THE TECHNOLOGY PROVIDER

FAST FORWARD

ALSO Annual Report

2019

5-YEAR-OVERVIEW

	2019	2018	2017	2016	2015
CONSOLIDATED INCOME STATEMENT (IN MIO EUR)					
Net sales	10 692.7	9 175.7	8 890.7	7 984.1	7 792.1
Thereof Supply	8 383.6	7 199.6	6 963.8	6 231.6	6 018.1
Thereof Service	426.5	352.6	324.5	239.6	211.7
Thereof Solutions	1 882.6	1 623.5	1 602.4	1 512.9	1 562.3
Gross margin	601.2	542.7	544.3	506.0	507.5
EBITDA	196.7	152.7	157.3	146.0	140.0
EBIT	157.9	136.7	141.0	128.5	109.9
Profit before taxes (EBT)	134.8	117.3	124.2	113.9	90.8
Net profit Group	100.3	81.2	92.5	83.2	62.9

	12.31.2019	12.31.2018	12.31.2017	12.31.2016	12.31.2015
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN MIO EUR)					
Cash and cash equivalents	349.5	240.4	235.6	55.5	40.0
Other current assets	2 058.7	1 875.0	1 662.7	1 579.7	1 464.8
Non-current assets	415.4	266.9	260.2	259.9	255.0
Total assets	**2 823.6**	**2 382.3**	**2 158.5**	**1 895.1**	**1 759.8**
Current liabilities	1 643.0	1 395.3	1 179.3	1 100.4	1 031.2
Non-current liabilities	448.3	311.3	355.9	229.5	235.8
Equity	732.3	675.7	623.3	565.2	492.8
Total liabilities	**2 823.6**	**2 382.3**	**2 158.5**	**1 895.1**	**1 759.8**
Equity ratio	25.9 %	28.4 %	28.9 %	29.8 %	28.0 %

	2019	2018	2017	2016	2015
CONSOLIDATED STATEMENT OF CASH FLOWS (IN MIO EUR)					
Free cash flow	239.5	57.9	67.3	70.5	21.3
Cash flow before changes working capital	139.2	104.1	97.7	100.1	96.1
Investments in property, plant and equipment	7.6	10.2	11.0	6.8	9.8
KEY FIGURES					
Gross margin as % of net sales	5.6 %	5.9 %	6.1 %	6.3 %	6.5 %
Net profit Group as % of net sales	0.9 %	0.9 %	1.0 %	1.0 %	0.8 %
Return on Capital Employed (ROCE)	15.5 %	11.8 %	13.5 %	13.0 %	11.2 %
Net financial debt/EBITDA	0.75	1.07	1.10	1.14	1.54
Average headcount during the year 1)	3 952	3 708	3 790	3 524	3 649
EBITDA per employee in EUR 1 000	49.8	41.2	41.5	41.4	38.4
SHARES OF ALSO HOLDING AG					
Number of registered shares, nominal value CHF 1.00 per share	12 848 962	12 848 962	12 848 962	12 848 962	12 848 962
Dividend per registered share (in CHF)	3.25 2)	3.00	2.75	2.25	1.90
Earnings per share EPS (in CHF)	8.68	7.31	8.03	7.09	5.26
Equity per registered share (in CHF)	61.86	59.26	56.77	47.24	41.56
Market capitalization at December 31 (in Mio CHF)	2 099.5	1 431.4	1 721.8	1 155.1	884.0
Price-earnings ratio (P/E ratio)	18.8	15.2	16.7	12.7	13.1

1) Basis: full-time equivalent positions excluding temporary employees
2) Proposal of the Board of Directors

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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STATUS REPORT

LETTER TO THE SHAREHOLDERS

Dear shareholders

2019 was a highly successful year for your company, ALSO Holding AG. This Annual Report is proof that we are not only achieving our ambitious targets, but are even exceeding them.

ALSO has a unique growth profile. It consists of an excellent and constantly expanding ecosystem, the systematic implementation of our MORE strategy, the three business models Supply, Solutions and Service, and the continuous development of digital technology platforms.

We work on sustainably improving profitability with the following five key drivers: the business model mix, the mix of providers and buyers and the products offered, and constant optimization of operational excellence.

In the years since 2012, we have developed an excellent measurement and control system for the organization. As a customer-focused company, customer satisfaction – which we measure using the Net Promoter Score – is an important figure. Furthermore, we use amongst others EBITDA, ROCE and the Sustainable Growth Rate to manage the company. The latter figure is important for assessing the impact of acquisitions and the development of new business areas on the company.

With the goal of continuing our sustainably profitable growth, in 2019 we:

- gained market share in the Supply business model (especially in Germany, the Netherlands, Sweden, and Austria)
- gained market shares, generated further growth in the Solutions and Service business models, thereby stepping up both transactional (purchases) and consumptional (usage-based) routes to market
- significantly strengthened our market position in Eastern Europe by way of acquisitions
- launched additional technology platforms through acquisitions and partnerships
- completed a profound structural optimization
- optimized the net working capital employed
- placed a revolving credit facility that gives us leeway for further acquisitions. It thereby also underscores the trust that the capital market places in ALSO's solidity and future prospects

The ALSO Group's net sales increased from 9.2 billion euros to 10.7 billion euros (+16.5 percent). 52 percent of this increase was achieved by means of organic growth. In the Supply sector net sales increased by 16.4 percent, in Solutions by 16 percent and in Service by 21 percent. Within this business model especially cloud-based revenue increased significantly (+58 percent). The total number of seats grew from 2.3 million to 3.8 million.

The company generated EBITDA of 197 million euros in 2019 as compared to 153 million euros in the previous year. On a like-for-like basis (excluding the effects of IFRS 16), EBITDA climbed by around 20 million euros or 13 percent to around 173 million euros in fiscal year 2019. Consolidated net profit improved by 23.6 percent to around 100 million euros (previous year: around 81 million euros). Encouragingly, the acquisition in Poland has already started to contribute to earnings thanks to its rapid integration. Hence, ALSO has exceeded the analysts' consensus expectations.

The good earnings performance, combined with the optimization of the net working capital lead to an improved cash flow. Cash holdings were increased by 45.4 percent to 349 million euros (previous year: 240 million euros). This led to an improvement in net financial debt on a like-for-like basis, i.e. before the effects of IFRS 16. It was reduced by 79 percent from 163 million euros to 34 million euros.

It is remarkable that we were able to reach this result while at the same time transforming the organization as well as the net working capital.

Various IT market research institutes are forecasting an increase in IT spending of around 3 percent in the EMEA region in 2020. This growth will largely be driven by the areas of enterprise software and IT services.

In the next few years, ALSO will focus on the following tasks:

- expansion of market share in our traditional business in countries where we do not yet have a dominant position
- growth of the Solutions and Service business models
- rollout of platforms for IoT, cybersecurity and streaming
- full integration of the acquisitions made in Eastern Europe
- additional acquisitions, whether geographically or technologically motivated

For 2020, we are planning to improve our reported EBITDA to between 210 and 220 million euros. New technologies constantly offer new opportunities for our business. In combination with the velocity of response and strength of implementation of the employees we see excellent potential for growth. Hence, the ALSO Group increased the aim for mid term EBITDA to 250 to 310 million euros. ROCE is expected to be between 13 and 14 percent.

As shareholders who have been supporting the company for years in many cases, you are of course intended to share in our success. The Board of Directors will therefore propose a distribution from the foreign capital contribution reserve of 3.25 Swiss francs per share for approval at the upcoming Annual General Meeting on March 24, 2020.

The transformation of your company shows in a lot of ways – not least in the new logo. Its colourfulness symbolises the variety and change of the business models. What has changed, too, is the fact that this year's Annual Report is available as a hard copy on request only. This reflects digitalisation as well as the increasing ecological engagement of the company.

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 partner. At the same time, we value the flexibility and support of our suppliers. My thanks also go to the investors and analysts whose constructive contributions provided us with valuable input for the further development of our business models and thus contributed to the continuous enhancement of our profile. Our sustained success in this fiercely competitive market would not be possible, however, without the great dedication of our employees and their expertise in the systematic implementation of the MORE strategy. My special thanks go to them.

Valuable new knowledge and insights were also gained from several discussions with customers, which we hold on a continuous basis, and in dialog with my colleagues on the Board of Directors. 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 2019 for the trust you have placed in us, and thank you to the long-standing shareholders for your continuing strong association with the ALSO Group.

Yours,

Gustavo Möller-Hergt
CEO AND CHAIRMAN OF THE BOARD OF DIRECTORS

ALSO SHARE AND SHAREHOLDER STRUCTURE

Outperformance in the reporting year

2019 was a successful year on the capital markets. Share prices rose steadily from the beginning of the year onward, leading to new highs. In 2019, Western stock exchanges benefited from the fact that many companies performed well while at the same time the central banks continued their expansionary monetary policy in view of weakening economic signs.

The Swiss stock market also benefited from these general conditions. The Swiss stock index SPI climbed by 26.7 percent compared with the previous year. Technology stocks in particular recorded high price increases in the reporting year. For example, the SWX ID TECH technology index rose by 39.5 percent year on year.

The ALSO share performed better than average in 2019. Trading at 111.40 Swiss francs on January 1, 2019, it closed the year at 163.40 Swiss francs, representing an increase of 46.7 percent.

As of December 31, 2019, the total market capitalization of ALSO was 2 100 million Swiss francs (previous year: 1 431 million Swiss francs).

Share price performance from 2012 to 2019

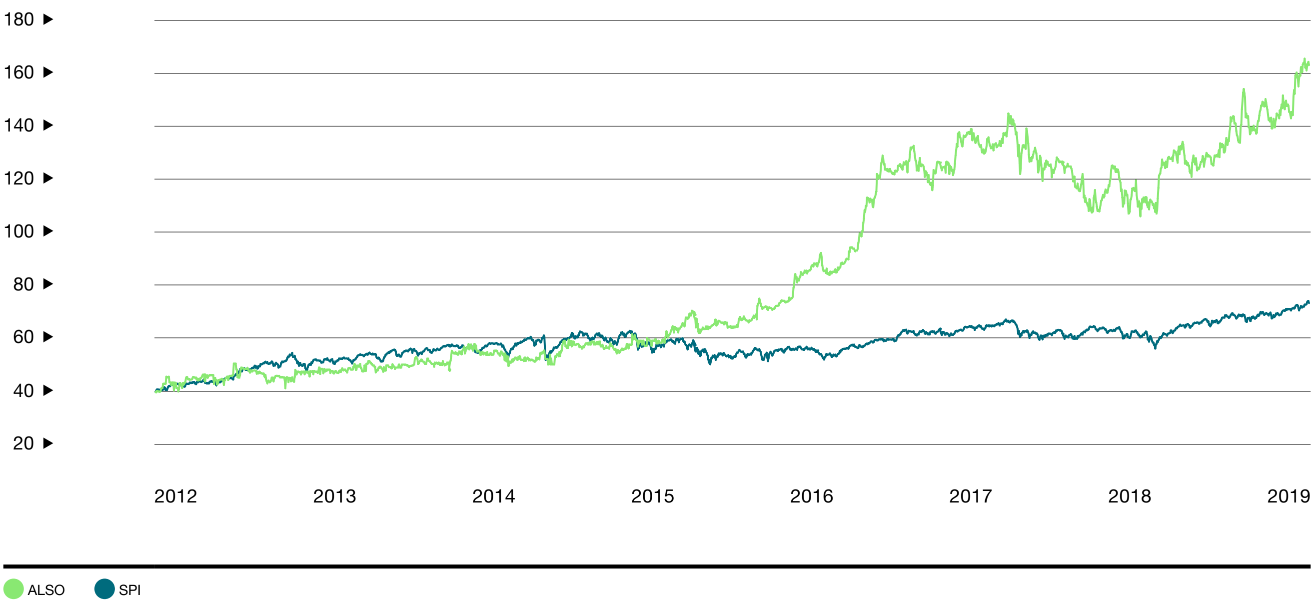
With the systematic implementation of the MORE strategy introduced in the 2012 fiscal year, the share price steadily gained ground until the start of 2018 before temporarily correcting in line with global stock markets. This decline was compensated for in 2019 and the previous records were significantly exceeded. On July 1, 2012, the share was being traded for 39.65 Swiss francs, peaking at 167.40 Swiss francs on December 16, 2019 and then closing the year at 163.40 Swiss francs on December 31, 2019.

Therefore, the net capital gain resulting from the positive share price performance and the dividend amounts to 348 percent for the period from July 2012 to December 2019.

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.

01 / Share price performance from 2012 to 2019



Key figures of the ALSO share

	2019	2018	2017	2016	2015
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)	3.25 1)	3.00	2.75	2.25	1.90
Earnings per share (CHF)	8.68	7.31	8.03	7.09	5.26
Equity per share (CHF)	61.86	59.26	56.77	47.24	41.56
Highest price (in CHF)	167.40	145.60	140.00	92.50	71.00
Lowest price (in CHF)	106.00	103.00	90.15	61.65	49.00
Market capitalization as of December 31 (CHF million)	2 100	1 431	1 722	1 155	884

1) Proposal of the Board of Directors

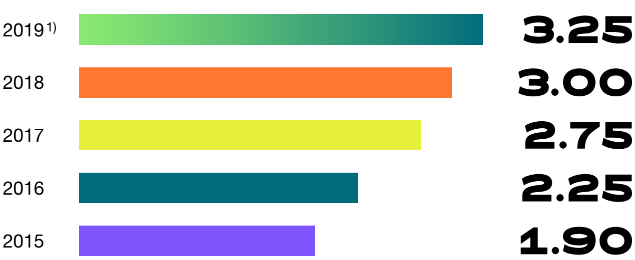
Dividend policy

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. ▸see Fig. 02 For 2020, the Board of Directors proposes a distribution to the shareholders from the foreign capital contribution reserve of 3.25 Swiss francs per share. This represents a total dividend payment of 41.7 million Swiss francs, or 38.3 percent of the net profit generated*. The proposal will be submitted to the shareholders for approval at the Annual General Meeting of March 24, 2020.

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 foreign capital contribution reserve.

02 / DIVIDEND PER SHARE

in Swiss Francs



1) Proposal of the Board of Directors

Shareholders

ALSO has a broadly diversified, international and long-term shareholder base with a clear majority situation. The principal shareholder is Special Distribution Holding GmbH (51.30 percent).

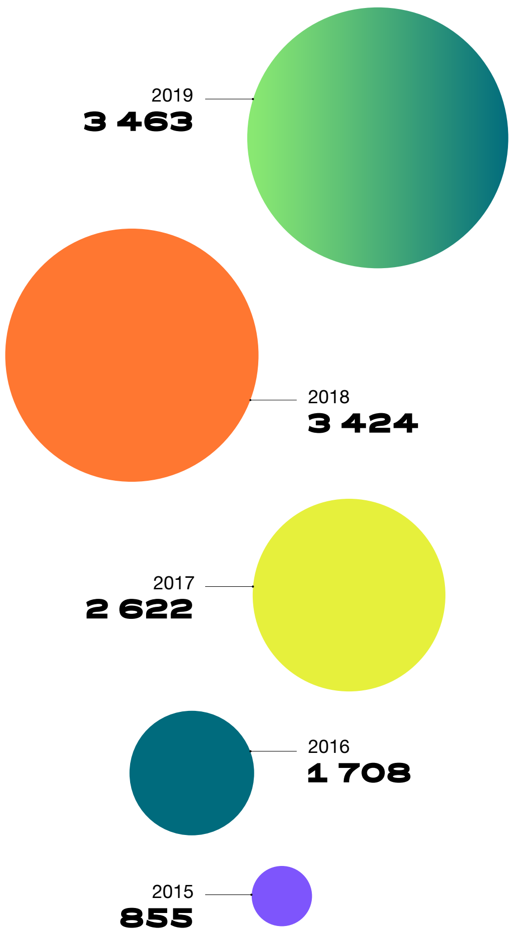
Further shareholders of ALSO include a number of renowned investment and pension funds and other financial institutions, both swiss based and of international origins.

Special Distribution Holding GmbH, with its registered office in Düsseldorf (Germany), is a company of Droege Group AG. The Droege Group is an independent consultancy and investment company and a specialist in tailored transformation programs with the aim of increasing enterprise value. The Droege Group invests equity in medium-sized companies and spin-offs in “special situations”. The company combines its family business structure with a strong capital base to create a family equity business model. As an industrial holding company, the Droege Group forms a diversified portfolio and develops its business platforms in line with societal megatrends.

Due to the sustainable improvement in the ALSO Group’s earnings, there has been a significant increase in the price of the ALSO share and the free float is currently 48.70 percent. Institutional and small investors’ interest in the ALSO share was also reflected in the number of shareholders, which quadrupled from 855 in 2015 to 3 463 in 2019.

* Translated using the year-end EUR/CHF exchange rate of 1.0854

03 / NUMBER OF INSTITUTIONAL AND SMALL INVESTORS



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 comprehensively informs shareholders and market participants about the company under ▸**www.also.com** ▸**Investor Relations**. Current and previous reports, media and ad hoc announcements and investor presentations can also be found here. In the ▸**Investor Relations** ▸**Newsletter (in the footer of the page)** section, it is also possible to subscribe to the latest releases.

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. Dynamics Group AG, a leading service provider in Investor Relations, is also available by telephone or via the central email address ▸**investor-relations@also.com**.

The ALSO share is observed and regularly evaluated by various banking institutions and analysts. Among the observing companies and financial institutions are Bank Vontobel, Mirabaud Securities, Research Partners and Warburg Research. 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.

Financial calendar

Annual General Meeting	March 24, 2020
Publication of half-year report	July 23, 2020

Investor Relations contact

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KEY DRIVERS OF THE COMPANY'S DEVELOPMENT

The most important foundation for ALSO's success is the enhancement and development of business models based on the existing ecosystem as an IT technology provider, the clear strategy, and the company's employees.

Ecosystem

Marketing in the IT industry generally takes places in three steps. In the first step, providers – i.e. manufacturers of hardware and software – supply to the ALSO companies. In the second step, ALSO supplies to buyers – retailers, etailers, SMB resellers, corporate resellers, and value-added resellers – who then serve the end customers in the third step.

With this ecosystem, we have access to all market participants: technology manufacturers, technology service providers, distributors, and end users. ▸see Fig. 05

The attractiveness of the ecosystem lies in the number and variety of different market participants and their technologies and products. These are driven by constant innovation. The newly created products and services form the basis for further business development.

ALSO's three business models – Supply, Solutions and Service (as-a-Service) – cover the entire range from

- "on-premise" (transactional, aquisition of hardware and software)

to

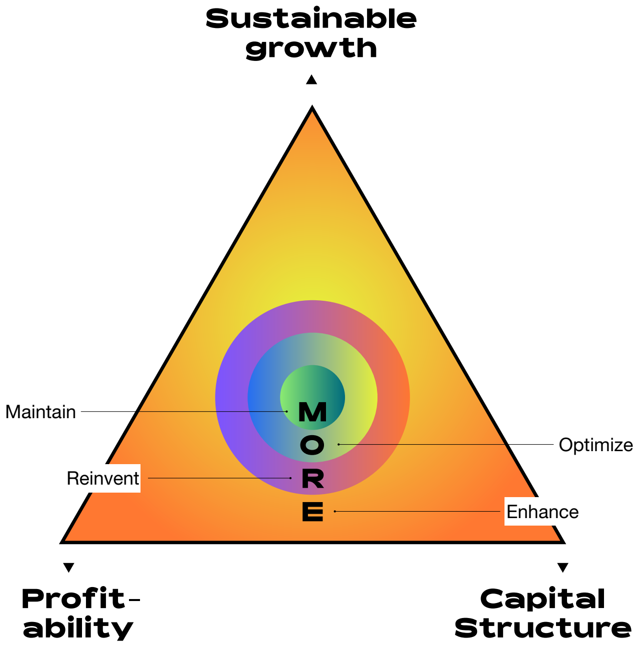
- "off premise" (consumptional, usage-based IT-as-a-Service via the cloud)

including possible hybrid solutions. The three business models complement one another, with all three areas benefiting from the shift toward usage-based offers. ▸see Fig. 06

Thanks to the variety of market participants and their specific composition, the ecosystem is robust, as potential critical developments in one individual segment are compensated by new developments and enhancements in other segments.

