for fiscal year 2018.

The members of the Board of Directors do not receive any variable compensation for their activities.

CHF 1 000	Fixed, cash (gross)	Pension expenses	**Total 2018**
Gustavo Möller-Hergt, Chairman/executive member	–	–	**–**
Walter P.J. Droege, Vice Chairman 1), 3), 4)	140	–	**140**
Karl Hofstetter	80	5	**85**
Rudolf Marty 2), 5)	90	4	**94**
Frank Tanski 1), 2), 3)	95	–	**95**
Peter Athanas 1), 2), 3), 6)	100	6	**106**
Ernest-W. Droege	80	–	**80**
TOTAL COMPENSATION	**585**	**15**	**600**
Approved at the Annual General Meeting			**700**

Gustavo Möller-Hergt has been a member of Group Management since 2011 and a member and Chairman of the Board of Directors since March 13, 2014. For his compensation, please refer to the section on compensation of the members of Group Management. All other members of the Board of Directors are non-executive members.
1) Member of the Board Committee
2) Member of the Audit Committee
3) Member of the Compensation and Nomination Committee
4) Including compensation as Chairman of the Board Committee
5) Including compensation as Chairman of the Audit Committee
6) Including compensation as Chairman of the Compensation and Nomination Committee

5.3
AGGREGATE COMPENSATION – GROUP MANAGEMENT

At the Annual General Meeting on March 27, 2018, shareholders approved maximum fixed total compensation of EUR 1.5 million and maximum variable total compensation of EUR 3.8 million for fiscal year 2018.

In the reporting period, cash bonus for Gustavo Möller-Hergt was 79 percent (previous year: 78 percent) of his total compensation. For the members of Group Management, the average cash bonus was 69 percent (previous year: 69 percent).

The Annual General Meeting approves the compensation of the members of Group Management in euros, since the compensation is paid out mostly in this currency. This allows for deviations between approved and effective compensation as a result of exchange rate changes to be avoided. For this reason, ALSO presents the compensation in EUR as well as in CHF.

AGGREGATE COMPENSATION IN CHF

CHF 1 000				Fixed compensation	Variable compensation	
	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed total compensation	Cash bonus (gross)	**Total 2018**
Group Management						
TOTAL [1)]	**953**	**52**	**473**	**1 478**	**3 301**	**4 779**
Highest individual compensation						
Gustavo Möller-Hergt	358	17	258	633	1 952	**2 585**

Translated into CHF using average exchange rates 2018 (EUR/CHF 1.155)
1) Including compensation of all contractual and legal entitlements of one departed member of Group Management during notice period.

AGGREGATE COMPENSATION IN EUR

EUR 1 000				Fixed compensation	Variable compensation	
	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed total compensation	Cash bonus (gross)	**Total 2018**
Group Management						
TOTAL [1)]	**825**	**45**	**410**	**1 280**	**2 858**	**4 138**
Approved at the Annual General Meeting				1 500	3 800	**5 300**
Highest individual compensation						
Gustavo Möller-Hergt	310	15	223	548	1 690	**2 238**

1) Including compensation of all contractual and legal entitlements of one departed member of Group Management during notice period.

6. COMPENSATION FOR THE PRIOR YEAR

6.1 GENERAL

The disclosed compensation of the members of the Board of Directors and Group Management includes all compensation paid for the entire fiscal year of 2017. The additions and restrictions in 5.1 also apply to compensation for the previous year.

6.2 AGGREGATE COMPENSATION – BOARD OF DIRECTORS

At the Annual General Meeting on March 21, 2017, shareholders approved maximum fixed total compensation of CHF 0.7 million for fiscal year 2017.

The members of the Board of Directors did not receive any variable compensation for their activities.

CHF 1 000	Fixed, cash (gross)	Pension expenses	**Total 2017**
Gustavo Möller-Hergt, Chairman/executive member	–	–	**–**
Walter P.J. Droege, Vice Chairman 1), 3), 4)	140	–	**140**
Karl Hofstetter	80	5	**85**
Rudolf Marty 2), 5)	90	4	**94**
Frank Tanski 1), 2), 3)	95	–	**95**
Peter Athanas 1), 2), 3), 6)	100	6	**106**
Ernest-W. Droege	80	–	**80**
TOTAL COMPENSATION	**585**	**15**	**600**
Approved at the Annual General Meeting			**700**

Gustavo Möller-Hergt has been a member of Group Management since 2011 and a member and Chairman of the Board of Directors since March 13, 2014. For his compensation, please refer to the section on compensation of the members of Group Management. All other members of the Board of Directors are non-executive members.
1) Member of the Board Committee
2) Member of the Audit Committee
3) Member of the Compensation and Nomination Committee
4) Including compensation as Chairman of the Board Committee
5) Including compensation as Chairman of the Audit Committee
6) Including compensation as Chairman of the Compensation and Nomination Committee

6.3
AGGREGATE COMPENSATION – GROUP MANAGEMENT

At the Annual General Meeting on March 21, 2017, shareholders approved maximum fixed total compensation of EUR 1.5 million and maximum variable total compensation of EUR 3.5 million for fiscal year 2017.

AGGREGATE COMPENSATION IN CHF

CHF 1 000	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed compensation Fixed total compensation	Variable compensation Cash bonus (gross)	Total 2017
Group Management						
TOTAL [1]	**1 043**	**59**	**352**	**1 454**	**3 239**	**4 693**
Highest individual compensation						
Gustavo Möller-Hergt	345	16	174	535	1 878	**2 413**

Translated into CHF using average exchange rates 2017 (EUR/CHF 1.1117)
1) Including settlement of all contractual and legal entitlements of one departed member of Group Management

The Annual General Meeting approves the compensation of the members of Group Management in euros, since the compensation is paid out mostly in this currency. This allows for deviations between approved and effective compensation as a result of exchange rate changes to be avoided. For this reason, ALSO presents the compensation in EUR as well as in CHF.

AGGREGATE COMPENSATION IN EUR

EUR 1 000	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed compensation Fixed total compensation	Variable compensation Cash bonus (gross)	Total 2017
Group Management						
TOTAL [1]	**938**	**53**	**317**	**1 308**	**2 914**	**4 222**
Approved at the Annual General Meeting				1 500	3 500	**5 000**
Highest individual compensation						
Gustavo Möller-Hergt	310	14	157	481	1 689	**2 170**

1) Including settlement of all contractual and legal entitlements of one departed member of Group Management

7. COMPENSATION PAID TO FORMER MEMBERS OF GOVERNING BODIES

In the reporting year, no compensation was paid to former members of the Board of Directors. An agreed benefit payment of CHF 84 925 was made to one former member of Group Management.

A benefit payment of CHF 81 741 was made to a former member of Group Management in the previous year.

8. COMPENSATION PAID TO RELATED PARTIES

Neither in the reporting year, nor in the prior year, was any compensation paid by ALSO Holding AG, or any other Group company, to any related parties of present or former members of the governing bodies.

9. LOANS AND BORROWING FACILITIES

9.1 CURRENT AND FORMER MEMBERS OF THE GOVERNING BODIES

The company does not grant loans or credits to members of the Board of Directors or Group Management according to Art. 25, Paragraph 2 of the Articles of Association (► www.also.com/goto/articlesofassociation). Neither in the reporting year, nor in the prior year, were any loans or credits granted by ALSO Holding AG, or any other Group company, to any present or former members of the governing bodies, nor were any such loans or credits outstanding at December 31, 2018.

9.2 RELATED PARTIES

Neither in the reporting year, nor in the prior year, were any loans or credits granted by ALSO Holding AG, or any other Group company, to any related parties of present or former members of the governing bodies, nor were any such loans or credits outstanding at December 31, 2018.

pwc

Report of the statutory auditor to the General Meeting on the compensation report 2018

We have audited the compensation report of ALSO Holding AG ► **paragraphs 5. to 9. on pages 71 to 75** for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of ALSO Holding AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Joanne Burgener Audit expert Auditor in charge	Andreas Wolf Audit expert

Lucerne, 12 February 2019

4

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	2018		2017	
TOTAL NET SALES	4.1	**9 175 710**	100.0 %	**8 890 688**	100.0 %
Cost of goods sold and services provided		–8 633 002		–8 346 340	
GROSS PROFIT		**542 708**	5.9 %	**544 348**	6.1 %
Personnel expenses	4.2	–218 850		–219 256	
Other operating expenses	4.4	–192 071		–183 879	
Other operating income	4.4	20 891		16 067	
EBITDA		**152 678**	1.7 %	**157 280**	1.8 %
Depreciation and amortization	5.5 / 5.6	–15 962		–16 320	
OPERATING PROFIT (EBIT)		**136 716**	1.5 %	**140 960**	1.6 %
Financial income	4.5	2 414		1 925	
Financial expenses	4.5	–21 833		–18 705	
PROFIT BEFORE TAX (EBT)		**117 297**	1.3 %	**124 180**	1.4 %
Income taxes	4.6	–36 134		–31 653	
NET PROFIT GROUP		**81 163**	0.9 %	**92 527**	1.0 %
Attributable to shareholders of ALSO Holding AG		81 133		92 630	
Attributable to non-controlling interests		30		–103	
EARNINGS PER SHARE IN EUR [1)]					
Basic earnings per share	5.13	6.33		7.22	
Diluted earnings per share	5.13	6.33		7.22	

1) Attributable to the shareholders of ALSO Holding AG

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1 000	Note	2018	2017
PROFIT FOR THE YEAR RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT		**81 163**	**92 527**
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Remeasurement of defined benefit plans		289	1 043
Tax effects thereof	4.6	−45	−148
SUBTOTAL		**244**	**895**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Exchange differences		2 152	−6 619
Fair value adjustments on cash flow hedges		−2 457	1 655
Tax effects thereof	4.6	865	−239
SUBTOTAL		**560**	**−5 203**
OTHER COMPREHENSIVE INCOME		**804**	**−4 308**
TOTAL COMPREHENSIVE INCOME		**81 967**	**88 219**
Attributable to shareholders of ALSO Holding AG		81 937	88 322
Attributable to non-controlling interests		30	−103

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR 1 000	Note	12.31.2018		12.31.2017	
CURRENT ASSETS					
Cash and cash equivalents	5.1	240 405		235 561	
Trade receivables	5.2	622 223		570 713	
Inventories	5.3	915 309		834 123	
Prepaid expenses, accrued income and other receivables	5.4	337 221		257 872	
Derivative financial instruments	6.2	203		70	
TOTAL CURRENT ASSETS		**2 115 361**	89 %	**1 898 339**	88 %
NON-CURRENT ASSETS					
Property, plant and equipment	5.5	83 512		84 169	
Intangible assets	5.6	165 786		165 200	
Financial assets	6.2	8 174		2 280	
Derivative financial instruments	6.2	2 227		124	
Deferred tax assets	4.6	7 201		8 392	
TOTAL NON-CURRENT ASSETS		**266 900**	11 %	**260 165**	12 %
TOTAL ASSETS		**2 382 261**	100 %	**2 158 504**	100 %

The accompanying notes form an integral part of the consolidated financial statements.

LIABILITIES AND EQUITY

EUR 1 000	Note	12.31.2018		12.31.2017	
CURRENT LIABILITIES					
Financial liabilities	5.8	124 449		83 571	
Trade payables		1 015 783		851 090	
Accrued expenses, deferred income and other payables	5.9	237 166		228 334	
Derivative financial instruments	6.2	578		1 077	
Tax liabilities		8 226		10 193	
Provisions	5.10	9 094		5 050	
TOTAL CURRENT LIABILITIES		**1 395 296**	59 %	**1 179 315**	55 %
NON-CURRENT LIABILITIES					
Financial liabilities	5.8	279 075		325 722	
Provisions	5.10	5 035		4 592	
Derivative financial instruments	6.2	7 797		4 866	
Deferred tax liabilities	4.6	8 280		6 637	
Employee benefits	4.3	11 049		14 077	
TOTAL NON-CURRENT LIABILITIES		**311 236**	13 %	**355 894**	16 %
TOTAL LIABILITIES		**1 706 532**	72 %	**1 535 209**	71 %
EQUITY					
Share capital		9 960		9 960	
Capital reserves		104 277		134 947	
Treasury shares	5.11	–1 822		–1 822	
Cash flow hedge reserve		–3 947		–2 189	
Exchange differences		333		–1 985	
Remeasurement of defined benefit plans		–8 747		–8 991	
Retained earnings		575 469		493 187	
EQUITY ATTRIBUTABLE TO ALSO SHAREHOLDERS		**675 523**	28 %	**623 107**	29 %
Non-controlling interests		206		188	
TOTAL EQUITY		**675 729**	28 %	**623 295**	29 %
TOTAL LIABILITIES AND EQUITY		**2 382 261**	100 %	**2 158 504**	100 %

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1 000	Note	Share capital	Capital reserves	Treasury shares	Other reserves[2)]	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total
DECEMBER 31, 2017 AS REPORTED		**9 960**	**134 947**	**–1 822**	**–13 165**	**493 187**	**623 107**	**188**	**623 295**
Restatement[1)]		0	0	0	0	–231	–231	0	–231
JANUARY 1, 2018		**9 960**	**134 947**	**–1 822**	**–13 165**	**492 956**	**622 876**	**188**	**623 064**
Net profit Group		0	0	0	0	81 133	81 133	30	81 163
Other comprehensive income		0	0	0	804	0	804	0	804
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**0**	**804**	**81 133**	**81 937**	**30**	**81 967**
Distributions to shareholders	5.13	0	–30 670	0	0	0	–30 670	0	–30 670
Remeasurement of put options on shares of non-controlling interests	2.7	0	0	0	0	1 380	1 380	–12	1 368
DECEMBER 31, 2018		**9 960**	**104 277**	**–1 822**	**–12 361**	**575 469**	**675 523**	**206**	**675 729**
JANUARY 1, 2017		**9 960**	**161 896**	**–1 194**	**–8 857**	**403 234**	**565 039**	**142**	**565 181**
Net profit Group		0	0	0	0	92 630	92 630	–103	92 527
Other comprehensive income		0	0	0	–4 308	0	–4 308	0	–4 308
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**0**	**–4 308**	**92 630**	**88 322**	**–103**	**88 219**
Distributions to shareholders	5.13	0	–26 949	0	0	0	–26 949	0	–26 949
Acquisition of non-controlling interests	3	0	0	0	0	–4 388	–4 388	0	–4 388
Remeasurement of put options on shares of non-controlling interests	2.7	0	0	0	0	1 711	1 711	149	1 860
Measurement adjustment treasury shares	5.11	0	0	–628	0	0	–628	0	–628
DECEMBER 31, 2017		**9 960**	**134 947**	**–1 822**	**–13 165**	**493 187**	**623 107**	**188**	**623 295**

1) See comment on application of IFRS 9 in Note 2.2
2) See Note 5.12

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1 000	2018	2017
NET PROFIT GROUP	**81 163**	**92 527**
Depreciation and amortization	15 962	16 320
Change of provisions and employee benefits	1 238	−4 482
Gains /losses from the sale of non-current assets	−847	37
Other non-cash items	6 543	−6 747
SUBTOTAL	**104 059**	**97 655**
Change in trade receivables	−35 351	72 870
Change in receivables from factoring	−54 180	11 006
Change in inventories	−69 057	−84 377
Change in prepaid expenses, accrued income and other receivables	−25 388	−9 394
Change in trade payables	151 543	−8 426
Change in accrued expenses, deferred income and other payables	16 452	15 547
CASH FLOW FROM OPERATING ACTIVITIES	**88 078**	**94 881**
Net cash flow from acquisitions of subsidiaries (see Note 3)	−14 623	−9 734
Payment of contingent consideration from acquisitions of subsidiaries (see Note 3)	−594	−2 763
Additions to property, plant and equipment	−10 150	−11 002
Additions to intangible assets	−3 429	−4 402
Disposals of property, plant and equipment	4 489	239
Additions/disposals of financial assets	−5 870	120
CASH FLOW FROM INVESTING ACTIVITIES	**−30 177**	**−27 542**
Distributions to shareholders	−30 670	−26 949
Proceeds from increase of financial liabilities	3 055	159 407
Repayments of financial liabilities	−36 998	−21 505
Proceeds from factoring liabilities	11 648	1 947
CASH FLOW FROM FINANCING ACTIVITIES	**−52 965**	**112 900**
Exchange differences	−92	−155
CHANGE IN CASH AND CASH EQUIVALENTS	**4 844**	**180 084**
CASH AND CASH EQUIVALENTS AT JANUARY 1	**235 561**	**55 477**
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**240 405**	**235 561**
Included in cash flow from operating activities		
Income taxes paid	32 628	28 425
Interest paid	17 238	16 127
Interest received	224	273

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The basis of ALSO's business models are the two customer categories "providers" and "buyers". The ALSO Group has a portfolio of more than 550 vendors in the various ICT product categories of hardware, software, and IT services, including all global market leaders. We offer the vendors access to a broad spectrum of buyers, who can call up further customized services in the logistics, finance, IT, and digital services sectors, as well as traditional distribution services. ALSO offers services along the entire value chain from a single source.

On the basis of a European B2B marketplace, the customers are enabled to sustainably shape and develop their businesses.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The ALSO Group's consolidated financial statements are prepared in accordance with the requirements of the Swiss Code of Obligations and the International Financial Reporting Standards (IFRS), as well as the accounting and measurement principles described below. The consolidated financial statements are prepared on the assumption of a going concern. The consolidated financial statements are prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value. The financial statements are available in German and English, of which the German version is binding.

These consolidated financial statements for the fiscal year 2018 of ALSO Holding AG, Meierhofstrasse 5, CH-6032 Emmen inclusive all of its directly or indirectly controlled subsidiaries are presented in EUR (reporting currency), since the majority of revenues are generated in the euro area. For clarity, all values are presented in thousands of euros (TEUR).

2.2 SIGNIFICANT CHANGES IN THE ACCOUNTING AND MEASUREMENT PRINCIPLES

The accounting policies adopted are consistent with those of the previous fiscal year except for those new and amended standards and interpretations effective from January 1, 2018, which are listed below. A description of the changes and their impact on the consolidated financial statements is provided below if they materially affect the financial position, performance, or cash flow situation of ALSO:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Conceptual Framework for Financial Reporting
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Measuring an associate or joint venture at fair value (Amendments to IAS 28)
- Transfers of Investment Property (Amendments to IAS 40)
- Making Materiality Judgements (IFRS Practice Statement)

ADOPTION OF IFRS 9 FINANCIAL INSTRUMENTS

Since January 1, 2018, ALSO applied IFRS 9 for the first time. The main effects of the new standard are the classification and measurement of financial assets and impairments on financial assets.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Since January 1, 2018, ALSO has reclassified its financial assets as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". Financial assets were previously classified as "loans and receivables", "at fair value through profit or loss" or "at amortized cost".

The classification is based on the respective business model for managing these financial assets in accordance with the contractually specified cash flows.

The effects of IFRS 9 on the corresponding items in the consolidated statement of financial position as of January 1, 2018 are presented below. In accordance with transitional requirements of IFRS 9, ALSO has not adjusted its previous year figures.

RESTATEMENT ACCORDING TO IFRS 9

	Classification and measurement as per December 31, 2017 (IAS 39)				Classification and measurement as per January 1, 2018 (IFRS 9)		
EUR 1 000	Loans and receivables	At fair value through profit or loss	Amortized cost	Restatement as per January 1, 2018	At fair value through profit or loss	At fair value through OCI	Amortized cost
Cash and cash equivalents	235 561	–	–	–	–	–	235 561
Trade receivables	570 713	–	–	–78	–	485 778	84 857
Prepaid expenses, accrued income and other receivables	238 615	–	–	–153	–	–	238 462
Financial assets	2 280	–	–	–	–	–	2 280
Current derivative financial instruments	–	70	–	–	70	–	–
Non-current derivative financial instruments	–	77	–	–	77	–	–
TOTAL FINANCIAL ASSETS	**1 047 169**	**147**	**–**	**–231**	**147**	**485 778**	**561 160**
Financial liabilities	–	621	408 672	–	621	–	408 672
Trade payables	–	–	851 090	–	–	–	851 090
Accrued expenses, deferred income and other payables	–	–	80 947	–	–	–	80 947
Current derivative financial instruments	–	360	–	–	360	–	–
Non-current derivative financial instruments	–	2 750	–	–	2 750	–	–
TOTAL FINANCIAL LIABILITIES	**–**	**3 731**	**1 340 709**	**–**	**3 731**	**–**	**1 340 709**

ALSO primarily covers its financing requirements through the sale of its trade receivables to independent factoring partners. These transactions reduce the trade receivables of the Group if a significant risk transfer takes place. Trade receivables that qualify for sale to independent factoring partners, but were not sold or assigned as of the end of the reporting period, are now classified as "measured at fair value through OCI". Changes in the value on these trade receivables are recognized in other comprehensive income. Changes in provision for bad debts and currency revaluation continue to be recognized in profit or loss.

