Deutsche Leasing

Accounts press conference 2019

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Deutsche Leasing: 2017/18 financial year

Ladies and gentlemen,

Welcome to the accounts press conference for our 2017/18 financial year, which ended on 30 September 2018.

The past financial year for the Deutsche Leasing Group was one of mixed conditions on the ground: sustained economic growth in Germany versus increasing economic and political uncertainties in Europe and around the world.

In view of this market environment, 2017/18 proved a satisfactory financial year overall for Deutsche Leasing.

We managed to

- grow our new business, thus outperforming the economy as a whole,
- improve our net asset value and economic result, both KPIs specific to our leasing activities,
- keep on consolidating our equity base,

- generate above-average growth, particularly in our international business and in Germany with our SME and savings bank customers, and
- watch our investments grow.

We achieved this strong performance in a year in which a number of adverse factors in our environment remained unchanged and others – most notably foreign trade risks – were exacerbated.

Firstly, we are talking about the familiar parameters from previous years: the ECB's continued policy of low interest rates, the persistently high market liquidity, regulatory requirements, the pressure on prices and margins, fiercer competition and the challenges posed by digitalisation.

Secondly, macroeconomic uncertainties overshadowed the eurozone and the rest of the world: the tragicomedy that is Brexit, the debt levels in a number of EU countries, the USA's protectionist tendencies and the impending crises in some emerging markets.

Thirdly, we had to contend with the knock-on effects of the diesel scandal and questions about the mobility of the future, which by extension also means the future of German carmakers.

We were not the only ones affected by these conflicting developments on the markets and in economic policy – our customers and competitors felt them too. The environment in which all of us SMEs operate is now more fast-paced and is consistently challenging the status quo. At the same time, it presents us with a raft of opportunities to generate organic growth and keep on developing so we are fit for the future. The digital trends that are the talk of the town – from artificial intelligence and all kinds of smart mobility and platform solutions through to pay-per-use business models that embrace the "shared economy" philosophy – have long been driving forces on our market and those of our customers and will remain so in the future too. We turned our sights on these during the past financial year and also intend to play an active role in shaping them going forward.

As the asset finance partner for SMEs and the asset finance competence centre for Sparkassen-Finanzgruppe, for instance, we pressed on with the package of forward-looking measures announced last year: projects that we had already begun were progressed and fine-tuned in the 2017/18 financial year as part of our Corporate Strategy 2025, and new approaches were initiated. This was all about being more diversified, more digital and more efficient for our customers.

Let me start by outlining the key indicators for our economic environment for the 2017/18 financial year.

2017/18 financial year

I have already mentioned the political and economic uncertainties that increasingly came to dominate public debate, particularly towards the end of the past financial year. As far as our 2017/18 financial year is concerned, though, the economic trend remained healthy both in Germany and further afield, and we can say that the economy was in good shape overall.

Let us begin with a look at the global economy. This has a strong influence on us – particularly due to the nature of the German economy, with its focus on exports and its marked interdependencies with other countries, but also due to our own international presence at Deutsche Leasing.

The global economy saw growth up until summer 2018 in spite of protectionist tendencies that sparked tensions in bilateral relations, such as between the USA and China. In the second quarter of 2018, the USA enjoyed the biggest increase in its economic output for the past three years. Although it would probably be wrong to talk of a genuine trend shift in interest rate policy, the US Federal Reserve did raise its key rate to 2 per cent in several stages during the 2017/18 financial year.

China's imports grew faster than its exports, driven by private consumption and the government's stimulus package to support Chinese companies in key industries. This prompted German industry to increase its direct investment on the ground, to ensure its own proximity to innovations and customers. China thus remains one of the most important locations outside the EU for new investment projects by German companies.

Although the eurozone's economy weakened in the second half of 2018 following its strong growth in 2017, the upturn held firm overall, with both private consumption and investment continuing to rise. This trend was not significantly impacted by the persistent question marks over the regulatory framework for the UK leaving the EU or the levels of indebtedness in certain EU countries. In the early part of the third quarter of 2018 – at the end of our financial year, in other words – the introduction of the new Worldwide Harmonised Light Vehicles Test Procedure, or WLTP, had a negative effect on automotive industry production throughout Europe.

Germany saw economic growth for the sixth year in succession, underpinned by its domestic economy. The German Council of Economic Experts put the growth rate for 2018 as a whole at 1.6 per cent. Investment in equipment also increased in 2018, up by 4.3 per cent, while investment in buildings enjoyed a positive trend as well.