MORE – the ALSO Group's strategy

04 / The MORE strategy program

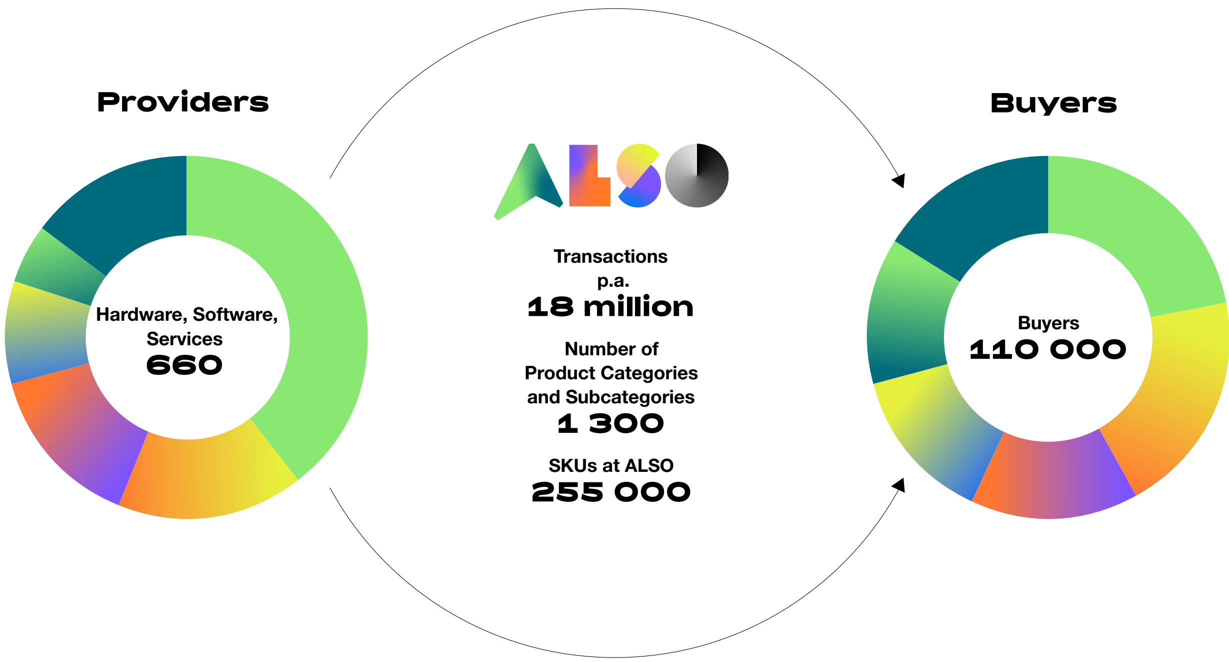


ALSO developed the MORE strategy in 2011. The company's field of action is defined by the elements of sustainable profitable growth and the capital structure. For ALSO, this means growth that is reproducible, scalable and profitable, as well as ethical and responsible toward current and future stakeholders. ▸see Fig. 04

Four activities help ensure that we achieve our goals:

M for **MAINTAIN** stands for securing what has already been achieved – for example, the position as number one or two on the market. On this basis, we expand our Service and Solutions business further. The development of these two promising, high-margin business models also strengthens the transactional business model, which supplies the hardware for them.

05 / **The ALSO Ecosystem** (rounded figures)



Number of end customers

380 million

Providers	Buyers
Computing	Retailers
Server, Storage, Networking	Etailers
Components and Accessoires	SMB Resellers
Consumables	Corporate Resellers
Software	Value Added Resellers
Others	Others

O for **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 and income with solution- and service-oriented business models and resulting offers.

Finally, **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 legal and economic conditions are in place, we carry out acquisitions or grow in new business models by means of joint ventures and partnerships.

Five key drivers to optimize income

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

Provider mix

By securing and developing the vendor portfolio, we can offer new technologies for new applications and thus keep our company attractive.

Buyer mix

Balanced mix of different reseller groups to stabilize and develop ALSO's profitability and optimize its capital employed.

Product mix

The most important component of the company's sustainable development is constant review of the product portfolio and its importance for our buyers.

Operational excellence

Continuously optimizing structures and processes to reduce operating expense.

Business model mix

With the mix of its three business models, ALSO can improve profitability, increase customer loyalty, and stabilize business by expanding access to the important partners in the ecosystem. ALSO uses digitalization to optimize the existing business models and continuously develop new ones.

Our 3S business model: Supply, Solutions and Service

For providers and buyers in the ICT industry, we have developed three business models with two marketing channels. These business models are characterized by very different dynamics.

Net sales in the traditional **Supply** business model include wholesale business with equipment for the IT, consumer electronics, and telecommunication sectors. Our customers are providers of hardware and software as well as buyers of these products and services, including retailers, etailers, resellers (SMBs), value-added resellers, and corporate resellers. Marketing (the route to market) is mostly transactional, taking place through the purchase or sale of hardware, software or services. 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.

Designing and implementing complex infrastructure, communicating in a network using the equipment, virtualizing networks, servers, and storage – all of this opens up new dimensions in IT but also requires a very high level of consultancy expertise. In the **Solutions** business model, ALSO therefore provides project-based support in particular to resellers and 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. This business model, which comprises all net sales from trading business with products that form part of comprehensive solutions, is characterized by consultancy and support across all phases of the project and the sale and provision of the required hardware and software. This business model is mainly implemented on a transactional basis through the sale of hardware and software.

In the **Service** area, ALSO acts as a service provider. Instead of being sold, the equipment, software, services or solutions are offered “as a service” based on usage. These IT services firstly include all technological components that a workstation (seat) requires, while use of all software components is generally cloud-based. Secondly, all services such as financing, maintenance, dimensioning, and replacement are provided for their use. The central tool is the ALSO Cloud Marketplace. This is a software system that facilitates all functions for invoicing, monitoring, security, and configuration of services. Marketing is primarily usage-based (consumptional).

The software is also offered to partners outside the countries where ALSO operates. This constitutes the Platform-as-a-Service business. ▸see Fig. 07 ALSO shares in its partners’ growth through a dynamic service fee, too.

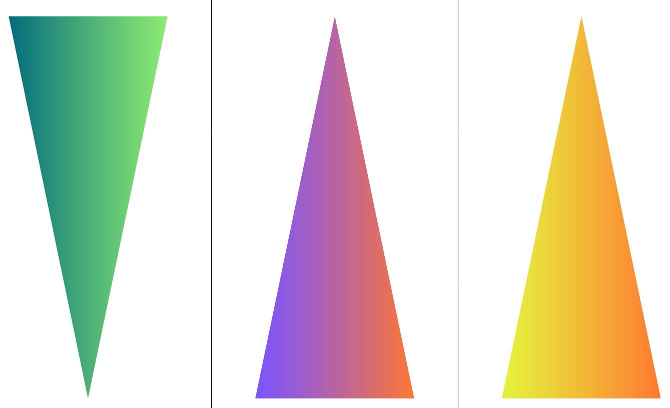
Other services in the Service business include:

- Logistics-as-a-Service: supply chain solutions along the complete value chain for providers and buyers.
- Sales and Marketing-as-a-Service: Sales activities for providers and traditional and digital marketing for providers, in order to widen their customer base.

IT-as-a-Service generates recurring sales with higher margins than Supply business, while they are also less capital-intensive and highly scalable. However, Supply benefits from the growing customer base and the hardware-based as-a-Service offers, while Solutions business is strengthened by consultancy for the optimal setup.

06 / Our 3S business model

	Model	Revenue	Margin	Customer loyalty
Supply	Mainly transactional			
Solutions	Mainly transactional			
Service	Mainly consumptional			



Digital platforms

ALSO uses digitalization to optimize existing business models and continuously develop new ones.

Optimization of the transactional business model

One focus area in the past few years was the harmonization and continuous optimization of our ERP and the introduction of business intelligence and CRM programs. On this basis, the company developed additional features for electronic data interchange (EDI) and the e-commerce platform. Around 80 percent of orders are now generated via these platforms.

Expansion of the business models with new platforms

ALSO is constantly looking for digital platforms to expand its traditional business. Their attractiveness is based on the following factors:

- scalability (sales efficiency, service costs, etc.)
- customer loyalty (lifecycle, cross-selling potential, etc.)
- technological expansion potential

Our main focus is on a Software-as-a-Service (SaaS) offer that particularly benefits SMB resellers through platforms that are optimally tailored to their needs.

The company uses a wide range of sources and suggestions to develop this business, from discussions with customers to start-up events to market studies by renowned IT research institutes. A step-by-step procedure has been defined for evaluation and introduction. After the possible use of ALSO's ecosystem and monetization options have been analyzed, the technical requirements for the platform are examined. These include:

- size-based advantages (economies of scale, further development across different platforms, etc.)
- variety of offers (broad portfolio of vendors and product categories, state-of-the-art cybersecurity)
- competitive advantages (barriers to entry, compatibility, etc.)

These criteria are also applied to the further development of the platforms.

ALSO now offers products and services via its ecosystem on four different platforms:

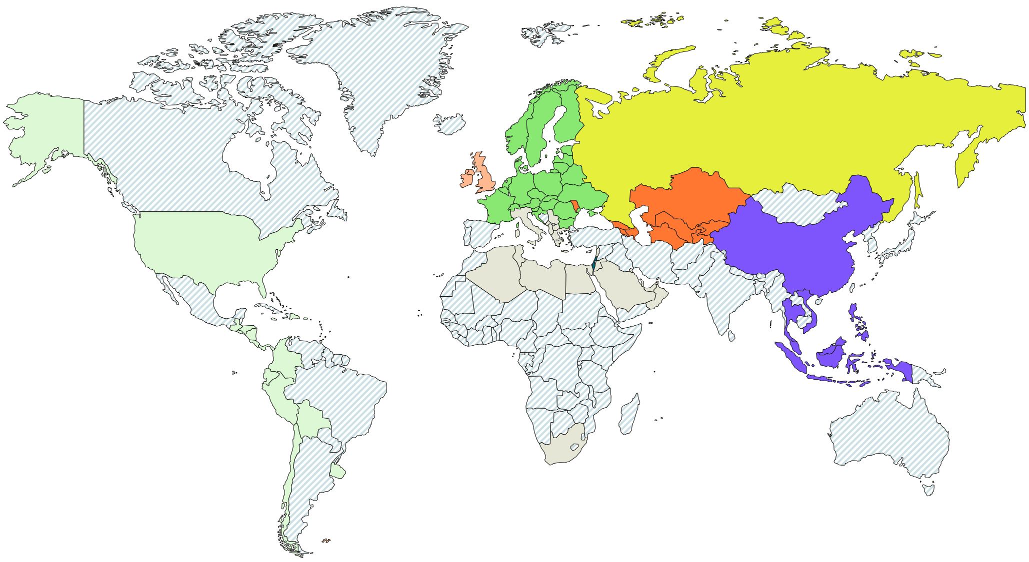
- cloud (ALSO Cloud Marketplace)
- IoT
- cybersecurity
- streaming

Other digital platforms are currently being developed and their products and services are being tested. Platform-as-a-Service has the potential to generate a significant contribution to earnings in the medium term.

ALSO consequently has a service portfolio that combines the strong net sales of transactional business with the loyalty arising from consultancy expertise and the continuity of usage-based offers. At the same time, this gives rise to an important strategic differentiating criterion in competition and enables ALSO to reach markets where it is not present itself.

07 / Digital Platform in 87 countries

On top of the 23 ALSO countries in Europe, the ALSO Cloud Marketplace is available in an additional 64 countries via our "Platform-as-a-Service" partners.



ALSO & BEZEQ INT
Israel

ALSO & INNOVIX
China
Hong Kong
Indonesia
Malaysia
Philippines
Singapore
Thailand
Vietnam

ALSO & ELCOREGROUP
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyzstan
Moldova
Tajikistan
Turkmenistan
Uzbekistan

ALSO & TREOLAN
Russia

ALSO & INTCOMEX
Barbados
Bermuda
Bolivia
Cayman Islands
Chile
Colombia
Costa Rica
Curaçao
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Nicaragua
Panama
Peru
Puerto Rico
Trinidad and Tobago
Uruguay
USA

ALSO & WESTCOAST
Ireland
United Kingdom

ALSO & LOGICOM
Albania
Algeria
Bahrain
Cyprus
Egypt
Greece
Italy
Jordan
Kosovo
Kuwait
Lebanon
Libya
Malta
Montenegro
North Macedonia
Oman
Qatar
Saudi Arabia
Serbia
South Africa
Tunisia
United Arab Emirates

ALSO & D&H
USA

COMPANY MANAGEMENT

From an economic perspective, ALSO aims to maintain a balanced relationship between growth, profitability, and the capital structure, with the aim of generating income for the company's shareholders as sustainably as possible and increasing enterprise value. The harmonized systems introduced in the past few years (ERP (SAP), business intelligence (BI), CRM) allow for continuous online monitoring of all parameters. Data collection is not an end in itself – it is about actively using the data to increase net sales and income. Gathering and analyzing data enables us to:

- manage business
- develop better offers for our customers
- acquire new customers

The basis for the use of such comprehensive business intelligence tools is the harmonization of the ERP systems. Their introduction is very complex and lengthy, meaning that ALSO has gained a competitive advantage here.

Using ALSO's IT systems, the management can retrieve data on customer satisfaction (NPS) and key financial figures independently at any time. Access rights to BI and NPS are managed on a need-to know basis in line with roles and areas of responsibility.

Customer satisfaction

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. 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.

Key financial figures

Net sales: Net sales generated is an important figure for measuring the success of activities in a certain market or segment; the development compared to the market and the past is analyzed.

Gross profit: Absolute gross profit is an important indicator of the success of measures to increase profitability.

EBITDA: EBITDA is a good indicator of the liquidity generated. Unlike free cash flow, EBITDA is not influenced by changes in net working capital relating to the reporting date. The liquidity generated is an important performance indicator for ALSO, as it is a decisive factor for paying out dividends and financing acquisitions and organic growth.

Net working capital (NWC): The development of receivables, liabilities, and inventories shows the success of measures to improve the capital structure. In addition to absolute figures in euros, the respective cash days (DIO, DPO and DSO) are also measured.

Digital Platform businesses

On top of the financial KPIs additional figures like number of seats, average revenue per account, retention rates or lifetime value have to be tracked for the management of digital platforms. If necessary, these measurements can be adapted to changes in the framework, so topics such as different types of licences, number of employees of end customers, differences in segments (corporate, education, government, non-profit), add-on licences and company/department licences can be taken into account.

Five key drivers

The key figures above are analyzed and optimized for the composition of the following parameters:

- buyers
- providers
- product categories
- business models
- operational excellence (OPEX)

In line with the MORE strategy, we are expanding the existing transactional business while simultaneously developing the Solutions and Service business models. The monthly reporting covers the performance of all three business models and monitoring of their proportional development.

Sustainable growth (SGR)

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.

When developing new business areas or acquisitions, the impact on this Group key figure is considered. For investors, this means that while the dividend yield remains constant there is no capital dilution, and they can additionally benefit from the increase in value from the targeted growth.

Return on capital employed (ROCE)

The Group aims to ensure that it does not generate profit or growth at the expense of changes in the capital structure. Using the ROCE, the company measures the success of the management of net working capital in relation to generated earnings.

Several of these key figures are continuously made available online and/or in reports.

BUSINESS DEVELOPMENT OF THE GROUP

With growth of 16.5 percent in net sales to 10.7 billion euros, ALSO significantly outperformed the ICT market (+3.8 percent) in the countries where it operates. 52 percent of the increase in net sales, or 787 million euros, was achieved by means of organic growth.

In the Supply area, net sales were up 16.4 percent at 8.4 billion euros. The Solutions area grew by 16.0 percent to 1.9 billion euros. In the Service area, there was above-average growth of 21.0 percent to 0.4 billion euros. Within this business model, business with the cloud platform saw the strongest development. Here, net sales increased by 58 percent to 217 million euros. The total number of seats increased from 2.3 million to 3.8 million, with 1,9 million seats provided by ALSO directly, 1.9 million through Platform-as-a-Service partners. Cloud business thus accounts for almost half of net sales in the Service area. The Logistics-as-a-Service area also recorded an encouraging improvement of 15.0 percent. The Sales Service area marked a decline. This was due to steadily declining net sales from the mediation of mobile phone contracts. In Marketing-as-a-Service, the result was increased by 1.7 percent.

Including the effects from IFRS 16, EBITDA of around 197 million euros was generated. On a like-for-like basis, EBITDA climbed by around 20 million euros or 13 percent year-on-year to around 173 million euros in fiscal year 2019. Encouragingly, the acquisitions in Eastern Europe have already started to contribute to earnings thanks to their rapid integration.

Consolidated net profit improved by 23.6 percent to around 100 million euros (previous year: around 81 million euros). ALSO exceeded the targets set for 2019. The analysts' consensus expectation of 96.5 million euros was therefore also exceeded.

As a result of the good cash flow development, ALSO increased its cash holdings by 45.4 percent to 349 million euros (previous year: 240 million euros). This led to an improvement in net financial debt on a like-for-like basis, i.e. before the effects of IFRS 16. It was reduced by 79 percent from 163 million euros to 34 million euros.

It is noteworthy that these results were achieved at the same time as structural optimization, optimization of capital employed, investments and acquisitions.

Structural optimization

Up until 2017, we laid the foundations for optimizing our structure with a wide range of measures. Investments to harmonize platforms such as the ERP system (SAP), the customer relationship management software (CRM), the business intelligence platform (BI) and the ALSO web shop allowed the transformation team to implement extensive efficiency measures. In this way, administrative functions such as product management and order entry were optimized and tailored to customer requirements. At the same time, national sales organizations were strengthened and expertise in new product categories, such as 3D printing, security and the Internet of Things (IoT), and the consumptional business was enhanced at centers of competence. The company used these measures to streamline its processes, strengthen its customer focus and simultaneously reduce costs.

With a one-off investment of 12 to 15 million euros, it was planned to achieve savings of 25 to 30 million euros per full year starting from the second half of 2019. The one-off investment up to the end of 2019 was within the anticipated range, amounting to 15 million euros. This will result in a positive financial effect of 45 million euros on a full-year basis in 2020 as compared to 2017. As of the end of 2019, ALSO had 4 594 employees.

One goal of any structural optimization is to improve overall productivity. This has to be measured using annual average full-time equivalents rather than the number of employees as at the year-end reporting date. In 2019, ALSO employed an annual average of 3 952 full-time equivalents. The ALSO Group's productivity developed as follows:

Productivity

EUR 1 000	2019	2018	2017	2016	2015
Net sales/FTEs	2 706	2 475	2 346	2 266	2 135
EBITDA/FTEs	49.8	41.2	41.5	41.4	38.4

The structural optimization project was thus completed in 2019. ALSO will keep working on further individual measures to improve productivity on an ongoing basis in the future, too.

Optimization of capital employed (CE)

One focus of activities in 2019 was the optimization of CE. ALSO's business model only requires limited use of fixed assets. Capital employed is therefore dominated by current net working capital (NWC) and this is what optimization measures focus on. NWC is driven firstly by the efficiency of capital employed with regard to receivables, liabilities, and inventories, and secondly by growth in net sales. Growth in the Supply and Solutions business models generally leads to an increased need for NWC.

To measure capital employed from NWC, ALSO uses the key figures of days inventory outstanding (DIO), days sales outstanding (DSO) and days payables outstanding (DPO) or cash days to be financed by ALSO, which is the net amount of DIO+DSO-DPO. To manage NWC, key figures for each provider, buyer, and product category can be called up online at any time (BI). Capital employed is analyzed in relation to the EBITDA generated. This provides a good indicator of the ROCE and reveals any need for action here.

ALSO's potential to optimize NWC varies depending on the key figure. The payment terms agreed with providers and buyers are an important factor. These are generally fixed on a longer-term basis. Improvements have to be achieved by negotiating the framework conditions, or on a short-term basis for individual projects. The mix of providers and buyers and the optimization of scheduling are key drivers in this process.

Measures to optimize NWC should always be evaluated in the context of the value proposition that ALSO makes for providers and buyers. For providers, full availability of their products in the regional markets must always be ensured. Buyers need support with financing their NWC. In the B2B segment in particular, resellers must grant payment terms. We provide support here with appropriate payment terms for the resellers.

Based on the optimization achieved in 2019, DIO in particular was significantly improved year-on-year, specifically by 5 days to 25 days. The ratio of inventories to net sales thus improved from 10.0 percent to 8.6 percent. Combined with the cash flow generated in 2019 and the effects of the acquisitions, this resulted in an improvement in net financial debt on a like-for-like basis, i.e. before the effects of IFRS 16 in the amount of 163 million euros, which was reduced by 79 percent to 34 million euros.

Investments and acquisitions

Investments

Investments in property, plant and equipment and intangible assets amounted to around 11.5 million euros in 2019 (previous year: 14.2 million euros), all of which had an impact on the Group's cash flow.

The additions to property, plant and equipment mainly relate to office and operating equipment. In Denmark and Norway, investments were made in new offices, while in Switzerland and the Netherlands warehouses were optimized. Funds were also used for IT leased to customers in the context of Infrastructure-as-a-Service, e.g. for managed print solutions, and for the company's own IT infrastructure.

The additions to intangible assets chiefly relate to investments in digital platforms, including further development of the ALSO Cloud Market Place and the streaming and virtualization platform Ludium. The company also invested in expanding the functions of the web shop and in harmonizing and further developing the ERP systems (SAP and Navision).

In the reporting year 2019, ALSO made investments of around 8.6 million euros with lease financing. The majority of the investments were for buildings in Denmark, France, and Switzerland.

Acquisitions

The funds used for acquisitions amounted to around 57.4 million euros in 2019 (previous year 14.6 million euros) and relate primarily to the purchase price payments for four acquisitions. With the acquisition of ABC Data, ALSO can establish the strongest Eastern European operation for buyers and providers. The company is the IT distributor with the highest coverage of countries in Eastern Europe, operating in six countries there. Together with this acquisition and the additional acquisitions of RECRO in Croatia and Solytron in Bulgaria implemented in 2019, the ALSO subsidiaries in Poland, Lithuania, Estonia, and Latvia form a strong network for addressing the Eastern European market. ALSO is thus represented in 13 Eastern European countries at present.

