

*Annual Report* 2017



“A high-performance software portfolio is at the heart of SNP’s business model. Our goal is to become the global standard for software-based data transformation.

We will succeed in this objective with CrystalBridge as SNP’s new central software platform.”

Dr. Andreas Schneider-Neureither

## SNP – The Transformation Company

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Companies are subject to a process of continuous change. The reasons for this include mergers, company sales or restructuring. Many companies also recognize the growing need to invest in the replacement of their existing IT structures to keep pace with technological change as well as the increased networking and digitalization of entire business models. Every change directly affects IT and, in particular, companies' enterprise resource planning (ERP) systems. SNP focuses on the transformation of business-critical and highly sensitive data in ERP systems.

SNP software and services help companies to rapidly adapt their business models through an automated and risk-minimized process. After all, transformation projects are among the greatest challenges for companies and their IT departments.

# LETTER OF THE CEO

## DEAR SHAREHOLDERS,

The SNP Group maintained its successful growth trend in the 2017 fiscal year. At the same time, we have achieved some important strategic objectives. SNP has reached a new dimension of growth in terms of its revenue and also its internationalization and, not least, its market position.

In the 2017 fiscal year, we clearly exceeded the € 100 million revenue threshold, while our number of employees increased from 712 to in excess of 1,300. Moreover, SNP's conversion into a European stock corporation (SE) strengthened its international focus, and we have taken important steps to ensure the Group's operating and strategic development.

Our prospects for the future and our market potential are excellent. Signs already point to a huge increase in demand in the coming years for our services and software solutions.

In terms of our overall development, one thing remains consistent: We are working on becoming the global standard for software-based data transformations and are clearly succeeding in this respect. To realize our goal, we are following three strategic approaches on a long-term basis:

- Automation
- Internationalization
- Global delivery capacity

A high-performance software portfolio is at the heart of our business model. Software licensing fees are a key benchmark and thus a significant success factor in the software industry. These fees in turn result in highly profitable long-term maintenance fees, which generate positive cash flows. Technological innovations and improvements also increase the benefits to our customers, while tapping into additional sources of licensing income for us. Licensing fee growth will therefore be a core aspect of SNP's business in the coming months and years.

### **In the Future, our CrystalBridge Will Serve as SNP's Central Software Platform**

It is a fact that strategic business decisions, the related process of technological change and IT landscapes are rarely in harmony with one another. On the contrary: Existing IT architectures are frequently seen as an obstacle to the transformation of companies. We know this from more than 7,000 transformation projects that we have now successfully implemented.

With our latest software project, CrystalBridge, we are closing the gap between our customers' business and IT strategies. By combining all of our SNP software under the CrystalBridge umbrella, we are creating a homogeneous software platform with considerable potential – above all, for the sake of our customers.

We are quite sure that CrystalBridge represents a quantum leap in terms of the execution of transformation



Dr. Andreas Schneider-Neureither, CEO

projects: This new software is a kind of “ship’s bridge” from the point of view of IT, which enables our customers to visualize a project even prior to the implementation of a company transformation and to simulate it with the highest level of reliability. In the future, this will thus enable a significantly higher level of automation than is currently possible, with all of the associated benefits: increased transparency, enhanced security and lower costs.

### Increased Globalization

In order to become the global standard for data transformation with our software and service portfolio, we have accelerated our internationalization strategy and secured further access to foreign markets; following acquisitions in Asia, North America and the United Kingdom, we completed further purchases in Poland and South America in 2017.

Today, SNP has a presence in all of the commercially relevant regional markets. SNP’s early positioning enables us to prepare for the foreseeable worldwide boom resulting from digital transformation worldwide and to be counted among the winners of this development.

Through these acquisitions, SNP’s workforce has increased considerably. Attracting new specialists is and has always been a key success factor in our growth strategy. By having greater access to customers, we are able to offer SNP software worldwide. At the same time, we will provide our new employees with initial

and advanced training, which will enable them to independently execute SNP software-based transformation projects in our global markets.

### SNP Meets Digital Megatrends

As a provider of technologically leading software solutions and services that are unique in its industry, SNP supports and promotes changes in companies. The drivers of digitalization include, in particular, the introduction of the new SAP Business Suite S4 with the database SAP HANA. This is one of the largest update drives in the SAP ERP world. SNP has already successfully completed more than 30 SAP S/4 projects and has also assembled an interdisciplinary SAP S/4 competence team for the internal changeover process. We intend to shape this highly attractive market via software-based ERP transformations.

### Key Performance Indicators for the 2017 Fiscal Year Confirm Our Successful Strategy

Our balance sheet and earnings figures for 2017 confirm the growth trend of the past few years:

- **Significant revenue growth** – Group revenue increased around 52% to € 122.3 million. In the final quarter of the year, we achieved the strongest quarterly revenue in our company’s history, at € 41.3 million.
- **Excellent order situation** – At the end of the year, our order situation amounts to approximately € 131

million – software and maintenance account for around € 16 million of this. Around two thirds of these incoming orders are attributable to the DACH region (Germany, Austria and Switzerland). The remaining orders, which amount to approximately € 43 million, are thus from other regions around the world.

- **Increasing software revenues** – In the second half of the past year, we already began to adjust our software and sales strategy. For this purpose, we have expanded our software portfolio and are aligning it even more strongly with the sales opportunities in the U.S. and Chinese markets. The tangible increase in our software revenues in the fourth quarter has encouraged us in our efforts.
- **New management structure** – We have reacted to our strong growth over the past few years by introducing a new management and organizational structure. The Group relies on uniform processes worldwide and clear global responsibilities, which safeguard its successful ongoing development.
- **Operating margin loss** – We have decided to allocate strategic priority to SNP's growth – particularly in terms of its market presence and the development of the workforce – for a limited period of time and in anticipation of companies' increasing transformation requirements. This has resulted in an operating margin loss in our income statement for 2017. In the 2017 fiscal year, the operating earnings margin (IFRS) was -0.4%. This is mainly due to extraordinary expenses and growth investments. In addition, we have not yet achieved our goal in terms of software licensing revenues for SNP's in-house products. We are not satisfied here and will do all that we can to change the situation.

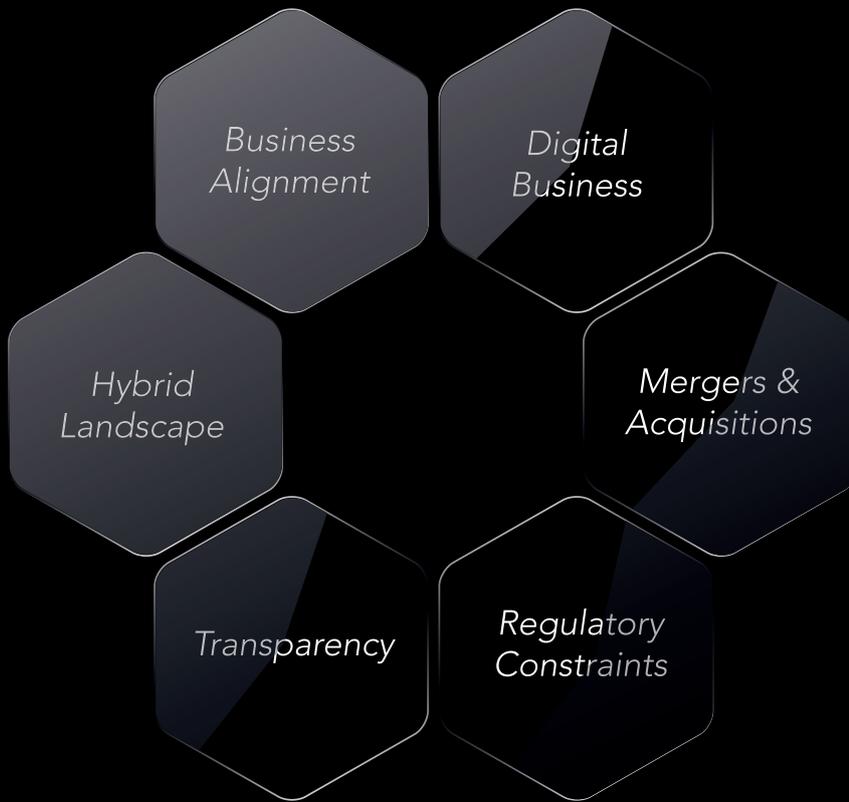
In summary, as an internationally active company, SNP has reached a new level of efficiency and ability to deliver for its customers. We have everything that we need in order to succeed. We must now exploit our full potential in order to profitably maintain our strategic growth trend of the past few years on a long-term basis.

We would be unable to harness the benefits of transformation software and to deliver genuine added value for our customers without a highly competent team. I would therefore like to take this opportunity to offer my special thanks to our dedicated employees, who, with their commitment and above-average motivation, are contributing to SNP's progress. I would also like to sincerely welcome the new members of the SNP family, and I really look forward to all of us working together.

Furthermore, I would like to thank our customers and all of our shareholders for the trust they have placed in us. We will continue to do everything possible to maintain your trust in the future.

A handwritten signature in blue ink, appearing to read 'ASN', is centered on a light blue rectangular background.

Dr. Andreas Schneider-Neureither, CEO



# CHALLENGES

## Digital Business

Companies are still struggling to identify the change processes unleashed by digital technologies as an opportunity. This means that urgently required steps for successful digital transformation are tackled only superficially or not at all. In view of the fact that industry data is available to be harnessed as the most important and complex form of “big data,” this means that the potential to improve a company’s competitive situation, to develop its business model and, not least, to increase the added value for its customers goes unused.

## Mergers & Acquisitions

Many transactions which are significantly delayed or failed demonstrate that the success of a company merger or a partial sale depends on the early inclusion of IT. Once the management has made a corporate strategy decision, this increases the pressure on the IT managers. In order to be able to utilize synergy effects while minimizing risks, the status of ERP systems should be taken into consideration in advance of a transaction. As the IT backbone and not least due to its complex data structures, this area plays a key role in transformation projects.

## Regulatory Constraints

It is a fact that many (often outdated) IT architectures are unable to comply with current statutory provisions such as the new EU General Data Protection Regulation as well as more stringent compliance requirements. In addition, outdated or incomplete documentation and undetected interfaces in IT systems represent a significant security and compliance risk. Companies therefore run the risk of facing unplanned costs.

## Transparency

IT landscapes and data volumes are increasingly complex – due to the heterogeneous IT systems of various providers, various release versions, subsidiaries and foreign sales offices with entirely autonomous ERP systems as well as sector or company-specific proprietary developments. In practice, inefficient IT architectures and a lack of transparency are a serious obstacle to companies’ successful ongoing development.

## Hybrid Landscape

Agile and flexible IT landscapes are a decisive factor for entrepreneurial success. The modernization required of antiquated IT environments is forcing companies to invest in unifying their heterogeneous and complex IT infrastructures. But it is precisely IT departments that are frequently behind the times with antiquated systems. The ability to respond quickly to changes in the competitive environment is a core competency in today’s global economy.

## Business Alignment

Nowadays, companies and their decision-makers need to be ready for permanent change. This has a direct impact on the requirements for IT and for ERP systems in particular. However, if decision-makers and IT managers are unable to develop a shared understanding or a shared language for impending challenges, projects are almost guaranteed to fail. However, in more than a few companies, IT is seen as less of an innovation driver and more an obstacle to development.