Bolstered by healthy order levels and a large order backlog, the German mechanical engineering sector also posted continued growth. Deutsche Leasing counts numerous well-known manufacturers among its customers and partners. Orders from this key export-oriented industry rose by 5 per cent in real terms in 2018 as a whole compared to the previous year,

The onward march of digitalisation also grew in importance across all sectors, both as a factor in international competition and for developing productivity in Germany as a centre of industry. With an eye on increasing efficiency, German SMEs became more conscious of their need to invest in both tangible and intangible assets in a digital context and planned accordingly. Looking ahead, this is where the sizeable investment volumes and potential for development lie.

In this environment, the Deutsche Leasing Group delivered a positive performance overall in the 2017/18 financial year and further strengthened its firm financial base once again.

Trends during the 2017/18 financial year

Securing new business worth 9.2 billion euros, the Deutsche Leasing Group bettered its previous year's figure by around 4 per cent in the 2017/18 financial year – a satisfactory development overall that puts us in a good position.

The main contributors to the positive trend in the Group's new business in the 2017/18 financial year were its business with SME and savings bank customers in Germany as well as its subsidiaries in other countries. All in all, we achieved growth of over 10 per cent in these two segments. Our presence in 22 countries in Europe, the Americas, and Asia gives our foreign business a broad base. Around two-thirds of our foreign subsidiaries are now generating over 100 million euros in new business. This is due in no small part to our vendor business – sales financing for the products of German manufacturers of machinery and plant in international markets – as well as the help we give our savings and regional bank customers with their investment projects abroad. However, even big, important markets like China, the UK and Italy only make up at most 2 to 3 per cent of Deutsche Leasing's new business. This means that fluctuations in individual countries only have a limited impact on the Deutsche Leasing Group's overall result. The positive trend in foreign business during the past financial year also demonstrates that the political developments surrounding Brexit, the debt levels of some EU countries and the US/China trade dispute did not (yet) play a substantial role in the day-to-day activities of many companies during the 2017/18 financial year. However, business forecasts grew steadily gloomier.

Within the Deutsche Leasing Group, DAL Deutsche Anlagen-Leasing specialises in arranging and structuring complex and long-term large-scale projects. The former Information Technology business unit and the medical technology business were integrated into DAL at the start of the 2017/18 financial year. The IT business and healthcare sector are also highly project-based and specialist. Thus various specialists come closer together under the DAL umbrella when structuring transactions and can make more targeted use of synergy effects. DAL generated new business worth 1.7 billion euros in the 2017/18 financial year. It improved its earnings and operating result once again despite fewer very large-scale transactions being concluded than in the previous year.

DAL Bautec, a specialist provider of consulting and construction management services for commercial properties and those owned by savings banks, recorded its best result to date during the past financial year.

New business in the individual business segments (asset classes) developed as follows:

We achieved an increase of 11 per cent year on year in the machinery and equipment segment, the largest in terms of volume. Significant contributions to this development came from our foreign subsidiaries once again, as in the previous year, but also from our activities supporting our SME and savings bank customers in Germany.

The road vehicles segment also recorded year-on-year growth of 11 per cent. The car market faced various headwinds, such as the discussions surrounding city-centre restrictions on diesel vehicles and considerable delays to the delivery of new vehicles caused by the new WLTP test procedure introduced on 1 September 2018. However, these were significantly offset by the trend in the new vehicle business. The diesel debate and the unclear legal framework governing the threatened ban on city-centre driving eroded the extra revenue obtained from selling diesel vehicles. However, through our own marketing activities – centred around autoexpo – we were able to manage the sale of lease returns skilfully and achieve the best possible prices.

New business declined in our specialist and project segments, property, energy and transport, as well as information and communication technology. This was due to the volatile trend in DAL's new business, which was dominated by individual large-scale transactions. In the energy and transport segment, the revision of the German Renewable Energy Sources Act (EEG 2017) also continued to hamper developments in the energy business. The information and communication technology segment was given a new strategic focus under the DAL umbrella.