The aim of this development is to develop a dominant position for ALSO in Eastern Europe. To this end, the companies acquired will first be migrated to the ALSO ERP system before then installing business intelligence, CRM, and web shops. This will form the basis for profitability increases in transactional business (Supply and Solutions). Expansion of the company's market share, the introduction of Solutions business in some countries, the introduction of usage-based business (as-a-Service, Cloud) and the rollout of additional digital platforms for ALSO will form an important basis for the company's future development.

With the acquisition of the IoT platform specialist AllThingsTalk, ALSO gained an important presence in a dynamic growth market. This company's platform enables machine and sensor data to be recorded, aggregated, visualized, and analyzed. Using these data, manufacturers, network providers, ISVs, system integrators, and resellers can offer companies from a range of industrial sectors customized solutions for their IoT projects.

ALSO is still striving to support the ambitious growth targets with value-adding acquisitions. The focus is on acquisitions that enable ALSO to strengthen its Solution and Service activities in addition to its traditional business and that can be scaled up based on the ALSO Group, as well as on acquisitions on European growth markets to expand the ALSO platform. Options on developed European markets where ALSO is not represented are being considered to expand its regional coverage, too.

Investments and acquisitions in brief

EUR 1 000	2019	2018	2017	2016	2015
Investments in property, plant and equipment and in intangible assets	**11 479**	**14 180**	**15 534**	**13 351**	**13 751**
Thereof in land and buildings	250	562	148	291	854
Thereof in warehouse equipment	997	4 273	1 972	3 218	5 432
Thereof in other property, plant and equipment	6 319	5 916	9 012	4 014	4 061
Thereof in intangible assets	3 913	3 429	4 402	5 828	3 404
Investments in leasing contracts	**8 598**				
Investments as a percentage of EBITDA	10.2 %	9.3 %	9.9 %	9.2 %	9.8 %
Acquisitions	**57 367**	**14 623**	**9 734**	**3 676**	**11 346**
AllThingsTalk	6 880				
Recro	9 749				
ABC Data	38 727				
Solytron	2 011				
Total investments and acquisitions	**77 444**	**28 803**	**25 268**	**17 027**	**25 097**

EMPLOYEES AND SOCIETY

Employees

Ultimately it is the employees, with their knowledge, commitment, efficiency and adaptability, 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 offer our employees continuous further training to meet the company's requirements. We also achieve this by means of continuous monitoring and indirect training for our managers. In turn, they motivate talented employees so that we can create a flexible, dynamic organization that reacts in a rapid and agile way to the requirements of the constantly changing market.

At the start of 2019, the activities of the HR departments, previously organized on an entirely local basis, were harmonized by creating an HR center of competence with Group-wide responsibility. Local HR business partners in the two regions of Central Europe and Northern and Eastern Europe report to regional HR managers, who also have specialist responsibility for the areas of Compensation & Benefits and HR Central Services respectively and in turn report to an HR manager with Group-wide responsibility.

The international alignment of the center of competence allows for key HR processes to be harmonized. The challenges of increasing work in international teams can be met with regard to a more comparable compensation system and performance evaluation. In Professional Development, continuous further training of employees is ensured by the ALSO Academy, which includes internal and external training components. International dialog, high-potential programs, and partnerships with universities in various companies round off the training program.

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

	Operational functions	Administration	Total	Previous year
<21	1 %	2 %	1 %	2 %
21 – 30	19 %	10 %	17 %	19 %
31 – 40	34 %	28 %	32 %	31 %
41 – 50	29 %	33 %	30 %	29 %
>50	17 %	27 %	20 %	19 %

As of December 31, 2019

Corporate responsibility

LESS – Our sustainability strategy

For us, responsible corporate management means growing profitably, acting ethically, and improving people's quality of life with technology. This encompasses environmental issues such as CO_2 emissions and avoiding waste, as well as social issues such as data security and passing on digital expertise across all generations.

Within our field of action, we have defined four activities that together form our LESS sustainability strategy. ▸see Fig. 08

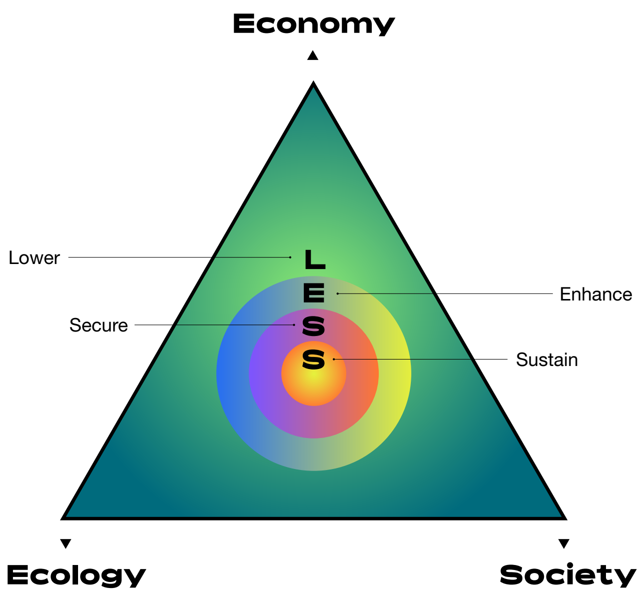
Lower: The aim is to reduce our CO_2 footprint using measures such as lowering energy consumption and heating costs, switching to electricity from sustainable energy sources, and targeted waste management.

Enhance: To encourage responsible use of resources at the company and further reduce our environmental footprint, we are enhancing our sustainability reporting. We are doing so using a system that first identifies all relevant areas for ALSO (materialities) in an analysis and then underpins these with a monitoring and reporting system.

Secure: Cybersecurity is one of the biggest challenges of increasing digitalization. This relates to both the security of data traffic in the cloud and the protection of individuals' privacy. With our cybersecurity platform, we aim to contribute to data security in both an industrial and an individual context.

Sustain: We actively contribute to making skills and knowledge about the use of digital technologies available to civil society, and especially to children and young people. To this end, we get involved in local initiatives in our national companies.

08 / The LESS strategy program



Based on these strategic pillars, we will develop a detailed reporting system for ALSO Holding AG's environmental and social commitment over the next two years. An organization reporting directly to Group Management will be established within ALSO for this purpose.

Environmental commitment

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, Estonia, Finland, France, Germany, Latvia, Lithuania, the Netherlands, Norway, Sweden, Switzerland and, for the first time in 2019, Croatia, Slovenia and Poland. The objective for 2020 is to include the companies added this year in Bulgaria, Lithuania, Slovakia, Poland, Romania and Hungary 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.

On a like-for-like basis, consumption in absolute terms in kWh p.a. and CO_2/kg was reduced again in comparison to the previous year. As a result of adding Croatia, Slovenia, and Poland when collecting the figures, consumption in absolute terms in kWh p.a. and CO_2/kg increased year-on-year.

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
2019 (like-for-like basis compared to 2018)	13 640 823	2 898 554	955
2019 (including new companies)	15 219 467	3 937 774	1 192
Change 2019 vs. 2018	**–3.6 %**	**–3.8 %**	**3.7 %**

The measurement basis covers more than 90 percent of ALSO's total net sales.

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
2019 (like-for-like basis compared to 2018)	11 057 243	1 648 101	543
2019 (including new companies)	11 510 426	1 893 484	573
Change 2019 vs. 2018	**–7.3 %**	**–10.4 %**	**–3.4 %**

The measurement basis covers more than 90 percent of ALSO's total net sales.

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	87.4 %	527	12.6 %	0.579
2016	3 907	3 485	89.2 %	422	10.8 %	0.516
2017	4 120	3 700	89.8 %	420	10.2 %	0.493
2018	4 768	4 231	88.7 %	537	11.3 %	0.507
2019 (like-for-like basis compared to 2018)	4 848	4 323	89.2 %	525	10.8 %	0.486
2019 (including new companies)	4 985	4 456	89.4 %	529	10.6 %	0.489
Change 2019 vs. 2018						**–4.1 %**

By separating waste consistently and efficiently, we keep the proportion of recyclable packaging components at the warehouse facilities at a high level and thus minimize non-recyclable waste throughout the Group. In addition, more detailed separation of the materials is 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 2019, various projects were implemented that contributed to reduce CO_2 emissions in the Group. The following individual initiatives are presented by way of example here:

As part of the ALSO Group's transformation, electronic signature technology and digital transaction management services were increasingly used for the electronic exchange of signed documents. This saved around 19 metric tons of wood, 428 388 liters of water, and 43 metric tons of CO_2.

In addition, campaigns dedicated to promoting environmental protection and sustainability have been initiated by employees in Germany and Switzerland, for example. All employees are thus given the opportunity to suggest improvements and thereby make a personal contribution to environmental issues.

Other projects are planned for 2020 which will contribute to reducing CO_2 emissions in the Group. To take one example, a complete switch to green electricity is planned at various warehouse facilities in Germany.

Social commitment

In countries such as Belgium and Serbia, ALSO is working on a number of projects relating to local communities and data exchange. For example, we support “Smart Citizen” organizations and schools, helping them set up their own networks for monitoring air quality. ALSO provides them with low-cost measuring stations and the necessary hardware and software for data exchange.

RISK MANAGEMENT

Organization and process

The Board of Directors appoints an Audit Committee that is generally made up of three non-executive members of the Board of Directors. It manages and reviews internal and external auditing and assesses the risks identified and the measures taken for risk management purposes.

At ALSO, the organization of the risk management is the responsibility of Internal Audit. The principles of the risk management system are defined in the risk management manual of the ALSO Group. Risks are identified on the basis of analytical studies or by way of reports.

A defined group of risk officers (e.g. Group Management, Senior Vice Presidents, Chief Customer Officers, Center of Competence Heads, employees with functional responsibility) identify and assess risks and report them to Internal Audit. Employees can also report identified risks to Internal Audit.

To identify risks, Internal Audit uses modern technology-based tools for analytical studies, which increase objectivity, effectiveness, and efficiency:

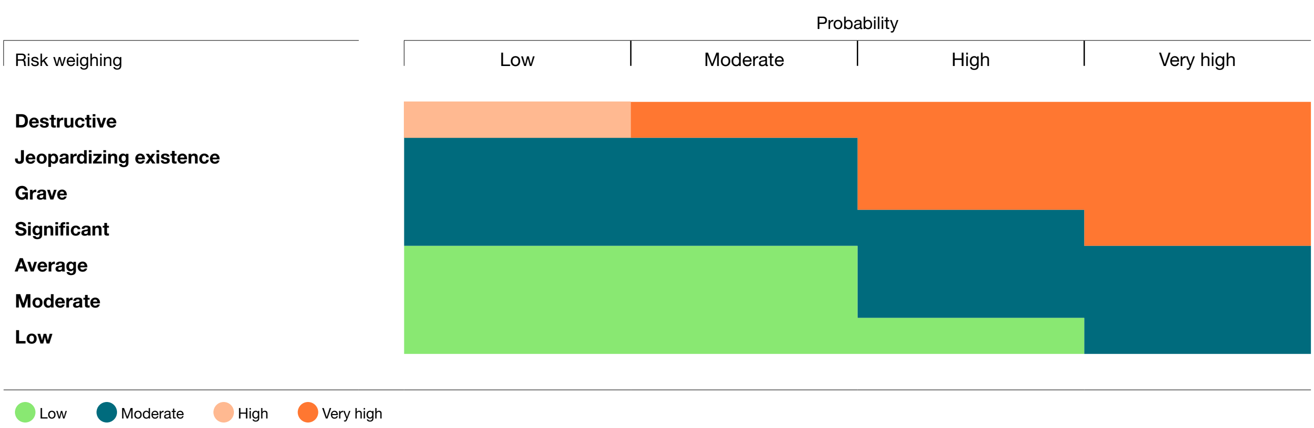
- **Data analytics:** Data analytics in individual internal audits and also in the context of continuous auditing activity.

  The data analyses are programmed by the Internal Audit department itself, specifically in relation to high-risk issues. Here, Internal Audit greatly benefits from a harmonized ERP system with which Group-wide analyses and examinations are implemented.

- **Process mining:** Identification and analysis of actual processes on the basis of digital data. A standard tool is used for this.
- **Robotic process automation:** Automation of audit activities and support with repetitive tasks.

Internal Audit prepares an annual report for the Audit Committee that contains a summary of the individual risks, and also provides information at short notice when necessary. The Board of Directors is also informed about the risk structure on an annual basis. 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. Based on the possible effect as well as the probability of occurrence, the risks are broken down into the categories orange, beige, petrol, and green. ▸ see Fig. 09

09 / Risk report



External risks

Trade wars

Political developments in recent years have resulted in potential risks in relationships with providers. Increased protectionist and nationalist tendencies could lead to tensions in business relationships with them. In recent years, ALSO has selectively 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.

Now that the United Kingdom has left the EU as of January 31, 2020, the risk of a "hard Brexit" seems lower than before. However, the consequences both for the capital market and the future development of London as a stock exchange center and also for the strength of the euro and the euro area are difficult to predict. In any event, the United Kingdom will remain an important market.

Cyberattacks

Cyberattacks are malicious attacks on computers, servers, mobile devices, electronic systems, networks, and data. Targeted attacks (espionage, sabotage, phishing) or attacks on critical infrastructure could have serious consequences for ALSO. The Cybersecurity department therefore conducts regular information security risks assessments and penetration tests of the business-critical IT systems and processes and also reports on these to the Board of Directors on a monthly basis. 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.

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 from 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. ALSO aims to keep the impact of exchange rate fluctuations on its earnings neutral through the process of buying and selling items. 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 at foreign subsidiaries, 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. 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.

Internal risks

Providers

ALSO works with the major vendors of hardware and software especially in the Supply business field. This results in concentration risks and dependencies. The company counters these with active market share management as part of the provider mix key driver. On the ICT market, product innovations are constantly monitored so that the company 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 (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.

Buyers

On the buyer side, risks can arise from the dependence on several large customers. In 2019, net sales with the largest individual customer totaled 1 312 million euros. By carrying out measures continuously in the area of SMB customers, diversification increases the number of customers and thus reduces the risks.

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.

Information technology

Information security, IT availability and performance are 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.

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).

With monthly reports and BI reports available online at all times, those involved have transparent and detailed information on the age structure and value of inventories for each product category, manufacturer, and SKU (stock-keeping unit).

Personnel

The further development of ALSO depends materially on the knowledge and dedication of its employees. 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 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 wide range of new potential employees, specialized recruiters seek out suitable talented candidates for ALSO's growth areas on the international job market based on uniform sets of requirements. Social media instruments are also used for recruitment purposes.

Legal

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. Identified legal risks are reported in the context of risk management.

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.

Compliance

Legal and ethical conduct of the employees in day-to-day business is ensured by way of a compliance management system. This establishes binding compliance regulations for the entire ALSO Group, helps prevent violations, monitors compliance, and sanctions violations.

The central document is the Code of Conduct, which is binding for all employees and managers at all levels of the Group. For the highest-risk compliance issues, there are Group guidelines based on the Code of Conduct that specifically regulate the issue in detail and in relation to typical matters in the ALSO Group's business as a technology provider. This particularly includes topics such as antitrust and competition law, dealing with gifts and invitations, and avoiding conflicts of interest.

The Compliance organization is headed by the Chief Compliance Officer, who reports directly to the CEO and the Audit Committee. The Chief Compliance Officer is assisted by four Regional Compliance Officers, who in turn coordinate the work of the Local Compliance Officers in each national organization. A Compliance Ombudsman is also available as an independent external contact for employees and third parties to report violations of the ALSO Code of Conduct, particularly criminal offenses or anticompetitive agreements. The Ombudsman also carries out spot checks of compliance at ALSO's national companies. As a lawyer, the Ombudsman has a professional duty of confidentiality and follows up tip-offs anonymously if desired. Before an acquisition, the Ombudsman checks that the respective company's conduct is compliant.

The compliance management program includes comprehensive training for all employees. It starts with uniform basic training throughout the Group for all new employees who join ALSO. This training is based on ALSO's typical business requirements and is held in the local languages of all ALSO companies. It is mandatory for all employees except logistics and temporary employees and must be successfully completed within four weeks of joining the company. This basic training is supplemented by another two mandatory training courses to refresh and build on the first one; these must both be completed within another four weeks. The information learned is tested using an e-learning platform.

The Group's managers are required to submit a declaration of commitment once a quarter that reminds them of the existing compliance obligations and includes a statement on potential compliance-related issues from the past quarter.

Data protection

To ensure compliance with the applicable data protection regulations, particularly the European General Data Protection Regulation (GDPR) and the related national data protection laws, ALSO has created a data protection organization consisting of a Chief Data Protection Officer at Group level and Local Data Protection Officers at all national companies. Based on a Group data protection guideline, ALSO's business processes in all business areas are geared toward principles such as fairness, lawfulness, purpose limitation, transparency, and data economy, and are reviewed in regular internal data protection audits. Mandatory data protection training followed by a test is provided to all employees once a year.

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. Extensive planning ensures furthermore that sufficient liquidity is 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 2019.

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.

OUTLOOK

General conditions

Constant innovation of hardware, software, and services is the DNA of the IT industry. From a technological perspective, the 2020s will be the decade in which a number of digital technologies that started to be developed in the 2010s will experience a breakthrough. Artificial intelligence will play an increasingly important role, radically changing almost all aspects of our lives. Efficient networks and streaming platforms are key to the further rollout of Industry 4.0 and smart factories. This is inextricably linked with the issue of cybersecurity; secure data exchange is a prerequisite for these and other technologies such as the Internet of Things (IoT). The degree of automation will increase significantly, with cobots (collaborative robots) and humans working together on projects. Blockchain could be relevant, if all elements are used extensively. Like AI in the past decade, quantum computing may not yet experience a complete breakthrough due to the high degree of complexity, but its importance will increase. Virtual and augmented reality will increasingly be used. Their potential applications and the associated monetization opportunities for technology providers are almost limitless.

As we already predicted a few years ago, the number of nationalist forces has increased further, entailing a risk of trade wars. This risk has currently eased somewhat, at least in the short term. For example, the USA and China are negotiating a partial solution to the trade conflict that has lasted more than a year now. At the same time, the provisional agreement between the EU and the United Kingdom has reduced the probability of a no-deal Brexit. However, a renewed escalation cannot be ruled out either in international trade policy or in the relationship between the EU and the United Kingdom. For companies that have recognized these developments at an early stage and balanced their structures and business accordingly, this uncertainty may give rise to opportunities.

Outlook for ALSO

In this environment, ALSO will press ahead with the development of the business models with the ALSO ecosystem in line with the MORE strategy and continuously optimize these using the five key drivers. Based on its demonstrated ability to adapt and implement, the company will focus on the following five topics.

1. **Market share:** We will expand our market share of traditional business, primarily in countries where we do not have a dominant position. This particularly relates to Sweden, France, Austria, the Netherlands and some Eastern European countries.

2. **Business models:** Maintenance and strengthening of Supply business with a broad vendor portfolio based on continuous technological innovation and further expansion of our customer base. Further growth of Solutions and Service. We expect the main route to market to be a hybrid solution combining transactional and consumptional (usage-based) business.

3. **New platforms:** IoT, cybersecurity, and streaming will make an important contribution to profitability. Particularly through the scalability of these business sectors, the company is opening doors to new areas and thus also driving the growth of ALSO's business models.

4. **Integration:** The integration of the acquisitions implemented will make a significant contribution to the company's profitability in the medium term. A key factor here is their integration in the harmonized Group-wide platforms for ERP, BI, CRM, web shop, and cloud.