# CrystalBridge – AN AUTOMATED DIGITAL TRANSFORMATION AT THE HIGHEST LEVEL

## Analyze

Scan, profile and compare the structure, data and connections throughout your entire software landscape. Plan transformations in visualized form and gain an important insight into the use of your company software by creating a visual profile. Use interactive planning and the creation of a roadmap, and identify and document challenges in graphic form with CrystalBridge.

## Modernize

Extract, identify, monitor and compare actual business processes in your transaction data. Ensure compliance with best practices and receive notification if standards are not met.

## Transform

Complete a company transformation such as a merger, a split, alignment, restructuring or reorganization in a matter of months instead of years. Uniform best practice business processes which combine your master data with historical data provide for efficiency and transparency. Combine multiple steps into one – we call it the one-step approach.

## Secure

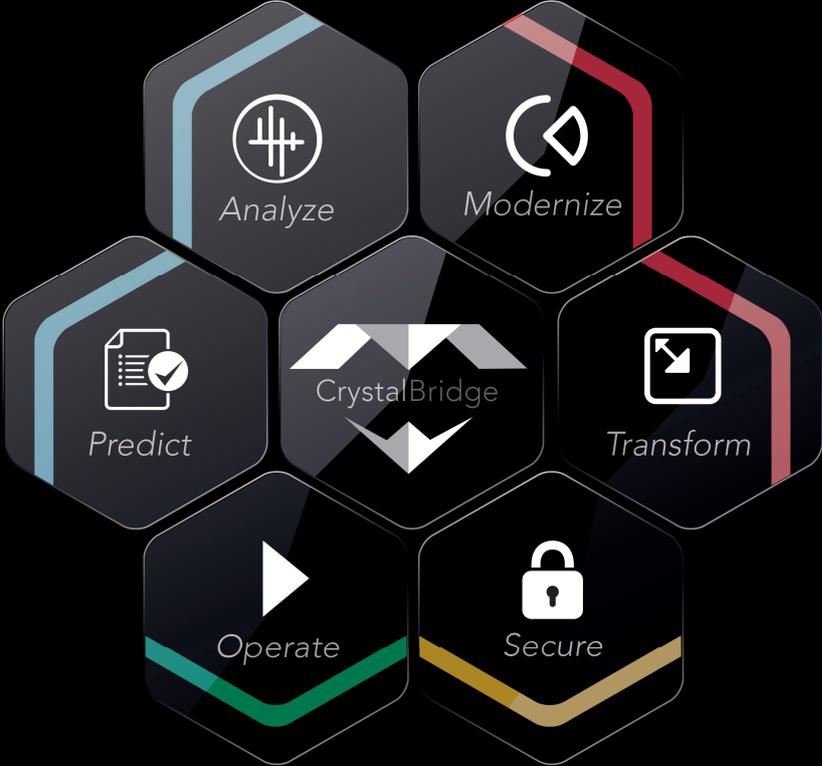
Mask, encrypt and anonymize sensitive data for test and development systems. Use an object-based update to synchronize documents and data significantly faster than with a full system copy, while making the update of entire test systems for synchronization with production unnecessary.

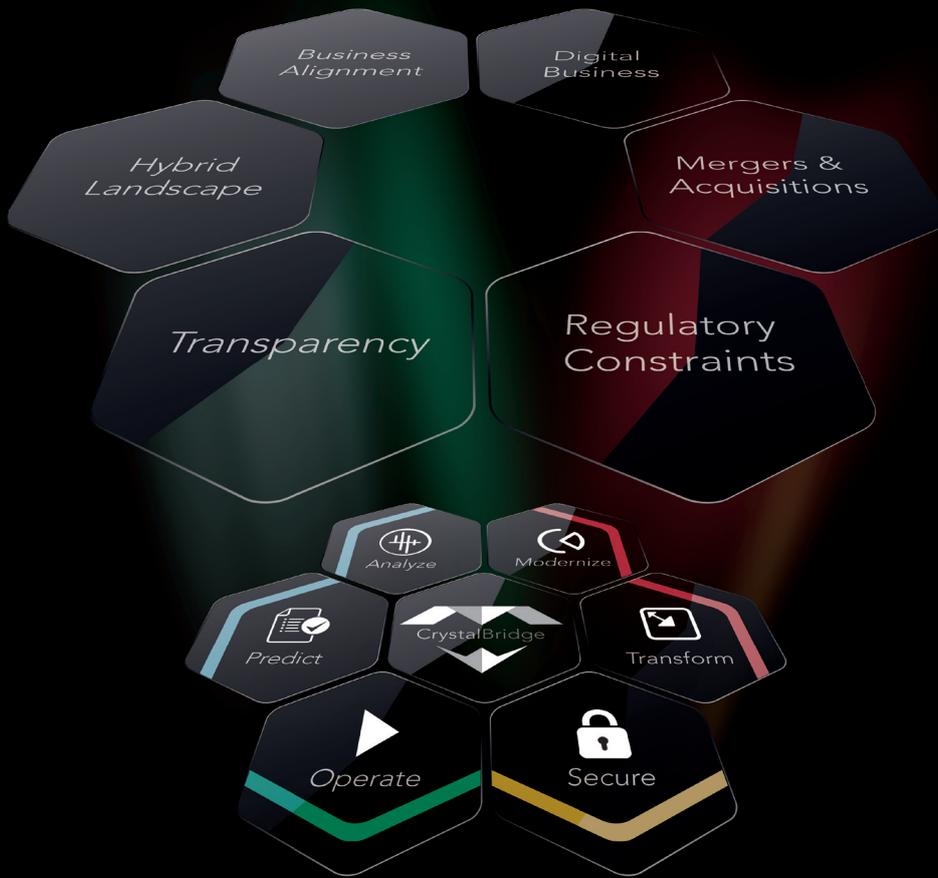
## Operate

Software-based automation is the top priority. For transformation projects, the SNP Transformation Backbone with SAP LT is strong software which clearly stands out in comparison to traditional, manual approaches. CrystalBridge's interactive approach also helps to achieve a significantly greater depth of automation, so as to avoid typical errors at the start of a project as well as the high costs which these entail.

## Predict

With CrystalBridge, you can accelerate the process of the creation of blueprints for transformation projects by more than 75%. In addition, transformation rules and contents can be directly produced within CrystalBridge. In the future, it will be possible to connect them with the SNP Transformation Backbone for execution. Combined with SNP's artificial intelligence and predictive analytics, you can organize, plan and predict the results of their transformation projects.







CrystalBridge is a new product in SNP's software portfolio. It offers a graphical and interactive visualization of entire SAP systems with the goal of supporting and accelerating business transformations. CrystalBridge enables customers to visualize a project even prior to the implementation of a company transformation and to simulate it with the highest level of reliability. This software provides customers with intelligent recommendations as well as a more in-depth understanding of the effects of a business transformation project on their ERP landscape. With this software, entire IT landscapes can be visualized and controlled by means of a modern user interface. CrystalBridge enables optimal planning, simulation and execution of even the most complex business transformations. The benefit for customers is a customer-specific but nonetheless automated and highly transparent solution for the full range of IT data transformations.



# CONTENT

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## **To the Shareholders**

- 18 Report of the Supervisory Board
- 23 SNP in the Capital Markets
- 26 Corporate Governance
- 36 Remuneration Report

## **Group Management Report**

- 42 Business Model and Organization
- 43 The SNP Portfolio
- 43 Professional Services Segment
- 45 Software Segment
- 48 Organizational Structure
- 49 Business Performance and Economic Condition
- 53 Economic Report
- 54 Overall Summary of Target Achievement
- 55 Earnings Position
- 59 Financial Position
- 61 Nonfinancial Performance Indicators
- 63 Disclosures Related to Takeover Law
- 65 Risks, Opportunities and Forecast Report
- 75 Forecast Report
- 76 Responsibility Statement

## **Consolidated Financial Statement**

- 78 Consolidated Balance Sheet
- 79 Consolidated Income Statement
- 80 Consolidated Statement of Comprehensive Income
- 81 Consolidated Cash Flow Statement
- 82 Consolidated Statement of Changes in Equity
- 84 Changes in Consolidated Fixed Assets
- 87 Notes to the Consolidated Financial Statements
- 106 Segment Reporting
- 125 Independent Auditor's Report

## **Annual Financial Statements**

- 132 Balance Sheet
- 133 Profit and Loss Account

## **More Informations**

- 135 Financial Calendar
- 135 Contact



TO THE  
SHAREHOLDERS

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The Board of Directors of SNP SE (f. l. t. r.):  
Dr. Michael R. Drill, Dr. Andreas Schneider-Neureither,  
Gerhard A. Burkhardt and Rainer Zinow.

# REPORT OF THE SUPERVISORY BOARD / BOARD OF DIRECTORS

## DEAR SHAREHOLDERS,

In the following report, the Board of Directors outlines its core activities in the 2017 fiscal year. In accordance with the resolution passed by the Annual General Meeting on May 31, 2017, and the entry made in the commercial register on December 6, 2017, SNP Schneider-Neureither & Partner AG was converted into SNP Schneider-Neureither & Partner SE, with a change of its legal form. Up to the company's conversion, the Supervisory Board advised and oversaw the Executive Board in relation to its management tasks. Following its conversion, the company is now managed by its Board of Directors ("monistic system"), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. The core management, oversight and discussion issues covered in plenary meetings, the audit of the annual and consolidated financial statements, relationships with associates and changes to the company's organs are outlined below.

The SNP Group achieved decisive strategic growth objectives in the past fiscal year. It successfully drove forward its strategy of internationalization through company acquisitions in Poland and South America. SNP is thus now also active in the Central and Eastern European and South American SAP and IT markets.

Accordingly, the revenue threshold of € 100 million, which was envisaged at the start of the year, was significantly exceeded. The number of employees broke the 1,000 mark. Moreover, SNP's conversion into a European stock corporation (SE) strengthened its international focus and drove forward the Group's strategic development.

In 2017, the focus was on additional growth and strategically enhancing the entire Group, which entailed expenses in the mid-single-digit million range. The growth and restructuring investments, which diminished earnings, are mainly attributable to the adjustment of the Group's corporate structures in the USA and Germany, the integration of the corporate acquisitions of the past two years, the development of a training academy in Berlin and the acceleration of the Group's international sales strategy.

The key activities of the Supervisory Board up to the entry of SNP SE in the commercial register on December 6, 2017, and those of the Board of Directors up to and including December 31, 2017, are outlined below.

### **Supervisory Board and meetings**

Up to the company's conversion, the Supervisory Board performed all of the duties required of it according to the law as well as the company's articles of incorporation and bylaws. It was involved in all of the issues relating to the business development, the financial position and the strategic focus of the SNP Group. The Supervisory Board carefully and regularly oversaw the Executive Board's management activities, while advising it on the Group's strategic development as well as key individual transactions.

For this purpose, at the Supervisory Board's five face-to-face meetings the Executive Board regularly, promptly and comprehensively briefed the Supervisory Board regarding the company's business policy, all relevant aspects of corporate development and corporate planning, the company's economic situation – including its

financial position and financial performance – and all of the key decisions and business transactions for the Group. All of the members of the Supervisory Board attended these meetings. Additional draft resolutions outside of these face-to-face meetings were discussed and voted on through Supervisory Board meetings held over the telephone and by means of circular resolutions.