Our investments performed well:

After taking a majority stake in Deutsche Factoring Bank (DFB) in the 2015/16 financial year, we successfully continued our broad-based, systematic cultivation of the market last year too and further strengthened our role as the factoring competence centre for Sparkassen-Finanzgruppe. DFB provides the savings banks and their customers with comprehensive solutions for receivables financing and receivables management, thus complementing our range of services designed for SMEs. In DFB's past financial year, which follows the calendar year, revenue from factoring rose by 8.1 per cent to 18.5 billion euros. Import and export factoring, which accounts for around a quarter of DFB's total revenue, is gaining in importance. This is also partly due to the strong links forged by DFB through its membership of the global network known as Factoring Chain International (FCI). Nationwide cooperation with the savings banks proved an important source of new factoring business once again in 2018. Over 80 per cent of the savings banks have now signed an agreement to work with DFB. More than 90 per cent of the new contracts signed during the past financial year were brokered by savings banks. Our offering for small-to-medium-sized business customers as well as corporate and commercial customers (S-Compact Factoring) developed particularly well in this regard.

Bad Homburger Inkasso (BHI) – an associated company of the Deutsche Leasing Group – offers solutions for doubtful debts and for achieving market values for movable and immovable securities for its shareholders, the savings banks and other companies and institutions. Incoming payments during the past financial year came to around 170 million euros. BHI gained numerous new customers and now holds more than 1,000 mandates. These include numerous entities at local authority level such as municipal utilities and housing companies as well as over 300 savings banks and other Sparkassen-Finanzgruppe companies.

S-Kreditpartner (SKP), a joint venture between Deutsche Leasing and Landesbank Berlin/Berliner Sparkasse, enjoyed continued growth within the car and consumer finance sector and increased its lending volume by nearly 21 per cent to 7 billion euros by the end of its financial year, which follows the calendar year. SKP is outperforming the market in both relative and absolute terms and thus achieved its strongest growth since it was established in 2011. This consistently positive trend is down to two factors: a successful increase in its number of full-scale collaborations to over 160 savings banks and growth in its business involving existing partner savings banks. These partner savings banks are enjoying sustained growth above the market average thanks to marketing concepts tailored to their target group, customised campaigns and training from SKP. In addition, more than 320 savings banks now use the “S-Kredit-per-Klick” online product range in partnership with SKP. SKP also provides sales and purchase finance solutions to vehicle dealers.

We made successful progress with expanding our property insurance business in Germany and abroad last year. At 17.8 million euros, Group insurance income was up significantly on the previous year, with growth achieved in all business segments. We are being especially well received by the savings banks and their customers, as reflected in our much-improved take-up rates. 60 per cent of the leasing and hire-purchase agreements that we conclude in our small-scale system business for corporate and commercial customers now include an insurance policy. This shows that, together with SV SparkassenVersicherung, we offer an attractive and straightforward range of products that is proving a hit with the rest of Sparkassen-Finanzgruppe and with customers. At the same time, expanding our product portfolio is enabling us to strengthen customer loyalty.

Financial statements

Group total assets for Deutsche Leasing increased by 1.4 billion euros (over 7 per cent) to 20.8 billion euros as of 30 September 2018. The increase is mainly due to an expansion of new business.

At 17.8 billion euros, the inventory of leasing assets, based on initial values, was slightly higher than the previous year (17.1 billion euros), reflecting growth in new business.

Leasing assets measured at their residual carrying amounts – still a key component of Group total assets – also came in higher than the previous year at 10.6 billion euros (2016/17: 10.2 billion euros).

The Deutsche Leasing Group's leasing income from its leasing and hire-purchase business and from the sale of used leased equipment increased by 4 per cent to over 7.1 billion euros during the 2017/18 financial year. This income growth was achieved by expanding the portfolio.

Balance sheet total grew by 7 per cent year on year from 72 million euros to 77.2 million euros during the past financial year, with net income for the year up by 8 per cent year on year to 91.1 million euros.

The parent company, Deutsche Sparkassen Leasing AG & Co. KG, earned net income for the year worth 50.4 million euros. This is due in part to a more generous distribution to shareholders than in previous years in the amount of 40 million euros. In the past, it had been kept unchanged at 35 million euros. Deutsche Leasing is thus continuing its sustainable dividend policy at a level 14 per cent higher than in previous years.

Equity

Of course, our decision to increase this distribution does not mean that we are neglecting to strengthen our equity base. In these good times in particular, Deutsche Leasing is working consistently to expand its equity base by organic means. The 2017/18 financial year saw us make further notable strides in this strategic direction.

The equity reported in the balance sheet increased by 7 per cent or 58 million euros from 799 million euros to 857 million euros.