IMPAIRMENT ON FINANCIAL ASSETS

In accordance with IFRS 9, ALSO recognizes impairments on financial assets based on expected losses. ALSO applies the simplified expected credit loss model for its trade receivables, which provides for expected losses over all the remaining lifetime from the recognition date of the receivables.

The credit risk on prepaid expenses, accrued income and other receivables and financial assets is expected to be low. In this case, IFRS 9 provides that losses recognized are expected to be incurred over the next 12 months.

The provision for bad debts and receivables from factors (included in prepaid expenses, accrued income and other receivables) were reassessed in accordance with the new impairment model as of January 1, 2018. The provisions necessary subsequently increased by TEUR 231. The adjustment was compensated for by the item "retained earnings".

The increase in provision for bad debts of TEUR 78 is related to receivables that are not yet due.

Provisions were recognized on receivables from factors (included in prepaid expenses, accrued income and other receivables) in the amount of TEUR 153 for the first time. These related to the entire portfolio of receivables.

The table below shows the effect of the changes of IFRS 9 on provisions for bad debts and prepaid expenses, accrued income and other receivables as of January 1, 2018:

EUR 1 000	12.31.2017	1.1.2018
Trade receivables (gross)	574 799	**574 799**
Provision for bad debts previously (IAS 39)	−4 086	–
Provision for bad debts new (IFRS 9)	–	**−4 164**
TOTAL TRADE RECEIVABLES	**570 713**	**570 635**

EUR 1 000	12.31.2017	1.1.2018
Prepaid expenses, accrued income and other receivables (gross)	238 615	**238 615**
Provision previously (IAS 39)	–	–
Provision new (IFRS 9)	–	**−153**
TOTAL PREPAID EXPENSES, ACCRUED INCOME AND OTHER RECEIVABLES	**238 615**	**238 462**

ADOPTION OF IFRS 15 REVENUE WITH CONTRACTS FROM CUSTOMERS

Since January 1, 2018, ALSO applies IFRS 15. The significant effects of the new standard are in the introduction of a five step model, which has to be used to assess the timing and amount of revenue. The model specifies that revenue should be accounted for at the time of the transfer of control of ALSO's products or services to customers in the amount expected to be available to ALSO.

In accordance with IAS 8 and IFRS 15, this initial application is retrospective, which basically results in an adjustment being made to previous periods. ALSO has exercised the option of not applying IFRS 15 to contracts concluded before January 1, 2017. The customer contracts subject to the major business models do not contain any circumstances that must be accounted for or disclosed differently under IFRS 15 than under the previous standards and interpretations, which is why an adjustment of the previous periods is not necessary. Both for the traditional transactional business models and for trading business with products that form part of comprehensive solutions, there is only a short interval between concluding the contract and performing the service/recognizing net sales. Services performed for customers on the basis of service contracts are of a transactional nature or are provided over short periods that form the basis for billing to customers. Thus, net sales are recognized at a specific date and not over a period.

ADOPTION OF OTHER CHANGES

None of the other changes have any material effect on the financial position, performance, or cash flow situation of ALSO.

2.3
PUBLISHED STANDARDS, INTERPRETATIONS, AND AMENDMENTS NOT YET APPLIED

The following standards, interpretations, and amendments which have been issued but not yet applied by ALSO are being constantly analyzed by ALSO for their impact on the consolidated financial statements:

- IFRS 16 Leases – *effective January 1, 2019*
- IFRIC 23 Uncertainty over Income Tax Treatments – *effective January 1, 2019*
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) – *effective January 1, 2019*
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) – *effective January 1, 2019*
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) – *effective January 1, 2019*
- Remeasurement of previously held interest (Amendments to IFRS 3 and IFRS 11) – *effective January 1, 2019*
- Income tax consequences of dividends (Amendments to IAS 12) – *effective January 1, 2019*
- Borrowing costs eligible for capitalization (Amendments to IAS 23) – *effective January 1, 2019*
- Amendments to References to Conceptual Framework in IFRS Standards – *effective January 1, 2020*
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28) – *date of initial application unknown*

ADOPTION OF IFRS 16 LEASES

ALSO applies IFRS 16 since January 1, 2019. This standard replaces IAS 17 and the corresponding interpretations and clarifications. The main effect on ALSO is that IFRS 16 introduces a single lessee accounting model to recognize assets and liabilities for almost all leases.

The initial application is carried out by the simplified transition approach, which means, the comparative amounts will not be restated. Right-of-use assets are measured on transition as if the new rules had always been applied. Lease liabilities reflect the net present value of the remaining lease payments. Due to capitalization of almost all leases, the total assets and financial debt increases, which results in a decrease of the equity ratio. Considering discount effects and accounting options (short-term and low-value leases), ALSO expects an increase of total assets from EUR 100 to 140 million and a decrease in equity between EUR 4 and 7 million. For future lease payments, refer to ► Note 6.4.

ALSO does not expect any material effects on the net profit by the application of IFRS 16, due to the replacement of operating lease expenses with depreciation on right-of-use assets and interest expenses. However, this leads to a decrease of other operating expenses while depreciation/amortization and financial expenses increase. Hence, EBIT and especially EBITDA increases. Due to the new disclosure, cash flow from operating activities and cash flow from financing activities will decrease.

ADOPTION OF OTHER CHANGES

From today's perspective, the application of other changes will not have any material effects on the capital, financial, income, or cash flow situation of ALSO. ALSO applies the changes for the first time as from the fiscal year following the date stated in the standard.

2.4
KEY ASSUMPTIONS AND ESTIMATES

Preparation of the financial statements in accordance with IFRS requires management to make certain assumptions and estimates which influence the figures presented in this report. The necessary analyses and assessments are continuously reviewed and modified if necessary. However, the actual results may differ from these estimates. The main items whose amount and presentation materially depend on assumptions and estimates are as follows:

VENDOR BONUSES

The accruals of vendor receivables for bonuses contain estimates which are based on various factors such as sales volumes, quantities, stock levels, and other qualitative and quantitative targets. The amount recognized for the bonuses depends mainly on the attainment of the agreed targets. The bonus models vary between the vendors.

IMPAIRMENT OF GOODWILL

ALSO tests the capitalized goodwill at least once per year for impairment. This requires an assessment of the value in use of an underlying cash-generating unit or group of cash-generating units. The estimates of factors such as volumes, sales prices, sales growth, gross margin, operating expenses and investments, market conditions, balance sheet structure, and other economic factors, as well as parameters (e.g. discount rates) derived from external data, are based on assumptions that management considers reasonable ► see Note 5.7.

DEFERRED TAX ASSETS

Deferred tax assets are determined on the basis of estimates. The forecasts that are made for this purpose cover a timeframe of several years and include interpretations of existing tax laws and ordinances as well as changes in tax rates ► see Note 4.6.

SALE OF TRADE RECEIVABLES

In various countries, ALSO sells trade receivables to independent factoring companies. The assessment of whether the contractual arrangements of the factoring programs result in a significant transfer of risk, and the associated derecognition of the receivables, has a significant influence on the balance sheet of ALSO ► see Note 6.8.

EMPLOYEE BENEFITS

In various countries there are defined benefit plans. The defined benefit liability is based partly on long-term actuarial assumptions which may differ from actual future developments. Determination of the discount rate, the future development of salaries and pensions, and life expectancy are important components of the actuarial measurement.

2.5
SCOPE OF CONSOLIDATION

These consolidated financial statements include the annual financial statements as of December 31 of ALSO Holding AG and of the companies over which ALSO has control. ALSO controls a subsidiary when ALSO is exposed to the risks of the entity, has rights to variable returns from its involvement in the entity, and can affect these returns through exercise of its power over the entity. By this definition, ALSO controls SINAS Beteiligungs GmbH & Co. Vermietungs-KG, even though less than half of its voting shares are owned by ALSO. With the opening of insolvency proceedings under self-administration, ALSO lost control of ALSO Logistics Services GmbH in 2015. Nevertheless, as a member of the Creditor Committee, ALSO exercises significant influence on ALSO Logistics Services GmbH. Furthermore, ALSO owns 9.9 % of the voting rights of ALSO Financial Services GmbH. ALSO exercises significant influence on the entity and accounts for ALSO Financial Services GmbH using the equity method.

With the opening of insolvency proceedings under self-administration, ALSO lost control of ALSO Digital Holding B.V. on Mai 15, 2018. ALSO Digital Holding B.V. is now under the management of the insolvency administrator. ALSO is not authorized to issue instructions to the insolvency administrator. Despite holding 51 % of the voting rights in ALSO Digital Holding B.V., ALSO therefore has no control over this company and its 100 % subsidiary ALSO Digital B.V. A gain of TEUR 176 resulted from the deconsolidation of ALSO Digital Holding B.V. It is composed of impairment on loans, effects of deconsolidation and accruals for expected costs.

Subsidiaries are fully consolidated from the date on which control is transferred to ALSO and deconsolidated from the date that control ceases. Group companies are listed in ► Note 6.5.

CHANGES IN 2018

The following companies were acquired by the ALSO Group in 2018 and were included in the scope of consolidation:

Country	Domicile	Company name	Voting interest
France	Dardilly	DistriWan S.A.S.	100.00 %
Lithuania	Kaunas	UAB "Sophela"	100.00 %
Slovenia	Ljubljana	DISS d.o.o.	100.00 %
	Ljubljana	VAD d.o.o.	100.00 %
	Ljubljana	Marmis d.o.o.	100.00 %
Ukraine	Kiev	TOB Sophela	100.00 %
Belarus	Minsk	Sophela OOO	100.00 %

CHANGES IN 2017

The following companies were acquired by the ALSO Group in 2017 and were included in the scope of consolidation:

Country	Domicile	Company name	Voting interest
France	Paris	BeIP S.A.S	51.00 %
Finland	Helsinki	Internet Smartsec Oy	100.00 %
Netherlands	Utrecht	All 4 U B.V.	100.00 %
	Utrecht	Esseko B.V.	100.00 %
	Utrecht	Five 4 U Nederland B.V.	100.00 %
Belgium	Mechelen	Five 4 U BVBA	100.00 %

2.6 CONSOLIDATION METHOD

The consolidated financial statements are based on the financial statements of the individual Group companies, which are prepared using consistent accounting and measurement policies throughout the Group.

Assets and liabilities, as well as income and expenses, are included at their full amounts, and non-controlling interests in equity and net profit are shown separately.

All intragroup transactions (expenses, income, assets, and liabilities), as well as material unrealized gains from intragroup sales of assets which have not yet been sold to third parties, are eliminated.

2.7 ACQUISITIONS

Acquisitions are accounted for using the acquisition method. If the consideration transferred for the acquisition of an entity exceeds the underlying fair value of the identifiable net assets that are acquired, the excess represents goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units that are expected to benefit, or generate future cash flows, from the combination. The goodwill is recognized in the cash-generating unit’s functional currency.

Acquisition costs are recognized as expense and reported as other operating expenses.

For each business combination, the acquirer measures the non-controlling interests in the acquired entity either at fair value or in proportion to the identifiable net assets of the acquired entity.

Contingent liabilities that are acquired through the acquisition, and whose fair value can be reliably determined, are recognized in the acquisition balance sheet as liabilities at their fair value.

The results of the acquired companies are recognized from the date on which the Group obtains control. When an entity leaves the scope of the consolidation, the difference between the consideration received and the net assets plus accumulated foreign exchange differences at the date on which the Group loses control of the entity is recognized in the financial result.

If a business combination is achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at each acquisition date and a resulting gain or loss relating to the previously held equity interest is recognized through profit or loss.

If the Group undertakes a business combination with put options that are held by shareholders of non-controlling interests and does not thereby obtain ownership, the non-controlling interests continue to be allocated a share in the profits. At the end of each reporting period, the allocation is recognized as a financial liability as if the acquisition had taken place at this date. Any excess over the reclassified amount, and all changes in the present value of the financial liability, are recognized in retained earnings.

A change in the ownership interest in a subsidiary without loss of control is recognized as an equity transaction.

2.8
INVESTMENTS IN ASSOCIATES

Entities over which ALSO has significant influence, but not control, are accounted for by the equity method. ALSO is generally considered to have significant influence if it holds an interest of between 20 % and 50 % in an entity. Under the equity method, the investment is initially recognized at cost. In subsequent measurements, the carrying amount is increased by the share in profits of the entity and reduced by its share in losses and by dividend payments received from the entity. If the share in losses of the entity equal or exceed its carrying amount, ALSO ceases to recognize its share in losses. Provisions are recognized for any further share in losses if ALSO has a legal or constructive obligation.

The book value of investments in associates consists of the share in net assets and goodwill.

At each reporting date, ALSO tests for objective indications of impairment. Any impairment loss is recognized through profit or loss.

2.9
TRANSLATION OF FOREIGN CURRENCY

Each entity of the Group determines its own functional currency. The functional currency of the Group companies is the normal currency of their local economic environment. Transactions in foreign currencies are translated into the respective functional currency at the spot rate that applies at the date of the transaction. All exchange gains and losses arising on transactions in foreign currencies, or on translation of monetary assets, are recognized in profit or loss.

Exchange gains on certain loans with equity-like nature are recognized in other comprehensive income provided that repayment of the loan is not planned or intended in the near future. Such exchange gains are recognized in other comprehensive income and only reclassified to the financial result upon loss of control of the entity or repayment of the loan.

The annual financial statements of the foreign operations that have a functional currency different from the Group reporting currency are translated into the Group reporting currency (EUR) as follows:
- statement of financial position at year-end rates;
- income statement and statement of comprehensive income at average annual rates;
- statement of cash flows at average annual rates.

Exchange differences arising on the translation of financial statements of entities whose functional currency is not the euro are recognized in other comprehensive income and on eventual loss of control of the subsidiary are reclassified to the financial result.

EXCHANGE RATES (TO EURO)

		Year-end rate		Average rate	
		2018	2017	**2018**	2017
USA	USD	1.1450	1.1993	1.1810	1.1297
Switzerland	CHF	1.1269	1.1702	1.1550	1.1117
Norway	NOK	9.9483	9.8403	9.5975	9.3270
Denmark	DKK	7.4673	7.4449	7.4532	7.4386
Sweden	SEK	10.2548	9.8438	10.2583	9.6351
Poland	PLN	4.3014	4.1770	4.2615	4.2570

2.10 TOTAL NET SALES

Total net sales comprise invoiced deliveries of goods and services and other sales-related revenue.

Sales are recognized at a point of time when the control of the products or services has transferred to the customer and the performance obligation is fulfilled. The probability that the economic benefits associated with the transaction will flow to ALSO is taken into account. A customer has taken over control if he has the ability to direct the use of the product or service and obtains substantially all of the remaining benefits. An important indication of this is the transfer of risk and reward to the customer.

Both for the traditional transactional business models and for trading business with products that form part of comprehensive solutions, there is only a short interval between concluding the contract and performing the service/recognizing net sales. Services performed for customers on the basis of service contracts are of a transactional nature or are provided over short periods that form the basis for billing to customers. Thus, net sales are recognized at a specific date and not over a period.

Accruals for discounts and allowances granted to customers are recognized as a reduction in revenue at the time the related revenue is recognized. They are calculated on the basis of the specific terms of the individual agreements and the underlying revenues.

ALSO does not have any material, unsatisfied performance obligations.

2.11 PERSONNEL EXPENSES/EMPLOYEE BENEFIT PLANS

In addition to the actual remuneration for services rendered (wages, salaries, and bonuses), personnel expenses also include ancillary personnel costs and social security contributions. Awards for years of service are also recognized as personnel expenses over the underlying period of service and accrued accordingly.

The companies of the ALSO Group operate various employee benefit plans according to the local conditions and practices in the respective countries.

Defined contribution plans are post-employment plans under which the Group pays fixed contributions into a separate fund and is neither legally nor de facto obliged to pay further contributions.

For defined benefit pension plans, the costs of providing benefits as well as the required provisions are defined actuarily using the projected unit credit method. In the case of plans that provide higher benefit growth in later years (backloading), the benefits that can be acquired are assigned on the basis of the net liability excluding future employee-funded benefit components. The liabilities are backed with assets which are managed by autonomous separately funded benefit plans or with provisions for employee benefits which are recognized in the financial statements of the relevant entities.

A surplus in a defined benefit plan is only recognized to the amount of the future economic benefits that are available in the form of reductions in contributions or repayments, taking into account the upper limit for the asset (asset ceiling). A defined benefit obligation is fully recognized as a provision.

Pension costs are composed of three elements:

- Service costs, which are part of personnel expenses, and consist of current service costs, past service costs, and gains/losses from plan settlements;
- Net interest, which is recorded in the financial result, and is determined by applying the discount rate to the net defined benefit liability, or net defined benefit asset, that exists at the beginning of the year;
- Gains and losses resulting from actuarial remeasurement, which are immediately recognized in other comprehensive income as remeasurements of employee benefits. Remeasurements of employee benefits are not recycled through the income statement at any later point in time.

2.12 CAPITAL PARTICIPATION PLANS

Until February 8, 2011, the ALSO Group granted shares and options of ALSO Holding AG to then members of Group Management.

Under the terms of the share plan, the shares that were granted passed into the ownership of the beneficiaries with all associated rights, but subject to a vesting period of three years during which they may not be sold.

Under the terms of the option plan, the beneficiaries received on an annual basis option rights for the purchase of shares of ALSO Holding AG at a predetermined price. The options could only be exercised after a vesting period of three years. Payment in cash is not permitted.

The fair value of the option premiums from the capital participation plan ► see Note 6.6 as determined according to the Hull-White model was charged to personnel expenses over the vesting period of three years.

2.13 FINANCIAL ASSETS

Financial assets mainly comprise cash and cash equivalents, trade receivables, prepaid expenses, accrued income, and other receivables as well as financial assets.

Financial assets are categorized as follows:

- "Amortized costs": financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest
- "At fair value through other comprehensive income": financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest
- All other financial assets are recorded "at fair value through profit or loss". In addition, certain financial instruments may also be voluntarily allocated to this category if the relevant conditions are .

The classification depends on the purpose for which the respective financial assets were acquired and on the contractual cash flows. Management determines the classification of financial assets at their initial recognition and reassesses the classification at each reporting date. Financial assets are initially recognized at fair value plus transaction costs. Financial assets in the category "fair value through profit or loss" are recognized exclusively at fair value. Trade receivables are recognized at transaction price. All purchases and sales are recognized on the trade date.

After their initial recognition, financial assets are measured depending on their category as follows:

- "Amortized costs": At amortized cost using the effective interest method (equal distribution of cashflows during the term resulting in a zero difference of net present value).
- "At fair value through other comprehensive income": At fair value. Any unrealized changes in value are recognized in other comprehensive income, except for interest that was calculated using the effective interest method, impairments and exchange rate fluctuations on borrowing instruments. In the case of sale, or other disposal, the cumulative gains and losses that are recognized in equity are reclassified into the net financial result (financial income, financial expense) of the current reporting period ► see Note 2.14.
- "At fair value through profit or loss": At fair value. If the fair value is not readily available, it must be calculated using a recognized valuation model. Any changes in fair value are recognized in the income statement under net financial result (financial income or financial expense) or cost of goods sold for the respective reporting period.

In accordance with IFRS 9, ALSO recognizes impairment losses on financial assets based on expected losses. The application to "trade receivables" is described in ► Note 2.16.

Default risks on Prepaid expenses, accrued income and other receivables as well as on financial assets are estimated at a low level. In this case, IFRS 9 requires the recognition of those losses that are expected to occur within the next 12 months.