In February 2017, the issue of a promissory note loan of up to € 40 million was approved by means of a circular resolution. Due to the attractive financing conditions and the strong level of investor interest, the original target volume was extended from € 30 million to € 40 million.

The Supervisory Board meeting on March 13, 2017, discussed and approved the annual financial statements and the consolidated financial statements for the 2016 fiscal year. At this meeting, the Executive Board and the Supervisory Board adopted an updated declaration of conformity following the recommendations and suggestions of the German Corporate Governance Code. In addition, the company's supervisory body approved the agenda for the 2017 Annual General Meeting and the corresponding proposed resolutions, including the two proposals put forward to the Annual General Meeting on the appointment of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor and the company's conversion into a European stock corporation (SE).

At the meeting held on May 31, 2017, the Executive Board and the Supervisory Board discussed the implementation of a capital increase of up to 10% of the ex-

isting share capital, which was finally successfully placed on the capital market in July.

The complete takeover of Poland's BCC Group, which was preceded by an intensive due diligence review, was the object of a circular resolution in May. Consent to the acquisition of South America's Adecon Group was granted in a conference call meeting in July, following discussion of the results of the due diligence review at the previous meeting in May.

The Supervisory Board discussed in detail all business transactions that are significant for the company on the basis of the reports provided by the Executive Board. The Executive Board provided the Supervisory Board with explanations on areas in which the company's business performance deviated from its plans and goals. The Supervisory Board reviewed these explanations on the basis of the documents submitted. The Supervisory Board was involved in all key decisions at an early stage. The chairman of the Supervisory Board and other members of the Supervisory Board also maintained regular oral and written contact with the Executive Board.

Where required by law as well as the company's articles of incorporation and bylaws, the Supervisory Board expressed its view in relation to the reports and proposed resolutions put forward by the Executive Board following a thorough review and discussion process.

### Key oversight and discussion issues

The following key issues arose for SNP Schneider-Neureither & Partner AG in the past financial year ending December 6, 2017:

- Audit and approval of the 2016 annual financial statements
- Determination of the agenda for the 2017 Annual General Meeting
- Current business development
- Inorganic growth strategy and integration of acquisitions
- Debt financing through promissory note loans of € 40 million
- Corporate planning for 2017
- Conversion of SNP AG into an SE (Societas Europaea), including preparatory measures in relation to the changeover of the dualistic corporate governance system to a monistic system featuring a Board of Directors and Managing Directors

The Supervisory Board consulted the financial reports and documents of the company in relation to these issues.

### Board of Directors

By virtue of the resolutions passed by the Annual General Meeting of SNP AG on May 31, 2017, and the entry made in the commercial register on December 6, 2017, the appointed members of the Board of Directors accepted their appointment at the constituent meeting of the Board of Directors held on October 20, 2017, which they all attended.

Dr. Andreas Schneider-Neureither was elected as the Chairman and Dr. Michael Drill as the Deputy Chairman of the Board of Directors. They both accepted their election. The rules of procedure for the Board of Directors and the Managing Directors were then enacted and brought into force. Finally, the Managing Directors and their Chairman were appointed. Until March 12, 2018, the same two people served as Managing Directors as had been the former Executive Board members; since this date, Dr. Andreas Schneider-Neureither has been the sole Managing Director (CEO). This is in line with the new organizational and management structure brought into force at the beginning of 2018.

The Board of Directors and the Managing Directors met to discuss the company's budget and corporate planning for 2018 in their first face-to-face meeting held in December 2017.

### Audit of the Annual Financial Statements and the Consolidated Financial Statements

The annual financial statements and the consolidated financial statements as of December 31, 2017, and the management report and the Group management report, including the accounting records, have been audited by the auditor selected by the Annual General Meeting of the company, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, and were awarded an unqualified auditor's opinion on March 26, 2018.

All financial statement-related documents and audit reports were made available to all members of the Board of Directors in a timely manner ahead of the meeting of the Board of Directors on the financial state-

ments, which was held on March 16, 2018, and they carefully reviewed them. These documents were discussed in detail in the presence of the auditor. The auditor informed the Board of Directors that there were no weaknesses in the internal control system or the risk management system. The Board of Directors was convinced that the auditor's report complied with legal requirements. The Board of Directors was convinced that the auditor's report complied with legal requirements.

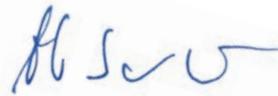
Following the completion of its own examination, the Board of Directors did not raise any objections to the annual financial statements, the consolidated financial statements, the management report or the Group management report. Therefore, the Board of Directors approved and accordingly adopted the annual financial statements and consolidated financial statements of SNP Schneider-Neureither & Partner SE, which were prepared by the Managing Directors. Furthermore, they agreed to the Managing Directors' proposal on the appropriation of earnings.

### **Thanks to the Managing Directors and the Employees**

The outstanding qualification, experience and motivation of the workforce of the SNP Group form the basis for the business growth of recent years. We are certain the same will hold true in the company's successful future. Therefore, we would like to formally express our gratitude for their exemplary commitment, particularly in the past fiscal year.

Heidelberg, March 26, 2018

For the Board of Directors



Dr. Andreas Schneider-Neureither, Chairman

For the Supervisory Board



Dr. Michael R. Drill, Chairman

# SNP IN THE CAPITAL MARKETS

Europe's stock markets can once again look back on a good year. The Dax, which climbed to a record high of 13,525 points, ended the year at around 12,918 points and was thus up by 12.5%, compared to an increase of 6.9% in the previous year. It thus clearly outperformed the Euro Stoxx 50, which rose by approximately 6%. However, the Dax and the Euro Stoxx 50 were unable to keep up with the benchmark American indexes. The Dow and the Nasdaq Composite soared by around 25% and 28%. The steep global rise of the technology sector played a key role in this.

The stock markets were also buoyed by the huge flood of liquidity provided by the international central banks. Investors' confidence and thus their demand for eu-

ro-denominated assets were also strengthened due to the fact that the eurozone's growth picked up surprisingly strongly, with the result that the forecasts for the region were revised upward over the course of the year.

On the other hand, other European indexes benefited from their home currencies' declining exchange rates. Despite the Brexit risks for the British economy, the FTSE 100 rose to a record high of 7,697 points, which it reached towards the end of the year. At the end of the period, it was up by 7.6% at 7,688 points. The Swiss index SMI reached an all-time high of 9,469 points and gained around 13% over the year as a whole.

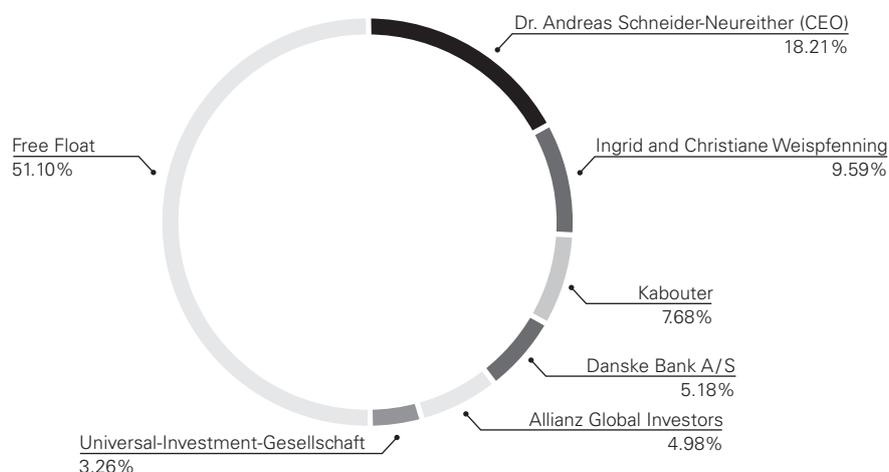
## KEY SHARE DATA

ISIN	DE0007203705
Security identification number	720 370
Shares as of Dec. 31, 2017	5,474,463 (share capital: € 5,474,463)
Shares as of Dec. 31, 2016	4,976,786 (share capital: € 4,976,786)
Class	No-par-value shares
Market segment	Prime Standard
Trading exchanges/stock exchanges	Xetra, Frankfurt, Berlin, Hamburg, Munich, Stuttgart, Düsseldorf
Ticker symbol	SHF
Bloomberg	SHF:GR
Reuters	SHFG.DE

## SHARE PERFORMANCE INDICATORS

		2017	2016
Earnings per share as of the end of the year	(in €)	<b>-0.47</b>	0.95
Market capitalization as of the end of the year	(in € million)	<b>175.18</b>	203.30
Closing price	(in €)	<b>32.00</b>	40.85
High	(in €)	<b>49.20</b>	42.30
Low	(in €)	<b>28.30</b>	21.90

## SHAREHOLDERS STRUCTURE



### The SNP Share

After SNP shares exceeded the psychologically important market capitalization threshold of € 200 million at the end of 2016, this positive trend continued in the first trading weeks of 2017. SNP shares reached a peak of € 49.20 based on the closing price, which represented a market capitalization of approximately € 245 million in mid-February.

July 14, 2017, was the strongest stock market day from the point of view of trading, with around 191 thousand SNP shares traded on various stock exchanges. This was triggered by an analyst report published by Hauck & Aufhäuser Privatbankiers AG. Due to misleading assessments, SNP SE released a public statement objecting to this analyst report.

During the rest of the year, SNP shares lost value and ended the 2017 stock market year with a drop of approximately 22% at € 32.00 per share. Following the announcement of the revised forecast for the year in late October, the company's shares reached their low for the year of € 28.30 based on the closing price.

The trading volume across various stock exchanges increased significantly and therefore so did the share's liquidity. A monthly average of 16,431 shares per day were traded on these various stock exchanges. By comparison, in 2016 and 2015, 10,104 and 5,043 shares were traded as a monthly average.

In June, a dividend of € 0.39 per share was distributed. Taking into account adjustments for the higher number of shares from the capital increase in 2017, this is € 0.32 per share.

### Significantly Oversubscribed Capital Increase

On July 5, 2017, SNP SE announced a cash capital increase, as a result of which the company's share capital increased by € 497,677, divided into 497,677 no-par-value shares, to a total of € 5,474,463, divided into 5,474,463 shares. The new shares were placed at € 37.65 each with selected institutional investors, subject to the exclusion of subscription rights, through an accelerated bookbuilding process. These investors are entitled to dividends in the 2017 fiscal year, beginning on January 1, 2017. The overall interest of investors significantly exceeded the placement volume, so it was not possible to meet all the subscription requests for shares. Through the successful cash capital increase, the company generated gross issuing proceeds of € 18.74 million. The capital increase was entered in the German commercial register on July 7, 2017. The new shares were issued on July 10, 2017.