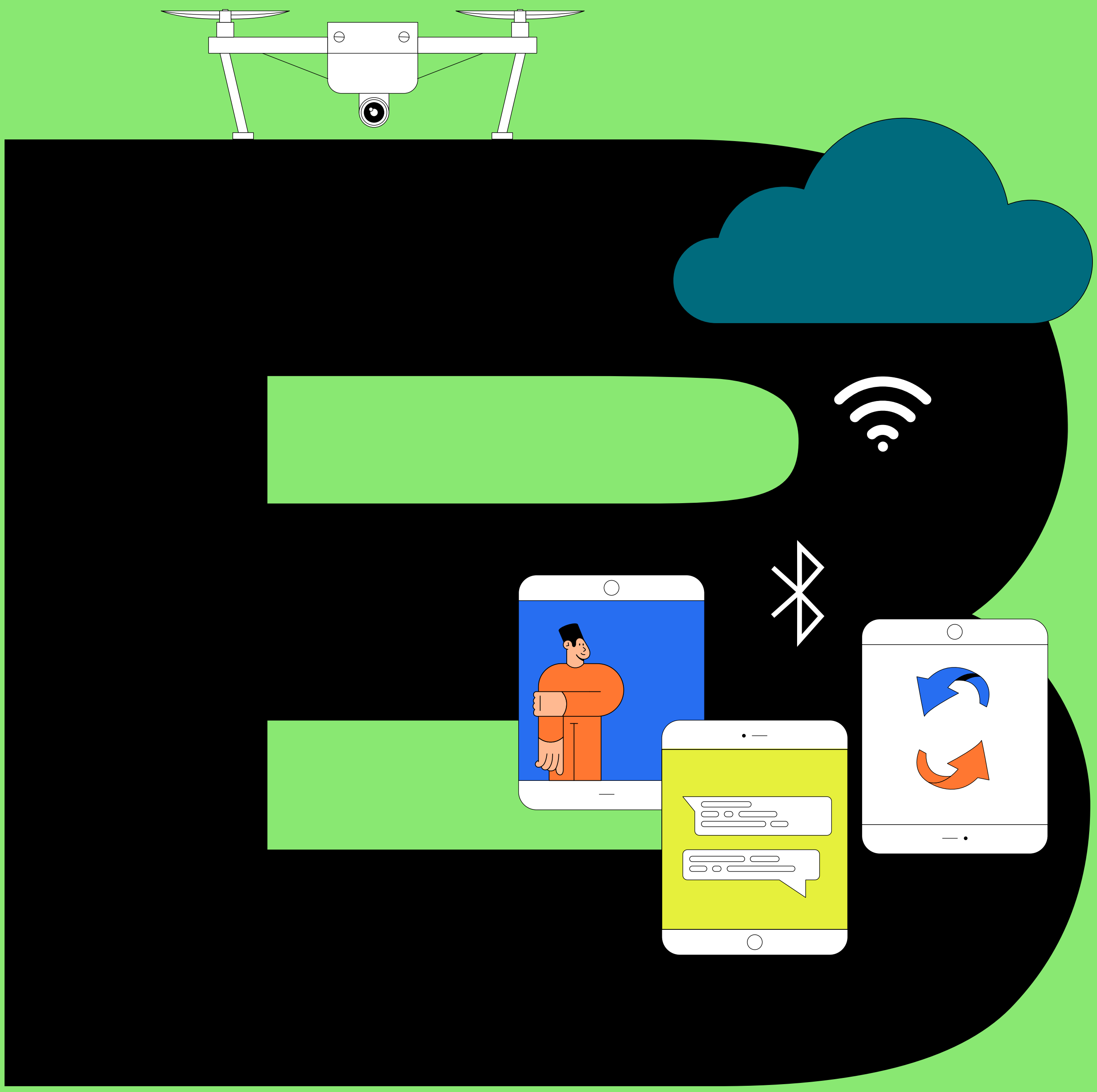
5. **Acquisitions:** Expansion of our market share in regions where we are not yet represented and strengthening of our technological expertise. The aim is to finance acquisitions with our own funds as far as possible. In addition to continuous NWC optimization, the revolving credit facility gives us additional leeway for opportunities that arise.

10 / Activities to develop the company

Maintain	Existing business
Optimize	Gaining market shares; growth Solutions and Service
Reinvent	Rollout of platforms for IoT, Cybersecurity, Streaming and new platforms
Enhance	Acquisitions and new technologies

Based on the implemented structural optimization, further optimization of net working capital, and the integration of the acquisitions already implemented and of any additional acquisitions, ALSO expects an improvement in EBITDA to between 210 and 220 million euros in 2020.

New technologies constantly offer new opportunities for our business. In combination with the velocity of response and strength of implementation of the employees we see excellent potential for growth. Hence, ALSO Group has increased its midterm target for EBITDA to a range of 250 to 310 million euros. Expectations for the ROCE are 13 to 14 percent.



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 2 100 million as of December 31, 2019.

Please see ‣page 107 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, 2019 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, E-Commerce as well as of acquisitions.

1.2 Significant shareholders

Significant shareholders

	12.31.2019	12.31.2018
Special Distribution Holding GmbH, Düsseldorf (Germany) 1)	51.30 %	51.30 %
J. Safra Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.00 %

Source: Share register as of December 31, (without nominees)
1) Controlling shareholder: Walter P.J. Droege through Droege Group AG

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.

2. Capital structure

2.1 Ordinary share capital

The ordinary share capital amounts to CHF 12 848 962 as of December 31, 2019. 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 ‣https://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, 2019. 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 duration of the authorization as well as the conditions and forms of, can be downloaded as a .pdf document at ‣https://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 of 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.

Changes to the provisions relating to limitations on the transferability of shares require a resolution by the Annual General Meeting with two-thirds of the votes cast and an absolute majority of the nominal value of the share capital represented.

2.5 Convertible bonds and options

ALSO Holding AG had not issued any convertible bonds or options as of December 31, 2019.

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 six 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.

Members of the 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
Frank Tanski	DE	Member	2011
Peter Athanas	CH	Member	2014
Ernest-W. Droege	DE	Member	2016

As of December 31, 2019

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 109 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.

Changes in Board of Directors in the reporting year: Karl Hofstetter, former member of the Board of Directors, did not stand for re-election and resigned from the Board of Directors on the date of the Annual General Meeting on March 29, 2019.

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

Position/Function	Period
Founder and Director of Droege Group AG, Dusseldorf, Germany, which is wholly owned by the Walter P.J. Droege family	1987 until today

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

Position/Function	Period
CEO of pa impact GmbH, Baden, Switzerland	2009 until today
Senior Executive Vice President Corporate Development of Schindler Holding AG	2013 until 2014
Member of the Board of Directors and of the Executive Committee of the Board of the Schindler Group	2010 until 2013
Chairman of the Board of Directors and CEO of Ernst & Young Switzerland	2002 until 2008
Member of the Global Executive Board and member of the Global Management Group of Ernst & Young Switzerland	2005 until 2008
CEO of Arthur Andersen Switzerland, and member of the Global Board	2001 until 2002
Partner in the Arthur Andersen organization	1990 until 2002

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

Position/Function	Period
CEO of Droege Group AG (since 2018), prior in various positions with the Droege Group, Dusseldorf, Germany	2014 until today
Scientific assistant at RWTH Aachen, Germany	2012 until 2014
Investment Banking at Goldman Sachs AG, Frankfurt, Germany	2010 until 2012

Education

Studied business engineering in Karlsruhe and Zurich, doctorate in economics at RWTH Aachen.

Other Activities and vested Interests

CEO or member of the supervisory board of various subsidiaries within the Droege Group AG, including Managing Director 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.

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

Position/Function	Period
Chief Operating Officer ALSO Group	2011 until 2012
Chief Representative of the Droege Group	2008 until 2011
CEO and Chief Representative and previously in various positions with the Warsteiner Group	1992 until 2007
Member of the Supervisory Board of SIAC in Douala, Cameroon	1998 until 2007
Chairman of the Supervisory Board of CASA Isenbeck in Buenos Aires, Argentina	1993 until 2007

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.

Rudolf Marty

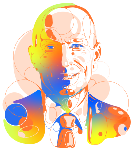
Member of the Board of Directors of ALSO Holding AG since 1993 and Chairman of the Audit Committee.

Career Milestones

Position/Function	Period
Chairman of the Gebert Rüf Foundation, Zurich, Schweiz	2005 until 2017
Chairman and majority shareholder of Advexo AG, Lucerne, Switzerland	2008 until 2017
Managing Partner of itopia AG – corporate information technology, Zurich, Switzerland	1995 until 2007
Head of the IT Research Laboratory and Applications Development of Union Bank of Switzerland SBG, Zurich, Switzerland	1989 until 1995
Professor for IT at University of Zurich	1982 until 1992

Education

MBA and doctorate in Information Technology, Zurich University, Switzerland.



Frank Tanski

Member of the Board of Directors of ALSO Holding AG since 2011.

Career Milestones

Position/Function	Period
Managing Director of Droege Capital GmbH, Germany	2008 until today
Employee of a major bank in Germany, most recently as Head of Division	1992 until 2008

Education

Diploma in Business Management.

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 (unconsolidated) 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.

For information on the functions of the Chairman and Vice Chairman, please refer to ▸section 3.1. For information on the Lead Director, please refer to ▸section 3.7.

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 the following duties and responsibilities:

- Monitoring implementation of the Group strategy by Group Management
- Consultation regarding the definition and changes to the organizational structure (management organization chart) of the Group Management, country responsibilities and functional areas within the Group
- Consultation regarding the definition of the structure of the accounting system and the regulation and management of risk 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
- Consultation regarding the assumption of additional external board memberships and important political positions by the members of the Group Management
- Consultation regarding contracts with major shareholders or members of the Board of Directors and Group Management and/or companies or persons closely associated with them
- 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 on measures relating to the change of legal form of ALSO companies and the conclusion of profit and loss transfer and similar agreements
- Consultation regarding the approval of the budget as well as the annual and half-year financial statements of ALSO Group as well as 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, 2019

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 duty 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 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
- Consultation on the adoption or amendment of the Code of Conduct including the associated guidelines
- 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
- Consultation when concluding consultancy contracts with the auditors for important auditing activities

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, 2019

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.

Composition of the Compensation and Nomination Committee

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

As of December 31, 2019

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 six meetings, including one strategy meeting and two conference calls in 2019.

The BC meets as often as its business requires, normally every two months. Six conference calls were held in the year under review.

The Audit Committee meets for half-day or full-day meetings as often as its business requires. The Audit Committee held three 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
▸https://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:

- Definition and changes to the organizational structure (management organization chart) at the level of country responsibility and functional areas of the ALSO Group
- 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
- Exercise of voting rights in subsidiaries and associated companies in the ALSO group
- Defining the operational information and reporting systems
- Defining communication policy and outward appearance
- Regulating and performing risk management
- Financial competence outside the budget or for Group investments, provided they do not fall within the competence of the Board of Directors or its committees

The CEO manages the ALSO Group with the CFO reporting 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.

3.6 Information and control instruments vis-à-vis Group Management

The Board of Directors and its committees 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 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).

As part of the MIS, the Board of Directors receives a monthly report discussing net sales, net profit, the consolidated statement of cash flows, net working capital, the financing structure, and exchange rate risks, among other things. This information is broken down by segment and compared with the approved budget and the prior-year figures.

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 within the scope of their duties pursuant to ‣section 3.4.2.1 and ‣3.4.2.2 of this report. The scope of this remit is agreed with the Board of Directors of ALSO Holding AG.

ALSO pursues a coordinated and systematic approach to risk management and controlling in order to identify and evaluate risks affecting the Group as a whole and individual Group companies. Operational risks, market risks, financial risks, tax risks, and other risks are recorded separately and classified in terms of their probability of occurrence and potential impact. Based on the resulting risk matrix, Group Management develops a catalog of suitable measures for preventing and/or mitigating potential losses. The risk matrix is regularly presented to the Audit Committee and subsequently to the Board of Directors for assessment and approval, and the implementation of the measures is monitored.

In addition, the Board of Directors and the Audit Committee 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 annual plan for internal audit is approved by the Audit Committee. The Head of Internal Audit submits a report to the Audit Committee at half-yearly intervals. The Audit Committee discusses this with the Head of Internal Audit and takes any necessary measures or proposes them to the Board of Directors for approval. The head of Internal Audit attended two Audit Committee meetings in the year under review.

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 the membership of representatives of the main shareholder. 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, 2019

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 49.

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 https://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.

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

Position/Function	Period
Chief Operating Officer ALSO Group	2011 until 2012
Chief Representative of the Droege Group	2008 until 2011
CEO and Chief Representative and previously in various positions with the Warsteiner Group	1992 until 2007
Member of the Supervisory Board of SIAC in Douala, Cameroon	1998 until 2007
Chairman of the Supervisory Board of CASA Isenbeck in Buenos Aires, Argentina	1993 until 2007

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.

Ralf Retzko

Chief Financial Officer of the ALSO Group and since 2011 a member of the Group Management.

Career Milestones

Position/Function	Period
Head of Controlling, Commercial Manager and Chief Financial Officer of the Actebis Group	1998 until 2011
Central Controlling of Karstadt AG, Essen, Germany	1996 until 1998
following his studies, Scientific assistant at the Institute of Business Information Technology, Göttingen University, Germany	1993 until 1995

Education

Studied business management, mathematics, and information technology for business in Göttingen, Germany. Subsequently took a doctorate in business management.

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.

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 upon proposal of the Board of Directors. When selecting the auditors, the Board of Directors takes various criteria into account, in particular the independence, quality, reputation and costs of the auditors. 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.

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	2019	2018
Audit	908	891
Audit related	70	185
Tax and other services	590	638
Total	**1 568**	**1 714**

8.3 Instruments providing information on the activities of the auditor

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 2019.

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 **https://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 **https://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, electronically at **https://also.com**.

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.

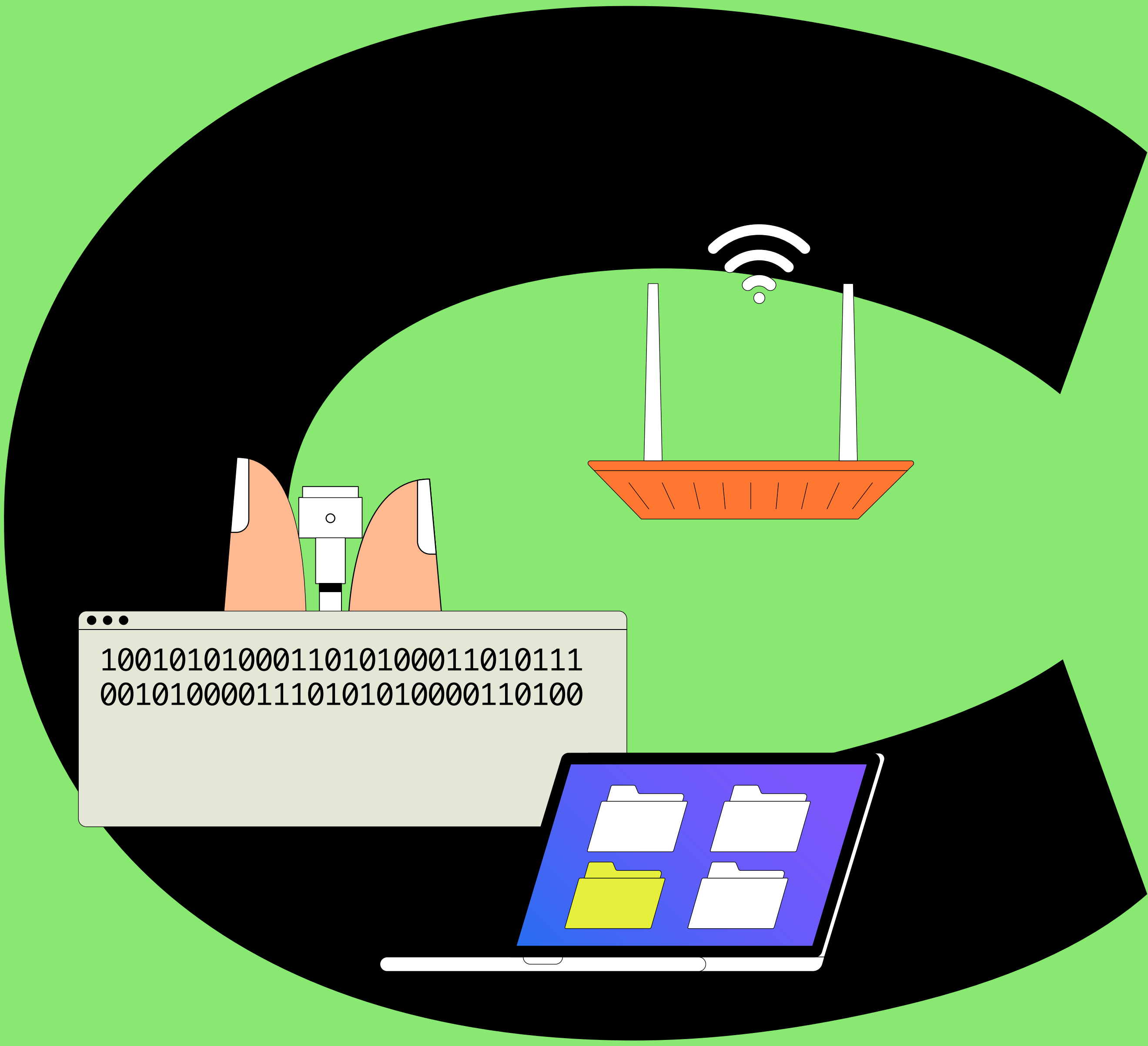
Financial calendar

Annual General Meeting	March 24, 2020
Publication half-year report	July 23, 2020

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.



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 24, 2020, 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

Karl Hofstetter, a former member of the Board of Directors, did not stand for re-election and left the Board of Directors as of the date of the Annual General Meeting, March 29, 2019.

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, short-term variable compensation 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 barred from voting when their compensation is determined. No external consultants were called in during the reporting year.

4.3 Annual 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 information

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 29, 2019, shareholders approved maximum fixed total compensation of CHF 0.7 million for fiscal year 2019.

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

Aggregate compensation – Board of Directors

CHF 1 000	Fixed, cash (gross)	Pension expenses	Total 2019
Gustavo Möller-Hergt Chairman/executive member	–	–	–
Walter P.J. Droege [1),3),4)] Vice Chairman	140	–	140
Karl Hofstetter [7)]	20	1	21
Rudolf Marty [2),5)]	90	4	94
Frank Tanski [1),2),3)]	95	–	95
Peter Athanas [1),2),3),6)]	100	5	105
Ernest-W. Droege	80	–	80
Total Compensation	**525**	**10**	**535**
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
7) Karl Hofstetter stepped down as of the date of the Annual General Meeting on March 29, 2019. Compensation up until the 2019 Annual General Meeting.

5.3 Aggregate compensation – Group Management

At the Annual General Meeting on March 29, 2019, shareholders approved maximum fixed total compensation of EUR 1.5 million and maximum variable total compensation of EUR 3.8 million for fiscal year 2019.

Aggregate compensation – Group Management in CHF

CHF 1 000	Fixed compensation				Variable compensation	
	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed total compensation	Cash bonus (gross)	Total 2019
Group Management						
Total	**625**	**27**	**489**	**1 141**	**3 824**	**4 965**
Highest individual compensation						
Gustavo Möller-Hergt	345	16	303	664	2 325	**2 989**

Translated into CHF using average exchange rates for 2019 (EUR/CHF 1.1124)

In the reporting period, the cash bonus for Gustavo Möller-Hergt was 78 percent (previous year: 79 percent) of his total compensation. For the members of Group Management, the average cash bonus was 77 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 – Group Management in EUR

EUR 1 000	Fixed compensation				Variable compensation	
	Cash (gross)	Non-cash benefits/ miscellaneous	Pension expenses	Fixed total compensation	Cash bonus (gross)	Total 2019
Group Management						
Total	**562**	**24**	**440**	**1 026**	**3 438**	**4 464**
Approved at the Annual General Meeting				1 500	3 800	**5 300**
Highest individual compensation						
Gustavo Möller-Hergt	310	14	272	596	2 090	**2 687**

6. Compensation for the prior year

6.1 General information

The disclosed compensation of the members of the Board of Directors and Group Management includes all compensation paid for the entire fiscal year of 2018. 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 27, 2018, shareholders approved maximum fixed total compensation of CHF 0.7 million for fiscal year 2018.

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

Aggregate compensation – Board of Directors

CHF 1 000	Fixed, cash (gross)	Pension expenses	Total 2019
Gustavo Möller-Hergt Chairman/executive member	–	–	–
Walter P.J. Droege [1), 3), 4)] Vice Chairman	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 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.

Aggregate compensation – Group Management 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 the notice period.

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 – Group Management 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 the notice period.

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 81 793 was made to one former member of Group Management.

A benefit payment of CHF 84 925 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 credits

9.1 Current and former members of 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, 2019.

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, 2019.

pwc

Report of the statutory auditor to the General Meeting on the compensation report 2019

We have audited the compensation report of ALSO Holding AG (paragraphs 5. to 9. on ▸ **pages 50 to 55**) for the year ended 31 December 2019.

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.