We also further increased our contingency reserves as per sections 340f and 340g of the German Commercial Code in the amount of 31 million euros. In total, our contingency reserves as per sections 340f and 340g of the German Commercial Code now stand at 421 million euros.

This means we have now increased equity, including contingency reserves, to around 1.3 billion euros, compared with around 1.2 billion euros in the previous year. We will also be working consistently to increase our equity in the coming years through our own efforts with a view to facilitating further growth and making Deutsche Leasing even more stable.

Economic result and net asset value

In the wake of the developments described, the two main leasing-specific key indicators (net asset value and economic result) also improved. In determining these two values, we adopt the industry standard developed by the Federal Association of German Leasing Companies (BDL) and supported by the German Institute of Public Auditors (IDW), rating agencies, analysts, the academic and scientific community and the supervisory authorities.

The income and expenditure patterns typical of leasing arrangements mean that income and assets cannot be assessed based on financial statements alone. The net asset value statement closes this gap. It includes future income and expenses relating to equipment being invested in under the contracts held by Deutsche Leasing. The net asset value represents earnings potential in terms of future income statements as well as providing information on equity levels within the business. The net asset value statement also provides the basis for determining our risk capacity – in the context of minimum requirements for risk management purposes.

When it comes to assessing the performance of a leasing company, however, it is not just the result openly disclosed on its income statement that is important – the change in its net asset value over the period under review also holds great significance. The economic result, as an overarching measurement of success in the period, reflects both effects.

Net asset value

In the past financial year, the net asset value increased by 2 per cent to 1,969 million euros, although the persistently low interest rate continued to have a negative impact on margins, costs and the interest earned by the equity deployed.

Economic result

In the past financial year, we improved the economic result by 4 per cent from 153 million euros to 159 million euros. This kind of result allows us to set aside a reasonable amount for distribution, to achieve an adequate increase in equity, and to make the investments we need for the future.

Financial and asset situation

The level of external funding associated with companies in Germany and abroad (excluding non-recourse business of DAL, but including DFB) increased to 19.5 billion euros in the period to 30 September 2018. This represents a 6.5 per cent increase on the previous year's figure of 18.3 billion euros. The external funds borrowed during the 2017/18 financial year were used to finance the Deutsche Leasing Group's customer business, particularly the procurement of goods for leasing.

The external funds were borrowed more or less in line with how the customer transactions were structured in terms of capital commitment, fixed interest rate periods, and currency: any maturity transformation was negligible. Most finance continued to be based on medium- and long-term loans from banks and savings banks (including promissory note loans) and forfaiting, which together accounted for some four-fifths of all external funding. Compared with the previous year, therefore, there was a slightly disproportionately high increase in the level of loan-based finance due in particular to the faster growth in borrowing from public institutions providing development loans.

The finance structure is stable overall and largely unchanged from the previous year. The Deutsche Leasing Group continues to source its financing primarily from other members of Sparkassen-Finanzgruppe. Savings banks and Landesbanken, or regional banks, provided four-fifths of all borrowed funds. Of the remainder, around two-thirds came from public institutions providing development loans.

In terms of our financing partners and the instruments used, our financing is broad-based. We are planning to keep on developing this further in the future, including through the use of capital-based strategies such as ABS bonds.

Risk assessment

Risk management helps the management at the Deutsche Leasing Group implement the business and risk strategy and covers all relevant types of risks as well as all companies belonging to the Group both in Germany and abroad. The aim is to strike a sensible balance between risk and opportunity/income at the level of the Group as a whole. Our management thus ensures sufficient risk capacity by balancing the available risk coverage equity against overall risk. Calculating risk capacity provides the basis for risk management at the Deutsche Leasing Group. Once again, risk capacity was assured by some margin during the 2017/18 financial year.

It would be reasonable to conclude – based on the same conservative assessment criteria – that Deutsche Leasing has made suitable provision in the consolidated financial statements for all identifiable risks. Extraordinary depreciation, provisions, and write-downs remain adequate based on conservative benchmarks. In addition to the aforementioned reserves set aside as per sections 340f and 340g of the German Commercial Code, there are also hidden reserves as a result of the upfront expenses typically associated with leasing.

Looking back: strategic measures

We have further strengthened what was already a robust position by further diversifying our range of services. We have also focused on increasing efficiency in respect of internal processes and fast, efficient customer solutions. In this, we continued to pursue our sustainable business policy and maintained the steady progress of previous years, taking into account the risk involved.