#### PARAMETERS OF THE 2017 CASH CAPITAL INCREASE

Issued shares	497,677 no-par-value shares
Issue price	€ 37.65
Gross issue proceeds	€ 18.74 million
Type of placement	Private placement
Entry in the German commercial register	July 7, 2017
Issuance	July 10, 2017

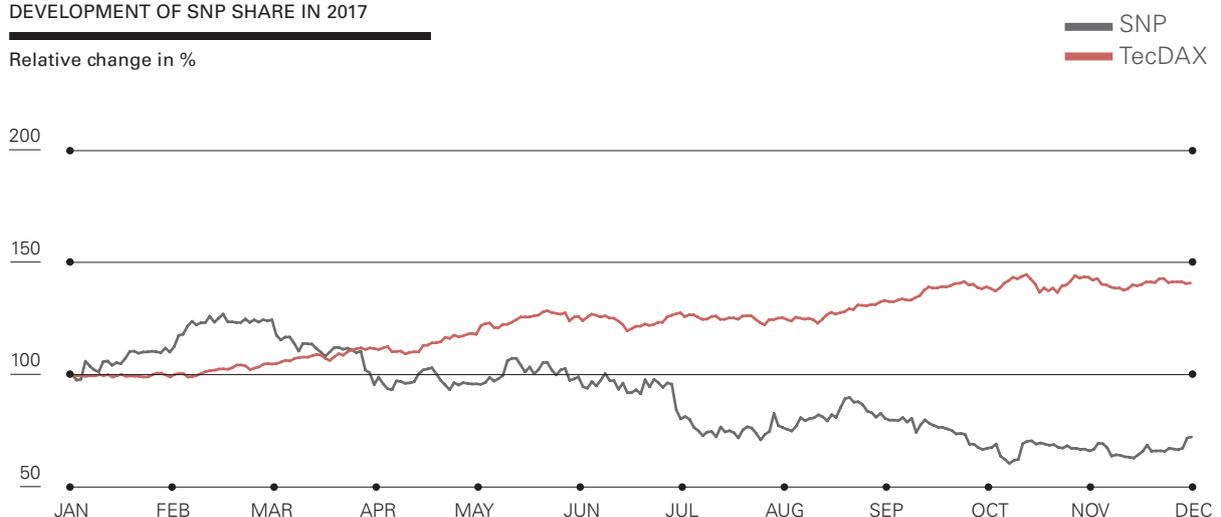
### Issuance of Promissory Note Loans and Early Redemption of the Bond

In February, SNP AG reached an agreement with investors on the issuance of promissory note loans with a total volume of € 40 million. The volume is spread across fixed and variable tranches in terms of three to seven years. The average yield at the time of issuance of the promissory note loans amounted to 1.41% per annum. Due to the high level of investor interest and the favorable financing conditions, the original target volume was increased from € 30 million to € 40 million.

At the same time, effective March 27, 2017, the bearer bond (ISIN: DE000A14J6N4 / WKN: A14J6N) was redeemed early. In accordance with the bond conditions, the notice of redemption was published in the German Federal Gazette and on the company's website. The bond with a total amount issued of € 10 million (and a total nominal amount of up to € 20 million) was fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

#### DEVELOPMENT OF SNP SHARE IN 2017

Relative change in %



Further information on the SNP share can be found at  
<http://www.snpgroup.com/en/investor-relations/stock-information/>

Further information on investor relations can be found at  
<http://www.snpgroup.com/en/investor-relations>

# CORPORATE GOVERNANCE

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## **Corporate Governance Report with Declaration of Conformity and Declaration on Company Management Pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) for 2017**

Effective implementation of corporate governance principles is a key element of the corporate policy of SNP Schneider-Neureither & Partner SE (SNP SE). Transparent and responsible corporate management is a critical precondition for the achievement of the company's goals and for a long-term increase in its enterprise value. The Board of Directors and the Managing Directors closely cooperate in the interests of the entire company in order to ensure efficient corporate management and control with the aim of sustainably creating value through good corporate governance.

In the following, the Board of Directors and the Managing Directors report on corporate governance at SNP SE in accordance with Section 3.10 of the German Corporate Governance Code. This chapter also includes the declaration on company management pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) of the SE Implementation Act (SEAG) in conjunction with Section 289f and Section 315d of the German Commercial Code (HGB).

Pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 of the German Stock Corporation Act (AktG), the Board of Directors of a listed German SE is obliged to issue a declaration at least once a year as to whether the company has complied and continues to comply with the German Corporate Governance Code and which recommendations of the Code it has not implemented and why not. On March 23, 2018, the Board of Directors of SNP SE issued the following declaration:

## **Declaration of conformity pursuant to Section 161 AktG for the year 2017:**

The Board of Directors of SNP SE declares pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 AktG that since the issuance of its most recent declaration of conformity on March 13, 2017, SNP Schneider-Neureither & Partner SE has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code (the Code) (as of May 5, 2015, and February 7, 2017), while taking into consideration the specific details of the monistic system of SNP SE as outlined in Section 1 – with the exceptions indicated in Section 2 – or, where it has not complied with these recommendations, why not.

### **1. Specific details of the monistic corporate governance system**

In accordance with Art. 43–45 of the SE Regulation in conjunction with Sections 20 et seq. SEAG, the monistic system is characterized by the fact that a uniform management body, the Board of Directors, is responsible for the management of the SE (cf. para. 5 of the preamble to the Code). The Board of Directors directs the company, determines the basic standards for its activities and oversees their implementation by the Managing Directors. The Managing Directors conduct the company's business, represent the company in and out of court and are bound by instructions issued by the Board of Directors.

In principle, SNP SE will relate the sections of the Code applicable to the Supervisory Board to the Board of Directors of SNP SE and the sections of the Code applica-

ble to the Executive Board to its Managing Directors. The following exceptions apply in relation to the statutory framework for the monistic system:

- In deviation from Section 2.2.1 clause 1 of the Code, the Board of Directors is required to present the annual financial statements and the consolidated financial statements to the Annual General Meeting, Section 48 (2) clause 2 SEAG.
- In deviation from Sections 2.3.1 clause 1 and 3.7 (3) of the Code, the Board of Directors is responsible for convening the Annual General Meeting, Sections 48 and 22 (2) SEAG.
- The tasks of the Executive Board prescribed in Sections 4.1.1 (management of the company) and 4.1.2 in conjunction with Section 3.2 main clause 1 (development of the company's strategic focus) of the Code are incumbent upon the Board of Directors, Section 22 (1) SEAG.
- The responsibilities of the Executive Board prescribed in Sections 2.3.2 clause 2 (voting proxy bound by instructions), 3.7 (1) (statement regarding a takeover offer) and (2) (conduct in case of a takeover offer) as well as 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and control) of the Code are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- In deviation from Sections 5.1.2 (2) clauses 1 and 2 of the Code, unlike members of the Executive Board Managing Directors are not subject to any fixed and maximum permitted period of appointment, Section 40 (1) clause 1 SEAG.
- In deviation from Sections 5.4.2 clause 2 and 5.4.4 of the Code, members of the Board of Directors may be appointed as Managing Directors provided that the majority of the Board of Directors still is comprised of non-Managing Directors, Section 40 (1) clause 2 SEAG.

## **2. Exceptions to the recommendations of the Code**

- In deviation from Section 3.8 (3) of the Code, the members of the Board of Directors have a D&O insurance policy without a deductible. The Board of Directors considers that a deductible is not required for members of the Board of Directors since the commitment and responsibility with which the members of the Board of Directors perform their duties will not be improved through the agreement of a deductible. The existing D&O insurance policy for the members of the Board of Directors of SNP SE does not therefore include any deductible.
- Contrary to Sections 5.3.1, 5.3.2 and 5.3.3, the Board of Directors has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon. The Board of Directors of the company is currently comprised of four members. Due to its current size, this body has not established any committees and performs all tasks in its entirety. In these circumstances, the Board of Directors cannot see how the efficiency of its work would be improved through committees.
- Pursuant to Section 5.4.1 (2) of the Code, the Board of Directors should state concrete goals for its composition, taking into consideration the specific situa-

tion of the company's international activities, potential conflicts of interest, a fixed retirement age for Supervisory Board members, a limit to be determined for the length of membership in the Supervisory Board as well as diversity. Contrary to the Code's recommendation, the Board of Directors has not set any further targets for its composition. The Board of Directors is comprised of only four members. Given this situation, the Board of Directors does not see any advantage in being bound by specific targets. Instead, the Board of Directors should always retain the flexibility of being able to take into account individual circumstances in its proposals to the responsible election bodies and the candidates with the best possible qualifications. In the view of the Board of Directors, the statement and publication of specific goals and their regular adjustment also entail a not insignificant effort, which does not appear to be justified in view of the shareholding structure and size of the company and in view of the size of the Board of Directors.

Heidelberg, March 23, 2018

For the Board of Director



Dr. Andreas Schneider-Neureither, CEO

### **Conversion of SNP Schneider-Neureither & Partner AG into SNP Schneider-Neureither & Partner SE**

In accordance with the resolution passed by the Annual General Meeting on May 31, 2017, and the entry made in the commercial register on December 6, 2017, SNP Schneider-Neureither & Partner AG was converted into SNP Schneider-Neureither & Partner SE, with a change of its legal form.

Up to its conversion, the company was managed by its Executive Board in accordance with the provisions of the German Stock Corporation Act (AktG). The Supervisory Board advised and oversaw the Executive Board in relation to its management tasks. Following its conversion, the company is now managed by its Board of Directors ("monistic system"), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors.

### **Inclusion of diversity and international focus**

The Board of Directors and the Managing Directors of SNP SE comply with the recommendations of the German Corporate Governance Code, the requirements of which include that the makeup of the Board of Management and the Managing Directors and the staffing of management positions in the company should reflect the company's international activities as well as diversity and, in particular, an appropriate proportion of women.

The Board of Directors has set targets of 0% for itself and the Managing Directors. The Board of Directors has decided upon the same target for the proportion of women at the lower management level. SNP SE welcomes political efforts to ensure diversity and gender equality in the corporate world. However, the management organs of SNP SE hold the view that setting targets higher than 0% conflicts significantly with corpo-

rate interests. SNP SE operates in an industry in which the employment of properly trained technical personnel represents a critical success factor. At the same time, the industry is confronted with a lack of candidates who satisfy the requirements. Therefore, SNP SE faces a task that is just as critical to success as it is challenging: obtaining suitable employees in general and managers in particular.

In view of this situation, corporate responsibility rules out making an already difficult task even more difficult by imposing on the company the achievement of rigid quotas for women. Quotas for men should also be rejected for the same reason. Another special argument against female quotas is that SNP SE primarily employs staff with educational backgrounds in the fields of study of electrical engineering, computer science, computer engineering, information systems, physics and physical engineering. These fields of study are traditionally characterized by high to very high proportions of men and correspondingly low proportions of women.

### **Compliance**

Trust is one of our basic values. Trust assumes integrity, honesty and incorruptibility. Compliance with all statutory provisions and internal rules applicable to SNP SE and its subsidiaries on the part of the company's management and employees is a firm part of our corporate culture. Our internal rules of conduct are laid down in our code of conduct. To effectively ensure adherence to its compliance policies, SNP SE divides up its compliance activities into the following areas: statutory provisions, finance, contractual obligations and compliance with internal policies.

In view of its strategy of internationalization and the associated strong expansion of its operational activities, the SNP Group is working on a Group-wide compliance

management system, so as to be able to initiate and implement measures focusing on the company's risk situation in future. This includes providing employees with the opportunity to be able to report legal violations within the company in a protected fashion.