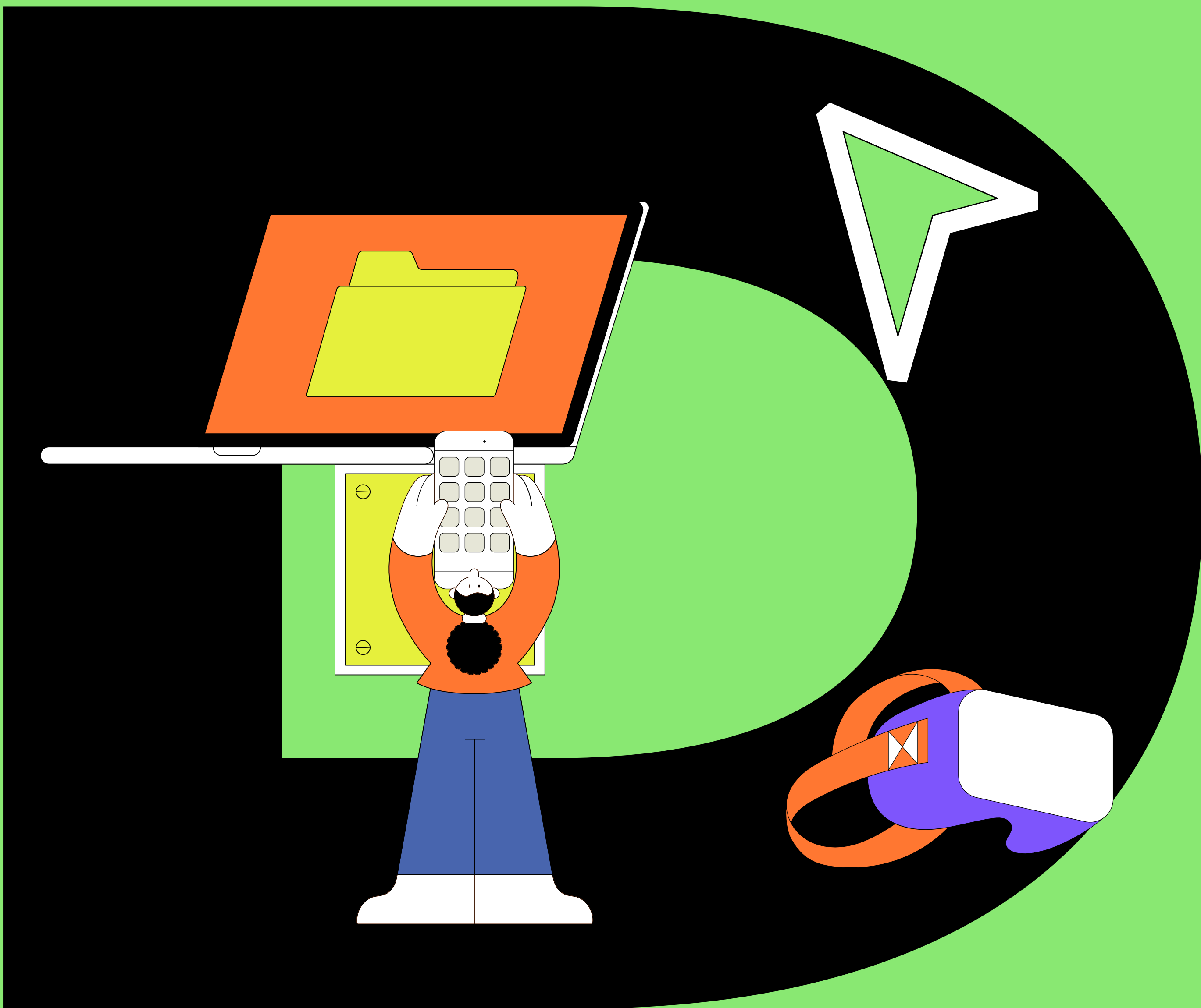
Opinion

In our opinion, the compensation report of ALSO Holding AG for the year ended 31 December 2019 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Joanne Burgener Audit expert Auditor in charge	Andreas Wolf Audit expert

Luzern, 19 February 2020



FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	2019		2018	
Total net sales	4.1	**10 692 669**	100.0 %	**9 175 710**	100.0 %
Cost of goods sold and services provided		–10 091 510		–8 633 002	
Gross profit		**601 159**	5.6 %	**542 708**	5.9 %
Personnel expenses	4.2	–231 235		–218 850	
Other operating expenses	4.4	–192 969		–192 071	
Other operating income	4.4	19 765		20 891	
EBITDA		**196 720**	1.8 %	**152 678**	1.7 %
Depreciation and amortization	5.5 / 5.6	–38 830		–15 962	
Operating profit (EBIT)		**157 890**	1.5 %	**136 716**	1.5 %
Financial income	4.5	1 960		2 414	
Financial expenses	4.5	–25 067		–21 833	
Profit before tax (EBT)		**134 783**	1.3 %	**117 297**	1.3 %
Income taxes	4.6	–34 485		–36 134	
Net profit Group		**100 298**	0.9 %	**81 163**	0.9 %
Attributable to shareholders of ALSO Holding AG		99 991		81 133	
Attributable to non-controlling interests		307		30	

Earnings per share in EUR [1]			
Basic earnings per share	5.13	7.80	6.33
Diluted earnings per share	5.13	7.80	6.33

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	2019	2018
Profit for the year recognized in the consolidated income statement		**100 298**	**81 163**
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Remeasurement of defined benefit plans		−4 692	289
Tax effects thereof	4.6	642	−45
Subtotal		**−4 050**	**244**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Exchange differences		3 721	2 152
Fair value adjustments on cash flow hedges		−5 550	−2 457
Tax effects thereof	4.6	1 667	865
Subtotal		**−162**	**560**
Other comprehensive income		**−4 212**	**804**
Total comprehensive income		**96 086**	**81 967**
Attributable to shareholders of ALSO Holding AG		95 779	81 937
Attributable to non-controlling interests		307	30

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR 1 000	Note	12.31.2019		12.31.2018	
CURRENT ASSETS					
Cash and cash equivalents	5.1	349 464		240 405	
Trade receivables	5.2	747 183		622 223	
Inventories	5.3	915 302		915 309	
Prepaid expenses, accrued income and other receivables	5.4	395 842		337 221	
Derivative financial instruments	6.2	426		203	
Total current assets		**2 408 217**	85 %	**2 115 361**	89 %
NON-CURRENT ASSETS					
Property, plant and equipment	5.5	188 479		83 512	
Intangible assets	5.6	199 656		165 786	
Financial assets	6.2	11 112		8 174	
Derivative financial instruments	6.2	449		2 227	
Deferred tax assets	4.6	15 719		7 201	
Total non-current assets		**415 415**	15 %	**266 900**	11 %
Total assets		**2 823 632**	100 %	**2 382 261**	100 %

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities and equity

EUR 1 000	Note	12.31.2019		12.31.2018	
CURRENT LIABILITIES					
Financial liabilities	5.8	88 592		124 449	
Trade payables		1 271 464		1 015 783	
Accrued expenses, deferred income and other payables	5.9	266 668		237 166	
Derivative financial instruments	6.2	2 319		578	
Tax liabilities		7 388		8 226	
Provisions	5.10	6 634		9 094	
Total current liabilities		**1 643 065**	58 %	**1 395 296**	59 %
NON-CURRENT LIABILITIES					
Financial liabilities	5.8	408 681		279 075	
Provisions	5.10	5 672		5 035	
Derivative financial instruments	6.2	10 413		7 797	
Deferred tax liabilities	4.6	6 740		8 280	
Employee benefits	4.3	16 798		11 049	
Total non-current liabilities		**448 304**	16 %	**311 236**	13 %
Total liabilities		**2 091 369**	74 %	**1 706 532**	72 %
EQUITY					
Share capital		9 960		9 960	
Capital reserves		69 943		104 277	
Treasury shares	5.11	–1 822		–1 822	
Cash flow hedge reserve		–7 788		–3 947	
Exchange differences		4 012		333	
Remeasurement of defined benefit plans		–12 797		–8 747	
Retained earnings		670 372		575 469	
Equity attributable to ALSO shareholders		**731 880**	26 %	**675 523**	28 %
Non-controlling interests		383		206	
Total equity		**732 263**	26 %	**675 729**	28 %
Total liabilities and equity		**2 823 632**	100 %	**2 382 261**	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, 2018 as reported		**9 960**	**104 277**	**–1 822**	**–12 361**	**575 469**	**675 523**	**206**	**675 729**
Restatement[1]		0	0	0	0	–5 071	–5 071	–2	–5 073
January 1, 2019		**9 960**	**104 277**	**–1 822**	**–12 361**	**570 398**	**670 452**	**204**	**670 656**
Net profit Group		0	0	0	0	99 991	99 991	307	100 298
Other comprehensive income		0	0	0	–4 212	0	–4 212	0	–4 212
Total comprehensive income		**0**	**0**	**0**	**–4 212**	**99 991**	**95 779**	**307**	**96 086**
Distributions to shareholders	5.13	0	–34 334	0	0	0	–34 334	0	–34 334
Acquisition of non-controlling interests	3	0	0	0	0	0	0	105	105
Remeasurement of put options on shares of non-controlling interests	2.7	0	0	0	0	–17	–17	–233	–250
December 31, 2019		**9 960**	**69 943**	**–1 822**	**–16 573**	**670 372**	**731 880**	**383**	**732 263**
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**

1) See comment on application of IFRS 16 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	2019	2018
Net profit Group	**100 298**	**81 163**
Depreciation and amortization	38 830	15 962
Change of provisions and employee benefits	−2 172	1 238
Gains/losses from the sale of non-current assets	93	−847
Other non-cash items	2 152	6 543
Subtotal	**139 201**	**104 059**
Change in trade receivables	−62 609	−35 351
Change in receivables from factoring	−49 981	−54 180
Change in inventories	110 310	−69 057
Change in prepaid expenses, accrued income and other receivables	16 120	−25 388
Change in trade payables	147 574	151 543
Change in accrued expenses, deferred income and other payables	11 493	16 452
Cash flow from operating activities	**312 108**	**88 078**
Net cash flow from acquisitions of subsidiaries (see Note 3)	−57 367	−14 623
Payment of contingent consideration from acquisitions of subsidiaries (see Note 3)	−1 241	−594
Additions to property, plant and equipment	−7 566	−10 150
Additions to intangible assets	−3 913	−3 429
Disposals of property, plant and equipment	254	4 489
Additions/disposals of financial assets	−2 782	−5 870
Cash flow from investing activities	**−72 615**	**−30 177**
Distributions to shareholders	−34 334	−30 670
Proceeds from increase of financial liabilities	61 000	3 055
Repayments of financial liabilities	−125 573	−36 998
Repayments/proceeds from factoring liabilities	−34 400	11 648
Cash flow from financing activities	**−133 307**	**−52 965**
Exchange differences	2 873	−92
Change in cash and cash equivalents	**109 059**	**4 844**
Cash and cash equivalents at January 1	240 405	235 561
Cash and cash equivalents at December 31	**349 464**	**240 405**
INCLUDED IN CASH FLOW FROM OPERATING ACTIVITIES		
Income taxes paid	38 450	32 628
Interest paid	21 716	17 238
Interest received	766	224

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 660 providers in the ICT product categories of hardware, software, and IT services, including all global market leaders. We offer the providers 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 2019 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, 2019, 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 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Remeasurement of Previously Held Interest (Amendments to IFRS 3 and IFRS 11)
- Income Tax Consequences of Dividends (Amendments to IAS 12)
- Borrowing Costs Eligible for Capitalization (Amendments to IAS 23)

Adoption of IFRS 16 Leases

Since January 1, 2019, ALSO applied IFRS 16 for the first time. This standard supersedes 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. Lessor accounting is substantially unchanged. Therefore, the transition did not have an impact for leases where ALSO is the lessor.

The initial application is carried out by the modified retrospective approach, which means, the comparative amounts will not be restated. Right-of-use assets are measured at their historical carrying amount less depreciation as if the new rules had always been applied. Lease liabilities reflect the net present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019, which weighted average was 1.71 %.

ALSO has used the following practical expedients permitted by the standard:

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term if the contact contains options to extend or terminate the lease

ALSO uses the recognition exemptions for lease contracts that have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value.

The following table shows the initial recognition of leases as of January 1, 2019 according to the new standard.

EUR 1 000	01.01.2019
New right-of-use assets	114 210
New lease liabilities	120 636
thereof short-term	*22 914*
thereof long-term	*97 722*
Effect on equity before deferred taxes	**–6 426**
Deferred tax assets on initial application of IFRS 16	1 353
Effect on equity	**–5 073**

The capitalized right-of-use assets are presented in property, plant and equipment and lease liabilities in short-/long-term financial liabilities.

The future payments for operating leases disclosed as at December 31, 2018 were recognized in the balance sheet as at January 1, 2019 as follows:

EUR 1 000	
Operating lease commitments disclosed as at December 31, 2018	**119 690**
Discounting lease liabilities using ALSO's incremental borrowing rate	–7 433
Finance lease liabilities recognised as at 31 December 2018	5 919
Low-value and short-term leases which are not recognised	–123
In previous year disclosed lease commitments with a commencement date in 2019	–2 227
Adjustments as a result of a different treatment of extension and termination options	10 729
Lease liability recognised as at January 1, 2019	**126 555**
OF WHICH ARE:	
Due in 1st year	23 767
Due in 2nd to 5th year	74 284
Due from the 6th year onwards	28 504

The application of IFRS 16 did not have a material effect on the net profit, as operating lease expenses are replaced by depreciation of the right-of-use asset and interest payments. However, this results in a reduction in other operating expenses with an increase in depreciation/amortization and financial expenses. As a result, EBITDA increased by TEUR 23 951 and EBIT by TEUR 1 899. In the consolidated statement of cash flows, cash flow from operating activities increased by TEUR 23 140 and cash flow from financing activities was lower by this amount, because the repayment component from leases is reported as cash flow from financing activities. The cash flow allocated to the interest on the lease liability continues to be presented under cash flow from operating activities. Overall, these changes exclusively represent shifts within the cash flow.

The new and the old accounting policy is described in ▸Note 2.19.

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:

- Amendments to References to Conceptual Framework in IFRS Standards – effective January 1, 2020
- Definition of a Business (Amendments to IFRS 3) – effective January 1, 2020
- Definition of Materiality (Amendments to IAS 1 and IAS 8) – effective January 1, 2020
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) – effective January 1, 2020

From today's perspective, the application of these changes will not have any material effects on the financial position, performance, 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. in liquidation on Mai 15, 2018. ALSO Digital Holding B.V. in liquidation is 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. in liquidation, ALSO therefore has no control over this company. Its 100 % subsidiary ALSO Digital B.V. was sold in 2019 in course of liquidation. A gain of TEUR 176 resulted in 2018 from the deconsolidation of ALSO Digital Holding B.V. in liquidation. 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 2019

The following companies were acquired by the ALSO Group in 2019 and were included in the scope of consolidation:

Country	Domicile	Company name	Voting interest
Belgium	Gent	AllThingsTalk NV	100.00 %
Bulgaria	Sofia	ALSO Bulgaria OOD (former Solytron Bulgaria EOOD)	100.00 %
Croatia	Zagreb	ALSO Croatia d.o.o.	100.00 %
Lithuania	Vilnius	UAB “ABC Data Lietuva”	100.00 %
Poland	Warsaw	Roseville Investments sp. z o.o.	100.00 %
	Warsaw	iSource S.A.	100.00 %
	Krakow	S4E S.A.	81.31 %
Romania	Bucharest	ALSO Technology SRL (former ABC Data Distributie SRL)	100.00 %
Slovakia	Bratislava	ALSO Slovakia s.r.o. (former ABC Data s.r.o.)	100.00 %
Hungary	Budapest	ALSO Hungary Kft. (former ABC Data Hungary Kft.)	100.00 %

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 %

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 EUR		Year-end rate		Average rate	
		2019	2018	2019	2018
USA	USD	1.1234	1.1450	1.1195	1.1810
Switzerland	CHF	1.0854	1.1269	1.1124	1.1550
Norway	NOK	9.8638	9.9483	9.8511	9.5975
Denmark	DKK	7.4715	7.4673	7.4661	7.4532
Sweden	SEK	10.4468	10.2548	10.5891	10.2583
Poland	PLN	4.2568	4.3014	4.2976	4.2615

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. The exercise period for the options ends in 2020.

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 met.

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 income statement. 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 statement of comprehensive income. 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 Leases

As explained in ▸Note 2.2, ALSO has changed its accounting policy for leases where the Group is the lessee.

Accounting policy from January 1, 2019

Right-of-use assets and lease liabilities are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are presented in property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, ALSO's incremental borrowing rate. The lease term includes the non-cancellable period for which the asset is used, and extension/termination options are considered if ALSO is reasonably certain to exercise it. Lease liabilities are presented in short-/long-term financial liabilities.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful live is determined on the same basis as those of property, plant and equipment.

ALSO uses the recognition exemptions for lease contracts that have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value.

Accounting policy until December 31, 2018

In the comparative period, leasing agreements that transferred substantially all of the risks and benefits to ALSO that were associated with ownership of the leased item were classified as finance leases. Equipment that was financed by leasing agreements was 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 were depreciated over their estimated useful life or the period of the agreement if shorter. Outstanding liabilities arising from finance leases were recognized as current and non-current financial liabilities.

Leases that did not transfer essentially all of the risks and benefits associated with ownership of the leased asset were classified as operating leases and the payments were 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 leases, and derivative financial liabilities. No lease liabilities from operating leases were recognized in the previous year. As described under ▸Note 2.2, this changed this year with the introduction of the new leasing standard IFRS 16.

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 distribution business in Croatia

On January 4, 2019, the ALSO Group, through its subsidiary ALSO Croatia d.o.o., took over the assets and liabilities of Recro d.d. The objective of the acquisition is to further strengthen the market position in the Eastern European and Adriatic regions.

The consideration transferred for the acquired assets and liabilities was TEUR 9 812. In the purchase price allocation, a fair value of the net assets of TEUR 8 032 was identified. Goodwill of TEUR 1 780 was recognized. The goodwill mainly reflects the expected synergy effects from expanding the market position. The reported goodwill is not tax-deductible.

No cash was acquired. The fair value of trade receivables amounts to TEUR 6 201.

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

Since the date of acquisition, ALSO Croatia has contributed TEUR 38 875 to the net sales and TEUR 8 to the net profit of ALSO.

As at December 31, 2019, TEUR 9 749 of the purchase price of TEUR 9 812 had been paid out.

Acquisition of AllThingsTalk NV

On June 26, 2019, the ALSO Group acquired 100 % of the voting shares of AllThingsTalk NV. AllThingsTalk NV, an unlisted company with registered office in Gent, Belgium, is specialized in the development of an IoT (Internet of Things) enablement platform. The objective of the acquisition is to strengthen and further develop the expertise in the IoT business.

The consideration transferred for 100 % of the voting shares was TEUR 7 145. Additional contingent considerations (earn-outs) were agreed, which are due from 2021. The estimated amount of these contingent considerations at the date of acquisition was TEUR 9 155. The amount of the contingent considerations depends on the future operating results of the company. In the purchase price allocation, a fair value of the net assets of TEUR 3 028 was identified. Goodwill of TEUR 13 272 was recognized. The goodwill mainly reflects the expected synergy effects from the IoT business. The reported goodwill is not tax-deductible.

Cash in the amount of TEUR 65 was acquired. The fair value of the trade receivables amounts to TEUR 20.

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

Since the date of acquisition, AllThingsTalk has contributed TEUR 261 to the net sales and TEUR -903 to the net profit of ALSO.

As at December 31, 2019, TEUR 6 945 of the purchase price of TEUR 16 300 had been paid out.

Acquisition business in Eastern Europe

On July 1, 2019, the ALSO Group, through its subsidiary Roseville Investments Sp. z o.o., took over the assets and liabilities of the ABC Data Group (consisting of ABC Data S.A., Poland; ABC Data Marketing Sp. z o.o., Poland; ABC Data s.r.o, Slovakia; UAB “ABC Data Lietuva”, Lithuania; ABC Data Hungary Kft., Hungary; ABC Data Distributie SRL, Romania; iSource S.A., Poland; S4E S.A., Poland). ABC Data operates in six Eastern European countries and is a leading East European 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 solution and service business.

The consideration transferred for the assets and liabilities was TEUR 45 892. In the purchase price allocation, a fair value of the net assets of TEUR 36 046 was identified. The non-controlling interest (NCI) in S4E, a listed company at Warsaw Stock Exchange, in the amount of TEUR 105, is measured by the NCI's proportionate share of identifiable net assets. Goodwill of TEUR 9 846 was recognized. The goodwill mainly reflects the expected synergy effects from expanding the market position. The reported goodwill is not tax-deductible.

Cash in the amount of TEUR 7 165 was acquired. The fair value of trade receivables amounts to TEUR 52 864 and consists of gross contractual amounts of TEUR 55 248 and a provision for bad debts in the amount of TEUR 2 384.

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

Since the date of acquisition, Roseville has contributed TEUR 536 724 to the net sales and TEUR 1 311 to the net profit of ALSO.

The purchase price of TEUR 45 892 was paid in full by December 31, 2019.

Acquisition of Solytron Bulgaria EOOD

On October 29, 2019, the ALSO Group acquired 100 % of the voting shares of Solytron Bulgaria EOOD. Solytron Bulgaria EOOD, an unlisted company with registered office in Sofia, Bulgaria, is one of the leading IT disributors in Bulgaria. The objective of the acquisition is the expansion of the Eastern European business.

The consideration transferred for 100 % of the voting shares was TEUR 4 090. An additional contingent consideration (earnout) was agreed, which is due in 2020. The estimated amount of this contingent consideration at the date of acquisition was TEUR 1 850. The amount of the contingent considerations depends on the future operating results of the company. In the purchase price allocation, a fair value of the net assets of TEUR 6 465 was identified. A negative goodwill of TEUR 525 was recognized in financial income.

Cash in the amount of TEUR 79 was acquired. The fair value of trade receivables amounts to TEUR 10 648 and consists of gross contractual amounts of TEUR 10 803 and a provision for bad debts in the amount of TEUR 155.

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

Since the date of acquisition, Solytron has contributed TEUR 22 037 to the net sales and TEUR 1 556 to the net profit of ALSO.

As at December 31, 2019, TEUR 5 940 of the purchase price of TEUR 2 090 had been paid out.

Other acquisitions

In 2019, ALSO acquired the remaining voting shares in ALSO Polska sp. z o.o. for the amount of TEUR 0.

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 11 223 391 and the net profit TEUR 99 190. This information is provided for illustrative purposes only and is not necessarily indicative for the future results of the Group.