2.14 HEDGE ACCOUNTING

To hedge its interest and currency risks that result from its operating activities, financial transactions and investments, ALSO uses derivative financial instruments. The method used to recognize the resulting gain or loss on derivative financial instruments depends on whether the instrument is designed to hedge a specific risk and whether the hedge qualifies for hedge accounting.

ALSO uses derivative financial instruments to hedge foreseen transactions or fixed obligations. If the derivative financial instrument that is used qualifies as a cash flow hedge when the contract is entered into, changes in value of the effective component of this derivative are recognized in other comprehensive income. The ineffective component is recognized in profit or loss. At the date of initial recognition of the hedged asset or liability, or expense or income, the changes in value that were recognized in other comprehensive income are included in the respective hedged item.

The purpose of hedge accounting is to offset the changes in the hedged item and the hedging instrument in the income statement. To qualify as hedge accounting, the hedging relationship must meet the requirements regarding eligibility of the hedged item and hedging instrument, formal designation and documentation and effectiveness of the hedging relationship. Both at hedge inception and throughout the lifetime of the hedge, ALSO therefore documents its assessment of whether the hedge is highly effective in offsetting the risks of changes in fair values or cash flows resulting from changes in fair value of the hedging instrument.

Hedge accounting is especially not used for forward contracts, which represent effective hedges both economically and within the Group strategy. Depending on the economic background, changes in the market values of these derivative financial instruments are recognized in the income statement either in the gross margin (currency hedging) or the financial result (interest rate hedging).

2.15 CASH AND CASH EQUIVALENTS

In addition to cash on hand and current account balances, cash equivalents also include time deposits with an original term of up to three months.

2.16 TRADE RECEIVABLES

Trade receivables are recognized at face value less provision for impairment. The Expected Credit Loss model is used for this purpose. Default rates based on historical experience are offset against the contractually foreseen payment streams.

ALSO applies the simplified Expected Credit Loss model for its trade receivables, which provides for expected losses over all the remaining lifetime from the recognition date of the receivables.

The impairment of trade receivables takes place indirectly through a separate impairment account. The impairment charged to the income statement in the reporting period is reported under other operating expenses. Should a trade receivable no longer be collectable, the receivable, along with any impairment that has already been charged, is derecognized. Should a payment subsequently be received, it is credited to other operating income.

2.17 INVENTORIES

Inventories are recognized at the lower of purchase cost and net realizable value. The purchase costs contain all purchase and overhead costs incurred in bringing each product to its present location and condition. The inventories are valued using the weighted-average purchase price method. Value adjustments are made for slow-moving inventories or inventories with purchase cost higher than market value. Unsaleable inventories are written off in full.

2.18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is valued at acquisition cost minus economically necessary depreciation. Borrowing costs of qualified assets (which means project duration greater than 12 months) are additionally capitalized. Maintenance and repair costs with no added value are not capitalized. Significant investments are broken down into their constituent parts if the estimated useful lives of the separate components differ.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Impairments are recognized under depreciation and shown separately in the assets analysis. The depreciation method as well as the estimated residual values and useful lives are reviewed annually.

- Land — Not depreciated
- Buildings — Useful life 25 years
- Equipment — Useful life 2–15 years
- Other property, plant and equipment — Useful life 4–10 years

2.19
FINANCE LEASES

Leasing agreements that transfer to ALSO substantially all of the risks and benefits that are associated with ownership of the leased item are classified as finance leases. Equipment that is financed by leasing agreements is capitalized in the statement of financial position at the lower of market value or the net present value of the future lease payments. Non-current assets arising from finance leases are depreciated over their estimated useful life or the period of the agreement if shorter. Outstanding liabilities arising from finance leases are recognized as current and non-current financial liabilities.

Leases that do not transfer essentially all of the risks and benefits associated with ownership of the leased asset are classified as operating leases and the payments are recognized in the income statement.

2.20
INTANGIBLE ASSETS

Intangible assets comprise goodwill and internally created software, as well as licenses, patents and similar rights, customer lists, brand names, and software, that are acquired from third parties. The amortization of all intangible assets with finite useful lives is calculated by the straight-line method over the expected useful life. Impairment losses are recognized under amortization and disclosed separately in the assets analysis.

Goodwill is not normally amortized but tests for impairment are performed annually as well as whenever there is an indication that the goodwill may be impaired. Material borrowing costs relating to qualifying assets (project duration greater than 12 months) are additionally capitalized.

With the exception of goodwill, no intangible assets with indefinite useful lives are capitalized.

► Software	Useful life 3–7 years
► Customer lists	Useful life 3–5 years
► Other intangible assets	Useful life 3 years

2.21
IMPAIRMENT

Goodwill is tested for impairment each year ► see Note 5.7. Impairment is determined by assessing the recoverable amount of the cash-generating unit (CGU or group of CGUs) to which the goodwill relates. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. To determine the value in use, the cash flows for the next three years are estimated based on detailed budgets; beyond that period, a long-term growth rate is determined to forecast the future cash flows. The cash flows are then discounted at an appropriate discount rate. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. An impairment loss that is recognized against goodwill cannot be reversed in subsequent reporting periods.

Other non-current assets are tested for impairment whenever events or changed circumstances indicate a potential impairment. If there are indications of impairment, the recoverable amount of the asset is calculated. The recoverable amount of the non-current asset or CGU is the higher of its fair value less costs of disposal and its value in use. If the carrying amount exceeds the recoverable amount, the asset is written down to that amount. This special write-down (impairment) is reported separately in the assets analysis. An impairment reversal is possible if, at a later date, an impairment test shows that the loss in value no longer exists.

2.22
FACTORING

The ALSO Group has sold or assigned some of its trade receivables to finance companies (factors). The receivables are only derecognized when substantially all of the risks contained in the receivables have been transferred to the purchaser of the receivables. Based on current legal agreements relating to factoring, all or significant portions of the customer default risk are transferred to the receivables purchaser. The interest risk remains with the ALSO Group until the date at which the receivables are received by the purchaser of the receivables or until the contractually agreed latest date. Securitization reserves are reported under other receivables.

The credit risk of factoring partners is assessed using ratings from Standard & Poor's ► see Note 6.7. As the risks are considered to be low, those losses are recorded that are expected to occur in the next 12 months. Receivables from factoring partners and dilution reserves are reported in the category "amortized costs".

Remaining bad debt, interest, and currency risks are recognized as continuing involvement in trade accounts receivable. This continuing involvement is offset by a corresponding liability, which also takes into account the risk of its utilization.

Payment of the purchase price by the factoring company takes place either when the payment is received by the factoring company or with interest at the request of ALSO. The still outstanding part of the purchase price receivable is reported under other receivables.

Interest expense and administration fees resulting from the sale of receivables are recognized in the financial result.

2.23 FINANCIAL LIABILITIES

Financial liabilities particularly include trade payables, liabilities to banks, other liabilities, liabilities from finance leases, and derivative financial liabilities.

Financial liabilities are separated into two categories. They are classified either as "at fair value through profit or loss", or as "amortized costs":

- "At fair value through profit or loss": At their initial recognition and subsequently, these financial liabilities are measured at fair value. The transaction costs directly identifiable to the purchase of these liabilities are expensed. Derivatives with a negative replacement value are by definition assigned to this category.
- "Amortized costs": This category serves as the residual category and mainly comprises financial debt. Financial liabilities are measured at amortized cost using the effective interest method. In addition to actual interest payments, interest expense also includes annual compound interest and pro rata transaction costs.

2.24 PROVISIONS

Provisions are liabilities of uncertain timing or amount. They are recognized if the ALSO Group has a legal or de facto present obligation from a past event, which will lead to a probable outflow of resources, and a reliable estimate can be made of the amount of the obligation.

Warranties in respect of products supplied or services rendered by ALSO give rise to legal or de facto obligations. Provisions for warranty-related costs are recognized at the date when the respective product is sold or service rendered. The amount of the necessary provision is based on historical experience and expected probabilities of future occurrence. The resulting expenses are normally limited to logistical processes for returning the defective products to the vendor. The cost of repair or replacement is borne by the vendor.

Restructuring provisions are only recognized when a detailed restructuring plan is available and its main features have been announced to all those affected by it.

If the effect of the time-value of money is material, non-current provisions are discounted.

2.25 TAXES

Taxes on income are accrued in the same periods as the revenue and expenses to which they relate, and are reported as tax liabilities. Deferred taxes include the income tax effects of temporary differences between the Group's internal measurement criteria and the local tax measurement guidelines for assets and liabilities (comprehensive liability method). With this method, deferred taxes are created for temporary taxable differences. Deferred taxes are adjusted annually for any changes in local tax legislation. Tax-loss carry-forwards and deductible temporary differences are reported as deferred tax assets if it is sufficiently probable that future taxable profits will be adequate to utilize the respective deferred tax assets ► see Note 4.6.

Taxes that would have to be paid in the event of a payout of retained earnings in the subsidiaries are not accrued unless this type of payout is expected to be made in the near future.

2.26 EQUITY

Equity is composed of share capital, capital reserves, treasury shares, cash flow hedge reserves, exchange differences, remeasurement of defined benefit plans, retained earnings, and non-controlling interests.

The share capital represents the nominal capital of ALSO Holding AG. The capital reserves consist of all contributions to shareholders' equity received from outside the company other than share capital. Gains or losses resulting from the sale of treasury shares are also recognized in the capital reserves. The cash flow hedge reserve contains changes in the fair value of cash flow hedges. Under remeasurement of defined benefit plans, all actuarial gains and losses on the measurement of defined benefit plans are recognized. Under exchange differences, all exchange differences are recognized that result from translation of the financial statements of those Group companies whose functional currency is not the same as the reporting currency. Retained earnings comprise the gains/losses resulting from the decisions of the consolidated entities regarding the application of earnings that are carried forward to the new account and also includes the effects of the first-time adoption of new IFRS standards.

The share capital and the capital reserves are translated at historical exchange rates, dividends and other distributions at transactional exchange rates.

Dividends and other distributions to shareholders are charged to equity in the period in which they are declared.

3. BUSINESS COMBINATIONS

ACQUISITION DISTRIWAN S.A.S.

On July 11, 2018, the ALSO Group acquired 100 % of the voting shares in DistriWan S.A.S. DistriWan S.A.S., an unlisted company with registered office in Dardilly, France, is specialized in distributing network solutions. The objective of the acquisition is to strengthen the position of ALSO as supplier of security solutions and the access of an even broader customer basis.

The consideration transferred for 100 % of the voting shares was TEUR 2 900. In the purchase price allocation, a fair value of the net assets of TEUR 2 214 was identified. Goodwill of TEUR 686 was recognized. The goodwill mainly reflects the expected synergy effects from expanding the Solution business. Cash for the amount of TEUR 470 was acquired. The fair value of trade receivables amounts to TEUR 4 618 and consists of gross contractual amounts of TEUR 4 927 and a provision for bad debts in the amount of TEUR 309. No contingent liabilities were recognized. The goodwill is not tax-deductible.

Since information is still outstanding, the purchase price allocation that was performed on July 11, 2018 and revised at the reporting date is provisional.

Since the date of acquisition, DistriWan S.A.S. has contributed TEUR 13 275 to the net sales and TEUR 444 to the net profit of ALSO.

At December 31, 2018, the purchase price of TEUR 2 900 had been fully paid out.

ACQUISITION DISS D.O.O.

On November 20, 2018, the ALSO Group acquired 100 % of the voting shares in DISS Group (consisting of DISS d.o.o., VAD d.o.o., und Marmis d.o.o.). DISS d.o.o., an unlisted company with registered office in Ljubljana, Slovenia, is one of the leading distributors with value-added capabilities and strong focus on Solutions in Slovenia. The objective of the acquisition is to strengthen the presence of ALSO in the region in and around Slovenia.

The consideration transferred for 100 % of the voting shares was TEUR 12 000. An additional contingent consideration (earn-out) was agreed, which is due as of 2019. The estimated amount of that contingent consideration at the date of acquisition was TEUR 1 356. The amount of that contingent consideration depends on the operating results of the company.

In the purchase price allocation, a fair value of the net assets of TEUR 13 904 was identified. A negative goodwill of TEUR 548 was recognized in financial income. Cash for the amount of TEUR 947 was acquired. The fair value of trade receivables amounts to TEUR 19 687 and consists of gross contractual amounts of TEUR 19 766 and a provision for bad debts in the amount of TEUR 79. No contingent liabilities were recognized.

Since information is still outstanding, the purchase price allocation that was performed on November 20, 2018 and revised at the reporting date is provisional.

Since the date of acquisition, DISS has contributed TEUR 10 539 to the net sales and TEUR 204 to the net profit of ALSO.

As at December 31, 2018, TEUR 12 000 of the purchase price of TEUR 13 356 had been paid out.

ACQUISITION SALES AND SERVICE BUSINESS OF HEWLETT PACKARD ENTERPRISE (HPE)

On November 1, 2018, the ALSO Group, through its subsidiaries UAB „Sophela", TOB Sophela und Sophela OOO, acquired some assets and liabilities of HPE. The objective of the acquisition is the takeover of the sales and service business of HPE in the Ukraine and Belarus as well as Lithuania. With this step, ALSO expands further into growing markets in Eastern Europe.

The consideration transferred for the acquired assets and liabilities was TEUR 1 140. In the purchase price allocation, a fair value of the net assets of TEUR 1 140 was identified. No contingent liabilities were recognized.

Since information is still outstanding, the purchase price allocation that was performed on November 1, 2018 and revised at the reporting date is provisional.

Since the date of acquisition, Sophela has contributed TEUR 5 484 to the net sales and TEUR –161 to the net profit of ALSO.

At December 31, 2018, the purchase price of TEUR 1 140 had been fully paid out.

CONSEQUENCES OF THE ACQUISITIONS

If the acquisitions had taken place at the beginning of the year, the net sales of ALSO for the period would have been TEUR 9 272 304 and the net profit TEUR 83 300.

TENDER OFFER FOR ABC DATA S.A.

On December 21, 2018, ALSO signed an agreement with MCI Euroventures, the current majority shareholder of ABC Data S.A. based in Warsaw, Poland, to make a joint tender offer for all publicly held shares of ABC Data S.A., listed on the Warsaw Stock Exchange. The aim is to fully take over the operational activities of ABC Data.

Completion of the acquisition is subject to the approval of the relevant antitrust authorities.

ABC Data operates in six Eastern European countries and is the leading Polish supplier of IT equipment and consumer electronics. The objective of the acquisition is to strengthen the market position in Eastern Europe and to further develop the solutions and service business.

ASSETS AND LIABILITIES FROM BUSINESS COMBINATIONS

EUR 1 000	Fair values at the date of acquisition			
	DistriWan S.A.S.[1]	DISS[1]	Sophela[1]	Total
CURRENT ASSETS				
Cash and cash equivalents	470	947	–	1 417
Trade receivables	4 618	19 687	–	24 305
Inventories	2 009	7 574	1 044	10 627
Prepaid expenses, accrued income and other receivables	1 101	157	–	1 258
TOTAL CURRENT ASSETS	**8 198**	**28 365**	**1 044**	**37 607**
NON-CURRENT ASSETS				
Property, plant and equipment	101	1 154	91	1 346
Intangible assets	272	783	5	1 060
Financial assets	24	–	–	24
Deferred tax assets	126	142	–	268
TOTAL NON-CURRENT ASSETS	**523**	**2 079**	**96**	**2 698**
TOTAL ASSETS	**8 721**	**30 444**	**1 140**	**40 305**
CURRENT LIABILITIES				
Financial liabilities	600	6 911	–	7 511
Trade payables	4 952	6 891	–	11 843
Accrued expenses, deferred income and other payables	235	479	–	714
Tax liabilities	463	2 016	–	2 479
Provisions	19	–	–	19
TOTAL CURRENT LIABILITIES	**6 269**	**16 297**	**–**	**22 566**
NON-CURRENT LIABILITIES				
Financial liabilities	163	–	–	163
Provisions	–	102	–	102
Deferred tax liabilities	75	141	–	216
TOTAL NON-CURRENT LIABILITIES	**238**	**243**	**–**	**481**
TOTAL LIABILITIES	**6 507**	**16 540**	**–**	**23 047**
Total net assets	2 214	13 904	1 140	17 258
Goodwill	686	–	–	686
Negative goodwill	–	–548	–	–548
CONSIDERATION TRANSFERRED	**2 900**	**13 356**	**1 140**	**17 396**
ANALYSIS OF CASH FLOWS FROM THE ACQUISITIONS				
Cash acquired	470	947	–	1 417
Cash paid	–2 900	–12 000	–1 140	–16 040
NET CASH OUTFLOW	**–2 430**	**–11 053**	**–1 140**	**–14 623**

1) Provisional amounts.

BUSINESS COMBINATIONS 2017

ACQUISITION OF BEIP S.A.S.

On January 6, 2017, the ALSO Group acquired 51 % of the voting shares in BeIP S.A.S. BeIP S.A.S., an unlisted company with registered office in Paris, France, offers a wide portfolio of IT technologies and related support services, mainly in the areas of network and security infrastructure. The objective of the acquisition is to strengthen the market position of ALSO in France.

The provisional purchase price allocation as of January 6, 2017 was completed in 2018. There was no change in the measurement of the acquired net assets.

ACQUISITION OF INTERNET SMARTSEC OY

On February 2, 2017, the ALSO Group acquired 100 % of the voting shares in Internet Smartsec Oy, an unlisted company with registered office in Helsinki, Finland, that offers high-standard security and network products and provides consultation and training in data security and data networks. The objective of the acquisition is to strengthen the market position of ALSO in Finland.

The provisional purchase price allocation as of February 2, 2017 was completed in 2018. There was no change in the measurement of the acquired net assets.

ACQUISITION OF FIVE 4 U B.V.

On July 6, 2017, the ALSO Group acquired 100 % of the voting shares in Five 4 U Group (consisting of Five 4 U B.V., All 4 U B.V., Esseko B.V. and Five 4 U BVBA). Five 4 U, an unlisted company with registered office in Utrecht, the Netherlands, and Mechelen, Belgium, is one of the leading specialized distributors for hardware and software in the Benelux with Apple products and with graphic arts expertise. The objective of the acquisition is to open up new customer groups in the Netherlands and Belgium and to expand the product portfolio, foremost in the area of graphics.

The provisional purchase price allocation as of July 6, 2017 was completed in 2018. There was no change in the measurement of the acquired net assets.

In 2018, additional purchase price payments in the amount of TEUR 594 were due for the acquisition of Five 4 U. This amount was already included in the purchase price allocation as of July 6, 2017.

OTHER ACQUISITIONS

In 2017, ALSO acquired some assets and liabilities of companies that are active in the printing area and in preinstallation and recycling services. In one of these acquisitions the net assets acquired exceeded the agreed purchase price by TEUR 398. This negative goodwill was recognized in 2017 in the income statement as financial income and represented a reduction in the purchase price for the amount of operative cost savings for the seller.

In 2017, ALSO acquired remaining voting shares in ALSO Polska sp. z o.o. for the amount of TEUR 2 763.