**Description of the Working Methods of the Executive Board and Supervisory Board (Prior to the Company's Conversion) and of the Board of Directors and Managing Directors (After the Company's Conversion)**

**Working Methods of the Executive Board and the Supervisory Board**

The fundamental principle of responsible corporate management and control for SNP AG was ensuring the efficient and trusting cooperation of the Executive and the Supervisory Boards, while accounting for the impartiality and independence of the members. In order to promote the company management's decision-making being independent from the demands and instructions of related third parties, the annual reporting disclosed those offices held by Supervisory Board and Executive Board members at other companies either on a full-time basis or as members of Supervisory Boards or in similar positions. In addition, no Executive Board or Supervisory Board member held more than three Supervisory Board positions at publicly traded corporations outside the Group. In the 2017 fiscal year, no conflicts of interest appeared that required immediate disclosure to the Supervisory Board. The Supervisory and Executive Boards of SNP AG deliberated on the company's strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in the 2017 fiscal year.

**The Executive Board**

The Executive Board conducted operational management within SNP AG and was held responsible by the Supervisory Board for the implementation of corporate strategy and its results. As a management body, the Executive Board managed the business of the company on its own responsibility and in the interests of the company with the aim of sustainably creating value. The Executive Board bore responsibility for the management of the entire company and made fundamental decisions on business policy and strategy in close cooperation with the Supervisory Board. For this reason, the Executive Board informed the Supervisory Board on a regular, timely and comprehensive basis about all issues relevant to the company, particularly regarding business performance, assurance of compliance and entrepreneurial risks. The Supervisory Board set out these notification and reporting duties of the Executive Board in detail in the bylaws of the Executive Board. Furthermore, the Supervisory Board ensured that the company had an appropriate risk management and control system.

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 Corporate Governance

MEMBERS OF THE EXECUTIVE BOARD up to December 5, 2017	RESPONSIBILITIES AND DEPARTMENTS	FURTHER OFFICES
<p><b>Dr. Andreas Schneider-Neureither</b> Chairman / CEO Master's degree in physics</p>	<ul style="list-style-type: none"> <li>■ Corporate strategy</li> <li>■ Product management</li> <li>■ Marketing</li> <li>■ Sales</li> <li>■ Investor Relations</li> </ul>	<p>Supervisory Board Casadomus AG, Stuttgart</p> <p>Supervisory Board VHV insurance services GmbH, Hannover</p> <p>Board of Directors VHV Group, Hannover</p>
<p><b>Henry Göttler</b> COO MA</p>	<ul style="list-style-type: none"> <li>■ Organizational development</li> <li>■ Product development</li> <li>■ Project implementation</li> <li>■ Quality assurance</li> <li>■ Finances</li> <li>■ Shared services</li> </ul>	<p>Supervisory Board Smart Commerce SE</p>

### **Managing Directors**

According to the company's articles of incorporation, the Board of Directors appoints one or more Managing Directors. Members of the Board of Directors may be appointed as Managing Directors, provided that the majority of the Board of Directors still is comprised of non-Managing Directors.

Managing Directors may be recalled by means of a resolution passed by the Board of Directors on the basis of a simple majority. Managing Directors who are members of the Board of Directors may only be recalled for cause or in case of the termination of their employment contract. In relation to the remuneration of the Managing Directors and the noncompete clause which applies for them, the same provisions apply as for the executive board of a stock corporation in accordance with Sections 87 to 89 AktG. The Managing Directors will be liable for any damage which the SE suffers as a result of a violation of their duties prescribed by law or in the company's articles of incorporation or any other duties.

Until March 16, 2018, the same two people served as Managing Directors as had been the former Executive Board members; since this date, Dr. Andreas Schneider-Neureither has been the sole Managing Director (CEO). This is in line with the new organizational and management structure brought into force at the beginning of 2018.

### **The Supervisory Board**

The task of the Supervisory Board was to advise and oversee the Executive Board in its management of the company. Since important company decisions required the approval of the Supervisory Board, the Supervisory Board was involved in decisions of fundamental significance to the company. The Supervisory Board had established bylaws for its work. The Supervisory Board of SNP AG was comprised of three members. The members of the Supervisory Board formed a highly competent advisory and supervisory body with proven experts from the financial and software industries. They provided corporate oversight of, and support for, the Executive Board that was as effective as possible on issues of strategic positioning.

The Chairman of the Supervisory Board coordinated the work of the Supervisory Board, chaired its meetings and represented the interests of the body externally. The members of the Supervisory Board of SNP AG were not former members of the Executive Board. An efficiency audit of the Supervisory Board of SNP AG was conducted regularly, most recently at the Supervisory Board meeting held in May 2017.

MEMBERS OF THE SUPERVISORY BOARD  
up to December 5, 2017Memberships on other supervisory boards  
and other similar bodies**Dr. Michael R. Drill**  
ChairmanChairman of the Executive Board  
Lincoln International AG

Investment banker

Shareholder Value Beteiligungen AG  
Supervisory Board member, GermanyLincoln International SAS  
Supervisory Board member, FranceLincoln International LLP  
Supervisory Board member, England**Gerhard A. Burkhardt**  
Deputy ChairmanChairman of the Executive Board  
Familienheim Rhein-Neckar eG

Chairman of the Executive Board

casadomus AG  
Chairman, GermanyHaufe-Lexware Real Estate AG  
GermanyGdW Revision Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft  
DeutschlandGWE Gesellschaft für Wohnen im Eigentum AG  
Germany**Rainer Zinow**

Senior Vice President, SAP SE

Business administration graduate

No further offices

### Board of Directors

According to its articles of incorporation, the Board of Directors is comprised of at least three members, who are selected by the Annual General Meeting without being bound by election proposals. Pursuant to the resolution passed by the Annual General Meeting on May 31, 2017, the company's first Board of Directors consists of the following members: Dr. Andreas Schneider-Neureither, Dr. Michael Drill, Gerhardt Burkhardt and Rainer Zinow.

According to the company's articles of incorporation, the term of office of each member of the Board of Directors will expire as of the end of the Annual General Meeting which resolves to grant discharge for the fifth fiscal year following the start of this member's term of office; but no later than six years from the date of this member's appointment. The fiscal year in which this member's term of office begins is not included. Members of the Board of Directors may be reappointed.

As the central body in the monistic management system, the Board of Directors manages the companies of the SE, determines the basic standards for their activities and oversees their implementation. As for the executive board of a stock corporation, the Board of Directors is responsible for keeping the accounts and for the establishment of a suitable monitoring system for early risk detection. It will engage the auditor to audit the annual financial statements and the consolidated financial statements pursuant to Section 290 HGB.

The Board of Directors shall meet at least once every three months. Following the company's conversion, the Board of Directors met once in December 2017. The Board of Directors passes resolutions on the basis of a majority of the members present or represented. In the event of a tied vote, the chairman of the Board of Directors shall have the casting vote.

The remuneration of the members of the Board of Directors must be proportionate to their tasks and to the position of the SE; this remuneration will be approved through a resolution passed by the Annual General Meeting. Insofar as a member of the Board of Directors simultaneously serves as a Managing Director, their remuneration as a member of the Board of Directors is withheld.

#### MEMBERS OF THE BOARD OF DIRECTORS

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from December 6, 2017

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**Dr. Andreas Schneider-Neureither**  
Chairman

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**Dr. Michael R. Drill**  
Deputy Chairman

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**Gerhard A. Burkhardt**

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**Rainer Zinow**

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### Shareholdings of the Executive Board and the Supervisory Board/ Board of Directors and Managing Directors

	SHAREHOLDINGS AS OF DEC. 31, 2016		SHAREHOLDINGS AS OF DEC. 31, 2017	
	Number of Shares	Percentage	Number of Shares	Percentage
Dr. Andreas Schneider-Neureither	961,500	19.32%	996,718	18.21%
Dr. Michael R. Drill	15,000	0.30%	15,000	0.27%
Gerhard A. Burkhardt	4,266	0.09%	5,866	0.11%
Rainer Zinow	0	0	0	0
Henry Göttler	9,213	0.19%	9,213	0.17%
Jörg Vierfuß	7,900	0.16%	no information*	no information*

\*Retired from the Executive Board as of December 31, 2016.

### Disclosures on Risk Management

The business activities of SNP SE are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing responsibly with these risks. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP SE employs effective management and control systems that are combined into a uniform risk management system. A detailed description of risk management is contained in the report on opportunities and risks in the 2017 Group management report. This also contains reports on the accounting-related internal control and risk management system that are required pursuant to the German Accounting Law Modernization Act (BilMoG).

### Further Information on Corporate Governance at SNP

Comprehensive information on the activity of the Supervisory Board/Board of Directors and cooperation between the Supervisory and the Executive Boards can also be found in the report of the Supervisory Board/Board of Directors in this Annual Report.

SNP's consolidated financial statements and interim reports are prepared according to the principles of the International Financial Reporting Standards (IFRS), while the annual financial statements of SNP SE are prepared according to the provisions of the German Commercial Code (HGB). The Annual General Meeting held on May 31, 2017, elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor for SNP SE and the SNP Group for the 2017 fiscal year.

# REMUNERATION REPORT

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The remuneration report describes the structure and level of remuneration of the Executive Board / Managing Directors and the Supervisory Board / Board of Directors. It takes into account the legal requirements and recommendations of the German Corporate Governance Code. This remuneration report is an integral component of the audited Group management report.

## **Executive Board / Managing Directors**

The remuneration of the members of the Executive Board appointed by the Supervisory Board and the remuneration of the Managing Directors appointed by the Board of Directors consists of performance-based and nonperformance-based components. The non-performance-based parts consist of a fixed base salary, fringe benefits and pension commitments, while the performance-based components are based on the company's business performance. Within the scope of the conversion of SNP AG to SNP SE, the structure and amount of the Executive Board's remuneration have been transferred to the Managing Directors without any changes.

The fixed component is paid out as a salary on a monthly basis as nonperformance-based basic remuneration. In addition, the Executive Board members receive non-cash fringe benefits, which primarily consist of insurance premiums and the private use of a company car. As a remuneration component, all Executive Board members / Managing Directors are equally entitled to these fringe benefits.

The variable remuneration is based on the company's business performance, specifically its operating earnings (EBIT), the revenue achieved and share price performance depending on acquisitions completed. The bonus is capped. If hitting targets results in a bonus calculation below a certain lower limit, this leads to a complete loss of the variable bonus for the fiscal year.

With the goal of having sustainable business performance, long-term remuneration components were agreed upon, effective January 1, 2017. They are oriented toward the company's market capitalization. Their weighting and target attainment levels are uniformly defined; the target date was December 31, 2019.

As a further fringe benefit, the members of the Executive Board / Board of Directors are reimbursed their travel expenses for business trips, the costs of entertaining business partners and other business-related outlays, as documented.

On March 12, 2018, the Board of Directors set the remuneration of the Executive Board / Managing Directors for the 2017 fiscal year.

## Remuneration Report

### Remuneration of the Executive Board / Managing Directors in the 2017 Fiscal Year

The total remuneration granted to the Executive Board members and the Managing Directors in the 2017 fiscal year amounted to € 1,445,892.20 (previous year: € 1,039,859.67). The following tables itemize the remuneration of each individual in the Executive Board in the 2017 fiscal year and in the previous year.