Assets and liabilities from business combinations

EUR 1 000	Fair values at the date of acquisition				
	Solytron Bulgaria EOOD 1)	ABC Data Group 1)	AllThingsTalk NV 1)	ALSO Croatia d.o.o. 1)	Total
CURRENT ASSETS					
Cash and cash equivalents	79	7 165	65	–	7 309
Trade receivables	10 648	52 864	20	6 201	69 733
Inventories	12 651	85 933	31	3 775	102 390
Prepaid expenses, accrued income and other receivables	2 567	21 273	49	199	24 088
Total current assets	**25 945**	**167 235**	**165**	**10 175**	**203 520**
NON-CURRENT ASSETS					
Property, plant and equipment	156	7 759	12	13	7 940
Intangible assets	808	5 734	3 030	521	10 093
Financial assets	–	186	–	–	186
Deferred tax assets	206	4 255	667	–	5 128
Total non-current assets	**1 170**	**17 934**	**3 709**	**534**	**23 347**
Total assets	**27 115**	**185 169**	**3 874**	**10 709**	**226 867**
CURRENT LIABILITIES					
Financial liabilities	7 510	38 474	–	–	45 984
Trade payables	10 099	89 784	20	2 609	102 512
Accrued expenses, deferred income and other payables	1 933	6 988	68	68	9 057
Tax liabilities	1 035	8 366	–	–	9 401
Provisions	–	698	–	–	698
Total current liabilities	**20 577**	**144 310**	**88**	**2 677**	**167 652**
NON-CURRENT LIABILITIES					
Financial liabilities	–	4 228	–	–	4 228
Provisions	–	171	–	–	171
Deferred tax liabilities	73	309	758	–	1 140
Total non-current liabilities	**73**	**4 708**	**758**	**–**	**5 539**
Total liabilities	**20 650**	**149 018**	**846**	**2 677**	**173 191**
Total net assets	6 465	36 151	3 028	8 032	53 676
Non-controlling interests	–	–105	–	–	–105
Net assets attributable to ALSO	**6 465**	**36 046**	**3 028**	**8 032**	**53 571**
Goodwill	–	9 846	13 272	1 780	24 898
Negative goodwill	–525	–	–	–	–525
Consideration transferred	**5 940**	**45 892**	**16 300**	**9 812**	**77 944**
ANALYSIS OF CASH FLOWS FROM THE ACQUISITIONS					
Cash acquired	79	7 165	65	–	7 309
Cash paid	–2 090	–45 892	–6 945	–9 749	–64 676
Net cash outflow	**–2 011**	**–38 727**	**–6 880**	**–9 749**	**–57 367**

1) Provisional amounts.

Business combinations 2018

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 provisional purchase price allocation as of July 11, 2018 was completed in 2019. There was no change in the measurement of the acquired net assets.

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 provisional purchase price allocation as of November 20, 2018 was completed in 2019. There was no change in the measurement of the acquired net assets.

In 2019, an earn-out in the amount of TEUR 1 241 was paid for the acquisition of DISS. This amount had already been taken into account in the purchase price allocation.

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 provisional purchase price allocation as of November 1, 2018 was completed in 2019. There was no change in the measurement of the acquired net assets.

4. Notes to the income statement

4.1 Segment information

EUR 1 000	Central Europe		Northern/Eastern Europe		Adjustments		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales to third parties	5 974 684	5 255 545	4 574 997	3 786 022	–	–	10 549 681	9 041 567
Revenue from services to third parties	113 064	121 427	23 476	7 083	231	237	136 771	128 747
Revenue from leases to third parties	5 438	4 536	779	860	–	–	6 217	5 396
Net sales to other segments	159 915	139 972	235 630	228 561	–395 545	–368 533	–	–
Total net sales	**6 253 101**	**5 521 480**	**4 834 882**	**4 022 526**	**–395 314**	**–368 296**	**10 692 669**	**9 175 710**
EBITDA	**124 677**	**109 397**	**71 668**	**41 334**	**375**	**1 947**	**196 720**	**152 678**
As % of total net sales	*2.0 %*	*2.0 %*	*1.5 %*	*1.0 %*	–	–	*1.8 %*	*1.7 %*
Depreciation and amortization	–20 830	–8 695	–15 067	–4 255	–2 933	–3 012	–38 830	–15 962
Operating profit (EBIT)	**103 847**	**100 702**	**56 601**	**37 079**	**–2 558**	**–1 065**	**157 890**	**136 716**
As % of total net sales	*1.7 %*	*1.8 %*	*1.2 %*	*0.9 %*	–	–	*1.5 %*	*1.5 %*
Net financial income/expense	–16 221	–13 638	–14 641	–10 026	7 755	4 245	–23 107	–19 419
Profit before tax (EBT)	**87 626**	**87 064**	**41 960**	**27 053**	**5 197**	**3 180**	**134 783**	**117 297**
As % of total net sales	*1.4 %*	*1.6 %*	*0.9 %*	*0.7 %*	–	–	*1.3 %*	*1.3 %*
Segment assets	**1 623 481**	**1 569 745**	**1 337 983**	**1 006 779**	**–137 832**	**–194 263**	**2 823 632**	**2 382 261**
Segment liabilities	**1 281 585**	**1 245 049**	**1 128 652**	**812 658**	**–318 868**	**–351 175**	**2 091 369**	**1 706 532**
INVESTMENTS								
in property, plant and equipment [1)]	8 853	6 231	7 052	3 842	259	678	16 164	10 751
in intangible assets	2 224	1 761	120	340	1 569	1 328	3 913	3 429
Average headcount	2 086	2 255	1 740	1 322	126	131	3 952	3 708
Headcount at year-end	2 021	2 148	2 074	1 455	125	125	4 220	3 728

1) See comment on application of IFRS 16 in Note 2.2

Headcount deviation

	Central Europe	Northern/Eastern Europe	Adjustments	Group
Headcount at year-end 2018	2 148	1 455	125	3 728
Reduction in headcount	–131	–152	–	–283
Increase in headcount due to acquisitions	4	771	–	775
Headcount at year-end 2019	**2 021**	**2 074**	**125**	**4 220**

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

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	2019	2018
Costs for shareholders/ mark-up for management fees/ other centralized costs	375	1 947
Total at EBITDA level	**375**	**1 947**
Depreciation and amortization	–2 933	–3 012
Net financial result	7 755	4 245
Total at EBT level	**5 197**	**3 180**

The financial result in the "Adjustments" column in 2019 and 2018 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		
2019	**965 677**	**95 254**
2018	881 942	64 867
Germany		
2019	**4 249 856**	**156 896**
2018	3 671 109	128 393
Netherlands		
2019	**1 311 934**	**15 800**
2018	1 328 753	4 807
Others		
2019	**4 165 202**	**120 185**
2018	3 293 906	51 231
Group		
2019	**10 692 669**	**388 135**
2018	9 175 710	249 298

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 1 312 million (previous year: EUR 1 011 million) with one customer, which are included in both segments.

Contract assets and liabilities

The acquisition of S4E and the sales and service business of Hewlett Packard Enterprise (HPE) in the Ukraine, Belarus and Lithuania ▸see Note 3 may give rise to contract balances. There were no significant amounts for 2019 and 2018 as disclosed in ▸Note 5.9.

4.2 Personnel expenses

EUR 1 000	2019	2018
Salaries and wages	–193 774	–185 911
Social and pension costs	–37 461	–32 939
Total personnel expenses	**–231 235**	**–218 850**

Personnel expenses include restructuring expenses of EUR 6.1 million (previous year: 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 84.1 % (previous year: 82.3 %) of plan assets and 82.5 % (previous year: 80.9 %) of the present value of the expected obligations of the ALSO Group.

Defined benefit plan

EUR 1 000	2019			2018		
	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
Fair value of plan assets	57 693	10 918	68 611	48 292	10 355	58 647
Present value of defined benefit obligations	–70 457	–14 952	–85 409	–56 372	–13 324	–69 696
of which financed by funds	–70 457	–14 832	–85 289	–56 372	–13 237	–69 609
of which financed by provisions	0	–120	–120	0	–87	–87
Deficit	**–12 764**	**–4 034**	**–16 798**	**–8 080**	**–2 969**	**–11 049**
Reported in the statement of financial position as:						
Employee benefit liabilities	–12 764	–4 034	–16 798	–8 080	–2 969	–11 049

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	2019			2018		
	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
Current service cost	−2 761	−483	−3 244	−2 681	−609	−3 290
Past service cost	0	115	115	3 495	344	3 839
Net interest employee benefit	−75	−46	−121	−68	−56	−124
Net post-employment benefit expenses	**−2 836**	**−414**	**−3 250**	**746**	**−321**	**425**

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.

Remeasurement recognized in other comprehensive income

EUR 1 000	2019			2018		
	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
Actuarial gains/losses:						
Changes in demographic assumptions	0	0	0	0	12	12
Changes in financial assumptions	−8 037	−2 298	−10 335	1 522	824	2 346
Return on plan assets (excluding interest income)	4 934	709	5 643	−1 728	−341	−2 069
Transfer of employees from other pension plans to ALSO's pension fund	163	−163	0	0	0	0
Total remeasurement recognized in other comprehensive income	**−2 940**	**−1 752**	**−4 692**	**−206**	**495**	**289**

Change in fair value of plan assets

EUR 1 000	2019			2018		
	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
January 1	**48 292**	**10 355**	**58 647**	**51 978**	**12 103**	**64 081**
Transfer of employees from other pension plans to ALSO's pension fund	1 364	−1 364	0	0	0	0
Interest income	542	163	705	415	175	590
Return on plan assets (excluding interest income)	4 933	709	5 642	−1 728	−341	−2 069
Employee contributions	1 421	196	1 617	1 414	258	1 672
Employer contributions	1 978	708	2 686	1 942	812	2 754
Net benefits (paid) received	−2 862	35	−2 827	−7 588	−2 818	−10 406
Exchange differences	2 025	116	2 141	1 859	166	2 025
December 31	**57 693**	**10 918**	**68 611**	**48 292**	**10 355**	**58 647**

Change in the present value of defined benefit obligations

EUR 1 000	2019			2018		
	ALSO pension fund	Other defined benefit plans	Total	ALSO pension fund	Other defined benefit plans	Total
January 1	**56 372**	**13 324**	**69 696**	**62 209**	**15 949**	**78 158**
Transfer of employees from other pension plans to ALSO's pension fund	1 667	−1 667	0	0	0	0
Service cost	2 760	483	3 243	2 681	610	3 291
Past service cost	0	−115	−115	−3 495	−344	−3 839
Interest cost	617	209	826	483	230	713
Actuarial gain/loss	8 037	2 298	10 335	−1 522	−836	−2 358
Employee contributions	1 421	196	1 617	1 414	258	1 672
Net benefits (paid) received	−2 862	35	−2 827	−7 588	−2 818	−10 406
Exchange differences	2 445	189	2 634	2 190	275	2 465
December 31	**70 457**	**14 952**	**85 409**	**56 372**	**13 324**	**69 696**

Investment structure of plan assets

	2019			2018		
	ALSO pension fund	Other defined benefit plans 1)	Total 1)	ALSO pension fund	Other defined benefit plans 1)	Total 1)
Cash and cash equivalents	4.4 %	0.0 %	3.7 %	2.4 %	0.0 %	2.0 %
Equity instruments	35.0 %	0.0 %	29.4 %	30.5 %	0.0 %	25.1 %
Bonds	34.4 %	0.0 %	28.9 %	36.7 %	0.0 %	30.1 %
Real estate	13.8 %	0.0 %	11.6 %	14.9 %	0.0 %	12.3 %
Other investments	12.4 %	100.0 %	26.4 %	15.5 %	100.0 %	30.5 %
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.

Principal actuarial assumptions

EUR 1 000	2019			2018		
	ALSO pension fund	Other defined benefit plans 1)	Total 1)	ALSO pension fund	Other defined benefit plans 1)	Total 1)
Discount rate	0.1 %	1.0 %	0.2 %	1.1 %	1.8 %	1.2 %
Future salary increases	1.0 %	0.7 %	1.0 %	1.0 %	0.8 %	1.0 %
Future pension increases	0.0 %	0.5 %	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	2019	2018
Employer contributions	**2 066**	**2 125**

4.4 Other operating expenses/income

Other operating expenses

EUR 1 000	2019	2018
Leasing expenses [1)]	–3 224	–22 256
Maintenance and repair expenses	–14 596	–16 103
Marketing and administrative expenses	–115 954	–103 288
Insurance, consulting and other operating expenses	–59 195	–50 424
Total other operating expenses	**–192 969**	**–192 071**

1) See comment on application of IFRS 16 in Note 2.2

Other operating income

EUR 1 000	2019	2018
Gains on sales of property, plant and equipment	0	897
Other operating income	19 765	19 994
Total other operating income	**19 765**	**20 891**

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	2019	2018
Interest income	703	466
Exchange gains, net	49	0
Fair value adjustments of contingent considerations (Note 6.2)	117	547
Negative goodwill from acquisitions (Note 3)	525	548
Other financial income	566	853
Total financial income	**1 960**	**2 414**

Financial expenses

EUR 1 000	2019	2018
Interest expenses	–18 241	–15 623
Interest for lease liabilities [1)]	–2 003	–28
Factoring fees	–3 064	–2 292
Net interest employee benefits	–121	–124
Exchange losses, net	0	–126
Fair value adjustments of contingent considerations (Note 6.2)	–124	–2 900
Other financial expenses	–1 514	–740
Total financial expenses	**–25 067**	**–21 833**
Financial result	**–23 107**	**–19 419**

1) See comment on application of IFRS 16 in Note 2.2

Currency effects

EUR 1 000	2019	2018
Currency effects on financial result	49	–126
Currency effects on cost of goods sold and services provided	1 149	–2 382
Total currency effects	**1 198**	**–2 508**

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	2019	2018
Income taxes in the reporting period	–36 635	–30 559
Income taxes in prior periods	–308	–2 512
Total current income tax	**–36 943**	**–33 071**
Changes in deferred tax rate	13	–124
Changes in temporary differences	2 445	–2 939
Total deferred tax	**2 458**	**–3 063**
Total income tax expense	**–34 485**	**–36 134**

Analysis of tax expense

EUR 1 000	2019	2018
Profit before tax (EBT)	**134 783**	**117 297**
Expected tax rate (weighted)	*24.2 %*	*25.3 %*
Expected income tax expense	–32 557	–29 652
Utilization of previously unrecognized tax losses	1 493	799
Income tax losses not recognized	–2 033	–1 931
Income not subject to tax	717	585
Non-deductible expenses	–3 082	–4 591
Changes in deferred tax rate	13	–124
Tax effect from prior periods	1 023	–1 154
Withholding tax on Group dividends	–1	–23
Other factors	–58	–43
Effective income tax expense	**–34 485**	**–36 134**
Effective income tax rate	*25.6 %*	*30.8 %*

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 decrease in the effective tax rate from 30.8 % in 2018 to 25.6 % in 2019 is mainly due to the utilization of previously unrecognized tax losses, the decrease in non-deductible expenses and the result of tax audits in previous year.

In 2019, 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	2019	2018
TAX EFFECTS ON ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Remeasurement of defined benefit plans	642	−45
Subtotal	**642**	**−45**
TAX EFFECTS ON ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Exchange differences	−42	166
Fair value adjustment on cash flow hedges	1 709	699
Subtotal	**1 667**	**865**
Total tax effects in other comprehensive income	**2 309**	**820**

Deferred taxes

EUR 1 000	Statement of financial position				Recognized in income taxes	
	Deferred tax assets		Deferred tax liabilities			
	2019	2018	2019	2018	2019	2018
TEMPORARY DIFFERENCES						
Current assets	1 556	625	4 737	4 461	707	−733
Property, plant and equipment	150	138	2 479	2 824	410	−3
Intangible assets	191	276	2 359	1 882	271	102
Recognized tax loss carry-forwards	2 374	2 598	0	0	−881	−1 074
Provisions and employee benefits	7 103	3 155	37	504	357	−214
Liabilities	9 250	3 927	1 995	2 109	1 613	−1 310
Other temporary differences	0	0	38	18	−19	169
Total	**20 624**	**10 719**	**11 645**	**11 798**	**2 458**	**−3 063**
Offsetting	−4 905	−3 518	−4 905	−3 518	0	0
Total deferred taxes	**15 719**	**7 201**	**6 740**	**8 280**	**2 458**	**−3 063**

Changes in deferred taxes (net)

EUR 1 000	2019	2018
January 1	**–1 079**	**1 755**
Deferred tax assets due to the initial application of IFRS 16	1 353	–
Effect of acquisitions	3 988	51
Changes in temporary differences	4 766	–2 244
Exchange differences	–49	–641
December 31	**8 979**	**–1 079**

Tax loss carry-forwards

EUR 1 000	2019	2018
Total tax loss carry-forwards	**73 919**	**74 829**
Of which recognized as deferred tax assets	–10 581	–11 051
Total tax loss carry-forwards not recognized	**63 338**	**63 778**
Tax effect on unrecognized tax loss carry-forwards	14 249	14 402
TOTAL UNRECOGNIZED TAX LOSS CARRY-FORWARDS EXPIRING:		
In two to five years (weighted tax rate 2019: 19.9 %; previous year: 21.0 %)	19 981	22 510
In six to ten years (weighted tax rate 2019: 22.1 %; previous year: 23.3 %)	9 719	7 497
No expiry (weighted tax rate 2019: 23.9 %; previous year: 23.5 %)	33 638	33 771

In 2019 and 2018, ALSO did not capitalize any new material deferred taxes.

The loss carry-forwards existing at December 31, 2019 as in previous year derive mainly from Sweden, Finland, Germany and the Netherlands.

For tax loss carry-forwards in the amount of TEUR 63 338 (previous year: 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, 2019, there were no deferred tax liabilities for retained earnings amounting to TEUR 11 211 (previous year: TEUR 10 540) 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 of December 31

5.1 Cash and cash equivalents

Cash and cash equivalents in the amount of TEUR 349 464 (previous year: TEUR 240 405) consist of cash at banks and on hand.

5.2 Trade receivables

EUR 1 000	2019	2018
Trade receivables (gross)	683 998	602 059
Effect of acquisitions	69 733	24 305
Provision for bad debts	–6 548	–4 141
Total trade receivables	**747 183**	**622 223**

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

EUR 1 000	2019	2018
Status of bad debt provision as at January 1	**4 141**	**4 164**
Effect of acquisitions	2 539	388
Exchange differences	6	–42
Creation	2 087	1 153
Release	–969	–553
Utilization	–1 256	–969
Status of bad debt provision as at December 31	**6 548**	**4 141**
Trade receivables write-offs	–2 789	–1 258
Income from payments for trade receivables previously written-off	154	255

5.3 Inventories

EUR 1 000	2019	2018
Inventories	925 251	926 608
Downpayments to suppliers	4 445	2 149
Inventory provision	–14 394	–13 448
Total inventories	**915 302**	**915 309**

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 10 018 724 (previous year: TEUR 8 567 346) was recognized as cost of goods sold in the consolidated income statement. This includes changes in inventory provisions totaling TEUR 1 622 recognized as income. In the previous year, TEUR 686 was recognized as income.

5.4 Prepaid expenses, accrued income and other receivables

EUR 1 000	2019	2018
Miscellaneous tax receivables	11 855	10 966
Receivables from factors	304 872	251 938
Other receivables	68 507	66 068
Other receivables	**385 234**	**328 972**
Prepaid expenses and accrued income	10 608	8 249
Total prepaid expenses, accrued income and other receivables	**395 842**	**337 221**

Receivables from factors ▸see Note 6.8 consist of dilution reserves of TEUR 153 849 (previous year: TEUR 147 029) from ongoing sales of receivables and within the scope of credit lines callable claims of TEUR 151 023 (previous year: TEUR 104 909).

Provisions on receivables from factors amount to TEUR 198 (previous year: TEUR 161).

Other receivables consist mainly of receivables from vendors.

5.5 Property, plant and equipment

Acquired Property, plant and equipment

EUR 1 000	Land and buildings	Equipment	Other property, plant and equipment	Total
December 31, 2018 as reported	**56 456**	**12 935**	**14 121**	**83 512**
Reclassification to right-of-use assets [1]	0	–960	0	–960
1. Januar 2019 as restated	**56 456**	**11 975**	**14 121**	**82 552**
Additions	250	997	6 319	7 566
Effect of acquisitions	0	836	2 153	2 989
Disposals	–40	–114	–614	–768
Reclassifications	–14	–143	157	0
Depreciation	–2 151	–1 990	–5 864	–10 005
Exchange differences	1 080	141	176	1 397
December 31, 2019	**55 581**	**11 702**	**16 448**	**83 731**
OVERVIEW AS AT DECEMBER 31, 2019				
Acquisition costs	76 328	37 969	49 016	163 313
Accumulated depreciation/impairment	–20 747	–26 267	–32 568	–79 582
December 31, 2019	**55 581**	**11 702**	**16 448**	**83 731**

1) See comment on application of IFRS 16 in Note 2.2

Right-of-use assets

EUR 1 000	Land and buildings	Equipment	Other property, plant and equipment	Total
December 31, 2018 as reported	**0**	**0**	**0**	**0**
Restatement [1]	108 158	583	5 469	114 210
Reclassification from acquired property, plant and equipment [1]	0	960	0	960
January 1, 2019 as restated	**108 158**	**1 543**	**5 469**	**115 170**
Additions	5 959	336	2 303	8 598
Effect of acquisitions	4 331	238	382	4 951
Disposals	–2 177	–77	–62	–2 316
Reclassifications	0	–926	926	0
Depreciation	–18 834	–216	–3 631	–22 681
Exchange differences	1 026	0	0	1 026
December 31, 2019	**98 463**	**898**	**5 387**	**104 748**
OVERVIEW AS AT DECEMBER 31, 2019				
Gross right-of-use assets	117 266	1 327	9 270	127 863
Accumulated depreciation/impairment	–18 803	–429	–3 883	–23 115
December 31, 2019	**98 463**	**898**	**5 387**	**104 748**

1) See comment on application of IFRS 16 in Note 2.2

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

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

In 2019 and 2018, additions are mainly a result of investments in equipment and other property, plant and equipment and in “Infrastructure-as-a-Service”.