At the same time, we worked hard to progress the measures initiated in the past financial year that are contributing to the strategic, future-oriented further development of the Deutsche Leasing Group.

We have taken a major step forward in the field of digitalisation, in terms of increasing our speed and efficiency and optimising processes as well as in terms of diversifying our service portfolio:

- We have developed an online contracting function for the savings banks' online branch in order to expand our system business involving corporate and commercial customers in the digital domain too and to best meet the needs of savings bank customers at various points of contact.
- Something else that is relevant to our partnership with the savings banks and small-scale investment activities is the

more efficient system that we have introduced in house for automated control of the entire process, from the customer enquiry stage through to the decision on risk and the drafting of the contract. The new system makes these procedures much simpler and faster.

- As part of our Corporate Strategy 2025, we have also pursued a holistic strategy on the international stage for all our foreign subsidiaries, the aim being for them to improve their performance and exploit existing areas of market potential even more fully.
- The rollout of standardised business software across our 22 foreign subsidiaries, which we referred to last year, is more or less complete. Virtually all of our foreign business is now managed via a uniform IT platform.
- In the Treasury department, we have automated treasury management processes and centralised cash management Group-wide by introducing a new IT system.
- The Digital Innovation Unit (DIU) began its work in the past financial year and has already established itself as a key interface in digitalisation matters within our organisation. It conducts research into digital ideas and innovations and helps us tap into important future markets and identify and implement new ideas for our range of services. For instance, the DIU has already devised a process for continuous trend tracking and formulated initial, concrete ideas for potential

pilot projects for testing. In-house initiatives from the DIU have made the issue of digitalisation more tangible for our employees and strengthened integration with the line organisation.

Looking ahead: the 2018/19 financial year

Thinking about the economic conditions underlying the 2018/19 financial year, we have been seeing the first signs of a slowdown in the general economy, especially since autumn 2018. The overall risk of a recession is increasing, say the latest forecasts.

The global economy is already growing at a slightly slower rate than was anticipated even at the start of the current financial year. Some institutions, such as the IMF, have recently revised their growth forecasts significantly downwards once again. Although the economy is still growing – as predicted in late September 2018 by the Joint Economic Forecast institutions (DIW, ifo Institute, IfW, IWH and RWI) (as at 25 September 2018) – the pace has slackened.

The eurozone is also losing momentum: as our financial year got under way, the Joint Economic Forecast was still anticipating GDP growth of 1.8 per cent in 2019 and 1.6 per cent in 2020, driven mainly by the domestic economy. In its spring forecast for the eurozone, the IfW is now only expecting GDP to rise by 1.2 per cent.

Although the upturn in Germany is entering its sixth year in a row, the German economy will be unable to keep up the fast pace of its expansion in the medium term, according to the economic research institutes' predictions. The growth rate of around 1.5 per cent that the Joint Economic Forecast had originally expected at the start of our new financial year has now been cut to roughly 1 per cent by some institutions (OECD, DIW, ifo Institute). The domestic economy is expected to remain stable, however, with a return to higher growth of some 1.6 per cent anticipated for 2020. Investment activity looks set to stay fairly brisk until 2020.

Against this background of an economy heading towards the end of its cycle, the uncertainties I mentioned at the outset will continue to occupy us – and new ones may will join them. This also poses challenges for the German economy, with its marked interdependencies with other countries. One risk jeopardising growth within the EU remains the issue of Brexit, which has yet to be fully resolved and which will bring consequences for the real economy that have been virtually impossible to predict so far. The debt levels in some EU countries are also spreading uncertainty. And the outcome of the European elections in May could bring serious news in the form of a shift in power away from the established groups in the European Parliament. The fallout from the trade disputes is another persistent threat, despite current signs of a "détente" between China and the USA – with the eurozone waiting with baited breath for the latter's decision on car tariffs. The continuing environment of low interest rates, pressure from the competition and on margins, and more stringent regulatory requirements will remain the order of the day for us. Yet these are practically reliable constants, as we know.

Back in Germany, improving digital infrastructure also remains a key requirement of SMEs and an essential step in developing companies fit for the future.

In the long term, this digital infrastructure will be the benchmark for measuring the international competitiveness of the country's small and medium-sized enterprises. This also includes strengthening Germany as a place to do business by reforming investment and tax policy.

Given all of these challenges and influencing factors, we can be satisfied with how the 2018/19 financial year has gone so far after nearly six months.