**Table 1: Remuneration of the Executive Board / Managing Directors in 2017 (benefits)**

#### DR. ANDREAS SCHNEIDER-NEUREITHER

	2016 Initial value	2017 Initial value	2017 Minimum	2017 Maximum
Fixed remuneration	240,000.00	240,000.00	240,000.00	240,000.00
Variable remuneration	6,942.36	4,157.40	4,157.40	4,157.40
<b>Total</b>	<b>246,942.36</b>	<b>244,157.40</b>	<b>244,157.40</b>	<b>244,157.40</b>
One-year variable remuneration	200,000.00	200,000.00	0.00	400,000.00
Multi-year variable remuneration	200,000.00	165,000.00	0.00	1,260,000.00
<b>Total</b>	<b>400,000.00</b>	<b>365,000.00</b>	<b>0.00</b>	<b>1,660,000.00</b>
Pension expenses	20,684.16	20,819.13	20,819.13	20,819.13
<b>Total sum</b>	<b>667,626.52</b>	<b>629,976.53</b>	<b>264,976.53</b>	<b>1,924,976.53</b>

#### HENRY GÖTTLER

	2016 Initial value	2017 Initial value	2017 Minimum	2017 Maximum
Fixed remuneration	180,000.00	194,000.00	194,000.00	194,000.00
Variable remuneration	22,569.24	23,037.97	23,037.97	23,037.97
<b>Total</b>	<b>202,569.24</b>	<b>217,037.97</b>	<b>217,037.97</b>	<b>217,037.97</b>
One-year variable remuneration	120,000.00	135,000.00	0.00	270,000.00
Multi-year variable remuneration	150,000.00	110,000.00	0.00	840,000.00
<b>Total</b>	<b>270,000.00</b>	<b>245,000.00</b>	<b>0.00</b>	<b>1,110,000.00</b>
Pension expenses	398.72	383.33	383.33	383.33
<b>Total sum</b>	<b>472,967.96</b>	<b>462,421.30</b>	<b>217,421.30</b>	<b>1,327,421.30</b>

**Table 2: Remuneration of the Executive Board\* / Managing Directors in 2017 (allocations)**

In €	DR, ANDREAS SCHNEIDER-NEUREITHER		HENRY GÖTTLER	
	2017	2016	2017	2016
Fixed remuneration	240,000.00	240,000.00	194,000.00	180,000.00
Variable remuneration	4,157.40	6,942.36	23,037.97	22,569.24
<b>Total</b>	<b>244,157.40</b>	<b>246,942.36</b>	<b>217,037.97</b>	<b>202,569.24</b>
One-year variable remuneration	219,277.11	201,810.73	132,309.82	134,540.49
Multi-year variable remuneration	232,755.99	-	174,566.99	-
<b>Total</b>	<b>452,033.10</b>	<b>201,810.73</b>	<b>306,876.81</b>	<b>134,540.49</b>
Pension expenses	20,819.13	20,684.16	383.33	398.72
<b>Total sum</b>	<b>717,009.63</b>	<b>469,437.25</b>	<b>524,298.11</b>	<b>337,508.45</b>

\* Jörg Vierfuss resigned from the Executive Board on December 31, 2016. In 2017, he received a total amount of € 204,584.55 for the 2016 fiscal year. Of this amount, € 88,206.55 is for one-year variable remuneration and € 116,378.00 is for the long-term remuneration component with a target date of December 31, 2016.

In addition to general insurance benefits and pension commitments, the company has arranged Directors and Officers (D&O) liability insurance on behalf of the members of the Executive Board / Managing Directors. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance for the members of the Board of Directors and senior executives. The D&O insurance of SNP Transformations Inc. similarly grants pro rata coverage for the CEO of SNP SE, who is also Chairman of the Board of SNP Transformations Inc., as well as for the CFO of SNP SE, who is also Vice President for Finance of SNP Transformations Inc. The total amount of the specified D&O insurance amounts to an annual insurance premium of € 2,589.43. The insurance benefits table contains the pro rata insurance premium paid per person for the period of activity.

The remuneration of the Executive Board / Managing Directors is once again disclosed in the 2017 fiscal year in individualized form on the basis of the uniform model tables recommended by the German Corporate Governance Code. The essential feature of these model tables is the separate disclosure of the benefits granted (Table 1) and the actual allocations (Table 2). In terms of benefits, the target figures (payment upon 100% target attainment) and the attainable minimum and maximum figures are also stated.

**Advances or Loans to Executive Board Members / Managing Directors or Contingent Liabilities Incurred on Behalf of These Persons**

As of December 31, 2017, no loans, credits or advances were granted to any members of the Executive Board. Furthermore, SNP SE did not incur any contingent liabilities on behalf of Executive Board members in the reporting year.

**Provisions for Pension Commitments to Members of the Executive Board / Managing Directors**

SNP SE established provisions for the pension commitments to Dr. Andreas Schneider-Neureither and Ms. Petra Neureither (CFO until May 19, 2011) totaling € 225 thousand (previous year: € 256 thousand), in accordance with the IFRS. A reinsurance policy was arranged for the pension obligations.

**Related Party Transactions**

SNP SE has signed several rental agreements for office space and parking spaces for cars. These agreements have been concluded between the Chairman of the Board of Directors (who is also a Managing Director) and related parties. The invoicing of services is done at arm's length conditions as with third parties. In the 2017 fiscal year, related expenses were € 411 thousand (previous year: € 412 thousand); as of December 31, 2017, there were no outstanding liabilities. In the 2017 fiscal year, assets were sold to the Chairman of the Board of Directors (who is also a Managing Director) in the amount of € 19 thousand (previous year: € 0) and to other related persons in the amount of € 5 thousand (previous year: € 0) at arm's length conditions as with third parties.

In the 2017 fiscal year, SNP SE assumed liabilities of the Chairman of the Board of Directors for his account in the amount of € 35 thousand (previous year: € 0). These liabilities were outstanding as of the reporting date. All transactions have been entered into at arm's length conditions as with third parties.

All of the amounts associated with these transactions were insignificant for SNP SE.

**Principles of the Remuneration System for the Supervisory Board / Board of Directors**

The remuneration of the members of the Supervisory Board / Board of Directors is based on their individual responsibility and scope of activity. By resolution of the Annual General Meeting held on May 12, 2016, for the first time the remuneration of Supervisory Board members for the 2017 fiscal year was no longer determined according to the articles of incorporation and was instead approved by the Annual General Meeting. Accordingly, each Supervisory Board member received a fixed annual remuneration up to December 6, 2017, of € 15,000. The Chairman received a fixed annual remuneration of € 25,000, while the Deputy Chairman received a fixed annual remuneration of € 20,000. With the conversion of SNP AG into SNP SE, every member of the Board of Directors receives a fixed annual remuneration of € 20,000. The Chairman receives a fixed annual remuneration of € 30,000, while the Deputy Chairman receives a fixed annual remuneration of € 25,000.

Furthermore, each member of the Supervisory Board received / each member of the Board of Directors receives – in addition to the reimbursement of documented, required expenses – € 1,000 for each meeting of the relevant body. Within the scope of the conversion of SNP AG to SNP SE, the structure of the attendance fee has been transferred to the Board of Directors without any changes. Insofar as a member of the Board of

Directors simultaneously serves as a Managing Director, according to the articles of incorporation, their remuneration as a member of the Board of Directors is withheld. This includes both the fixed annual remuneration and the attendance fee.

The company arranges a loss and liability insurance policy to cover the members of the Supervisory Board / Board of Directors in the performance of their duties. This policy provides maximum coverage of € 6,000,000 for each individual insurance claim and for total insurance claims in the period of insurance coverage. No deductible is arranged.

### Remuneration of the Supervisory Board / Board of Directors in the 2017 Fiscal Year

The total remuneration granted to the members of the Supervisory Board / Board of Directors in the 2017 fiscal year amounted to € 86,195.63 (previous year: € 64,055.35). There were no loan receivables due from the members of the Supervisory Board. The following table shows individual remuneration per member of the Board of Directors.

The company has arranged Directors and Officers (D&O) liability insurance on behalf of the members of the Supervisory Board / Board of Directors. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance of the Executive Board members and senior executives. The table shows the pro rata insurance premium paid per person for the period of activity.

#### THE 2017 FISCAL YEAR

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael R. Drill	25,000.00	6,000.00	3,095.67	231.46	34,327.13
Gerhard A. Burkhardt	20,000.00	6,000.00	1,892.62	231.46	28,124.08
Rainer Zinow	15,347.22	6,000.00	2,165.74	231.46	23,744.42
<b>Total</b>	<b>60,347.22</b>	<b>18,000.00</b>	<b>7,154.03</b>	<b>694.38</b>	<b>86,195.63</b>

#### THE 2016 FISCAL YEAR

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael R. Drill	20,000.00	5,000.00	1,584.32	243.50	26,827.82
Gerhard A. Burkhardt	15,000.00	5,000.00	947.77	243.50	21,191.27
Rainer Zinow	10,000.00	5,000.00	792.76	243.50	16,036.26
<b>Total</b>	<b>45,000.00</b>	<b>15,000.00</b>	<b>3,324.85</b>	<b>730.50</b>	<b>64,055.35</b>

GROUP  
MANAGEMENT  
REPORT

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# GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2017

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## BUSINESS MODEL AND ORGANIZATION

### SNP – The Transformation Company

The SNP Group is a software-oriented business consulting firm that specializes in the delivery of services in the area of data processing, whereby proprietary software developments are used, particularly in the area of digital transformation management.

SNP enables companies to successfully navigate the rapidly changing digital environment and seize their opportunities on the market with a highly flexible IT infrastructure. The solutions and software from SNP allow for the integration of previously divergent IT landscapes, provide support for M&A projects and carve-outs, and promote expansion outside of the domestic market. With SNP Transformation Backbone® with SAP LT, SNP offers the world's first standardized software for automatically assessing and implementing changes to IT systems. This provides customers with clear qualitative advantages, while notably reducing the time and expense involved in transformation projects.

Its customers include corporations operating globally in the industrial, financial and service sectors. SNP SE was founded in 1994 and has been publicly traded since 2000. As of August 2014, the company is listed on the Prime Standard segment of the Frankfurt Stock Exchange (ISIN DE0007203705).

### The Challenge for Modern Companies: IT Agility

Agile and flexible IT landscapes are increasingly becoming a decisive factor for entrepreneurial success. The modernization required of antiquated IT environments is forcing companies to invest in unifying their heterogeneous and complex IT infrastructures. Change is an ongoing management responsibility and the ability to

change is a core competency of successful companies. We see our task as building and sustaining an IT landscape that helps create value. At the core of our work is a cross-industry software standard that supports and promotes permanent change on an ongoing and reliable basis.

### IT Transformations and Their Impact on ERP Systems

From an economic perspective, transformation projects are among the most critical, complex and expensive projects that can affect the organization of companies and their business processes. Business landscape transformation describes the change and adaptation of enterprise resource planning (ERP) systems and represents the SNP Group's principal activity.

An ERP system handles the administration of corporate resources and business processes. SAP, Oracle and Microsoft are among the most significant providers of such ERP systems. ERP systems are complex programs and are often heavily modified to accommodate their users. They combine essential and sensitive parts of a company, such as procurement, logistics, accounting and human resources administration.