4. NOTES TO THE INCOME STATEMENT

4.1 SEGMENT INFORMATION

EUR 1 000	Central Europe 2018	Central Europe 2017	Northern/Eastern Europe 2018	Northern/Eastern Europe 2017	Adjustments 2018	Adjustments 2017	Group 2018	Group 2017
Net sales to third parties	5 255 545	5 155 929	3 786 022	3 600 527	–	–	9 041 567	8 756 456
Revenue from services to third parties	121 427	123 154	7 083	5 580	237	243	128 747	128 977
Revenue from leases to third parties	4 536	4 257	860	998	–	–	5 396	5 255
Net sales to other segments	139 972	152 459	228 561	270 347	–368 533	–422 806	–	–
TOTAL NET SALES	**5 521 480**	**5 435 799**	**4 022 526**	**3 877 452**	**–368 296**	**–422 563**	**9 175 710**	**8 890 688**
EBITDA	**109 397**	**107 646**	**41 334**	**47 200**	**1 947**	**2 434**	**152 678**	**157 280**
As % of total net sales	*2.0 %*	*2.0 %*	*1.0 %*	*1.2 %*			*1.7 %*	*1.8 %*
Depreciation and amortization	–8 695	–9 602	–4 255	–3 626	–3 012	–3 092	–15 962	–16 320
OPERATING PROFIT (EBIT)	**100 702**	**98 044**	**37 079**	**43 574**	**–1 065**	**–658**	**136 716**	**140 960**
As % of total net sales	*1.8 %*	*1.8 %*	*0.9 %*	*1.1 %*			*1.5 %*	*1.6 %*
Net financial income/expense	–13 638	–11 295	–10 026	–9 007	4 245	3 522	–19 419	–16 780
PROFIT BEFORE TAX (EBT)	**87 064**	**86 749**	**27 053**	**34 567**	**3 180**	**2 864**	**117 297**	**124 180**
As % of total net sales	*1.6 %*	*1.6 %*	*0.7 %*	*0.9 %*			*1.3 %*	*1.4 %*
SEGMENT ASSETS	**1 569 745**	**1 444 134**	**1 006 779**	**856 630**	**–194 263**	**–142 260**	**2 382 261**	**2 158 504**
SEGMENT LIABILITIES	**1 245 049**	**1 132 141**	**812 658**	**667 139**	**–351 175**	**–264 071**	**1 706 532**	**1 535 209**
INVESTMENTS								
in property, plant and equipment	6 231	6 604	3 842	4 252	678	276	10 751	11 132
in intangible assets	1 761	1 873	340	172	1 328	2 357	3 429	4 402
Average headcount	2 255	2 338	1 322	1 304	131	148	3 708	3 790
Headcount at year-end	2 148	2 350	1 455	1 373	125	147	3 728	3 870

The following definitions of headcount apply:
– Average headcount: average number of full-time equivalent positions excluding temporary employees
– Headcount at year end: number of full-time equivalent positions excluding temporary employees

HEADCOUNT DEVIATION

	Central Europe	Northern/ Eastern Europe	Adjustments	Group
Headcount at year-end 2017	2 350	1 373	147	3 870
Reduction in headcount	−227	−86	−22	−335
Increase in headcount due to acquisitions	25	168	–	193
HEADCOUNT AT YEAR-END 2018	**2 148**	**1 455**	**125**	**3 728**

The segment reporting is based on the management approach. The results of the operating segments are regularly reviewed by the Chief Operating Decision Maker (CODM), Gustavo Möller-Hergt, CEO, in order to allocate the resources to the segments.

The reconciliation (Adjustments) of the segment results to the consolidated results contains centralized activities of the holding companies in Switzerland, Finland, and Germany (headquarter activities) which are not allocated to the segments. The allocation of the net sales is determined by the place where invoicing occurs. Furthermore, revenues are recognized at a point in time. Revenues, as well as assets and liabilities (mainly trade receivables and payables), between the segments are eliminated in the "Adjustments" column. The assets and liabilities contain all balance sheet items that are directly attributable to the segments.

Profit before tax (EBT) contains all income and expenses that are directly attributable to the respective operating segments. It also includes direct allocations of centrally occurring expenses. EBT is the main performance indicator in the ALSO Group.

A reconciliation of the management reporting to the segment reporting is not required, since internal and external reporting are based on the same accounting principles.

DETAILS OF THE COLUMN "ADJUSTMENTS" IN THE SEGMENT INFORMATION

EUR 1 000	**2018**	2017
Costs for shareholders/mark-up for management fees/other centralized costs	1 947	2 434
TOTAL AT EBITDA LEVEL	**1 947**	**2 434**
Depreciation and amortization	−3 012	−3 092
Net financial result	4 245	3 522
TOTAL AT EBT LEVEL	**3 180**	**2 864**

The financial result in the "Adjustments" column in 2018 and 2017 arose from the difference between external financing costs and internal loan conditions.

GEOGRAPHICAL INFORMATION

EUR 1 000	Total net sales	Non-current assets 1)
SWITZERLAND		
2018	881 942	64 867
2017	918 354	62 741
GERMANY		
2018	3 671 109	128 393
2017	3 596 786	128 430
NETHERLANDS		
2018	1 328 753	4 807
2017	1 170 709	6 065
OTHERS		
2018	3 293 906	51 231
2017	3 204 839	52 133
GROUP		
2018	9 175 710	249 298
2017	8 890 688	249 369

1) Without deferred tax assets and financial assets

CUSTOMERS ACCOUNTING FOR MORE THAN 10 % OF GROUP NET SALES

ALSO Group generated net sales of EUR 1 011 million (previous year: EUR 974 million) with one customer, which are included in both segments.

CONTRACT ASSETS AND LIABILITIES

The acquisition of the sales and service business of Hewlett Packard Enterprise (HPE) in the Ukraine and Belarus as well as Lithuania ► see Note 3 may give rise to contract balances. However, there were no significant amounts for 2018.

4.2
PERSONNEL EXPENSES

EUR 1 000	2018	2017
Salaries and wages	–185 911	–187 753
Social and pension costs	–32 939	–31 503
TOTAL PERSONNEL EXPENSES	**–218 850**	**–219 256**

Personnel expenses include restructuring expenses of EUR 8.8 million.

4.3
EMPLOYEE BENEFITS

The employee post-employment benefit plans of the ALSO Group comply with the legal requirements of the respective countries. There are defined benefit plans in Germany, Netherlands, Austria, and Switzerland. The defined benefit plan in Switzerland (ALSO pension fund) covers 82.3 % (previous year: 81.1 %) of plan assets and 80.9 % (previous year: 79.6 %) of the present value of the expected obligations of the ALSO Group.

DEFINED BENEFIT PLAN

			2018			2017
EUR 1 000	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
Fair value of plan assets	48 292	10 355	58 647	51 978	12 103	64 081
Present value of defined benefit obligations	–56 372	–13 324	–69 696	–62 209	–15 949	–78 158
of which financed by funds	–56 372	–13 237	–69 609	–62 209	–15 866	–78 075
of which financed by provisions	0	–87	–87	0	–83	–83
DEFICIT	**–8 080**	**–2 969**	**–11 049**	**–10 231**	**–3 846**	**–14 077**
Reported in the statement of financial position as:						
Employee benefit liabilities	–8 080	–2 969	–11 049	–10 231	–3 846	–14 077

DEFINED BENEFIT PLAN SWITZERLAND

Post-employment benefit plans in Switzerland are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that post-employment benefit plans must be managed by independent, legally autonomous bodies. Post-employment benefit plans are overseen by a regulator as well as by a state supervisory body. The ultimate governing body of a post-employment benefit plan (Board of Trustees) is composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability, and death. The various benefits are defined in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and the employee pay contributions to the post-employment benefit plan. In case of an underfunding, various measures can be taken, such as adjusting the pension commitment by altering the conversion rates or increasing current contributions. Under certain conditions the employer is obliged to make additional restructuring contributions. The BVG prescribes how the employees and the employer jointly fund any restructuring measures.

The Swiss post-employment benefit plan, the ALSO Pension Fund, has the legal form of a foundation. All actuarial risks are borne by the foundation. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate and the return on the plan assets), which are regularly assessed by the Board of Trustees. In addition, a report is prepared annually in accordance with IFRS requirements as well as an actuarial report prepared in accordance with the requirements of the BVG.

The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary – especially in the case of significant market developments or changes to the structure of the plan participants – and at least once annually. When defining the investment strategy, the Board of Trustees takes account of the foundation's objectives, benefit obligations, and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy).

The Board of Trustees delegates implementation of the investment strategy and management of the plan assets to an external asset manager. The Board of Trustees monitors compliance with the investment strategy and development of the plan assets several times a year.

NET POST-EMPLOYMENT BENEFIT EXPENSES FOR DEFINED BENEFIT PLANS

EUR 1 000	2018 ALSO pension fund	2018 Other defined benefit plans	2018 Total	2017 ALSO pension fund	2017 Other defined benefit plans	2017 Total
Current service cost	−2 681	−609	−3 290	−3 458	−817	−4 275
Past service cost	3 495	344	3 839	6 547	8	6 555
Net interest employee benefit	−68	−56	−124	−98	−67	−165
NET POST-EMPLOYMENT BENEFIT EXPENSES	**746**	**−321**	**425**	**2 991**	**−876**	**2 115**

In 2018, the number of employees insured at the ALSO pension fund in accordance with the BVG was reduced significantly. This resulted in negative past service cost of TEUR 3 495.

In 2017, the number of employees insured at the ALSO pension fund in accordance with the BVG was reduced significantly. Furthermore, the ALSO pension fund reduced its conversion rate. This resulted in negative past service cost of TEUR 6 547.

REMEASUREMENT OF DEFINED BENEFIT PLANS

EUR 1 000	ALSO pension fund 2018	Other defined benefit plans 2018	Total 2018	ALSO pension fund 2017	Other defined benefit plans 2017	Total 2017
Actuarial gains/losses:						
Changes in demographic assumptions	0	12	12	0	562	562
Changes in financial assumptions	1 522	824	2 346	−3 581	878	−2 703
Return on plan assets (excluding interest income)	−1 728	−341	−2 069	3 598	−414	3 184
TOTAL REMEASUREMENT RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**−206**	**495**	**289**	**17**	**1 026**	**1 043**

CHANGE IN FAIR VALUE OF PLAN ASSETS

EUR 1 000	ALSO pension fund 2018	Other defined benefit plans 2018	Total 2018	ALSO pension fund 2017	Other defined benefit plans 2017	Total 2017
JANUARY 1	**51 978**	**12 103**	**64 081**	**58 574**	**12 975**	**71 549**
Interest income	415	175	590	396	147	543
Return on plan assets (excluding interest income)	−1 728	−341	−2 069	3 598	−414	3 184
Employee contributions	1 414	258	1 672	1 635	336	1 971
Employer contributions	1 942	812	2 754	2 233	812	3 045
Net benefits (paid) received	−7 588	−2 818	−10 406	−9 730	−1 145	−10 875
Exchange differences	1 859	166	2 025	−4 728	−608	−5 336
DECEMBER 31	**48 292**	**10 355**	**58 647**	**51 978**	**12 103**	**64 081**

CHANGE IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

EUR 1 000	2018 ALSO pension fund	2018 Other defined benefit plans	2018 Total	2017 ALSO pension fund	2017 Other defined benefit plans	2017 Total
JANUARY 1	**62 209**	**15 949**	**78 158**	**75 148**	**17 934**	**93 082**
Service cost	2 681	610	3 291	3 458	817	4 275
Past service cost	–3 495	–344	–3 839	–6 547	–8	–6 555
Interest cost	483	230	713	493	214	707
Actuarial gain/loss	–1 522	–836	–2 358	3 581	–1 440	2 141
Employee contributions	1 414	258	1 672	1 635	336	1 971
Net benefits (paid) received	–7 588	–2 818	–10 406	–9 730	–1 145	–10 875
Exchange differences	2 190	275	2 465	–5 829	–759	–6 588
DECEMBER 31	**56 372**	**13 324**	**69 696**	**62 209**	**15 949**	**78 158**

INVESTMENT STRUCTURE OF PLAN ASSETS

	2018 ALSO pension fund	2018 Other defined benefit plans 1)	2018 Total 1)	2017 ALSO pension fund	2017 Other defined benefit plans 1)	2017 Total 1)
Cash and cash equivalents	2.4 %	0.0 %	2.0 %	7.4 %	0.0 %	6.2 %
Equity instruments	30.5 %	0.0 %	25.1 %	32.6 %	0.0 %	27.4 %
Bonds	36.7 %	0.0 %	30.1 %	34.1 %	0.0 %	28.6 %
Real estate	14.9 %	0.0 %	12.3 %	14.0 %	0.0 %	11.8 %
Other investments	15.5 %	100.0 %	30.5 %	11.9 %	100.0 %	26.0 %
TOTAL	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

1) Weighted values

The ALSO benefit plans do not hold any investments in financial instruments or real estate that are owned or used by the ALSO Group.

Cash and cash equivalents are invested with financial institutions that possess at least an “A” rating.

Equity instruments are investments in mutual funds for which there is a quoted market price (Level 1 of the fair value hierarchy). No direct investments are made. The assets also do not contain any shares of ALSO Holding AG.

Investments in bonds are undertaken solely via funds for which there is a quoted market price (Level 1 of the fair value hierarchy). There are no direct investments.

Investments in real estate are undertaken solely via real estate funds. There are no direct holdings of real estate. There is an active market in the real estate funds (Level 2 of the fair value hierarchy).

Other investments mainly comprise investments in hedge funds and private equity as well as reinsurances.

MAIN ACTUARIAL ASSUMPTIONS

	2018			2017		
	ALSO pension fund	Other defined benefit plans [1)]	Total [1)]	ALSO pension fund	Other defined benefit plans [1)]	Total [1)]
Discount rate	1.1 %	1.8 %	1.2 %	0.8 %	1.3 %	0.9 %
Future salary increases	1.0 %	0.8 %	1.0 %	1.0 %	0.6 %	0.9 %
Future pension increases	0.0 %	0.4 %	0.1 %	0.0 %	0.4 %	0.1 %
Mortality table	BVG 2015	n/a	BVG 2015	BVG 2015	n/a	BVG 2015

1) Weighted values

The present value of the defined benefit obligation (DBO) is determined annually by independent actuaries using the projected unit credit method. Actuarial assumptions are required for this purpose.

SENSITIVITIES OF THE MAIN ACTUARIAL ASSUMPTIONS
The main actuarial assumptions were identified to be the discount rate and the future development of salaries and wages. The following effects on the DBO can be expected:

- An increase/decrease of 0.25 percentage points in the discount rate would result in a decrease/increase in the DBO of 5 % respectively.
- An increase/decrease of 0.25 percentage points in the expected development of salaries and wages would result in an increase/ decrease in the DBO of 1 % respectively.

The sensitivity analysis is based on realistically possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

NET PENSION COST FOR DEFINED CONTRIBUTION PLANS

EUR 1 000	2018	2017
Employer contributions	2 125	2 019

4.4
OTHER OPERATING EXPENSES/INCOME

OTHER OPERATING EXPENSES

EUR 1 000	2018	2017
Leasing expenses	–22 256	–21 023
Maintenance and repair expenses	–16 103	–15 257
Marketing and administrative expenses	–103 288	–101 790
Insurance, consulting and other operating expenses	–50 424	–45 809
TOTAL OTHER OPERATING EXPENSES	**–192 071**	**–183 879**

OTHER OPERATING INCOME

EUR 1 000	2018	2017
Gains on sales of property, plant and equipment	897	27
Other operating income	19 994	16 040
TOTAL OTHER OPERATING INCOME	**20 891**	**16 067**

Other operating income mainly comprises contributions from suppliers, insurance payments, and company-produced assets.

4.5
NET FINANCIAL INCOME/EXPENSE

FINANCIAL INCOME

EUR 1 000	2018	2017
Interest income	466	400
Fair value adjustments of contingent considerations (Note 6.2)	547	838
Negative goodwill from acquisitions (Note 3)	548	398
Other financial income	853	289
TOTAL FINANCIAL INCOME	**2 414**	**1 925**

FINANCIAL EXPENSES

EUR 1 000	2018	2017
Interest expenses	–15 651	–14 866
Factoring fees	–2 292	–2 956
Net interest employee benefits	–124	–165
Exchange losses, net	–126	–11
Fair value adjustments of contingent considerations (Note 6.2)	–2 900	0
Other financial expenses	–740	–707
TOTAL FINANCIAL EXPENSES	**–21 833**	**–18 705**
FINANCIAL RESULT	**–19 419**	**–16 780**

CURRENCY EFFECTS

EUR 1 000	2018	2017
Currency effects on financial result	–126	–11
Currency effects on cost of goods sold and services provided	–2 382	9 968
TOTAL CURRENCY EFFECTS	**–2 508**	**9 957**

4.6 INCOME TAXES

The main elements contributing to the difference between the expected tax rate for the Group and the effective tax rate are:

INCOME TAX EXPENSES

EUR 1 000	2018	2017
Income taxes in the reporting period	–30 559	–30 364
Income taxes in prior periods	–2 512	–646
TOTAL CURRENT INCOME TAX	**–33 071**	**–31 010**
Changes in deferred tax rate	–124	–11
Changes in temporary differences	–2 939	–632
TOTAL DEFERRED TAX	**–3 063**	**–643**
TOTAL INCOME TAX EXPENSE	**–36 134**	**–31 653**

ANALYSIS OF TAX EXPENSE

EUR 1 000	2018	2017
PROFIT BEFORE TAX (EBT)	**117 297**	**124 180**
Expected tax rate (weighted)	25.3 %	25.8 %
Expected income tax expense	–29 652	–31 997
Utilization of previously unrecognized tax losses	799	2 672
Income tax losses not recognized	–1 931	–1 340
Income not subject to tax	585	538
Non-deductible expenses	–4 591	–2 356
Reduction in deferred tax rate	–124	–11
Tax effect from prior periods	–1 154	15
Withholding tax on Group dividends	–23	788
Other factors	–43	38
EFFECTIVE INCOME TAX EXPENSE	**–36 134**	**–31 653**
Effective income tax rate	30.8 %	25.5 %

The weighted tax rate is calculated from the income tax rates that are expected to apply for the Group companies in the respective tax jurisdictions. The increase in the effective tax rate from 25.5 % in 2017 to 30.8 % in 2018 is mainly due to the utilization of previously unrecognized tax losses, the increase in non-deductible expenses and the result of tax audits.

In 2018, in the tax jurisdictions that are relevant for ALSO, there were no material changes in the applicable income tax rates.

TAX EFFECTS IN OTHER COMPREHENSIVE INCOME

EUR 1 000	2018	2017
Tax effects on items that will not subsequently be reclassified to profit or loss		
Remeasurement of defined benefit plans	–45	–148
SUBTOTAL	**–45**	**–148**
Tax effects on items that may subsequently be reclassified to profit or loss		
Exchange differences	166	–172
Fair value adjustment on cash flow hedges	699	–67
SUBTOTAL	**865**	**–239**
TOTAL TAX EFFECTS IN OTHER COMPREHENSIVE INCOME	**820**	**–387**

DEFERRED TAXES

	Statement of financial position				Recognized in income taxes	
	Deferred tax assets		Deferred tax liabilities			
EUR 1 000	**2018**	2017	**2018**	2017	**2018**	2017
Temporary differences						
Current assets	625	543	4 461	3 893	−733	−31
Property, plant and equipment	138	152	2 824	2 789	−3	298
Intangible assets	276	882	1 882	1 848	102	−291
Recognized tax loss carry-forwards	2 598	3 677	0	0	−1 074	−213
Provisions and employee benefits	3 155	3 308	504	493	−214	−373
Liabilities	3 927	3 916	2 109	1 515	−1 310	160
Other temporary differences	0	0	18	185	169	−193
TOTAL	**10 719**	**12 478**	**11 798**	**10 723**	**−3 063**	**−643**
Offsetting	−3 518	−4 086	−3 518	−4 086	0	0
TOTAL DEFERRED TAXES	**7 201**	**8 392**	**8 280**	**6 637**	**−3 063**	**−643**

CHANGES IN DEFERRED TAXES (NET)

EUR 1 000	**2018**	2017
JANUARY 1	**1 755**	**1 434**
Effect of acquisitions	51	1 293
Changes in temporary differences	−2 244	−1 030
Exchange differences	−641	58
DECEMBER 31	**−1 079**	**1 755**

TAX LOSS CARRY-FORWARDS

EUR 1000	2018	2017
TOTAL TAX LOSS CARRY-FORWARDS	**74 829**	**85 619**
Of which recognized as deferred tax assets	–11 051	–14 624
TOTAL TAX LOSS CARRY-FORWARDS NOT RECOGNIZED	**63 778**	**70 995**
Tax effect on unrecognized tax loss carry-forwards	14 402	15 613
Total unrecognized tax loss carry-forwards expiring:		
in two to five years (weighted tax rate 2018: 21.0 %; previous year: 20.0 %)	22 510	23 019
in six to ten years (weighted tax rate 2018: 23.3 %; previous year: 20.9 %)	7 497	14 696
No expiry (weighted tax rate 2018: 23.5 %; previous year: 23.9 %)	33 771	33 280

Reduction of recognized tax loss carry-forwards from TEUR 14 624 in 2017 to TEUR 11 051 in 2018 is mainly due to utilization of tax loss carry-forwards in Norway.

In 2018, ALSO did not capitalize any new material deferred taxes.