Gains/losses from the sale of property, plant, and equipment are recognized in other operating expenses and amount to TEUR –93 (previous year: TEUR 847 in other operating income).

5.6 Intangible assets

EUR 1 000	Goodwill	Customer lists	Other intangible assets	Total
January 1, 2019	**152 085**	**2 734**	**10 967**	**165 786**
Additions	0	0	3 913	3 913
Effect of acquisitions	24 898	3 563	6 530	34 991
Disposals	0	0	–20	–20
Amortization	0	–1 449	–4 695	–6 144
Exchange differences	1 006	1	123	1 130
December 31, 2019	**177 989**	**4 849**	**16 818**	**199 656**
OVERVIEW AS AT DECEMBER 31, 2019				
Acquisition costs	177 989	7 558	47 187	232 734
Accumulated amortization/impairment	0	–2 709	–30 369	–33 078
December 31, 2019	**177 989**	**4 849**	**16 818**	**199 656**
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**

The addition of goodwill in 2019 and 2018 is due to various business combinations. Further information is disclosed in ▸**Note 3**.

For the disposal of goodwill in 2018, 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	2019	2018
Carrying amount goodwill Central Europe	148 961	134 700
Carrying amount goodwill Northern/Eastern Europe	29 028	17 385
Total goodwill	**177 989**	**152 085**
Discount rate (post tax) goodwill Central Europe	7.19 %	6.77 %
Discount rate (post tax) goodwill Northern/Eastern Europe	7.31 %	6.84 %
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)	2.10 %	1.70 %
Expected average EBITDA margin Northern/Eastern Europe (residual value)	1.30 %	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	2019		2018	
	Carrying amount	Interest rate	Carrying amount	Interest rate
CURRENT FINANCIAL LIABILITIES				
Bank loans	21 705	0.4 to 3.0 %	9 316	0.4 to 1.4 %
Bonded loans	13 000	1.3 %	50 486	2.1 to 2.5 %
Lease liabilities [1)]	26 170	0.7 to 2.7 %	853	1.5 to 3.0 %
Liabilities from factoring	21 643	0.4 to 2.8 %	55 686	0.5 to 2.4 %
Contingent consideration from acquisitions of subsidiaries	6 074		5 484	
Third-party loans	0		2 624	1.0 to 3.0 %
Total current financial liabilities	**88 592**		**124 449**	
NON-CURRENT FINANCIAL LIABILITIES				
Bank loans	38 928	0.7 to 1.3 %	57 159	0.7 to 3.0 %
Bonded loans	264 068	0.9 to 2.8 %	215 953	1.0 to 2.8 %
Lease liabilities [1)]	93 777	0.7 to 3.8 %	5 066	1.5 to 3.0 %
Contingent consideration from acquisitions of subsidiaries	11 354		74	
Third-party loans	554		823	
Total non-current financial liabilities	**408 681**		**279 075**	
Total financial liabilities	**497 273**		**403 524**	

1) See comments on application of IFRS 16 in Note 2.2

Covenants

Certain financial liabilities are subject to covenant clauses, under which stipulated financial key figures must be attained. As of December 31, 2019, all covenants were met.

Reconciliation of financial liabilities

Current financial liabilities

EUR 1 000	Bank loans	Bonded loans	Lease liabilities	Liabilities from factoring	Contingent consider-ation from acquisi-tions of subsidiaries	Third-party loans	Total
December 31, 2018 as reported	**9 316**	**50 486**	**853**	**55 686**	**5 484**	**2 624**	**124 449**
Restatement 1)			22 914				22 914
January 1, 2019	**9 316**	**50 486**	**23 767**	**55 686**	**5 484**	**2 624**	**147 363**
Net cash flow	–45 132	–50 500	–23 821	–34 400	–1 241	–6 120	–161 214
Effect of acquisitions	39 571	0	2 952	0	0	3 461	45 984
Value adjustments	0	0	0	0	7	0	7
Other non-cash adjustments	17 878	13 014	23 164	0	1 821	72	55 949
Exchange differences	72	0	108	357	3	–37	503
December 31, 2019	**21 705**	**13 000**	**26 170**	**21 643**	**6 074**	**0**	**88 592**

1) See comment on application of IFRS 16 in Note 2.2

Non-current financial liabilities

EUR 1 000	Bank loans	Bonded loans	Lease liabilities	Contingent consider-ation from acquisi-tions of subsidiaries	Third-party loans	Total
December 31, 2018 as reported	**57 159**	**215 953**	**5 066**	**74**	**823**	**279 075**
Restatement 1)			97 722			97 722
January 1, 2019	**57 159**	**215 953**	**102 788**	**74**	**823**	**376 797**
Net cash flow	0	61 000	0	0	0	61 000
Effect of acquisitions	0	0	4 228	0	0	4 228
Other non-cash adjustments	–17 878	–12 885	–14 206	11 231	–273	–34 011
Exchange differences	–353	0	967	49	4	667
December 31, 2019	**38 928**	**264 068**	**93 777**	**11 354**	**554**	**408 681**

1) See comment on application of IFRS 16 in Note 2.2

The changes in other non-cash adjustments in bank loans of TEUR 17 878 relate to a reclassifiacation from non-current financial liabilities due to repayments due in 2020.

The changes in other non-cash adjustments in bonded loans of TEUR 13 014 and TEUR 12 885 respectively, relate to a reclassifiacation from non-current financial liabilities due to repayments due in 2020. In 2019, ALSO repaid bonded loans in the amount of EUR 50.5 million and obtained new ones in the amount of EUR 61.0 million.

The changes in other non-cash adjustments in lease liabilities of TEUR 14 206 and TEUR 23 164 respectively, relate to a reclassifiacation from non-current financial liabilities due to repayments due in 2020 and new liabilities due to leasing contracts which commenced in 2019. The total cash outflows from leases for which ALSO is the lessee are TEUR 29 048, of which TEUR 5 227 is included in cash flow from operating activities and TEUR 23 821 is included in cash flow from financing activities.

Current financial liabilities

EUR 1 000	Bank loans	Bonded loans	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
Effect of deconsolidation	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 1 000	Bank loans	Bonded loans	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.

5.9 Accrued expenses, deferred income and other payables

EUR 1 000	2019	2018
Accrued expenses and deferred income	**57 271**	**51 637**
Miscellaneous tax payables	137 586	111 505
Liabilities from factoring (continuing involvement) (see Note 6.8)	55 422	60 973
Accrued interest from factoring	855	1 073
Contract liabilities	5 747	0
Other payables to third parties	9 412	11 610
Other payables to related parties (see Note 6.6)	375	368
Other payables	**209 397**	**185 529**
Total accrued expenses, deferred income and other payables	**266 668**	**237 166**

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, 2019	**3 507**	**1 380**	**82**	**9 160**	**14 129**
Creation	3 396	60	1 100	548	5 104
Effect of acquisitions	656	0	0	213	869
Utilization	–2 920	–88	–832	–3 643	–7 483
Release	0	–25	0	–305	–330
Exchange differences	1	0	0	16	17
December 31, 2019	**4 640**	**1 327**	**350**	**5 989**	**12 306**
Current provisions	3 990	1 327	350	967	6 634
Non-current provisions	650	0	0	5 022	5 672
Total 2019	**4 640**	**1 327**	**350**	**5 989**	**12 306**
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**

There is an existing guarantee provision for the amount of TEUR 4 640 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 and their utilization in 2019 is mainly attributable to the result of tax audits.

5.11 Equity

As of December 31, 2019, 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 2018.

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, 2019	**28 089**	**1 822**
Additions	0	0
Disposals	0	0
December 31, 2019	**28 089**	**1 822**
January 1, 2018	**28 089**	**1 822**
Additions	0	0
Disposals	0	0
December 31, 2018	**28 089**	**1 822**

Major shareholders

	12.31.2019	12.31.2018
Special Distribution Holding GmbH, Düsseldorf (Germany) [1]	51.30 %	51.30 %
J. Safra Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.00 %

Share register as of December 31 (without nominees)
1) Controlling shareholder: Walter P.J. Droege through Droege Group AG

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, 2018 as reported	**–3 947**	**333**	**–8 747**	**–12 361**
Restatement [1)]	0	0	0	0
January 1, 2019	**–3 947**	**333**	**–8 747**	**–12 361**
Net profit Group	0	0	0	0
Other comprehensive income	–3 841	3 679	–4 050	–4 212
Total comprehensive income	**–3 841**	**3 679**	**–4 050**	**–4 212**
Distributions to shareholders	0	0	0	0
Remeasurement of put options on shares of non-controlling interests	0	0	0	0
December 31, 2019	**–7 788**	**4 012**	**–12 797**	**–16 573**
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**

1) See comment on application of IFRS 16 in Note 2.2

5.13 Earnings per share/dividend per share

EUR 1 000		2019	2018
Net profit Group	EUR	**99 991 000**	**81 133 000**
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	**7.80**	**6.33**
Diluted net profit Group	EUR	**99 991 000**	**81 133 000**
Shares issued (weighted) for calculation	Number of shares	12 820 873	12 820 873
Adjustment for dilution from options	Number of shares	238	630
Diluted shares	Number of shares	12 821 111	12 821 503
Diluted earnings per share	EUR	**7.80**	**6.33**

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 24, 2020, that a distribution to shareholders for the amount of TCHF 41 668 (CHF 3.25 per share) be paid for the financial year 2019. In the prior year, a distribution to shareholders was made for the amount of TCHF 38 463 (CHF 3.00 per share).

5.14 Investments in associates

EUR 1 000	2019	2018
January 1	**17**	**0**
Additions (Note 2.5)	0	17
Share of income of associates	–17	0
December 31	**0**	**17**

The investment in ALSO Financial Services GmbH is reported under financial assets and was impaired in 2019. The impairment is presented in financial expenses.

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. ALSO Deutschland GmbH is entered into this contract. This made it possible to precisely allocate the tariffs to the hard disk types. 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 in 2018 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		Risk	Hedging instruments
		Positive	Negative		
Cash Flow Hedge	228 000	–	8 578	Interest	Interest rate swaps
Cash Flow Hedge	75 000	449	2 166	Interest	Interest rate options
Total December 31, 2019	**303 000**	**449**	**10 744**		
Cash Flow Hedge	249 000	–	4 446	Interest	Interest rate swaps
Cash Flow Hedge	75 000	2 227	2 452	Interest	Interest rate options
Total December 31, 2018	**324 000**	**2 227**	**6 898**		

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 2019 this resulted in financial income of TEUR 423 (previous year: TEUR 1 051). Furthermore, these hedging transactions were reclassified from equity to financial expenses in the amount of TEUR 408 (previous year: TEUR 1 030).

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

Classes of financial instruments 2019

EUR 1 000	At fair value through profit or loss	At fair value through OCI	Amortized cost	Hedge accounting	Non-financial instruments	Carrying amount 12.31.2019
FINANCIAL ASSETS						
Cash and cash equivalents			349 464			**349 464**
Trade receivables (Note 5.2)		632 597	114 586			**747 183**
Prepaid expenses, accrued income and other receivables (Note 5.4)			373 379		22 463	**395 842**
Financial assets			11 112			**11 112**
Current derivative financial instruments	426					**426**
Non-current derivative financial instruments				449		**449**
FINANCIAL LIABILITIES						
Financial liabilities (Note 5.8)	11 204		486 069			**497 273**
Trade payables			1 271 464			**1 271 464**
Accrued expenses, deferred income and other payables (Note 5.9)			66 064		200 604	**266 668**
Current derivative financial instruments	1 988			331		**2 319**
Non-current derivative financial instruments				10 413		**10 413**

In 2019, 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 117.

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

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.

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 2019

EUR 1 000	Level 1	Level 2	Level 3	Fair value 12.31.2019
FINANCIAL ASSETS				
Current derivative financial instruments		426		426
Forward exchange contracts		*426*		*426*
Non-current derivative financial instruments		449		449
Interest rate options		*449*		*449*
FINANCIAL LIABILITIES				
Contingent consideration from acquisitions of subsidiaries (Note 5.8)			−11 204	−11 204
Current derivative financial instruments		−658	−1 661	−2 319
Forward exchange contracts		*−327*		*−327*
Interest rate options		*−331*		*−331*
Put options on non-controlling interests			*−1 661*	*−1 661*
Non-current derivative financial instruments		−10 413		−10 413
Interest rate swaps		*−8 578*		*−8 578*
Interest rate options		*−1 835*		*−1 835*
Total financial liabilities Level 3			**−12 865**	

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 options		*2 227*		*2 227*
FINANCIAL LIABILITIES				
Contingent consideration from acquisitions of subsidiaries (Note 5.8)			−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*		*−4 265*
Interest rate options		*−2 121*		*−2 121*
Put options on non-controlling interests			*−1 411*	*−1 411*
Total financial liabilities Level 3			**−2 841**	

Reconciliation of financial instruments within Level 3

EUR 1 000	2019	2018
January 1	**–2 841**	**–3 371**
Recognition of contingent consideration from the acquisition of subsidiaries	–11 008	–1 356
Fair value adjustments of contingent consideration from the acquisition of subsidiaries recognized in financial result	–7	547
Fair value adjustments of put options recognized in equity	–250	1 339
Payment of contingent consideration from acquisitions of subsidiaries	1 241	0
December 31	**–12 865**	**–2 841**

In 2019 and 2018 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	2019	2018
5 % increase in the expected future results	–97	–179
5 % reduction in the expected future results	1 887	175

6.3 Pledged or assigned assets serving as collateral for own liabilities

EUR 1 000	2019	2018
Inventories	27 228	20 873
Property, plant and equipment	19 432	19 650
Total assets pledged	**46 660**	**40 523**

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 and newly in 2019 in Bulgaria.

6.4 Rental and leasing commitments

Cash receipts as lessor

EUR 1 000	2019	2018
Due in 1st year	6 341	625
Due in 2nd to 5th year	11 697	5 177
Due from the 6th year onwards	120	115

Cash receipts as lessor mainly comprise printers in Germany and Switzerland. Additionally in 2019, infrastructure-as-a-service business where ALSO acts as lessor is added. 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. Depending upon the term of the agreement, the contract may result in either a finance lease or an operating lease.

6.5 Subsidiaries

Information about directly or indirectly controlled investments

Country	Head office	Company	Partici-pation [1] 12.31.2019	Partici-pation [1] 12.31.2018	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	Corvice AG (former NRS Printing Solutions AG)	100 %	100 %	100	CHF	S
	Emmen	Quatec AG	100 %	100 %	100	CHF	S
	Emmen	Bachmann Mobile Kommunikation AG	[3]	100 %	100	CHF	S
Belgium	Mechelen	ALSO Belgium BVBA	100 %	100 %	8 331	EUR	D
	Gent	AllThingsTalk NV	100 %	–	5 515	EUR	S
Bulgaria	Sofia	ALSO Bulgaria OOD (former Solytron Bulgaria OOD)	100 %	–	5	BGN	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	[4]	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	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	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 %	9.9 %	50	EUR	S
Estonia	Tallinn	ALSO Eesti OÛ	100 %	100 %	192	EUR	D
Finland	Tampere	ALSO Nordic Holding Oy	100 %	100 %	10 000	EUR	S
	Tampere	ALSO Finland Oy	100 %	100 %	841	EUR	D

Information about directly or indirectly controlled investments

Country	Head office	Company	Partici-pation[1] 12.31.2019	Partici-pation[1] 12.31.2018	Share capital in 1 000	Currency	Code
	Helsinki	ALSO Cloud Oy	100 %	100 %	11	EUR	S
	Helsinki	ALSO Cloud Solutions Oy	100 %	100 %	3	EUR	S
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.	[5]	100 %	300	EUR	D
Croatia	Zagreb	ALSO Croatia d.o.o.	100 %	–	20	HRK	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 %	100 %	3	EUR	S
	Kaunas	UAB „ABC Data Lietuva“	100 %	–	75	EUR	D
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]	0 %	100 %	18	EUR	S
	Nijmegen	ALSO International B.V.	100 %	100 %	18	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.	100 %	99.99 %	41 705	PLN	D
	Warsaw	Roseville Investments sp. z o.o.	100 %	–	1 000	PLN	D
	Warsaw	iSource S.A.	100 %	–	16 327	PLN	D
	Krakow	S4E S.A.	81 %	–	1 737	PLN	D
	Goleniow	MLS sp. z o.o.	100 %	100 %	5 000	PLN	D
	Goleniow	Blue Bridge sp. z o.o.	[6]	100 %	100	PLN	S
	Szczecin	iTerra sp. z o.o.	100 %	100 %	3 250	PLN	S
Romania	Bucharest	ALSO Technology SRL (former ABC Data Distributie SRL)	100 %	–	13 505	RON	D
Sweden	Kista	ALSO Sweden AB	100 %	100 %	1 000	SEK	D
Slovakia	Bratislava	ALSO Slovakia s.r.o. (former ABC Data s.r.o.)	100 %	–	947	EUR	D
Slovenia	Ljubljana	ALSO d.o.o.	100 %	100 %	8	EUR	D
	Ljubljana	ALSO Technology Ljubljana d.o.o. (former DISS d.o.o.)	100 %	100 %	1 710	EUR	D
	Ljubljana	VAD d.o.o.	100 %	100 %	50	EUR	D
	Ljubljana	Marmis d.o.o.	100 %	100 %	9	EUR	D

Information about directly or indirectly controlled investments

Country	Head office	Company	Partici-pation 1) 12.31.2019	Partici-pation 1) 12.31.2018	Share capital in 1 000	Currency	Code
Ukraine	Kiew	TOB Sophela	100 %	100 %	96	UAH	S
Hungary	Budapest	ALSO Hungary Kft. (former ABC Data Hungary Kft.)	100 %	–	35	HUF	D
Belarus	Minsk	Sophela OOO	100 %	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) In 2019, Bachmann Mobile Kommunikation AG was merged with ALSO Schweiz AG.
4) In 2019, NT plus GmbH was merged with Medium GmbH.
5) In 2019, DistriWan S.A.S. was merged with ALSO France S.A.S.
6) Blue Bridge sp. z o.o. was liquidated in 2019.

6.6 Transactions with related parties

Existing receivables and payables at the reporting date are unsecured. In 2019 and 2018 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	2019	2018
Net sales to Droege Group	608	578
Net sales to ALSO Financial Services	598	131
Operating expenses Droege Group	−3 181	−3 368
Trade receivables Droege Group	497	53
Trade receivables ALSO Financial Services	165	75
Loan to ALSO Financial Services	5 000	2 000
Trade payables Droege Group (Note 5.9)	−375	−368

The distributions of TEUR 17 653 to Droege that were decided at the General Meeting of March 29, 2019 were paid on April 4, 2019.

Liabilities to ALSO pension fund

EUR 1 000	2019	2018
ALSO Holding AG	−4	−4
ALSO Schweiz AG	0	−252

Transactions with key management

EUR 1 000	2019	2018
Salaries 1)	4 515	4 274
Contributions to pension plans	283	264
Anniversary bonuses or other special payments	0	0
Retirement bonuses	0	0
Employee shares/options	0	0
Total compensation	**4 798**	**4 538**

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 12.31.2019 Number
2011	Shares	May 1, 2014 to April 30, 2020	45.40	16.88	355
Total					**355**

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

In the reporting year, 651 options were exercised. At December 31, 2019, 355 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 2019

EUR 1 000	Standard & Poor's	AA+	AA	AA-	A+	A	A-	BBB+	BBB	No rating	Total
	Moody's	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2		
Cash and cash equivalents (Note 5.1)		441	6	87 296	119 135	70 160	14 722	49 285	7 358	1 061	349 464
Receivables from factoring (Note 5.4)		0	0	39 985	199 247	34 193	10 775	0	20 672	0	304 872
		0 %	0 %	19 %	49 %	16 %	4 %	8 %	4 %	0 %	100 %

Credit quality 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 %

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 number 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 304 872 (previous year: TEUR 251 938) ▸see Note 5.4, which are spread over several factoring partners. The largest receivable from a single factoring partner is for TEUR 87 939 (previous year: TEUR 62 397). 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 763 million (previous year: EUR 355 million). The increase is mainly due to the new revolving credit facility (RCF) of EUR 300 million, which provides ALSO with flexible financing with a term of five years. The credit line was not drawn in 2019. The remaining increase is due to acquisitions.