The primary task of ERP transformations is to model data completely and correctly – including the data's history – in a new IT system, to integrate data into this environment or to extract data from it. The data being worked with frequently involves critical business transactions or highly sensitive data, for example from the area of financial accounting or personnel systems. As a result, the loss of such data could have serious consequences for the entire company. With its integrated range of software products and software-related consulting services, the SNP Group has created fitting solutions that optimally support companies in managing their IT transformations.

### **Catalyst of IT Transformations**

Business transformations include corporate mergers, acquisitions, spin-offs, carve-outs and sales. IT transformations include consolidations, combinations, data alignment and upgrades. Many ERP landscapes have increased in complexity over time so that enhancements or changes to existing ERP systems are no longer sufficient. Instead, ERP landscapes must be completely redesigned.

### **The Standardized Software Approach of SNP: Quick, Flexible, Inexpensive and Time Saving**

In the course of a transformation project, large amounts of data must be analyzed and processed. The length of time that a transformation takes may have an impact on a company's success. Critical factors are the seamless integration of legacy data into the new layout and the minimization of system downtimes during the transformation. In the traditional approach to data transfers, manual processes play an important role, resulting in significant personnel costs. We take a different software-based approach that allows us to automate significant steps in the transformation process while preserving a company's legacy data. The products and services provided by the SNP Group help companies adapt their IT landscape to changes quickly and flexibly, ensuring efficiency in terms of both time and money.

## **THE SNP PORTFOLIO**

The portfolio offered by the SNP Group is subdivided into two business segments: Software and Professional Services. The latter segment can be further subdivided into SNP Business Landscape Transformation (SNP BLT) and SNP Business Landscape Management (SNP BLM). However, there is no strict separation between software and services. In some cases, we sell our software and possibly render additional services for our

customers. In many other cases, we license our software to customers within the context of a specific project we are implementing.

### **Professional Services Segment**

The goal of SNP's consulting and training services is to plan and implement corporate transformation processes more professionally. Experience gained in the course of these consulting services serve SNP as a driver of innovation for the development of new transformation tools and the refinement of already existing tools and processes.

### **The SNP Consulting Approach**

SNP offers comprehensive IT consulting. Management and project management consulting plays a vital role in the services portfolio: Essentially, this consulting is divided into the two areas of Business Landscape Transformation (BLT) and Business Landscape Management (BLM).

### **SNP Business Landscape Transformation (BLT)**

SNP Business Landscape Transformation (BLT) encompasses all facets and consulting services that are critically needed in the course of transformation projects or that can be additionally requested by the customer. The projects are implemented using a tool-based approach within the framework of standardized tasks. Using this approach, ERP systems can be transformed and migrated using customized software. This reduces the error rate while improving the quality of the transformation. The essential components include strategic consulting, subsequent process consulting, implementation and data transformation.

### **Strategic Consulting**

Given the tremendous significance of information technology for modern value-creating processes, IT strategy is an integral component of corporate strategy. The appropriate use of IT systems and applications should provide effective support for a company's strategic focus. Our IT strategic consulting is closely linked to process consulting, technology consulting and change management. We derive requirements for IT systems and the organization from the business strategy and business process requirements. Based on the resulting IT strategy, SNP supports customers in implementing their IT strategy by introducing the proposed IT applications and the related IT infrastructure.

### **Process Consulting and Implementation**

Process consulting begins with a detailed system analysis (business landscape analysis). It establishes the basis for successful transformation processes. The next step is to reassess and redesign business processes, with the aim of improved performance and reliability. The result is a clearly defined transformation road map, which enables the customer to achieve the established transformation goals within the time and budgetary constraints. The complexity of a transformation project can be assessed and resources can be derived from any discrepancies.

### **Data Transformation**

SNP implements the process of a business landscape transformation with a standardized, software-driven approach. With SNP's software approach, transformation projects can be quickly and securely implemented – regardless of their complexity, scope and the type. SNP divides transformation projects into four types: merge, split, upgrade and align. The four standard transformation scenarios need to have an impact on business and technology processes in order to make a project successful. Each IT transformation can be performed using a combination of these four standard transformation scenarios.

In addition, SNP distinguishes transformation projects in business from IT transformations. Business transformations include the following scenarios: mergers and acquisitions, spin-offs, carve-outs and restructuring. IT transformations include consolidations, alignments as well as new technologies such as S/4HANA and cloud computing solutions.

### **Business Landscape Management (BLM)**

In the area of Business Landscape Management (SNP BLM), SNP offers a comprehensive process consultation concept for ITIL-compatible processes in SAP and non-SAP system landscapes. For this purpose, SNP BLM uses the platform and functions of the SAP Solution Manager with standardized consulting, best practices and ready enhancements. It encompasses all activities ranging from a thorough analysis of the IT landscape and processes through to the conception and implementation of customized solutions for service and support teams with the SAP Solution Manager.

The SAP Solution Manager supports the implementation, monitoring and development of the complete system landscape of companies, in short application life cycle management (ALM). SNP BLM includes all the functions and modules of application life cycle management in the SAP Solution Manager. In over 750 successfully completed projects, SNP specialists have developed a variety of best practices, methods and enhancements to optimize the SAP Solution Manager. SNP software and services cover all areas of application life cycle management – from SAP standard scenarios via complex, customer-specific release management to comprehensive support for S/4HANA introductions.

The functional scope and opportunities provided by SAP Solution Manager pose challenges to many companies. As a core system, SAP Solution Manager can be individually adapted to specific corporate processes and organizations. The SAP Solution Manager serves as

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 The SNP Portfolio

a key platform for current S/4HANA projects in particular, together with the necessary methodologies and standardized IT processes. SNP offers not only conception and implementation services but also supports organizations in their typical tasks over the course of a project.

Since 2015, SNP BLM has also focused on SAP architecture and technology consulting at the IT decision-maker level. Among the focal points of strategic consulting are current topics such as cloud architectures and migrations to HANA DB and S/4HANA. With this portfolio, SNP is able to support its customers in complex transformation projects as well as for standard migrations.

Since 2015, SNP BLM has more than tripled the size of its organizational structure and is now internationally active in the USA and the UK.

### SNP Academy

SNP's extensive range of training courses are intended for customers and partners wishing to work with SNP products. SNP offers a broad range of training options for the following areas: SNP Transformation Backbone® with SAP LT, SNP Business Landscape Transformation, SNP Business Landscape Management, SNP Dragoon and SAP Solution Manager. This training can be provided both in-house at the SNP Academy in Heidelberg and worldwide on the customers' premises.

### Software Segment

#### SNP Transformation Backbone® With SAP LT: The Integrated Software Solution for Adjusting to Revised Business and IT Structures

To allow for secure, cost-effective and quick transformations, the SNP Group has combined the knowledge and experience acquired in over 7,000 transformation projects to create an innovative software technology

package: SNP Transformation Backbone® with SAP LT is the world's first standard software that provides holistic and automated support for ERP transformations. Through an ongoing improvement of the platform and close cooperation with technology and OEM partners, SNP Transformation Backbone® with SAP LT has become the international software standard for transformation processes. This software stands out due to its practical applications and supports companies' agility by way of open standards and a fully-integrated project methodology.

#### The SNP Transformation Backbone® with SAP LT

- reduces project duration and cost, increases project security and safeguards compliance through transparency at every project level;
- enables precise predictions regarding the transformation project and detailed planning of the business scenario – with a reliable cost estimate;
- enables the IT departments of major companies to implement ERP transformations themselves;
- supports the transformation process, from planning to execution;
- minimizes system downtimes;
- fulfills all of the statutory requirements for the migration of accounting-related data;
- is certified by two of the world's four biggest auditing firms;
- has received "SAP Certified Powered by SAP Net-Weaver" certification from SAP SE.

SNP Transformation Backbone® with SAP LT actively supports every step in a transformation project – from the ongoing analysis of company data and processes to careful planning and rapid implementation. But SNP Transformation Backbone® with SAP LT is more than just a suite of software tools. Instead, this is a process – a series of steps that makes it possible to plan results reliably within a defined time and budgetary framework.

### **SNP System Scan: Identifying Transformation Needs**

SNP System Scan identifies basic statistical and structural information for an SAP ERP system. System Scan serves as the basis for the preparation of an evaluation, in order to gain an overview of a customer's system. This focuses on the use of this system, such as the scope of the organizational structure, how intensively the system is used and which modules are used in the system. It is also possible to compare multiple scans of different systems or clients with one another. Particularly during the preparation phase for transformation projects, customers can use System Scan in order to draw conclusions regarding the complexity of the project.

### **SNP System Landscape Analysis: Planning a Migration Strategy**

SNP System Landscape Analysis identifies the current situation in an SAP system landscape. This analysis can be used in order to present and evaluate differences between various systems. The complexity of a transformation project can be assessed and resources can be derived from any discrepancies. These analyses should be carried out in advance of any transformation project.

### **SNP Project Cockpit: Carrying out a Transformation**

The SNP Project Cockpit provides the user with a consolidated view of the complete transformation process. In addition, comprehensive test, risk management and compliance functions are integrated. Users navigate in an intuitive and focused manner through the individual project phases using the appropriate transformation tools. After determining the overall framework for the project, the user can use the Transformation Cockpit to adjust, simulate, execute and validate the predefined transformation rules.

### **SNP Automated Testing**

To ensure a stable system landscape, it is necessary to be able to systematically test changes and their effects on the overall system landscape. With SNP Automated

Testing for SAP, SNP has developed standard software that automates regression tests for application data as well as customization. Possible errors are already identified during an early project phase. The use of SNP Automated Testing enhances project quality while significantly reducing the volume of manual testing. Developers and consultants in particular benefit from this automation, since this reveals inconsistencies in data (master and transaction data) and the related customization settings at an early stage. Further tests by expert users are more effective and can be implemented within a shorter period of time. These automated and transaction-oriented tests run entirely at the application level, i.e., fully independent of the SAP user interface.

### **SNP Data Provisioning and Masking**

Meaningful, realistic test data for development, test or training systems are necessary for the optimal use of SAP systems, including for transformation processes. These data help to accelerate software development, to automate quality assurance processes and to successfully introduce new business functions.

The standard software SNP Data Provisioning and Masking provides realistic and reliable test data. The technology for the migration and reliable masking of ERP production data for tests and training and for quality assurance enables the copying and anonymization of test data from production systems.

SNP Data Provisioning and Masking helps companies to significantly shorten decision-making and change processes and enables more cost-effective test and training scenarios, all while protecting sensitive customer and product data against internal and external misuse – flexibly, rapidly and simply. SNP Data Provisioning and Masking is a component of the SNP Transformation Backbone® with SAP LT solution.

### **SNP Verification**

SNP Verification ensures the successful transformation of data between two clients following the completion of a transformation project. Data at selected table and application levels are compared with one another by means of various testing methods. The test results will be automatically documented and archived and are thus suitable for audit purposes.