In 2017, ALSO capitalized a deferred tax asset for the amount of TEUR 1 455 in Germany. This was based on tax losses that had occurred between 2011 and 2016. ALSO regards it as sufficiently probable that in the future taxable profits will occur that are equal to the amount of the deferred tax asset.

The loss carry-forwards existing at December 31, 2018 derive mainly from Sweden, Finland, Germany and the Netherlands. 2017, there were also loss carry-forwards in Norway.

For tax loss carry-forwards in the amount of TEUR 63 778, no deferred tax assets are recognized since they cannot be offset against other Group profits and it is unlikely that the entities carrying the tax losses forward will have future taxable profits against which to offset the related tax benefit.

As of December 31, 2018, there were no deferred tax liabilities for retained earnings amounting to TEUR 10 540 (previous year: TEUR 9 814) in subsidiaries which are liable to tax in the event of a dividend payment. There are no plans for dividend payment in the foreseeable future from those retained earnings.

5. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

5.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amount of TEUR 240 405 (previous year: TEUR 235 561) consist of cash at banks and on hand.

5.2 TRADE RECEIVABLES

EUR 1 000	2018	2017
Trade receivables (gross)	602 059	527 939
Effect of acquisitions	24 305	46 860
Provision for bad debts	–4 141	–4 086
TOTAL TRADE RECEIVABLES	**622 223**	**570 713**

ALSO has sold or assigned trade receivables to independent factoring partners. Please refer to ► Note 6.8.

EUR 1 000	2018	2017
STATUS OF BAD DEBT PROVISION AS AT JANUARY 1 AS REPORTED	**4 086**	**3 511**
Restatement[1)]	78	–
STATUS OF BAD DEBT PROVISION AS AT JANUARY 1 AS RESTATED	**4 164**	**3 511**
Effect of acquisitions	388	351
Exchange differences	–42	5
Creation	1 153	1 133
Release	–553	–361
Utilization	–969	–553
STATUS OF BAD DEBT PROVISION AS AT DECEMBER 31	**4 141**	**4 086**
Trade receivables write-offs	–1 258	–1 644
Income from payments for trade receivables previously written-off	255	244

1) See comment on application of IFRS 9 in Note 2.2

5.3
INVENTORIES

EUR 1 000	2018	2017
Inventories	926 608	846 123
Downpayments to suppliers	2 149	1 027
Inventory provision	–13 448	–13 027
TOTAL INVENTORIES	**915 309**	**834 123**

For most inventories, there are limited-duration price-protection guarantees from the vendors/manufacturers. The ALSO companies usually purchase goods in local currency. A recognizable loss of value due to low inventory turnover, ageing, etc. is taken into account through inventory provisions

In the reporting period, inventory for the amount of TEUR 8 567 346 (previous year: TEUR 8 283 064) was recognized as cost of goods sold in the consolidated income statement. This includes changes in inventory provisions totaling TEUR 686 recognized as income. In the previous year, TEUR 1 935 was recognized as expense.

5.4
PREPAID EXPENSES, ACCRUED INCOME AND OTHER RECEIVABLES

EUR 1 000	2018	2017
Miscellaneous tax receivables	10 966	11 662
Receivables from factors	251 938	198 162
Other receivables	66 068	40 453
OTHER RECEIVABLES	**328 972**	**250 277**
Prepaid expenses and accrued income	8 249	7 595
TOTAL PREPAID EXPENSES, ACCRUED INCOME AND OTHER RECEIVABLES	**337 221**	**257 872**

Receivables from factors ► see Note 6.8 consist of dilution reserves of TEUR 147 029 (previous year: TEUR 138 761) from ongoing sales of receivables and within the scope of credit lines callable claims of TEUR 104 909 (previous year: TEUR 59 401).

Provisions on receivables from factors amount to TEUR 161 (previous year: TEUR 153 after restatement as of January 1, 2018).

Other receivables consist mainly of receivables from vendors.

5.5
PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and buildings	Equipment	Other property, plant and equipment	Total
JANUARY 1, 2018	**58 848**	**11 100**	**14 221**	**84 169**
Additions	562	4 273	5 916	10 751
Effect of acquisitions	1 092	102	152	1 346
Disposals	–2 993	–26	–747	–3 766
Reclassifications	122	–101	–21	0
Depreciation	–2 137	–2 517	–5 527	–10 181
Exchange differences	962	104	127	1 193
DECEMBER 31, 2018	**56 456**	**12 935**	**14 121**	**83 512**
OVERVIEW AS AT DECEMBER 31, 2018				
Acquisition costs	74 851	38 922	41 948	155 721
Accumulated depreciation/impairment	–18 395	–25 987	–27 827	–72 209
DECEMBER 31, 2018	**56 456**	**12 935**	**14 121**	**83 512**
Of which finance leases	0	960	0	960
JANUARY 1, 2017	**62 991**	**10 624**	**12 264**	**85 879**
Additions	148	1 972	9 012	11 132
Effect of acquisitions	0	138	308	446
Disposals	0	–17	–328	–345
Reclassifications	361	1 444	–1 805	0
Depreciation	–2 320	–2 868	–4 764	–9 952
Exchange differences	–2 332	–193	–466	–2 991
31. DEZEMBER 2017	**58 848**	**11 100**	**14 221**	**84 169**
OVERVIEW AS AT DECEMBER 31, 2017				
Acquisition costs	74 191	34 318	36 648	145 157
Accumulated depreciation/impairment	–15 343	–23 218	–22 427	–60 988
DECEMBER 31, 2017	**58 848**	**11 100**	**14 221**	**84 169**
Of which finance leases	0	966	0	966

Land and buildings comprises land and buildings used for operational purposes.

In 2018, additions are mainly a result of investments in equipment and other property, plant and equipment and in “Infrastructure-as-a-Service”.

Gains from the sale of property, plant, and equipment are recognized in other operating income and amount to TEUR 847 (previous year: TEUR 37 loss).

5.6 INTANGIBLE ASSETS

EUR 1 000	Goodwill	Customer lists	Other intangible assets	Total
JANUARY 1, 2018	**150 029**	**2 743**	**12 428**	**165 200**
Additions	0	0	3 429	3 429
Effect of acquisitions	686	1 008	52	1 746
Disposals	0	0	–42	–42
Effect of deconsolidation	–520	0	0	–520
Amortization	0	–1 016	–4 765	–5 781
Exchange differences	1 890	–1	–135	1 754
DECEMBER 31, 2018	**152 085**	**2 734**	**10 967**	**165 786**
OVERVIEW AS AT DECEMBER 31, 2018				
Acquisition costs	152 085	5 856	35 858	193 799
Accumulated amortization/impairment	0	–3 122	–24 891	–28 013
DECEMBER 31, 2018	**152 085**	**2 734**	**10 967**	**165 786**
JANUARY 1, 2017	**149 658**	**2 199**	**12 787**	**164 644**
Additions	0	0	4 402	4 402
Effect of acquisitions	3 417	1 829	465	5 711
Disposals	0	0	–49	–49
Amortization	0	–1 279	–5 089	–6 368
Exchange differences	–3 046	–6	–88	–3 140
DECEMBER 31, 2017	**150 029**	**2 743**	**12 428**	**165 200**
OVERVIEW AS AT DECEMBER 31, 2017				
Acquisition costs	150 029	4 850	35 895	190 774
Accumulated amortization/impairment	0	–2 107	–23 467	–25 574
DECEMBER 31, 2017	**150 029**	**2 743**	**12 428**	**165 200**

In 2018, goodwill was increased by the acquisition of DistriWan S.A.S.

For the effect of deconsolidation please refer to ► Note 2.5.

With the exception of goodwill, no intangible assets with indefinite useful lives are capitalized. The average residual amortization period for the customer lists is three years. Other intangible assets consist mainly of software and licenses.

5.7
IMPAIRMENT TEST

EUR 1 000	2018	2017
Carrying amount goodwill Central Europe	134 700	133 576
Carrying amount goodwill Northern/Eastern Europe	17 385	16 453
TOTAL GOODWILL	**152 085**	**150 029**
Discount rate (post tax) goodwill Central Europe	6.77 %	6.00 %
Discount rate (post tax) goodwill Northern/Eastern Europe	6.84 %	6.13 %
Growth rate sales revenue for residual value Central Europe	1.00 %	1.00 %
Growth rate sales revenue for residual value Northern/Eastern Europe	1.00 %	1.00 %
Expected average EBITDA margin Central Europe (residual value)	1.70 %	1.70 %
Expected average EBITDA margin Northern/Eastern Europe (residual value)	1.20 %	1.20 %

Goodwill is monitored and tested for impairment by means of value-in-use calculations of two groups of cash-generating units. The value in use is the present value of the discounted cash flows. It is based on planning assumptions over a three-year period, plus residual values which have been approved by Management. The discount rates applied, and the average growth rate in net sales, are set out in the above table.

The value-in-use calculation for the group of cash-generating units is sensitive to assumptions relating to the balance sheet structure, gross margin, and cost structure. The balance sheet structure and gross margin are derived from historical values as well as from strategic and economic changes. The cost structure is adapted to the expected gross margin.

The value in use is substantially higher than the reported net assets. Even a material change in the base data, e.g. a sustained deterioration in the gross margin, or a change in the balance sheet and cost structure, would not cause an impairment of the goodwill.

5.8
CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

EUR 1 000	2018 Carrying amount	2018 Interest rate	2017 Carrying amount	2017 Interest rate
CURRENT FINANCIAL LIABILITIES				
Bank loans	9 316	0.4 to 1.4 %	3 487	0.4 to 1.3 %
Bonded loan	50 486	2.1 to 2.5 %	16 960	2.5 to 2.8 %
Finance lease	853	1.5 to 3.0 %	559	2.0 to 3.0 %
Liabilities from factoring	55 686	0.5 to 2.4 %	44 021	0.5 to 2.5 %
Contingent consideration from acquisitions of subsidiaries	5 484		2 341	
Third-party loans	2 624	1.0 to 3.0 %	16 203	0.0 to 3.0 %
TOTAL CURRENT FINANCIAL LIABILITIES	**124 449**		**83 571**	
NON-CURRENT FINANCIAL LIABILITIES				
Bank loans	57 159	0.7 to 3.0 %	54 213	0.7 to 3.0 %
Bonded loan	215 953	1.0 to 2.8 %	266 259	1.1 to 2.8 %
Finance lease	5 066	1.5 to 3.0 %	553	2.0 to 3.0 %
Contingent consideration from acquisitions of subsidiaries	74		3 461	
Third-party loans	823		1 236	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**279 075**		**325 722**	
TOTAL FINANCIAL LIABILITIES	**403 524**		**409 293**	

COVENANTS

Certain financial liabilities are subject to covenant clauses, under which stipulated financial key figures must be attained. As of December 31, 2018, all covenants were met.

RECONCILIATION OF FINANCIAL LIABILITIES

CURRENT FINANCIAL LIABILITIES

EUR 1000	Bank loans	Bonded loan	Finance lease	Liabilities from factoring	Contingent consideration from acquisitions of subsidiaries	Third-party loans	Total
JANUARY 1, 2018	**3 487**	**16 960**	**559**	**44 021**	**2 341**	**16 203**	**83 571**
Net cash flow	–3 200	–17 000	–681	11 648	–594	–16 117	–25 944
Effect of acquisitions	7 511	0	0	0	0	0	7 511
Value adjustments	0	0	0	0	0	–150	–150
Other non-cash adjustments	1 495	50 526	975	0	3 705	2 694	59 395
Exchange differences	23	0	0	17	32	–6	66
DECEMBER 31, 2018	**9 316**	**50 486**	**853**	**55 686**	**5 484**	**2 624**	**124 449**

NON-CURRENT FINANCIAL LIABILITIES

EUR 1000	Bank loans	Bonded loan	Finance lease	Contingent consideration from acquisitions of subsidiaries	Third-party loans	Total
JANUARY 1, 2018	**54 213**	**266 259**	**553**	**3 461**	**1 236**	**325 722**
Net cash flow	3 055	0	0	0	0	3 055
Effect of acquisitions	163	0	0	0	0	163
Effect of deconsolidation	0	0	0	0	–989	–989
Value adjustments	0	0	0	–547	0	–547
Other non-cash adjustments	–1 495	–50 306	4 514	–2 840	569	–49 558
Exchange differences	1 223	0	–1	0	7	1 229
DECEMBER 31, 2018	**57 159**	**215 953**	**5 066**	**74**	**823**	**279 075**

The changes in other non-cash adjustments in bonded loans of TEUR 50 306 and TEUR 50 526 respectively, relate to a reclassifiacation from non-current financial liabilities due to repayments due in 2019.

CURRENT FINANCIAL LIABILITIES

EUR 1 000	Bank loans	Bonded loan	Finance lease	Liabilities from factoring	Contingent consideration from acquisitions of subsidiaries	Third-party loans	Total
JANUARY 1, 2017	**20 628**	**0**	**611**	**4 685**	**2 763**	**99**	**28 786**
Net cash flow	−20 774	0	−627	1 947	−2 763	5 246	−16 971
Effect of acquisitions	439	0	0	37 523	666	32	38 660
Value adjustments	0	0	0	0	−712	0	−712
Other non-cash adjustments	3 245	16 960	581	0	2 387	10 829	34 002
Exchange differences	−51	0	−6	−134	0	−3	−194
DECEMBER 31, 2017	**3 487**	**16 960**	**559**	**44 021**	**2 341**	**16 203**	**83 571**

NON-CURRENT FINANCIAL LIABILITIES

EUR 1 000	Bank loans	Bonded loan	Finance lease	Contingent consideration from acquisitions of subsidiaries	Third-party loans	Total
JANUARY 1, 2017	**59 613**	**130 222**	**1 003**	**0**	**1 793**	**192 631**
Net cash flow	557	153 500	0	0	0	154 057
Effect of acquisitions	651	0	0	2 840	0	3 491
Value adjustments	0	0	0	−126	0	−126
Other non-cash adjustments	−3 354	−17 463	−451	747	−519	−21 040
Exchange differences	−3 254	0	1	0	−38	−3 291
DECEMBER 31, 2017	**54 213**	**266 259**	**553**	**3 461**	**1 236**	**325 722**

Required repayments of bonded loans in 2018 in the amount of TEUR 16 960 are displayed as reclassifications in other non-cash adjustments from long-term to short-term financial liabilities.

Other non-cash adjustments in the amount of TEUR 10 829 in the category third party loans are mainly resulting from reverse factoring of trade payables.

5.9
ACCRUED EXPENSES, DEFERRED INCOME AND OTHER PAYABLES

EUR 1 000	2018	2017
ACCRUED EXPENSES AND DEFERRED INCOME	**51 637**	**47 775**
Miscellaneous tax payables	111 505	99 612
Liabilities from factoring (continuing involvement) (see Note 6.8)	60 973	66 150
Accrued interest from factoring	1 073	1 133
Other payables to third parties	11 610	13 448
Other payables to related parties (see Note 6.6)	368	216
OTHER PAYABLES	**185 529**	**180 559**
TOTAL ACCRUED EXPENSES, DEFERRED INCOME AND OTHER PAYABLES	**237 166**	**228 334**

Accrued expenses, deferred income, and other payables are recognized in the statement of financial position at nominal value. They comprise short-term expense accruals and deferred income relating to revenue for subsequent accounting periods already received, as well as accruals for services not yet invoiced. Tax payables include value added and other tax liabilities.

5.10
PROVISIONS

EUR 1 000	Guarantees, returned goods, complaints	Litigations	Restructuring	Other provisions	Total
JANUARY 1, 2018	**3 357**	**1 219**	**0**	**5 066**	**9 642**
Creation	2 800	465	82	4 478	7 825
Effect of acquisitions	19	0	0	102	121
Utilization	−2 670	−100	0	−354	−3 124
Release	0	−204	0	−91	−295
Exchange differences	1	0	0	−41	−40
DECEMBER 31, 2018	**3 507**	**1 380**	**82**	**9 160**	**14 129**
Current provisions	2 920	1 380	82	4 712	9 094
Non-current provisions	587	0	0	4 448	5 035
TOTAL 2018	**3 507**	**1 380**	**82**	**9 160**	**14 129**
JANUARY 1, 2017	**3 274**	**1 069**	**0**	**4 357**	**8 700**
Creation	2 612	182	0	570	3 364
Effect of acquisitions	0	0	0	290	290
Utilization	−2 531	0	0	−226	−2 757
Release	0	−32	0	0	−32
Exchange differences	2	0	0	75	77
DECEMBER 31, 2017	**3 357**	**1 219**	**0**	**5 066**	**9 642**
Current provisions	2 670	1 219	0	1 161	5 050
Non-current provisions	687	0	0	3 905	4 592
TOTAL 2017	**3 357**	**1 219**	**0**	**5 066**	**9 642**

There is an existing guarantee provision for the amount of TEUR 3 507 for the risk of expenses that have not yet occurred but which are expected to occur before the end of the guarantee period that was granted. It is expected that the greater part of the provision will be utilized in the next fiscal year, or at the latest within two years.

The provisions for litigation contain claims for damages as well as legal costs for various pending court cases. For significant parts of the litigation, a settlement is expected in the next fiscal year.

Other provisions contain long-service benefits, other employee allowances, and provisions for various risks. Utilization normally takes place within five years.

The creation of other provisions in 2018 is mainly attributable to the result of tax audits.

5.11
EQUITY

As of December 31, 2018, the number of registered shares each with a nominal value of CHF 1.00 per share totaled 12 848 962. The share capital is unchanged compared to 2017.

Authorized and conditional share capital comprises 2 500 000 shares with a nominal value of CHF 1.00 per share.

TREASURY SHARES

	Number	Value EUR 1 000
JANUARY 1, 2018	**28 089**	**1 822**
Additions	0	0
Disposals	0	0
DECEMBER 31, 2018	**28 089**	**1 822**
JANUARY 1, 2017	**28 089**	**1 194**
Additions	0	0
Disposals	0	0
Measurement adjustment	0	628
DECEMBER 31, 2017	**28 089**	**1 822**

MAJOR SHAREHOLDERS

	12.31.18	12.31.17
Special Distribution Holding GmbH, Düsseldorf (Germany) [1]	51.30 %	51.30 %
Bestinver Gestion, S.G.I.I.C., S.A. Madrid (Spain)	[2]	3.17 %
SaraSelect, c/o J. Safra Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.60 %

Share register as of December 31 (without nominees)
1) Controlling shareholder: Walter P.J. Droege through Droege Group AG
2) Voting rights below the notifiable threshold value of three percent

REGULATIONS REGARDING THE RESTRICTED TRANSFERABILITY OF SHARES

In accordance with Art. 5 of the Articles of Association, the Board of Directors may refuse to register an acquirer of shares as a full shareholder (i.e. as a shareholder with voting rights) unless the acquirer expressly declares that they have acquired the shares in their own name and on their own account.

RETAINED EARNINGS

The distribution of retained earnings is subject to restrictions:

- Special reserves of ALSO Holding AG can only be distributed after a corresponding resolution by the Annual General Meeting.
- The reserves of subsidiaries are first distributed to the parent company in accordance with local tax regulations and legislation.

OPTING-OUT

The obligation to submit a public take-over offer pursuant to Art. 125 paragraph 3 and paragraph 4 FMIA has been waived (“opting out”).