New business development for the Deutsche Leasing Group has also been satisfactory over the first few months of the new financial year, with the whole of the Group making a positive contribution. The vendor business in Germany and abroad is continuing its pleasing trend. The savings bank and SME business, which comprises individual business for business customers and system business for corporate and commercial customers, has grown year on year on the back of healthy individual business. In terms of vehicle leasing and fleet management, we have managed to increase our new business year on year in a market environment overshadowed by the diesel issue and the requirements of the WLTP and have thus responded well to the market situation.

Deutsche Leasing's risk situation is sound both in Germany and abroad. Our investments are doing well, while DAL also looks set for a highly promising performance. The order book is nice and full, particularly for Transport and Logistics.

We are expecting modest growth in new business over the current financial year. We will stick rigorously to the paths we have embarked on as part of our Corporate Strategy 2025 and focus on further developments.

Despite all the challenges and risks, there are still some attractive areas in which Deutsche Leasing can grow its asset finance and asset service activities.

These include, first of all, the joint business with the savings banks, concentrating particularly on the corporate and commercial customer segment. Within Sparkassen-Finanzgruppe, we intend to play an even more prominent role in this segment and keep on developing a holistic product portfolio for the savings banks that is tailored to the target group. Our main focus here is on fast, simple and digital solutions for our customers. This is because the demand for offerings of this kind – like with the trend in the private customer business – will also continue to increase amongst corporate and commercial customers. As a partner in the alliance, we see this as a great opportunity to provide fitting answers to these developments over the next few years together with the savings banks. The "online contracting" option I mentioned earlier shows that we are already taking the first steps.

Secondly, we are expecting our international business, such as in China and North America, to make significant contributions to our growth once again. Alongside the vendor business, a key pillar of our foreign business, two other important components are our international cooperation with the savings banks and our involvement in the S-CountryDesk, Sparkassen-Finanzgruppe's global network. For instance, we are supporting Sparkassen-Finanzgruppe's foreign business initiatives via our international network spanning 22 countries. Together with the savings banks and regional banks, we want to provide German business customers with efficient, comprehensive support all over the world.

Thirdly, market opportunities are opening up in the factoring business and in the insurance business, a source of additional earnings, as well as with other services offered by the Deutsche Leasing Group. With the aim of continuing to establish factoring as a complementary product in its commercial and corporate customer business, DFB will be expanding the whole of its joint sales process with the savings banks even further and supporting it more proactively. Insurance products, processes and systems are to be optimised further in Germany and abroad in order to enable the drivers of success (activation, quotation and take-up rates) to be amplified. Each one of our asset finance solutions is to include an insurance component for the asset being invested in regardless of whether the party involved is a direct customer, a savings bank customer, or a customer of one of our vendor partners.

We also want to harness the potential offered by digitalisation for our own benefit. We are developing new digital business models, modernising our in-house IT landscape and digitalising our internal processes. Here are two current examples of this from this financial year:

- Smart, connected machinery will shape the further development of industry and manufacturing in the coming years. The market is already home to business models and pilot projects all about the “Fourth Industrial Revolution”. And we too are breaking new ground in this regard: a few days ago, we launched a pay-per-use model in collaboration with our long-standing vendor partner Bystronic. This financing model for leased assets is based on their degree of use and comes in response to the digital trends in the industrial and manufacturing sector. A connected machine transmits data on the actual intensity of use, which determines how the instalments and services for the equipment are structured. Adapted to suit the lessee's own value chain, smart usage models like this could potentially be the next step in efficient financing models.

- We are also looking into the use of artificial intelligence, initially focusing on forms of robotic process automation. The intention is for these to help us make our customers' and partners' processes more efficient, simplify internal procedures for staff and get round the problem of current IT systems not being able to be integrated sufficiently. In the next steps, we will be trialling and testing more AI-driven applications such as machine learning throughout the entire value chain or "customer journey".

In light of these examples, we as a company believe that the issue of digitalisation must be handled both reflectively and responsibly. Not everything that is (already) technically feasible makes a sensible contribution to meeting customer requirements or the needs of our employees or will even ever become relevant. Periods of trialling and testing are essential here.

Whatever happens, the 2018/19 financial year will remain an exciting one, especially as we will once again need to look more closely at finding a healthy balance between opportunities and risks. And it is precisely this topic that is also addressed in our annual report this year. Focusing on the "power of momentum", our annual report tackles the question of where SMEs are deriving their impetus for growth from nowadays, what challenges are facing companies and how they can exploit the opportunities presented to them.