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 2019

EUR 1 000	Carrying amount 12.31.2019	Total cash flow	Up to 1 year	1 to 5 years	More than 5 years
Trade payables	1 271 464	1 271 464	1 271 464	0	0
Other liabilities	66 064	66 064	66 064	0	0
Loans from banks and third parties and bonded loans	338 255	355 152	39 037	288 445	27 670
Liabilities from factoring	21 643	21 694	21 694	0	0
Contingent consideration from the acquisition of subsidiaries	17 428	17 887	6 074	11 813	0
Lease liabilities 1)	119 947	125 887	27 917	75 667	22 303
Total	**1 834 801**	**1 858 148**	**1 432 250**	**375 925**	**49 973**
DERIVATIVE FINANCIAL INSTRUMENTS					
Put options	1 661	1 661	1 661	0	0
Interest rate swaps (net)		10 875	1 788	6 991	2 096
Interest rate options (net)		2 319	331	1 505	483

1) See comment on application of IFRS 16 in Note 2.2

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

The table includes all instruments held on December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018 respectively, had been 100 base points higher/lower, the effect would have been as follows:

Sensitivity of interest rates 2019

EUR 1 000	Effect on the financial result	Effect on the equity
Market interest rates +100 bps	–6 264	6 679
Market interest rates –100 bps	1 396	–4 878

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

Market interest rates were slightly negative in 2019 and 2018. 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 and in 2019 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 2019 and 2018 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/HRK	EUR/BGN
December 31, 2019	**67 686**	**5 939**	**30 092**	**9 754**	**10 937**	**11 554**	**11 333**	**8 196**
December 31, 2018	53 462	18 312	26 376	2 224	11 499	6 254	–	–

Sensitivity analysis

If, on December 31, 2019 and 2018 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 11 039 higher/lower (previous year: TEUR 7 178). 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	12.31.2019		12.31.2018	
Current financial liabilities	88 592		124 449	
Non-current financial liabilities	408 681		279 075	
Total financial liabilities (Note 5.8)	**497 273**		**403 524**	
./. Cash and cash equivalents (Note 5.1)	–349 464		–240 405	
Net financial debt	**147 809**	**5 %**	**163 119**	**7 %**
Reported equity	732 263	26 %	675 729	28 %
Equity and net financial debt	880 072	31 %	838 848	35 %
Total liabilities and equity	**2 823 632**	**100 %**	**2 382 261**	**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	131	2 046
Total December 31, 2019	**131**	**2 046**
Interest risk for late payment	119	2 069
Total December 31, 2018	**119**	**2 069**

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 131 (previous year: TEUR 119) for late payments will be due on sold receivables at December 31, 2019. Corresponding accruals for these amounts were therefore made at December 31, 2019 and 2018, 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, 2019, the theoretical maximum value at risk from this loss was estimated at TEUR 2 046 (previous year: TEUR 2 069).

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 747 183 (previous year: TEUR 622 223, ‣see Note 5.2) therefore contain a continuing involvement for the amount of TEUR 55 126 (previous year: TEUR 60 698).This is composed of the residual interest risk for late payments of TEUR 1 546 (previous year: TEUR 1 499), the residual credit risk of TEUR 48 432 (previous year: TEUR 52 973), and the residual exchange rate risk of TEUR 5 148 (previous year: TEUR 6 226).

Due to the continuing involvement, there is a corresponding obligation for the amount of TEUR 55 126 (previous year: TEUR 60 698), which is recognized in accrued expenses, deferred income and other payables. In addition, there is an accrual for the amount of TEUR 165 (previous year: TEUR 156) 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 2019

EUR 1 000	Carrying amount/fair value
Asset from continuing involvement	55 126
Obligation from continuing involvement	55 291
Net obligation at December 31, 2019	**–165**

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**

At the reporting date, the gross amount of these sold receivables with continuing involvement was TEUR 474 403 (previous year: TEUR 553 396).

Liability from factoring 2019

EUR 1 000	Fair value of the remaining risk	Obligation from continuing involvement	Total liability from factoring
Receivables fully derecognized	131	0	131
Receivables not fully derecognized	165	55 126	55 291
December 31, 2019 (Note 5.9)	**296**	**55 126**	**55 422**

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**

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 19, 2020, and will be submitted to the Annual General Meeting of March 24, 2020, for approval.

pwc

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2019

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 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the 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.

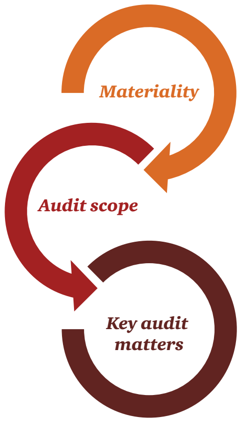
In our opinion, the consolidated financial statements ▸ **pages 58 to 117** give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International 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 Group materiality: EUR 6 700 000
	We concluded full scope audit work and audit work of one and more account balances at 10 reporting units in 7 countries. Our audit scope addressed over 83 % of the Group's net sales, 81 % of the assets and 74 % of the profit of the Group. In addition, we concluded reviews at a further 3 reporting units in 3 countries, which addressed an additional 7 % of the Group's net sales, 4 % of the assets and 12 % of the profit of the Group.
	As key audit matters the following areas of focus have been identified: • Impairment testing of goodwill • Acquisition ABC Data

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 6 700 000
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 670 000 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. 9 of 10 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, an investigation of the risk assessment and working paper reviews at the third party auditor.

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 178.0 million (6.3 % of total assets), of which EUR 149.0 million relates to the Central Europe cash-generating unit and EUR 29.0 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 66 (key assumptions and estimates), page 73 (accounting standards for intangible assets and impairment) and page 93 (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.

Acquisition ABC Data

Key audit matter	How our audit addressed the key audit matter
On 1 July 2019, the Group, through its subsidiary Roseville Investments Sp. z o.o., took over the assets and liabilities of ABC Data with consideration of EUR 45.9 million, that operates in six Eastern European countries. In the purchase price allocation, a fair value of the net assets of EUR 36.1 million was identified and a Goodwill of EUR 9.8 million was recognized. The acquisition has a material impact on the Group's assets and liabilities and its income statement items. The identification and valuation of the acquired assets and liabilities can include judgement and requires estimates by the Group Management. Please refer to page 68 (accounting standards for acquisitions) and pages 75 to 77 (notes to the consolidated financial statements).	We performed the following audit procedures: • We considered the appropriate accounting of the acquisition as a business combination based on a memorandum prepared by Group Management. We compared the content with the contractual terms and conditions included in the purchase agreements. • The third party auditor performed audit procedures on material items in the opening balances of significant entities of ABC Data regarding existence, completeness and valuation. We assessed independence, objectivity and competence of the third party auditor and provided relevant audit instructions. We evaluated their audit approach and results and reviewed their working papers. • We assessed the valuation of customer lists being part of the acquired intangible assets by focusing on the assumptions concerning revenue and discount rate. • We assessed the completeness of the identifiable net assets. Our assessment was based on discussions with Group Management, the examination of the due diligence reports and our knowledge of the industry. • We verified the mathematical correctness of the goodwill calculation and tested the payment of the purchase prices. • Lastly, we checked the correctness and completeness of the disclosures relating to this acquisition in the notes to the consolidated financial statements. Based on the procedures performed, 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 compensation 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	

Luzern, 19 February 2020

PROFIT OR LOSS STATEMENT OF ALSO HOLDING AG

CHF 1 000	2019	2018
Service revenue	23 947	24 136
Investment revenue	91 982	54 859
Service expenses	–15 370	–14 108
Personnel expenses	–6 023	–6 663
Other operating expenses	–7 427	–7 681
Depreciation	0	–3 764
Financial income	12 723	11 349
Financial expenses	–20 709	–9 041
Direct tax expenses	2	0
Net profit	**79 125**	**49 087**

BALANCE SHEET OF ALSO HOLDING AG

Assets

CHF 1 000	12.31.2019	12.31.2018
Cash	339	51
Other current receivables		
from Group companies	298 197	358 046
Prepaid expenses and accrued income	1 012	232
Total current assets	**299 548**	**358 329**
Loans to Group companies	193 459	152 670
Investments	537 042	528 833
Prepaid expenses and accrued income	1 872	0
Intangible assets	1 181	0
Total non-current assets	**733 554**	**681 503**
Total assets	**1 033 102**	**1 039 832**

Liabilities and equity

CHF 1 000	12.31.2019	12.31.2018
Liabilities to banks (interest-bearing)	14 110	56 893
Other current payables		
to third parties	4 513	1 015
to Group companies (interest-bearing)	20 832	82 915
Accrued expenses and deferred income	15 054	21 456
Total current liabilities	**54 509**	**162 279**
Liabilities to banks (interest-bearing)	303 735	243 357
Total non-current liabilities	**303 735**	**243 357**
Total liabilities	**358 244**	**405 636**
Share capital	12 849	12 849
Legal capital reserves		
foreign capital contribution reserve	156 658	195 121
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	328 048	278 961
net profit	79 125	49 087
Treasury shares	–1 540	–1 540
Total shareholders' equity	**674 858**	**634 196**
Total liabilities and equity	**1 033 102**	**1 039 832**

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 CHF 12.31.2019	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

	Number	Value in TCHF	Price in CHF
January 1, 2018	**28 089**	**1 540**	**134.00**
Additions	–		
Disposals	–		
Revaluation (12.31.2018)		–	
December 31, 2018	**28 089**	**1 540**	**111.40**
Additions	–		
Disposals	–		
Revaluation (12.31.2019)		–	
December 31, 2019	**28 089**	**1 540**	**163.40**

Treasury shares are measured at their historic cost.

Major shareholders

	12.31.2019	12.31.2018
Special Distribution Holding GmbH, Düsseldorf (Germany) [1]	51.30 %	51.30 %
J. Safra Sarasin Investmentfonds AG, Basel (Switzerland)	3.00 %	3.00 %

Share register as of December 31 (without nominees)

1) Controlling shareholder: Walter P.J. Droege through Droege Group AG

Contingent liabilities

CHF 1 000	12.31.2019	12.31.2018
Conditional liabilities towards third parties	1 114 724	773 785
Letters of comfort	p. m.	p. m.
Total	**1 114 724**	**773 785**

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	12.31.2019	12.31.2018
ALSO pension fund	5	5
Total	**5**	**5**

Number of full-time equivalent positions

In 2019, the average number of full-time equivalent positions was 6 (previous year: 7).

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	Partici-pation [1] 12.31.2019	Partici-pation [1] 12.31.2018	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	Corvice AG (former NRS Printing Solutions AG)	100 %	100 %	100	CHF	S
	Emmen	Quatec AG	100 %	100 %	100	CHF	S
	Emmen	Bachmann Mobile Kommunikation AG	[2]	100 %	100	CHF	S
Belgium	Mechelen	ALSO Belgium BVBA	100 %	100 %	8 331	EUR	D
	Gent	AllThingsTalk NV	100 %	–	5 515	EUR	S
Bulgaria	Sofia	ALSO Bulgaria OOD (former Solytron Bulgaria OOD)	100 %	–	5	BGN	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	[3]	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

Country	Head office	Company	Partici-pation 1) 12.31.2019	Partici-pation 1) 12.31.2018	Share capital in 1 000	Currency	Code
	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	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 %	9.9 %	50	EUR	S
Estonia	Tallinn	ALSO Eesti OÛ	100 %	100 %	192	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
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.	4)	100 %	300	EUR	D
Croatia	Zagreb	ALSO Croatia d.o.o.	100 %	–	20	HRK	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 %	100 %	3	EUR	S
	Kaunas	UAB „ABC Data Lietuva“	100 %	–	75	EUR	D
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.	0 %	100 %	18	EUR	S
	Nijmegen	ALSO International B.V.	100 %	100 %	18	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.	100 %	99.99 %	41 705	PLN	D
	Warsaw	Roseville Investments sp. z o.o.	100 %	–	1 000	PLN	D

Country	Head office	Company	Partici-pation[1] 12.31.2019	Partici-pation[1] 12.31.2018	Share capital in 1 000	Currency	Code
	Warsaw	iSource S.A.	100 %	–	16 327	PLN	D
	Krakow	S4E S.A.	81 %	–	1 737	PLN	D
	Goleniow	MLS sp. z o.o.	100 %	100 %	5 000	PLN	D
	Goleniow	Blue Bridge sp. z o.o.	[5]	100 %	100	PLN	S
	Szczecin	iTerra sp. z o.o.	100 %	100 %	3 250	PLN	S
Romania	Bucharest	ALSO Technology SRL (former ABC Data Distributie SRL)	100 %	–	13 505	RON	D
Sweden	Kista	ALSO Sweden AB	100 %	100 %	1 000	SEK	D
Slovakia	Bratislava	ALSO Slovakia s.r.o. (former ABC Data s.r.o.)	100 %	–	947	EUR	D
Slovenia	Ljubljana	ALSO d.o.o.	100 %	100 %	8	EUR	D
	Ljubljana	ALSO Technology Ljubljana d.o.o. (former DISS d.o.o.)	100 %	100 %	1 710	EUR	D
	Ljubljana	VAD d.o.o.	100 %	100 %	50	EUR	D
	Ljubljana	Marmis d.o.o.	100 %	100 %	9	EUR	D
Ukraine	Kiew	TOB Sophela	100 %	100 %	96	UAH	S
Hungary	Budapest	ALSO Hungary Kft. (former ABC Data Hungary Kft.)	100 %	–	35	HUF	D
Belarus	Minsk	Sophela OOO	100 %	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) In 2019, Bachmann Mobile Kommunikation AG was merged with ALSO Schweiz AG.
3) In 2019, NT plus GmbH was merged with Medium GmbH.
4) In 2019, DistriWan S.A.S. was merged with ALSO France S.A.S.
5) Blue Bridge sp. z o.o. was liquidated in 2019.

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 2019

12.31.2019	Number of shares	Number of options
Gustavo Möller-Hergt Chairman/Executive Member	–	–
Walter P.J. Droege Vice-Chairman	6 592 032	–
Rudolf Marty	10	–
Frank Tanski	–	–
Peter Athanas	–	–
Ernest-W. Droege	–	–
Total	**6 592 042**	**–**

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**	**–**

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 19, 2020, and will be submitted to the Annual General Meeting of March 24, 2020, 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 24, 2020

CHF 1 000	2019	2018
Brought forward, December 31	328 048	278 961
Net profit	79 125	49 087
Dissolution of foreign capital contribution reserve	41 668	38 463
Total available earnings	**448 841**	**366 511**
Disbursement of foreign capital contribution reserve	**–41 668**	**–38 463**
Balance to be carried forward	407 173	328 048

If the proposal is accepted by the shareholders, the dividend is tax-free for private Swiss shareholders because it is paid from foreign capital contribution reserves.

Report of the statutory auditor to the General Meeting on the financial statements 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ALSO Holding AG, which comprise the profit or loss statement for the year ended 31 December 2019, the balance sheet as at 31 December 2019 and the notes to the financial statements, including a summary of significant accounting policies.

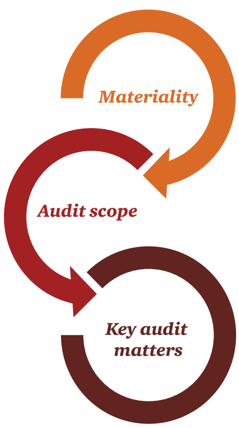
In our opinion, the financial statements (▸ **pages 125 to 131**) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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

Overview	Overall materiality: CHF 3 400 000
	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.
	As key audit matter the following area of focus has been identified: Impairment of equity investments

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 3 400 000
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 340'000 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 537.0 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 127 (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 im-pairment 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 invest-ments 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	Andreas Wolf
Audit expert	Audit expert
Auditor in charge	

Luzern, 19 February 2020

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures

This report contains certain Alternative Performance Measures which are not accounting measures as defined by IFRS. These measures should not be used instead of the IFRS-based consolidated financial statements, but as a supplement.

Organic growth

The organic growth results from the change in the total net sales of all Group companies that were part of the ALSO Group at the beginning of the comparative period. The change in total net sales of companies acquired in the fiscal year or in the previous year is added to the inorganic growth.

In million euro	
Total net sales 2018	9 175.7
Organic growth	787.4
Inorganic growth	729.6
Total net sales 2019	10 692.7

Supply, Solutions and Service net sales

In million euro	2019	2018	Deviation
Total net sales	10 692.7	9 175.7	16.5 %
thereof Supply	8 383.6	7 199.6	16.4 %
thereof Service	426.5	352.6	21.0 %
thereof Solutions	1 882.6	1 623.5	16.0 %

Sustainable Growth Rate (SGR)

$$SGR = \left(\frac{\textit{Net profit Group}}{\textit{Total net sales}}\right) \times \left(\frac{\textit{Net profit Group previous year} - \textit{dividend}}{\textit{Net profit Group previous year}}\right) \times \left(\frac{\textit{Total net sales}}{\textit{Total assets}}\right) \times \left(\frac{\textit{Total assets}}{\textit{Equity}}\right)$$

	2019	2018	2017	2016	2015
SGR	8.3	8.0	10.1	10.0	8.1

Foreign currency effect

The foreign currency effect results from the following circumstances:

- The foreign currency effect on total net sales: The sales price is calculated on the basis of the moving average of the inventories valued in a foreign currency calculated at the spot price. The difference between the moving average translated at the spot price on the reporting date and the moving average in the local currency is assessed as foreign currency impact in total net sales.
- The foreign currency effect on cost of goods sold and services provided: The currency effects relate to currency valuations from open foreign currency liabilities, realized foreign currency effects with supplier payments, valuation of open forward exchange contracts and realized foreign currency effects from forward exchange contracts.

In million euro	2019	2018
Foreign currency effect on total net sales	0.9	1.5
Foreign currency effect on cost of goods sold and services provided	1.1	−2.4
Foreign currency effect	**2.0**	**−0.9**

EBITDA without effect due to IFRS 16 leases

EBITDA 2019 is impacted by the adoption of IFRS 16. Since January 1, 2019, ALSO recognizes assets and liabilities for virtually all leases. As a result, leasing expenses are no longer reported as part of operating expenses, but as depreciation and financial expense below EBITDA. For that purpose, the newly recorded depreciation of right-of-use assets and the newly recorded interest expenses on lease liabilities were deducted from the reported EBITDA.

In million euro	2019	2018
EBITDA as reported	196.7	152.7
IFRS 16 effect	23.9	–
EBITDA (without IFRS 16 effect)	**172.8**	**152.7**

Net financial debt without effect due to IFRS 16 leases

NFD = current financial liabilities
+ non–current financial liabilities
– cash and cash equivalents

The net financial debt is corrected for the newly added lease liabilities:

In million euro	2019	2018
Current financial liabilities	88.6	124.4
Non-current financial liabilities	408.7	279.1
Total financial liabilities	**497.3**	**403.5**
./. Cash and cash equivalents	−349.5	−240.4
Net financial debt as reported	**147.8**	**163.1**
IFRS 16 effect	−114.1	–
Net financial debt (without IFRS 16 effect)	**33.7**	**163.1**

Free cash flow (FCF)

In million euro	2019	2018	2017	2016	2015
Cash flow from operating activities	312.1	88.1	94.9	90.0	39.5
Cash flow from investing activities	–72.6	–30.2	–27.6	–19.5	–18.2
Free cash flow (FCF)	**239.5**	**57.9**	**67.3**	**70.5**	**21.3**

Return on capital employed (ROCE)

$$ROCE = \frac{\text{Net profit Group + Financial expense – Financial income}}{\text{Equity + Provisions for employee benefits + Current and non-current financial liabilities – Cash and cash equivalents}}$$

ROCE is and will be adjusted for the effects of IFRS 16 in the components financial expenses and financial liabilities.

	2019	2018	2017	2016	2015
ROCE	15.5 %	11.8 %	13.5 %	13.0 %	11.2 %

Days inventory outstanding (DIO), days sales outstanding (DSO) and days payables outstanding (DPO)

$$\text{DIO, DSO resp. DPO} = \frac{\text{Inventories resp.trade receivables resp.trade payables as at 12.31.}}{\text{Net sales of December}} \times 30$$

The performance measures DIO, DSO and DPO are calculated based on the net sales in December, since a calculation with all-year values would be diluted by the seasonality.

	2019	2018
DIO	25	30
DSO	21	20
DPO	35	33
Cash days (DIO + DSO – DPO)	11	17

Earnings per share EPS (in CHF)

EPS (in CHF) = EPS (in EUR) × EUR/CHF average rate

	2019	2018
Earnings per share EPS (in EUR)	7.80	6.33
EUR/CHF average rate	1.1124	1.1550
Earnings per share EPS (in CHF)	8.68	7.31

Equity per registered share (in CHF)

$$\text{Equity per registered share (in CHF)} = \frac{\text{Equity in EUR} \times \text{EUR/CHF rate as at 12.31.}}{\text{Numbers of registered shares}}$$

	2019	2018
Equity (in million EUR)	732.3	675.7
EUR/CHF rate as at 12.31.	1.0854	1.1269
Equity (in million CHF)	794.8	761.5
Amount of registered shares	12 848 962	12 848 962
Equity per registered share in CHF	61.86	59.26

Price-earnings ratio (P/E ratio)

$$\text{P/E ratio} = \frac{\text{Share price at year-end}}{\text{EPS in CHF}}$$

	2019	2018	2017	2016	2015
Price-earnings ratio (P/E ratio)	18.8	15.2	16.7	12.7	13.1

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