5.12
OTHER RESERVES

EUR 1 000	Cash flow hedge reserve	Exchange differences	Remeasurement of defined benefit plans	**Total other reserves**
DECEMBER 31, 2017 AS REPORTED	**−2 189**	**−1 985**	**−8 991**	**−13 165**
Restatement[1]	0	0	0	0
JANUARY 1, 2018	**−2 189**	**−1 985**	**−8 991**	**−13 165**
Net profit Group	0	0	0	0
Other comprehensive income	−1 758	2 318	244	804
TOTAL COMPREHENSIVE INCOME	**−1 758**	**2 318**	**244**	**804**
Distributions to shareholders	0	0	0	0
Remeasurement of put options on shares of non-controlling interests	0	0	0	0
DECEMBER 31, 2018	**−3 947**	**333**	**−8 747**	**−12 361**
JANUARY 1, 2017	**−3 777**	**4 806**	**−9 886**	**−8 857**
Net profit Group	0	0	0	0
Other comprehensive income	1 588	−6 791	895	−4 308
TOTAL COMPREHENSIVE INCOME	**1 588**	**−6 791**	**895**	**−4 308**
Distributions to shareholders	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0
Remeasurement of put options on shares of non-controlling interests	0	0	0	0
Measurement adjustment treasury shares	0	0	0	0
DECEMBER 31, 2017	**−2 189**	**−1 985**	**−8 991**	**−13 165**

1) See comment on application of IFRS 9 in Note 2.2

5.13
EARNINGS PER SHARE/DIVIDEND PER SHARE

		2018	2017
NET PROFIT GROUP	**EUR**	**81 133 000**	**92 630 000**
Shares issued (weighted)	Number of shares	12 848 962	12 848 962
Less treasury shares (weighted)	Number of shares	−28 089	−28 089
Available shares weighted for calculation	Number of shares	12 820 873	12 820 873
BASIC EARNINGS PER SHARE	**EUR**	**6.33**	**7.22**
DILUTED NET PROFIT GROUP	**EUR**	**81 133 000**	**92 630 000**
Shares issued (weighted) for calculation	Number of shares	12 820 873	12 820 873
Adjustment for dilution from options	Number of shares	630	953
Diluted shares	Number of shares	12 821 503	12 821 826
DILUTED EARNINGS PER SHARE	**EUR**	**6.33**	**7.22**

The company has 28 089 treasury shares in its portfolio. In the above table, these treasury shares are deducted from the total number of shares outstanding. The diluted figures include the effect of the option program.

The Board of Directors will propose to the Annual General Meeting on March 29, 2019, that a distribution to shareholders for the amount of TCHF 38 463 (CHF 3.00 per share) be paid for the financial year 2018. In the prior year, a distribution to shareholders was made for the amount of TCHF 35 257 (CHF 2.75 per share).

5.14
INVESTMENTS IN ASSOCIATES

EUR 1 000	2018	2017
JANUARY 1	**0**	**0**
Additions (Note 2.5)	17	0
DECEMBER 31	**17**	**0**

The investment in ALSO Financial Services GmbH is reported under financial assets.

6. FURTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 CONTINGENT LIABILITIES

ALSO Deutschland GmbH has received a written demand for information and payment of copyright fees on external hard disks in connection with a tariff that was published in Germany on November 3, 2011. This was the first time that a tariff was published for this category of device. The tariff related to various products and vendors. The tariff has been applied retrospectively as of January 1, 2008, and related to various different types of products. The amount of the fees ranged from EUR 5.00 for simple external hard disks to EUR 34.00 for multimedia hard disks.

The demand was decided upon by the responsible arbitration body. The settlement proposal provided for considerably lower tariffs for the period from 2008 to 2010. The settlement proposal has not been accepted by any of the parties to the dispute. An appeal has been lodged and the proceedings has been continued at the Munich Higher Regional Court.

According to the majority opinion of the vendors, distributors, Bitkom (industry association), and their legal advisors, it was unlikely that the tariff can be applied retrospectively. It is highly probable that the legal conditions for a retrospective publication to be effective are not fulfilled. A liability of ALSO Deutschland GmbH for the period from January 1, 2008, to November 3, 2011, has therefore not been recognized in the statement of financial position.

The amount of the tariffs after publication starting from 2011 was also disputed. ALSO Deutschland GmbH has recognized the published tariffs in the statement of financial position for this period.

In June 2018, the Bitkom industry association agreed on tariffs with the collecting societies responsible for the retroactive period and the period after publication. This made it possible to precisely allocate the tariffs to the hard disk types. ALSO Deutschland GmbH is entered into this contract. In view of this, ALSO Deutschland GmbH therefore reassessed the amount of its obligations in the statement of financial position in 2018. This results in income of TEUR 4 200, which is recognized in the costs of goods sold and services provided.

6.2
FINANCIAL INSTRUMENTS

HEDGING TRANSACTIONS

EUR 1 000	Contract value	Replacement value Positive	Replacement value Negative	Risk	Hedging instruments
Cash Flow Hedge	249 000	0	4 446	Interest	Interest rate swap
Cash Flow Hedge	75 000	2 227	2 452	Interest	Interest rate option
TOTAL DECEMBER 31, 2018	**324 000**	**2 227**	**6 898**		
Cash Flow Hedge	351 000	0	2 786	Interest	Interest rate swap
TOTAL DECEMBER 31, 2017	**351 000**	**0**	**2 786**		

Various cash flow hedges (interest rate swaps) became ineffective or had to be restructured in 2016 and in 2015 due to negative interest rates. As a result of this ineffectiveness or restructuring, measurement changes have therefore been recognized directly in financial result since these cash flow hedges became ineffective or were restructured. In 2018 this resulted in financial income of TEUR 1 051 (previous year: TEUR 1 716). Furthermore, these hedging transactions were reclassified from equity to financial expenses in the amount of TEUR 1 030 (previous year: TEUR 1 619).

For further information about hedging transactions please ► see Note 6.7.

CLASSES OF FINANCIAL INSTRUMENTS 2018

EUR 1 000	At fair value through profit or loss	At fair value through OCI	Amortized cost	Hedge accounting	Non-financial instruments	**Carrying amount 12.31.2018**
FINANCIAL ASSETS						
Cash and cash equivalents			240 405			**240 405**
Trade receivables (Note 5.2)		505 856	116 367			**622 223**
Prepaid expenses, accrued income and other receivables (Note 5.4)			318 006		19 215	**337 221**
Financial assets			8 174			**8 174**
Current derivative financial instruments	203					**203**
Non-current derivative financial instruments				2 227		**2 227**
FINANCIAL LIABILITIES						
Financial liabilities (Note 5.8)	1 430		402 094			**403 524**
Trade payables			1 015 783			**1 015 783**
Accrued expenses, deferred income and other payables (Note 5.9)			74 024		163 142	**237 166**
Current derivative financial instruments	66			512		**578**
Non-current derivative financial instruments	1 411			6 386		**7 797**

In 2018, the net gain from financial instruments measured at fair value through profit or loss (mainly forward exchange contracts, options and contingent considerations from acquisitions) amounted to TEUR 1 048.

The carrying amount of the financial instruments is essentially the fair value.

CLASSES OF FINANCIAL INSTRUMENTS AS OF JANUARY 1, 2018 (ADOPTION OF IFRS 9) [1]

EUR 1 000	At fair value through profit or loss	At fair value through OCI	Amortized cost	Hedge accounting	Non-financial instruments	**Carrying amount 1.1.2018**
FINANCIAL ASSETS						
Cash and cash equivalents			235 561			**235 561**
Trade receivables (Note 5.2)		485 778	84 857			**570 635**
Prepaid expenses, accrued income and other receivables (Note 5.4)			238 462		19 257	**257 719**
Financial assets			2 280			**2 280**
Current derivative financial instruments	70					**70**
Non-current derivative financial instruments	77			47		**124**
FINANCIAL LIABILITIES						
Financial liabilities (Note 5.8)	621		408 672			**409 293**
Trade payables			851 090			**851 090**
Accrued expenses, deferred income and other payables (Note 5.9)			80 947		147 387	**228 334**
Current derivative financial instruments	360			717		**1 077**
Non-current derivative financial instruments	2 750			2 116		**4 866**

1) Previous year is based on the classification and measurement after the first-time adoption of IFRS 9 on January 1, 2018 (see Note 2.2 "Significant changes in the accounting and measurement principles")

In 2017, the net gain from financial instruments measured at fair value through profit or loss (mainly forward exchange contracts, options and contingent considerations from acquisitions) amounted to TEUR 1 154.

The carrying amount of the financial instruments is essentially the fair value.

FAIR VALUE HIERARCHY

ALSO applies the following measurement hierarchy to determine the fair value of financial instruments:

Level 1: Listed, unchanged market price in active markets.

Level 2: Measurement methods in which all assumptions that have a material impact on the fair value are indirectly or directly available.

Level 3: Measurement methods with assumptions that have a material impact on the fair value which are not publicly available.

FAIR VALUE OF THE FINANCIAL INSTRUMENTS 2018

EUR 1 000	Level 1	Level 2	Level 3	Fair value 12.31.2018
FINANCIAL ASSETS				
Current derivative financial instruments		203		**203**
Forward exchange contracts		*203*		***203***
Non-current derivative financial instruments		2 227		**2 227**
Interest rate swaps		*2 227*		***2 227***
FINANCIAL LIABILITIES				
Contingent consideration from acquisitions of subsidiaries			−1 430	**−1 430**
Current derivative financial instruments		−578		**−578**
Forward exchange contracts		*−66*		***−66***
Interest rate swaps		*−181*		***−181***
Interest rate options		*−331*		***−331***
Non-current derivative financial instruments		−6 386	−1 411	**−7 797**
Interest rate swaps		*−4 265*		***−4 264***
Interest rate options		*−2 121*		***−2 121***
Put options on non-controlling interests			*−1 411*	***−1 411***
TOTAL FINANCIAL LIABILITIES LEVEL 3			**−2 841**	

FAIR VALUE OF THE FINANCIAL INSTRUMENTS AS OF JANUARY 1, 2018 (ADOPTION OF IFRS 9) 1)

EUR 1 000	Level 1	Level 2	Level 3	Fair value 1.1.2018
FINANCIAL ASSETS				
Current derivative financial instruments		70		**70**
Forward exchange contracts		*70*		***70***
Non-current derivative financial instruments		124		**124**
Interest rate swaps		*124*		***124***
FINANCIAL LIABILITIES				
Contingent consideration from acquisitions of subsidiaries			−621	**−621**
Current derivative financial instruments		−1 077		**−1 077**
Forward exchange contracts		*−360*		***−360***
Interest rate swaps		*−717*		***−717***
Non-current derivative financial instruments		−2 116	−2 750	**−4 866**
Interest rate swaps		*−2 116*		***−2 116***
Put options on non-controlling interests			*−2 750*	***−2 750***
TOTAL FINANCIAL LIABILITIES LEVEL 3			**−3 371**	

1) Previous year is based on the classification and measurement after the first-time adoption of IFRS 9 on January 1, 2018 (see Note 2.2 "Significant changes in the accounting and measurement principles")

RECONCILIATION OF FINANCIAL INSTRUMENTS WITHIN LEVEL 3

EUR 1 000	2018	2017
JANUARY 1	**–3 371**	**–2 763**
Recognition of contingent consideration from the acquisition of subsidiaries	–1 356	–1 459
Fair value adjustments of contingent consideration from the acquisition of subsidiaries recognized in financial result	547	838
Exercise of put options/call options	0	2 763
Fair value adjustments/recognition of put options recognized in equity	1 339	–2 750
DECEMBER 31	**–2 841**	**–3 371**

In 2018 and 2017 respectively, there were no transfers of financial instruments between Level 1 and Level 2. There were also no transfers into or out of Level 3.

MEASUREMENT TECHNIQUES OF FINANCIAL INSTRUMENTS WITHIN LEVEL 2

Forward exchange contracts are measured based on observable forward rates and spot rates and are recognized at their positive or negative replacement value. Interest rate swaps and interest rate options are measured based on the net present value of observable forward rates and recognized in the statement of financial position at their positive or negative replacement value respectively.

MEASUREMENT TECHNIQUES OF FINANCIAL INSTRUMENTS WITHIN LEVEL 3

The fair value of contingent considerations from the acquisition of subsidiaries, put options on shares of non-controlling interests and call options is calculated based on contractually agreed measurement methods. These calculations are based on the expected future operating profits of subsidiaries and, therefore, depend on assumptions that are neither directly nor indirectly observable in the market. The expected future operating profits are based on medium-term plans which cover a period of three years. Those plans are reviewed by the management of ALSO.

A change in the underlying expected future profits would have the following effect on the fair value:

SENSITIVITY OF FINANCIAL INSTRUMENTS WITHIN LEVEL 3

EUR 1 000	2018	2017
5 % increase in the expected future results	–179	–242
5 % reduction in the expected future results	175	242

6.3
PLEDGED OR ASSIGNED ASSETS SERVING AS COLLATERAL FOR OWN LIABILITIES

EUR 1 000	2018	2017
Inventories	20 873	20 877
Property, plant and equipment	19 650	19 901
TOTAL ASSETS PLEDGED	**40 523**	**40 778**

The property, plant, and equipment shown above has been pledged as collateral against existing mortgages in Switzerland and Austria. The inventories have been pledged as collateral against trade payables in Finland.

6.4
RENTAL AND LEASING COMMITMENTS

PAYMENTS FOR FIXED-TERM CONTRACTS (OPERATING LEASE)

EUR 1 000	2018	2017
Due in 1st year	27 330	24 396
Due in 2nd – 5th year	79 102	65 092
Due from the 6th year onwards	13 258	18 464

Rental agreements for some buildings of the ALSO Group include options to extend the rental period.

PAYMENTS FOR FIXED-TERM CONTRACTS (FINANCE LEASE)

EUR 1 000	2018	2017
Due in 1st year	875	579
Due in 2nd – 5th year	5 192	562
	6 067	**1 141**
Minus interest expense component	–148	–29
TOTAL FINANCIAL DEBT FROM FINANCE LEASE (NOTE 5.8)	**5 919**	**1 112**
Of which current	853	559
Of which non-current	5 066	553

The finance leases mainly comprise IT systems and printers in Germany.

CASH RECEIPTS AS LESSOR

EUR 1 000	2018	2017
Due in 1st year	625	428
Due in 2nd – 5th year	5 177	860
Due from the 6th year onwards	115	180

Cash receipts as lessor mainly comprise printers in Germany. Individual companies of the ALSO Group act as lessor for office and warehouse space for indefinite terms. The leases can be terminated at 2 or 15 months’ notice.

6.5
SUBSIDIARIES

Country	Head office	Company	Participation[1)] 12.31.2018	Participation[1)] 12.31.2017	Share capital in 1 000	Currency	Code
Switzerland	Emmen	ALSO Holding AG			12 849	CHF	S
	Emmen	ALSO Schweiz AG	100 %	100 %	100	CHF	D
	Thun	NRS Printing Solutions AG	100 %	100 %	100	CHF	S
	Emmen	Quatec AG	100 %	100 %	100	CHF	S
	Emmen	Bachmann Mobile Kommunikation AG	100 %	100 %	100	CHF	S
Belgium	Mechelen	ALSO Belgium BVBA (formerly Five 4 U BVBA)	100 %	100 %	8 331	EUR	D
Denmark	Tåstrup	ALSO A/S	100 %	100 %	39 000	DKK	D
Germany	Soest	ALSO Deutschland GmbH	100 %	100 %	20 000	EUR	D
	Osnabrück	NT plus GmbH	100 %	100 %	12 500	EUR	D
	Osnabrück	SEAMCOM GmbH & Co. KG	100 %	100 %	203	EUR	D
	Osnabrück	SEAMCOM Verwaltungs GmbH	100 %	100 %	26	EUR	S
	Straubing	ALSO MPS GmbH	100 %	100 %	100	EUR	S
	Berlin	druckerfachmann.de GmbH & Co. KG	100 %	100 %	200	EUR	S
	Berlin	LumIT GmbH	100 %	100 %	25	EUR	S
	Soest	ALSO International Services GmbH	100 %	100 %	100	EUR	S
	Soest	ALSO IH GmbH	100 %	100 %	25	EUR	S
	Soest	Impaso Online Services GmbH	100 %	100 %	25	EUR	S
	Staufenberg	Fulfilment Plus GmbH	100 %	100 %	50	EUR	S
	Pullach i. Isartal	SINAS Beteiligungs GmbH & Co. Vermietungs-KG[2)]	0 %	0 %	9	EUR	S
	Soest	MEDIUM GmbH	100 %	100 %	25	EUR	D
	Frankfurt am Main	Pestinger GmbH	74.8 %	74.8 %	26	EUR	D
	Stuttgart	Beamer & more GmbH	51 %	51 %	25	EUR	D
	Berlin	ALSO Enterprise Services GmbH	100 %	100 %	100	EUR	S
	Berlin	druckerfachmann Verwaltungs GmbH (formerly ALSO bringback GmbH)	100 %	100 %	25	EUR	S
	Berlin	Webinstore AG	99.99 %	99.99 %	500	EUR	S
	Soest	ALSO Mobility Services GmbH	100 %	100 %	25	EUR	S
	Soest	ALSO Logistics Services GmbH i. L.[2)]	100 %	100 %	25	EUR	S
	Seevetal	ALSO Financial Services GmbH[2)]	9.9 %	–	50	EUR	S
Estonia	Tallinn	ALSO Eesti OÛ	100 %	100 %	192	EUR	D
	Tallinn	Internet Smartsec OÛ	[3)]	100 %	3	EUR	D
Finland	Tampere	ALSO Nordic Holding Oy	100 %	100 %	10 000	EUR	S
	Tampere	ALSO Finland Oy	100 %	100 %	841	EUR	D
	Helsinki	ALSO Cloud Oy	100 %	100 %	11	EUR	S
	Helsinki	ALSO Cloud Solutions Oy	100 %	100 %	3	EUR	S

Country	Head office	Company	Participation [1] 12.31.2018	Participation [1] 12.31.2017	Share capital in 1 000	Currency	Code
France	Gennevilliers	ALSO France S.A.S.	100 %	100 %	14 500	EUR	D
	Gennevilliers	LAFI Logiciels Application Formation Information S.A.S	100 %	100 %	400	EUR	S
	Paris	BeIP S.A.S.	51 %	51 %	147	EUR	D
	Dardilly	DistriWan S.A.S.	100 %	–	300	EUR	D
Latvia	Mārupe	SIA „ALSO Latvia“	100 %	100 %	1 210	EUR	D
	Riga	ALSO Cloud Latvia SIA	100 %	100 %	100	EUR	S
Lithuania	Kaunas	UAB „ALSO Lietuva“	100 %	100 %	1 883	EUR	D
	Kaunas	UAB „Sophela“	100 %	–	3	EUR	S
Morocco	Casablanca	BeIP International	100 %	100 %	50	MAD	D
Netherlands	Nijmegen	ALSO Nederland B.V.	100 %	100 %	1 000	EUR	D
	Nijmegen	ALSO Digital Holding B.V. in Liquidation [2]	51 %	51 %	18	EUR	S
	Nijmegen	ALSO Digital B.V. [2]	100 %	100 %	18	EUR	S
	Nijmegen	ALSO International B.V.	100 %	100 %	18	EUR	D
	Utrecht	All 4 U B.V.	[4]	100 %	50	EUR	S
	Utrecht	Esseko B.V.	[4]	100 %	54	EUR	D
	Utrecht	Five 4 U Nederland B.V.	[4]	100 %	10	EUR	D
Norway	Stokke	ALSO AS	100 %	100 %	11 063	NOK	D
Austria	Gross- Enzersdorf	ALSO Austria GmbH	100 %	100 %	100	EUR	D
Poland	Warsaw	ALSO Polska sp. z o.o.	99.99 %	99.99 %	41 705	PLN	D
	Goleniow	MLS sp. z o.o.	100 %	100 %	5 000	PLN	D
	Goleniow	Blue Bridge sp. z o.o.	100 %	100 %	100	PLN	S
	Szczecin	iTerra sp. z o.o.	100 %	100 %	3 250	PLN	D
Sweden	Malmö	ALSO Sweden AB	100 %	100 %	1 000	SEK	D
Slovenia	Ljubljana	ALSO d.o.o.	100 %	100 %	8	EUR	S
	Ljubljana	DISS d.o.o.	100 %	–	1 710	EUR	D
	Ljubljana	VAD d.o.o.	100 %	–	50	EUR	D
	Ljubljana	Marmis d.o.o.	100 %	–	9	EUR	D
Ukraine	Kiev	TOB Sophela	100 %	–	96	UAH	S
Belarus	Minsk	Sophela OOO	100 %	–	7	BYN	S

Codes: D = Distribution; S = Service/Holding company

1) Participation equals ALSO Holding AG's direct or indirect voting interest in the company.
2) Regarding the consolidation, please refer to Note 2.5
3) Internet Smartsec OÜ was liquidated in 2018
4) In 2018, All 4 U B.V., Esseko B.V. and Five 4 U Nederland B.V. merged with ALSO Nederland B.V.

6.6
TRANSACTIONS WITH RELATED PARTIES

Existing receivables and payables at the reporting date are unsecured. In 2018 and 2017 respectively, no impairments of receivables were necessary. There are no guarantees, pledges, or other contingent liabilities in favor of related parties. The following transactions and volumes took place with related parties:

TRANSACTIONS WITH PRINCIPAL SHAREHOLDERS

EUR 1 000	2018	2017
Net sales to Droege Group	578	111
Net sales to ALSO Financial Services GmbH	131	0
Operating expenses Droege Group	−3 368	−2 595
Trade receivables Droege Group	53	63
Trade receivables ALSO Financial Services GmbH	75	0
Loan to ALSO Financial Services GmbH	2 000	0
Trade payables Droege Group (Note 5.9)	−368	−216

The distributions of TEUR 15 769 to Droege that were decided at the General Meeting of March 27, 2018 were paid on April 4, 2018.

LIABILITIES TO ALSO PENSION FUND

EUR 1 000	2018	2017
ALSO Holding AG	−4	0
ALSO Schweiz AG	−252	−303

TRANSACTIONS WITH KEY MANAGEMENT

EUR 1 000	2018	2017
Salaries [1]	4 274	4 471
Contributions to pension plans	264	304
Anniversary bonuses or other special payments	0	1
Retirement bonuses	0	0
Employee shares/options	0	0
TOTAL COMPENSATION	**4 538**	**4 776**

1) Fixed compensation (salaries and flat-rate expenses), bonuses, Board of Directors' fees, employer contributions for social security, and other non-monetary benefits/reductions

OPTION CONDITIONS

Year of issue	Right to	Exercise period	Exercise price in CHF [1]	Market price then applicable in CHF [1]	**Open on 12.31.2018** Number
2011	Shares	May 1, 2014 to April 30, 2020	45.40	16.88	1 006
TOTAL					**1 006**

1) In the interest of comparability, no conversion to euro was made.

In the reporting year, 500 options were exercised. At December 31, 2018, 1 006 options were exercisable. The options are valued according to the Hull-White model, which explicitly takes account of the effects of the restriction period and of an early exercise of the options. The fair value of the options was recognized in profit or loss, and one third (vesting period) was charged to personnel expenses, lastly in 2013.

6.7 FINANCIAL RISK MANAGEMENT

PRINCIPLES OF RISK MANAGEMENT

In relation to its financial assets and liabilities, ALSO is exposed to special risks arising from changes in exchange rates and interest rates. In addition to these market risks, there are also liquidity and credit risks. The objective of financial risk management is to control and limit these market risks by ongoing operational and financial activities. For this purpose, and depending on the estimated risk, selected hedging instruments are used. Derivative financial instruments are used exclusively as hedging instruments, i.e. they are not used for trading or speculative purposes. To minimize the default risk, the material hedging transactions are only entered into with leading financial institutions.

At regular intervals, the appropriateness of the risk management and the internal control system is reviewed by the Board of Directors and modified if necessary. This ensures that the Board of Directors and the Group Management are completely and promptly informed of material risks. In addition, monthly internal reports on the financial position of the company allow any risks arising from the ongoing business to be recognized as early as possible, and corresponding countermeasures to be initiated. For this purpose, Accounting and Controlling constantly adapt their reporting systems to changing conditions.

For optimal cash management, the management of liquidity not required for ongoing operations and the long-term financing of the Group is centralized. The treasury function also records, monitors, and controls financial risks based on information provided by the Board of Directors and Group Management.

CREDIT RISK

Credit risk is the risk of economic loss resulting from a counterparty being unable or unwilling to fulfil its contractual payment obligations. Credit risk thus includes not only the immediate default risk, but also the risk of a worse credit rating along with the risk of concentration of individual risks.

In its operational business, as well as in some of its financing activities, ALSO is exposed to a default risk. In the financial area, ALSO manages the resulting risk position by the diversification of financial institutions and by verification of the financial strength of each counterparty based on publicly available ratings, as well as on publicly available ad-hoc information about the financial institutions.

CREDIT QUALITY AS OF DECEMBER 31, 2018

EUR 1 000	Standard & Poor's	AA–	A+	A	A–	BBB+	BBB	No rating	Total
	Moody's	Aa3	A1	A2	A3	Baa1	Baa2		
Cash and cash equivalents (Note 5.1)		66 724	20 401	31 869	39 544	79 323	97	2 447	**240 405**
Receivables from factoring (Note 5.4)		32 815	50 640	132 229	13 055	7 983	15 216	0	**251 938**
		20 %	14 %	34 %	11 %	18 %	3 %	0 %	**100 %**

Cash and cash equivalents with a rating from Fitch of BB in the amount of TEUR 1 129 are included in the category "no rating".

CREDIT QUALITY AS OF DECEMBER 31, 2017

EUR 1 000	Standard & Poor's	AA–	A+	A	A–	BBB+	BBB	kein Rating	Gesamt
	Moody's	Aa3	A1	A2	A3	Baa1	Baa2		
Cash and cash equivalents (Note 5.1)		93 246	4 248	46 728	47 408	37 271	185	6 475	**235 561**
Receivables from factoring (Note 5.4)		32 747	41 437	88 770	13 409	7 480	14 319	0	**198 162**
		29 %	11 %	32 %	14 %	10 %	3 %	1 %	**100 %**

Cash and cash equivalents with a rating from Fitch of BB in the amount of TEUR 2 126 are included in the category "no rating".

The credit quality of financial institutions is displayed based on public ratings by Standard & Poor's or Moody's. The rating code is a letter code that indicates the default risk of a debtor (country, company) and hence allows easy assessment of its creditworthiness. An independent, statistically determinable and validatable probability of default can be assigned to each rating code.

AAA/Aaa	Risk of default is virtually zero.
AA/Aa	Safe investment, with slight risk of default.
A	The investment is safe provided that no unforeseen eventualities impair the overall economy or the industry.
BBB/Baa	The investment is sufficient save but more dependent on economic developments than the above categories.
<BBB/Baa	Mainly investments for which no public rating exists.

Ratings may be modified by the addition of a plus (+) or minus (–) sign or by the numbers 1 to 3 to move the rating up or down within the rating group.

In the operational area, ALSO limits the default risk by constantly monitoring customers' credit ratings and setting credit limits based thereon. The operational companies of the Group have largely insured their open trade receivables by means of credit insurances. The credit insurances generally cover defaults for 85 to 95 % of the insured amounts. The residual credit default risk on trade receivables is therefore considered by ALSO to be limited, particularly since it is further minimized by the large number of customers and their wide geographical distribution. In addition, to further reduce default risks, certain receivables were completely sold.

Resulting from this sale are receivables from factors amounting to TEUR 251 938 (previous year: TEUR 198 162) ► see Note 5.4, which are spread over several factoring partners. The largest receivable from a single factoring partner is for TEUR 62 397 (previous year: TEUR 47 603). During the long-standing business relationships with the factoring companies, no losses on receivables have occurred. The risk of loss on receivables from factoring partners is not insured with credit insurances. The default risk of loss is minimized by ALSO through regular evaluation of the factoring partners.

Receivables which have not been sold, are impaired in general and if necessary by individual amounts. Experience from the past indicates that this risk can be considered to be low ► see also Note 5.2. The maximum credit risk (including derivative financial instruments with a positive market value) is represented by the carrying amounts of the financial assets. ALSO has not issued any financial guarantees in favor of third parties.

LIQUIDITY RISKS

The central liquidity risk management system ensures that the Group is always in a position to fulfil its payment obligations promptly. ALSO continuously monitors its liquidity with a detailed cash flow plan on a daily basis. Extensive planning ensures furthermore that sufficient liquidity is available in the medium and long term.

ALSO's objective is to obtain liquidity corresponding to the necessary timing. Since the main requirement for finance is to cover the operational business activities, which are subject to large seasonal fluctuations, over the year as a whole most of the sources of funds are short-term. The necessary funds are mainly obtained by selling existing receivables to factoring companies and supplemented by bank lines of credit that are available at short notice. At the reporting date, the unutilized available credit lines with banks amounted to EUR 355 million (previous year: EUR 341 million).

The following table shows the financial liabilities of the Group by expiration date. The information is based on contractually agreed undiscounted interest and amortization payments. Forward purchases and sales of foreign currencies are not included in the financial derivatives. Since the forward transactions do not cause any net negative cash flow, they do not present a liquidity risk to ALSO.

FINANCIAL LIABILITIES BY EXPIRATION DATE 2018

EUR 1 000	Carrying amount 12.31.2018	Total cash flow	Up to 1 year	1 to 5 years	More than 5 years
Trade payables	1 015 783	1 015 783	1 015 783	0	0
Other liabilities	74 024	74 024	74 024	0	0
Loans from banks and third parties and bonded loans	336 361	352 650	66 179	207 198	79 273
Liabilities from factoring	55 686	55 742	55 742	0	0
Contingent consideration from the acquisition of subsidiaries	5 558	5 558	5 484	74	0
Finance lease	5 919	6 067	875	5 192	0
TOTAL	**1 493 331**	**1 509 824**	**1 218 087**	**212 464**	**79 273**
DERIVATIVE FINANCIAL INSTRUMENTS					
Put options	1 411	1 502	0	1 502	0
Interest rate swaps (net)		11 246	1 158	6 599	3 489
Interest rate options (net)		2 650	331	1 323	996

FINANCIAL LIABILITIES BY EXPIRATION DATE 2017

EUR 1 000	Carrying amount 12.31.2017	Total cash flow	Up to 1 year	1 to 5 years	More than 5 years
Trade payables	851 090	851 090	851 090	0	0
Other liabilities	80 947	80 947	80 947	0	0
Loans from banks and third parties and bonded loans	358 358	379 368	41 204	240 207	97 957
Liabilities from factoring	44 021	44 139	44 139	0	0
Contingent consideration from the acquisition of subsidiaries	5 802	5 802	2 341	2 505	956
Finance lease	1 112	1 141	579	562	0
TOTAL	**1 341 330**	**1 362 487**	**1 020 300**	**243 274**	**98 913**
DERIVATIVE FINANCIAL INSTRUMENTS					
Put options	2 750	2 984	0	2 984	0
Interest rate swaps (net)		12 685	1 390	6 130	5 165

The table includes all instruments held on December 31, 2018 and 2017 respectively, for which payments had already been contractually agreed. Plan figures for future new liabilities are not included. Foreign currency amounts were translated at the year-end exchange rate. The variable interest payments from the financial instruments were calculated using the interest rates fixed at December 31, 2018 and 2017, respectively. Financial liabilities that can be repaid at any time are always assigned to the earliest maturity date, irrespective of the fact that the greater part of these financial liabilities is revolving.

INTEREST RATE RISKS

ALSO's interest rate risks relate mainly to current financial liabilities with variable interest rates. Interest rate fluctuations cause changes in the interest income and expense of the interest-bearing assets and liabilities. ALSO is particularly exposed to interest rate risks in EUR, CHF, PLN and DKK.

The interest rate management is handled centrally. Short-term interest rate risks are only partially hedged, a material part of interest bearing-liabilities hence remaining exposed to interest rate fluctuations. Also ► see Note 6.2.

Taking into account the existing and planned debt structure, interest derivatives are used if necessary to meet the bandwidths recommended by central Group treasury and prescribed by management. Since ALSO uses fixed as well as variable interest-bearing instruments, interest risks may result from an increase as well as a decrease in market interest rates.

SENSITIVITY ANALYSIS

Interest rate risks are evaluated by means of sensitivity analyses. These sensitivity analyses demonstrate the effects of changes in market interest rates on unsecured variable interest expense and income, as well as on equity, when all other variables remain constant.

The change in the market interest rates affects the value and the effectiveness of the hedging instruments and therefore affects equity and the financial result. If the market interest rate on December 31, 2018 and 2017 respectively, had been 100 base points higher/lower, the effect would have been as follows:

SENSITIVITY OF INTEREST RATES 2018

EUR 1 000	Effect on the financial result	Effect on the equity
Market interest rates +100 bps	−8 736	6 836
Market interest rates –100 bps	2 496	−5 560

SENSITIVITY OF INTEREST RATES 2017

EUR 1 000	Effect on the financial result	Effect on the equity
Market interest rates +100 bps	−7 956	7 807
Market interest rates –100 bps	2 076	−6 543

Market interest rates were slightly negative in 2018 and 2017. Because some financing partners do not pass on negative interest rates to ALSO, the financing costs would not be affected to the same extent by a 100 bps decrease as they would be by a 100 bps increase. ALSO concluded new hedging instruments in 2017 that take account of the negative interest rate environment so as to rule out additional negative effects on the financial result. Amongst others, ALSO uses interest rate options to protect itself against increasing interest rates in the mid-term. However, those instruments do not have an impact on the financial result in the above disclosed sensitivity of interest rates. The measurement of hedging instruments is purely a valuation effect that does not result in any outflow of cash for ALSO.

This analysis is based on the assumption that the amount at the respective reporting date corresponds closely to the average amount utilized during the year.

EXCHANGE RATE RISKS

A material part of the cash flows of the operational companies occurs in currencies which are not the functional currencies of those subsidiaries. ALSO is therefore exposed to foreign currency risks. Foreign currency risks are only hedged if they affect the cash flow of the Group. Exchange rate risks that arise in the consolidated financial statements through the translation of income statement and statements of financial position of subsidiaries are not hedged.

In the purchasing area, a certain amount is conducted in foreign currencies, especially EUR (where it is not the functional currency) and in USD. To hedge this exchange rate risk, Central Treasury hedges the purchasing volumes of the operating companies outside their functional currency.

Group-internal loans between subsidiaries with different functional currencies give rise to foreign currency risks. ALSO hedges most of these risks. Speculative borrowing or lending in foreign currencies is not permitted. Transaction-related foreign currency risks are also monitored and the corresponding net exposures in the various currencies are calculated.

By regular use of forward contracts, ALSO constantly reduces the exchange rate risk so that there is no material exchange rate risk to the Group. The table below shows the main unsecured net exposures of the Group at the end of 2018 and 2017 respectively. These usually reflect the open risks over the year.

UNHEDGED NET EXPOSURE

EUR 1 000	EUR/USD	EUR/CHF	EUR/PLN	EUR/DKK	EUR/NOK	EUR/SEK	EUR/GBP
December 31, 2018	53 462	18 312	26 376	2 224	11 499	6 254	490
December 31, 2017	20 609	12 008	43 506	13 058	10 039	8 519	7 206

SENSITIVITY ANALYSIS

If, on December 31, 2018 and 2017 respectively, the EUR had been 10 % stronger/weaker relative to the reporting date balances in those currencies, and all other variables had remained unchanged, the income statement and shareholders' equity (net, after tax) would have been TEUR 7 178 higher/lower (previous year: TEUR 8 989). The disclosed net exposures are mainly offset by inventories which are held in foreign currencies. Those inventories will be sold within a short period of time and would therefore largely compensate the effects explained above on the income statement.

Exchange differences resulting from the translation of entities whose functional currency is not the Euro are not included in the sensitivity analysis.

CAPITAL MANAGEMENT

The overriding objective of capital management at ALSO is to maintain an appropriate equity base in order to preserve the trust of investors, customers, and the market, and to support future developments in the core business. The internal target value for the ratio of equity to total assets has been defined as 25 to 35 %.

The capital management serves to maintain an optimal Group-wide capital structure which not only gives ALSO sufficient financial flexibility, but also maintains a high credit rating.

The equity structure can be maintained or modified by means of the dividend policy, capital repayments, and, if necessary, capital increases.

The capital structure is monitored on the basis of the net financial debt and reported equity. Net financial debt comprises interest-bearing financial liabilities less cash and cash equivalents.

EUR 1 000	**12.31.2018**		12.31.2017	
Current financial liabilities	124 449		83 571	
Non-current financial liabilities	279 075		325 722	
TOTAL FINANCIAL LIABILITIES (NOTE 5.8)	**403 524**		**409 293**	
./. Cash and cash equivalents (Note 5.1)	−240 405		−235 561	
Net financial debt	163 119	7 %	173 732	8 %
Reported equity	675 729	28 %	623 295	29 %
Equity and net financial debt	838 848	35 %	797 027	37 %
TOTAL LIABILITIES AND EQUITY	**2 382 261**	**100 %**	**2 158 504**	**100 %**

6.8
FACTORING

ALSO has sold or assigned trade receivables to independent factoring companies. To the extent that a significant transfer of risk takes place, these transactions reduce the total receivables of the Group.

RECEIVABLES FULLY DERECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION:
If the sale of trade receivables transfers all material rewards and risks to the factoring company, under IFRS 9 these receivables are fully derecognized and a corresponding receivable from the factoring company is recognized ► see Note 5.4.

Due to the contractual terms of the factoring program, ALSO is exposed to certain residual risks even after the trade receivables are sold. For the time period between maturity and payment of the sold receivables, ALSO is obliged to pay interest to the factoring company (interest risk for late payments).

RESIDUAL RISKS OF FULLY DERECOGNIZED RECEIVABLES

EUR 1 000	Carrying amount/fair value of loss risk	Theoretical maximum loss risk
Interest risk for late payment	119	2 069
TOTAL DECEMBER 31, 2018	**119**	**2 069**
Interest risk for late payment	123	1 978
TOTAL DECEMBER 31, 2017	**123**	**1 978**

Taking into account ongoing creditworthiness checks, the large number of customers, and their historical payment behavior, as well as the known time period between maturity and payment of the sold receivables, ALSO expects that interest of TEUR 119 (previous year: TEUR 123) for late payments will be due on sold receivables at December 31, 2018. Corresponding accruals for these amounts were therefore made at December 31, 2018 and 2017, respectively.

Should the theoretical case occur of default on payment of all receivables that have been sold, ALSO would have to pay interest to the factors for the time period between maturity of the sold receivables and a contractually agreed latest date. As of at December 31, 2018, the theoretical maximum value at risk from this loss was estimated at TEUR 2 069 (previous year: TEUR 1 978).

RECEIVABLES NOT FULLY DERECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION:

In some agreements, neither complete transfer nor complete retention of the rewards and risks of the receivables can be assumed. Under these agreements, the trade receivables are not fully derecognized, and a residual amount remains recognized in the statement of financial position. Under IFRS 9, this residual amount represents a so-called "continuing involvement".

The trade receivables of TEUR 622 223 (previous year: TEUR 570 713), ► see Note 5.2 therefore contain a continuing involvement for the amount of TEUR 60 698 (previous year: TEUR 65 867).This is composed of the residual interest risk for late payments of TEUR 1 499 (previous year: TEUR 4 902), the residual credit risk of TEUR 52 973 (previous year: TEUR 51 647), and the residual exchange rate risk of TEUR 6 226 (previous year: TEUR 9 319).

Due to the continuing involvement, there is a corresponding obligation for the amount of TEUR 60 698 (previous year: TEUR 65 867), which is recognized in accrued expenses, deferred income and other payables. In addition, there is an accrual for the amount of TEUR 156 (previous year: TEUR 160) for the fair value of the residual risk of the continuing involvement. Only the change in the true uncollectibility and interest risk is recognized through profit or loss.

NET OBLIGATION 2018

EUR 1 000	Carrying amount/fair value
Asset from continuing involvement	60 698
Obligation from continuing involvement	60 854
NET OBLIGATION AT DECEMBER 31, 2018	**–156**

NET OBLIGATION 2017

EUR 1 000	Carrying amount/fair value
Asset from continuing involvement	65 867
Obligation from continuing involvement	66 027
NET OBLIGATION AT DECEMBER 31, 2017	**–160**

At the reporting date, the gross amount of these sold receivables with continuing involvement was TEUR 553 396 (previous year: TEUR 628 189).

LIABILITY FROM FACTORING 2018

EUR 1 000	Fair value of the remaining risk	Obligation from continuing involvement	Total liability from factoring
Receivables fully derecognized	119	0	119
Receivables not fully derecognized	156	60 698	60 854
DECEMBER 31, 2018 (NOTE 5.9)	**275**	**60 698**	**60 973**

LIABILITY FROM FACTORING 2017

EUR 1 000	Fair value of the remaining risk	Obligation from continuing involvement	Total liability from factoring
Receivables fully derecognized	123	0	123
Receivables not fully derecognized	160	65 867	66 027
DECEMBER 31, 2017 (NOTE 5.9)	**283**	**65 867**	**66 150**

6.9 EVENTS AFTER THE REPORTING PERIOD

No material events occurred after the reporting period.

6.10 APPROVAL OF THE ALSO GROUP CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were released for publication by the Board of Directors of ALSO Holding AG on February 12, 2019, and will be submitted to the Annual General Meeting of March 29, 2019, for approval.

pwc

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2018

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ALSO Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended on 31 December 2018, the consolidated statement of financial position as at 31 December 2018, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

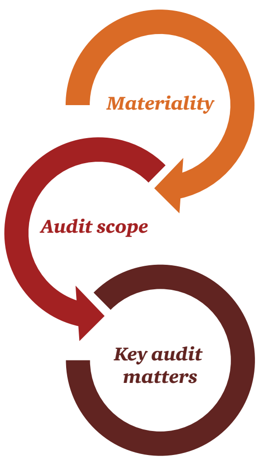
In our opinion, the consolidated financial statements ► **pages 78 to 145** give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview	Overall materiality: EUR 5 800 000
	We concluded full scope audit work and audit work of one and more account balances at 14 reporting units in 11 countries. Our audit scope addressed over 90 % of the Group's net sales, 86 % of the assets and 81 % of the profit of the Group.
	In addition, we concluded reviews at a further 4 reporting units in 4 countries, which addressed an additional 8 % of the Group's net sales, 5 % of the assets and 12 % of the profit of the Group. As a key audit matter, the following area of focus has been identified: Impairment testing of goodwill

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 5 800 000
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above EUR 580 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the work performed at Group components by auditors in the PwC network and by third parties. All significant subsidiaries of the Group were audited by PwC. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether adequate sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors and an investigation of the risk assessment.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF GOODWILL

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill was deemed a key audit matter for the following two reasons: Goodwill represents a significant amount on the balance sheet. It amounts to a total of EUR 152.1 million (6.4 % of total assets), of which EUR 134.7 million relates to the Central Europe cash-generating unit and EUR 17.4 million relates to the North/Eastern Europe cash-generating unit. In addition, there is significant scope for judgement in determining the assumptions relating to future business results and the discount rate applied to forecasted cash flows. Please refer to ► **page 87** (key assumptions and estimates), ► **page 94** (accounting standards for intangible assets and impairment) and ► **page 117** (notes to the consolidated financial statements).	We assessed the impairment tests carried out by the Group by performing the following audit procedures: • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the assumptions made. • We tested whether the values used for the impairment tests were in line with the budget approved by the Board of Directors. • We discussed with Group Management how the country-specific assumptions concerning revenue growth and long-term growth rates have been established. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. • We assessed the reasonableness of the forecasts relating to investments and to the change in net working capital. • For each cash-generating unit (CGU), we compared the discount rate used with its cost of capital. • In addition, using sensitivity analyses, we tested whether a significant change in each of the key assumptions (the discount rate, the EBITDA margin and the long-term growth rate) resulted in the impairment of the goodwill. • We discussed the results of these tests with Group Management in terms of both the headroom available before the goodwill would be impaired and the probability of such a change in the assumptions occurring. In performing the audit procedures listed above, we addressed the risk of the impairment of the goodwill. We have no findings to report.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of ALSO Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse ► **http://expertsuisse.ch/en/audit-report-for-public-companies**. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Joanne Burgener	Andreas Wolf
Audit expert	Audit expert
Auditor in charge	

Lucerne, 12 February 2019

PROFIT OR LOSS STATEMENT OF ALSO HOLDING AG

CHF 1 000	2018	2017
Service revenue	24 136	20 313
Investment revenue	54 859	50 336
Other operating income	0	213
Service expenses	–14 108	–10 297
Personnel expenses	–6 663	–5 951
Other operating expenses	–7 681	–7 715
Depreciation	–3 764	0
Financial income	11 349	10 088
Financial expenses	–9 041	–4 692
Direct tax expenses	0	–377
NET PROFIT	**49 087**	**51 918**

BALANCE SHEET OF ALSO HOLDING AG

ASSETS

CHF 1 000	12.31.2018	12.31.2017
Cash	51	18
Other current receivables		
from Group companies	358 046	342 622
Prepaid expenses and accrued income	232	273
TOTAL CURRENT ASSETS	**358 329**	**342 913**
Loans to Group companies	152 670	157 665
Investments	528 833	516 587
TOTAL NON-CURRENT ASSETS	**681 503**	**674 252**
TOTAL ASSETS	**1 039 832**	**1 017 165**

LIABILITIES AND EQUITY

CHF 1 000	12.31.2018	12.31.2017
Liabilities to banks (interest-bearing)	56 893	19 847
Other current payables		
to third parties	1 015	21
to Group companies (interest-bearing)	82 915	43 236
Accrued expenses and deferred income	21 456	22 117
TOTAL CURRENT LIABILITIES	**162 279**	**85 221**
Liabilities to banks (interest-bearing)	243 357	311 578
TOTAL NON-CURRENT LIABILITIES	**243 357**	**311 578**
TOTAL LIABILITIES	**405 636**	**396 799**
Share capital	12 849	12 849
Legal capital reserves		
capital contribution reserve	195 121	230 378
share-premium reserve	8 618	8 618
Legal reserves		
general reserve	1 100	1 100
Special reserve	90 000	90 000
Retained earnings		
balance brought forward	278 961	227 043
net profit	49 087	51 918
Treasury shares	–1 540	–1 540
TOTAL SHAREHOLDERS' EQUITY	**634 196**	**620 366**
TOTAL LIABILITIES AND EQUITY	**1 039 832**	**1 017 165**

NOTES TO THE FINANCIAL STATEMENTS OF ALSO HOLDING AG

GENERAL

The financial statements of ALSO Holding AG, with registered office in Emmen, Switzerland, comply with the requirements of the Swiss Code of Obligations (SCO).

BASIS OF PREPARATION

Assets are valued at no higher than acquisition cost. All changes in value are recognized in the profit or loss statement. Due to their similarity investments are usually grouped together and tested for impairment once a year. Intangible assets are amortized over five years. Gains and losses from disposals of treasury shares, including transaction costs, are recognized directly in legal reserves. Liabilities are valued at nominal value.

All current assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. For non-current assets and liabilities the imparity principle is applied. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated using the exchange rates as of the transaction dates. Resulting foreign exchange differences are recognized in the profit or loss statement.

Derivatives with positive replacement values are recognized at their acquisition cost. Derivatives with negative replacement values are recognized at their fair values.

CAPITAL

	Total in CHF 12.31.2018	Number of shares	Nominal value per share in CHF
Subscribed capital	12 848 962	12 848 962	1.00
Authorized capital increase (unclaimed)	2 500 000	2 500 000	1.00
Conditional capital increase (unclaimed)	2 500 000	2 500 000	1.00

Capital is unchanged compared to previous year.

TREASURY SHARES

	Date	Number	Value in TCHF	Price in CHF
JANUARY 1, 2017		**28 089**	**1 540**	**89.90**
Additions		–		
Disposals		–		
Revaluation	12.31.2017		–	
DECEMBER 31, 2017		**28 089**	**1 540**	**134.00**
Additions		–		
Disposals		–		
Revaluation	12.31.2018		–	
DECEMBER 31, 2018		**28 089**	**1 540**	**111.40**

Treasury shares are measured at their historic cost.

MAJOR SHAREHOLDERS

	12.31.2018	12.31.2017
Special Distribution Holding GmbH, Düsseldorf (Germany) [1]	51.30 %	51.30 %
Bestinver Gestion, S.G.I.I.C. S.A., Madrid (Spain)	[2]	3.17 %
SaraSelect, c/o Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.60 %

Share register as of December 31 (without nominees)
1) Controlling shareholder: Walter P.J. Droege through Droege Group AG
2) Voting rights below the notifiable threshold value of three percent

CONTINGENT LIABILITIES

CHF 1 000	12.31.2018	12.31.2017
Conditional liabilities towards third parties	773 785	730 856
Letters of comfort	p. m.	p. m.
TOTAL	**773 785**	**730 856**

The contingent liabilities of ALSO Holding AG cover the conditional liabilities for bank guarantees, borrowing arrangements and delivery commitments of the Group companies.

LIABILITIES TO DEFINED BENEFIT PLANS

CHF 1 000	12.31.2018	12.31.2017
ALSO pension fund	5	–
TOTAL	**5**	**–**

NUMBER OF FULL-TIME EQUIVALENT POSITIONS

In 2018, the average number of full-time equivalent positions was 7 (previous year: 11).

DEPRECIATION

In 2018, the investment and the loan in ALSO Digital Holding B.V. were written off completely.

INFORMATION ABOUT DIRECTLY OR INDIRECTLY CONTROLLED INVESTMENTS

Country	Head office	Company	Participation[1] 12.31.2018	Participation[1] 12.31.2017	Share capital in 1 000	Currency	Code
Switzerland	Emmen	ALSO Holding AG			12 849	CHF	S
	Emmen	ALSO Schweiz AG	100 %	100 %	100	CHF	D
	Thun	NRS Printing Solutions AG	100 %	100 %	100	CHF	S
	Emmen	Quatec AG	100 %	100 %	100	CHF	S
	Emmen	Bachmann Mobile Kommunikation AG	100 %	100 %	100	CHF	S
Belgium	Mechelen	ALSO Belgium BVBA (formerly Five 4 U BVBA)	100 %	100 %	8 331	EUR	D
Denmark	Tåstrup	ALSO A/S	100 %	100 %	39 000	DKK	D
Germany	Soest	ALSO Deutschland GmbH	100 %	100 %	20 000	EUR	D
	Osnabrück	NT plus GmbH	100 %	100 %	12 500	EUR	D
	Osnabrück	SEAMCOM GmbH & Co. KG	100 %	100 %	203	EUR	D
	Osnabrück	SEAMCOM Verwaltungs GmbH	100 %	100 %	26	EUR	S
	Straubing	ALSO MPS GmbH	100 %	100 %	100	EUR	S
	Berlin	druckerfachmann.de GmbH	100 %	100 %	200	EUR	S
	Berlin	LumIT GmbH	100 %	100 %	25	EUR	S
	Soest	ALSO International Services GmbH	100 %	100 %	100	EUR	S
	Soest	ALSO IH GmbH	100 %	100 %	25	EUR	S
	Soest	Impaso Online Services GmbH	100 %	100 %	25	EUR	S
	Staufenberg	Fulfilment Plus GmbH	100 %	100 %	50	EUR	S
	Pullach i. Isartal	SINAS Beteiligungs GmbH & Co. Vermietungs-KG	0 %	0 %	9	EUR	S
	Soest	MEDIUM GmbH	100 %	100 %	25	EUR	D
	Frankfurt am Main	Pestinger GmbH	74.8 %	74.8 %	26	EUR	D
	Stuttgart	Beamer & more GmbH	51 %	51 %	25	EUR	D
	Berlin	ALSO Enterprise Services GmbH	100 %	100 %	100	EUR	S
	Berlin	druckerfachmann Verwaltungs GmbH (formerly ALSO bringback GmbH)	100 %	100 %	25	EUR	S
	Berlin	Webinstore AG	99.99 %	99.99 %	500	EUR	S
	Soest	ALSO Mobility Services GmbH	100 %	100 %	25	EUR	S
	Soest	ALSO Logistics Services GmbH i. L.	100 %	100 %	25	EUR	S
	Seevetal	ALSO Financial Services GmbH	9.9 %	–	50	EUR	S
Estonia	Tallinn	ALSO Eesti OÜ	100 %	100 %	192	EUR	D
	Tallinn	Internet Smartsec OÛ	[2]	100 %	3	EUR	D
Finland	Tampere	ALSO Nordic Holding Oy	100 %	100 %	10 000	EUR	S
	Tampere	ALSO Finland Oy	100 %	100 %	841	EUR	D
	Helsinki	ALSO Cloud Oy	100 %	100 %	11	EUR	S
	Helsinki	ALSO Cloud Solutions Oy	100 %	100 %	3	EUR	S

INFORMATION ABOUT DIRECTLY OR INDIRECTLY CONTROLLED INVESTMENTS

Country	Head office	Company	Participation [1] 12.31.2018	Participation [1] 12.31.2017	Share capital in 1 000	Currency	Code
France	Gennevilliers	ALSO France S.A.S.	100 %	100 %	14 500	EUR	D
	Gennevilliers	LAFI Logiciels Application Formation Information S.A.S.	100 %	100 %	400	EUR	S
	Paris	BeIP S.A.S.	51 %	51 %	147	EUR	D
	Dardilly	DistriWan S.A.S.	100 %	–	300	EUR	D
Latvia	Mãrupe	SIA "ALSO Latvia"	100 %	100 %	1 210	EUR	D
	Riga	ALSO Cloud Latvia SIA	100 %	100 %	100	EUR	S
Lithuania	Kaunas	UAB "ALSO Lietuva"	100 %	100 %	1 883	EUR	D
	Kaunas	UAB "Sophela"	100 %	–	3	EUR	S
Morocco	Casablanca	BeIP International	100 %	100 %	50	MAD	D
Netherlands	Nijmegen	ALSO Nederland B.V.	100 %	100 %	1 000	EUR	D
	Nijmegen	ALSO Digital Holding B.V. in Liquidation	51 %	51 %	18	EUR	S
	Nijmegen	ALSO Digital B.V.	100 %	100 %	18	EUR	S
	Nijmegen	ALSO International B.V.	100 %	100 %	18	EUR	D
	Utrecht	All 4 U B.V.	[3]	100 %	50	EUR	S
	Utrecht	Esseko B.V.	[3]	100 %	54	EUR	D
	Utrecht	Five 4 U Nederland B.V.	[3]	100 %	10	EUR	D
Norway	Stokke	ALSO AS	100 %	100 %	11 063	NOK	D
Austria	Gross- Enzersdorf	ALSO Austria GmbH	100 %	100 %	100	EUR	D
Poland	Warsaw	ALSO Polska sp. z o.o.	99.99 %	99.99 %	41 705	PLN	D
	Goleniow	MLS sp. z o.o.	100 %	100 %	5 000	PLN	D
	Goleniow	Blue Bridge sp. z o.o.	100 %	100 %	100	PLN	S
	Szczecin	iTerra sp. z o.o.	100 %	100 %	3 250	PLN	D
Sweden	Malmö	ALSO Sweden AB	100 %	100 %	1 000	SEK	D
Slovenia	Ljubljana	ALSO d.o.o.	100 %	100 %	8	EUR	S
	Ljubljana	DISS d.o.o.	100 %	–	1 710	EUR	D
	Ljubljana	VAD d.o.o.	100 %	–	50	EUR	D
	Ljubljana	Marmis d.o.o.	100 %	–	9	EUR	D
Ukraine	Kiev	TOB Sophela	100 %	–	96	UAH	S
Belarus	Minsk	Sophela OOO	100 %	–	7	BYN	S

Codes: D = Distribution, S = Service-/Holding company

1) Participation equals ALSO Holding AG's direct or indirect voting interest in the company.
2) Internet Smartec OÛ was liquidated in 2018.
3) In 2018, All 4 U B.V., Esseko B.V. and Five 4 U Nederland B.V. merged with ALSO Nederland B.V.

PARTICIPATIONS, CONVERSION RIGHTS AND OPTIONS

In accordance with Art. 25 of the Articles of Association, no participations, conversion rights or options are granted to members of the Board of Directors or Group Management.

The existing participations, conversion rights, and options of the members of the Board of Directors and Group Management and their related parties are as follows:

BOARD OF DIRECTORS 2018

	12.31.2018	
	Number of shares	Number of options
Gustavo Möller-Hergt, Chairman/Executive Member	–	–
Walter P. J. Droege, Vice Chairman	6 592 032	–
Karl Hofstetter	2 000	–
Rudolf Marty	10	–
Frank Tanski	–	–
Peter Athanas	–	–
Ernest-W. Droege	–	–
TOTAL	**6 594 042**	**–**

BOARD OF DIRECTORS 2017

	12.31.2017	
	Number of shares	Number of options
Gustavo Möller-Hergt, Chairman/Executive Member	–	–
Walter P. J. Droege, Vice Chairman	6 592 032	–
Karl Hofstetter	2 000	–
Rudolf Marty	10	–
Frank Tanski	–	–
Peter Athanas	–	–
Ernest-W. Droege	–	–
TOTAL	**6 594 042**	**–**

Gustavo Möller-Hergt has been a member of Group Management since 2011 and a member and Chairman of the Board of Directors since March 13, 2014. All other members of the Board of Directors are non-executive members.

GROUP MANAGEMENT

Neither in the reporting year nor in the prior year did the members of Group Management receive participations, conversion rights, or options.

ADDITIONAL DISCLOSURES, STATEMENT OF CASH FLOWS AND STATUS REPORT

In accordance with Art. 961d, Paragraph 1, of the Swiss Code of Obligations, additional disclosures, the statement of cash flows and the status report are dispensed with, as the ALSO Holding AG prepares the consolidated financial statements in accordance with a generally accepted financial reporting standard.

EVENTS AFTER THE REPORTING PERIOD

These financial statements were released for publication by the Board of Directors of ALSO Holding AG on February 12, 2019, and will be submitted to the Annual General Meeting of March 29, 2019, for approval.

No material events occurred after the reporting period.

There are no further matters requiring disclosure according to the Swiss Code of Obligations (SCO) Art. 959c.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF MARCH 29, 2019

CHF 1 000	**2018**	2017
BROUGHT FORWARD, JANUARY 1	**278 961**	**227 043**
Net profit	49 087	51 918
Dissolution of reserve from contribution in kind	38 463	35 257
TOTAL AVAILABLE EARNINGS	**366 511**	**314 218**
DISBURSEMENT OF RESERVE FROM CONTRIBUTION IN KIND	**–38 463**	**–35 257**
Balance to be carried forward	328 048	278 961

pwc

Report of the statutory auditor to the General Meeting on the financial statements 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ALSO Holding AG, which comprise the balance sheet as at 31 December 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

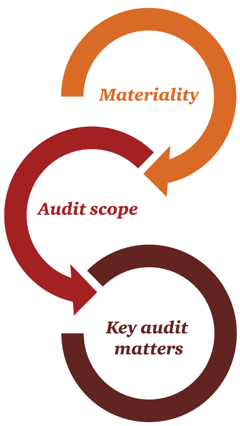
In our opinion, the financial statements ► **pages 150 to 157** as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

<table>
<tr><td>Overview</td><td>Overall materiality: CHF 3 100 000</td></tr>
<tr><td rowspan="2">
</td><td>We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.</td></tr>
<tr><td>As a key audit matter, the following area of focus has been identified:

Impairment of equity investments</td></tr>
</table>

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 3 100 000
How we determined it	0.5 % of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 310 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF EQUITY INVESTMENTS

Key audit matter	How our audit addressed the key audit matter
Impairment testing of equity investments was deemed a key audit matter for the following two reasons: Equity investments of CHF 528.8 million represent the largest single asset category. A valuation adjustment on this item would have a significant impact on the equity of the company. Testing for impairment depends on the future results of the each company concerned. In addition, there is significant scope for judgement in determining the assumptions with regard to future results. Please refer to ► **page 152** (Accounting policies).	We assessed the impairment test performed by the company on equity investments by performing the following audit procedures: • For the forecasted cash flows, we assessed the budget process, especially whether Management and the Board of Directors monitored this process and challenged the assumptions made. • We tested whether the values used for the impairment test were in line with the budget approved by the Board of Directors. • We discussed with Management how the country-specific assumptions concerning revenue growth and long-term growth rates have been established. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. • We assessed the adequacy of the forecasts relating to investments and to the change in net working capital. • We compared the applied discount rate with the respective cost of capital. • In addition, using sensitivity analyses, we tested whether a significant change in each of the key assumptions (the discount rate, the EBITDA margin and the long-term growth rate) resulted in the impairment of the equity investments. • We discussed the results of these tests with Management in terms of both the headroom available before the carrying amount of the equity investments would be impaired and the probability of such a change in the assumptions occurring. In performing the audit procedures listed above, we addressed the risk of impairment of the equity investments. We have no findings to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse ► **http://expertsuisse.ch/en/audit-report-for-public-companies**. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Joanne Burgener Audit expert Auditor in charge	Andreas Wolf Audit expert

Lucerne, 12 February 2019

IMPRINT

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FINANCIAL / CALENDAR

29. MAR	25. JUL
ANNUAL GENERAL MEETING	PUBLICATION HALF-YEAR REPORT

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