### **SAP Solution Manager – Enhancing Functions**

The SAP Solution Manager supports the implementation, monitoring and development of the complete ERP system landscape of companies, which is known as application life cycle management. The SNP Business Landscape Management (BLM) solution includes all the application life cycle management functions and modules in the SAP Solution Manager. On the basis of best practices and around 550 successfully completed projects, the specialists at SNP BLM have developed useful add-ons for the SAP Solution Manager. These are functional enhancements in order to optimize IT processes, to simplify use of SAP Solution Manager and to make this application more user-friendly. The standardized SNP add-ons for SAP Solution Manager can be easily integrated in SAP environments and are ready for use straight away.

### **SNP Dragoman**

International companies must provide their SAP applications in the relevant local language – this represents a major challenge, particularly if they have added proprietary developments to the SAP standards. Accordingly, in international projects, a large number of documents will need to be translated into other languages: Manual translations for this purpose are time-consuming, prone to errors and expensive.

SNP Dragoman automates and simplifies the entire translation process, minimizes sources of errors and thus reduces costs considerably.

### **SNP Interface Scanner**

In July 2016, SNP AG further expanded its range of services for standardized transformation software. The SNP Interface Scanner makes new software available to customers for analyzing the interfaces between SAP systems and their surrounding IT landscapes.

The SNP Interface Scanner provides a database and infrastructure for visually representing the systems involved and their connections. In addition, the new solution enables companies to continuously document the interfaces in use, for example, for an SAP audit. This offers advantages to users administering SAP systems.

The number of IT interfaces is continuously increasing due to the advancing digitalization of business processes and the advancing networking of physical and virtual objects (Internet of Things). This means that complete interface documentation is essential for monitoring this and for planning and implementing changes to system landscapes, such as within the framework of technical or business transformation projects.

### **CrystalBridge**

The CrystalBridge software was presented for the first time at "Transformation World". CrystalBridge is a new product in SNP's software portfolio. It offers a graphical and interactive visualization of entire SAP systems with the goal of supporting and accelerating business transformations. CrystalBridge enables customers to visualize a project even prior to the implementation of a company transformation and to simulate it with the highest level of reliability. This software provides customers with intelligent recommendations as well as a more in-depth understanding of the effects of a business transformation project on their ERP landscape.

CrystalBridge is offered to customers either in the form of software as a service (SaaS) or, for major installations, on the basis of an on-premise model. With CrystalBridge, SNP is able to accelerate the process of

the creation of blueprints for transformation projects by more than 75%. In addition, transformation rules and contents can be directly produced within CrystalBridge. In the future, it will be possible to connect them with the SNP Transformation Backbone for execution. With this rapid blueprinting and prototyping – combined with SNP’s artificial intelligence and predictive analytics – customers can organize, plan and predict the results of their business-critical transformation projects (see Forecast Report / Strategic Opportunities).

### **Investments in Research and Development**

The research and development strategy has been to actively pursue new product ideas, enhancements and solutions. By integrating research and development (R&D) with sales, the company is able to promptly detect changes in the market and to develop market-driven and market-relevant product innovations. For instance, in the past fiscal year, SNP introduced its latest software product, CrystalBridge. Development costs of € 144 thousand were capitalized for this in the 2017 fiscal year.

In the 2017 fiscal year, the research and development costs reached a volume of € 14.0 million (previous year: € 11.0 million); the corresponding share of revenue was 11.4% (previous year: 13.7%).

At the end of 2017, 91 employees worked in SNP’s development department (2016: 43). This represents 7% of the Group’s total workforce (2016: 6%).

### **ORGANIZATIONAL STRUCTURE**

In the context of further global growth, the SNP Group has had a new organizational and management structure since the end of the 2017 fiscal year. Officers in the individual national companies were mainly assigned to newly created global managers. Newly created global roles and responsibilities and horizontally shared services should

ensure that uniform processes are implemented world-wide, so that SNP is well positioned for further growth.

### **BUSINESS PERFORMANCE AND ECONOMIC CONDITION**

#### **Legal Restructuring: SNP Transformations Deutschland GmbH**

On January 1, 2017, RSP Reinhard Salaske & Partner Unternehmensberatung GmbH (RSP GmbH) and Hartung Consult GmbH were merged with SNP Consulting GmbH. The combined company carries the new name SNP Transformations Deutschland GmbH.

According to the legal restructuring, on January 1, 2017, the German business operations of Hartung Consult GmbH were transferred to SNP Transformations Deutschland GmbH via an asset deal. On January 1, 2016, SNP SE acquired 51% of the shares in Hartung Consult GmbH. The remaining shares in Hartung Consult will be acquired on January 1, 2018. From an economic viewpoint, the shares were already attributable to SNP SE as of December 31, 2016.

In addition, in April 2017, RSP GmbH was merged with SNP Transformations Deutschland GmbH with retroactive effect as of January 1, 2017. SNP SE acquired 74.9% of the shares in RSP GmbH on January 1, 2015. SNP SE acquired the remaining shares (25.1%) on December 31, 2016.

With this, SNP successfully completed the integration of RSP GmbH (acquired in 2015) and Hartung Consult GmbH (acquired in 2016). The full organizational merger will ensure that the company can take a comprehensive consulting approach to digital transformation projects – particularly in view of the upcoming S/4 HANA projects.

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 Organizational Structure

Business Performance and Economic Condition

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**EXECUTIVE MANAGEMENT BOARD**


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BOARD OF DIRECTORS	SALES, PRESALES AND ALLIANCES	DELIVERY SERVICES	PRODUCT DEVELOPMENT	FINANCES	HUMAN RESOURCES
Chief Executive Officer	Chief Revenue Officer	Global Head of Services	Global Head of Product Development	Chief Financial Officer	Global Head of Human Resources

EMEA	NORTH AMERICA	SOUTH AMERICA	APAC
Sales	Sales	Sales	Sales
Delivery	Delivery	Delivery	Delivery

**Legal Restructuring: SNP Transformations Inc.**

Effective January 1, 2017, SNP Labs Inc. was merged with SNP America Inc. In a second step, SNP America Inc. was renamed SNP Transformations Inc.

SNP Labs was established in August 2015 as a fully owned subsidiary of SNP SE. Among the previous activities of SNP Labs were the process-oriented management and technical processing of transformation projects as a service for third parties in the USA and the establishment of a delivery center for transformation projects in the USA, including the recruitment and training of the necessary employees. As a result of the merger, these activities are being transferred to SNP Transformations Inc.

SNP Transformations Inc. (previously SNP America Inc.) is similarly a fully owned subsidiary of SNP SE and is responsible for the sale of the SNP software and services portfolio in the USA. The objective of the legal merger is to further enhance coordination between the companies both in the sales and project preparation phases and in the implementation of projects.

**Successful Issuance of a Borrower's Note Loan**

In February 2017, SNP reached an agreement with investors on the issuance of a borrower's note loan with a total volume of € 40 million. The volume is spread across fixed and variable tranches in terms of three to seven years. The yield at the time of issuance of the borrower's note loan amounted to 1.41% per annum. Due to the high level of investor interest and the favorable financing conditions, the original target volume was increased from € 30 million to € 40 million.

**Early Redemption of the Bond**

Effective March 27, 2017, the partial bearer bond (ISIN: DE000A14J6N4 / WKN: A14J6N) was redeemed early. In accordance with the bond conditions, the notice of redemption was published in the German Federal Gazette and on the company's website. The bond with a total amount issued of € 10 million (and a total nominal amount of up to € 20 million) was fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

In the statement of financial position as of December 31, 2016, the bond was disclosed with a redemption rate of 103%, plus interest accrued by the reporting date of € 0.4 million, under current liabilities.

**Acquisition of the Polish BCC Group**

With economic effect on May 1, 2017, 100% of the shares were acquired in the BCC Group, which is based in Suchy Las, Poland. BCC ranks among the largest SAP partners in Central and Eastern Europe and specializes in the areas of SAP services, software development and cloud provisioning. The internationally focused Group has about 300 employees, including over 200 SAP and IT consultants.

With this purchase, SNP increases its presence in the SAP and IT market in Poland and Eastern Europe. Software development focused on software applications in the SAP environment particularly offers further synergy potential. The Poznań-based company has more than 20 years of market experience and generated revenue of € 20 million, with an EBIT margin in the mid-single-digit percentage range in the 2016 fiscal year.

**Majority Stake in Innoplexia GmbH**

In May 2017, SNP SE increased its investment in Innoplexia GmbH from 20% to 80% of the shares in this company. The Heidelberg-based software and IT com-

pany specializes in developing software and IT solutions for competitive and market analysis. A key objective of the partnership is to further develop the SNP transformation software and to generate automated recommended actions for transformation projects using artificial intelligence and software algorithms. In addition, Innoplexia will further secure the established SNP Group distribution networks and will open up the necessary access to additional international markets.

Innoplexia GmbH was founded in 2010. As of December 31, 2017, it has 29 employees and generated revenue of around € 1 million in the 2017 fiscal year. The company founder and managing director holds the remaining 20% of Innoplexia shares. A unilateral purchase option was additionally agreed for these shares.

### **The 2017 Annual General Meeting**

The Annual General Meeting, which once again took place in Leimen, Germany, on May 31, 2017, approved all the points on the agenda by a substantial majority. Among other items, the shareholders followed the proposal of the Executive Board and the Supervisory Board on the company's legal conversion into a stock corporation under EU law (*Societas Europaea/SE*). The conversion should further promote the internationalization of the SNP Group. In addition, the adoption of this European legal form speaks to the increasing significance of international business and the heightened international orientation of the SNP Group.

Furthermore, the shareholders followed the proposal of the Boards on the appropriation of profit and approved the distribution of a dividend of € 0.39 per share (previous year: € 0.34). This corresponds to a dividend increase of approximately 50% from the previous year and a payout ratio of approximately 46%. The total distribution therefore amounted to € 1.932 million (previous year: € 1.264 million).

### **Increased Shareholding in SNP Transformations SEA Pte. Ltd.**

In June 2017, SNP increased its shares in Singapore-based SNP Transformations SEA Pte. Ltd. to 81% of the shares in the company. By increasing the investment from 51% to 81%, the SNP Group has secured the potential to further expand its positions in Southeast Asian markets.

In January 2016, through a share deal, SNP (Schweiz) AG acquired 51% of the shares in Singapore-based Astrums Consulting (S) Pte. Ltd., including its majority-owned, Malaysia-based subsidiary Astrums Consulting Sdn. Bhd. In March 2017, these companies were renamed SNP Transformations SEA Pte. Ltd. and SNP Transformations Malaysia Sdn. Bhd.

Both of these companies operating in Southeast Asia focus on consulting and services in the products and services sectors for various ERP systems. The objective of this enhanced partnership is to meet the rapidly increasing demand for SNP services in these high-growth markets and to expand the distribution of higher-margin software in these markets.

### **SNP Receives Order from One of the Largest Automotive Suppliers in the World**

In June 2017, SNP SE landed an extensive transformation project for one of the leading companies in the automotive supplies industry. The customer is consolidating its entire SAP ERP territory with respect to its strict orientation towards its new business model, which is focused on the area of intelligent mobility solutions. The company already obtained a license for the standard software SNP Transformation Backbone® with SAP LT and analysis components last year and has now commissioned extensive services.

### Capital Increase

On July 5, 2017, SNP announced a cash capital increase, as a result of which the company's share capital increased by € 497,677.00, divided into 497,677 no-par-value shares, to a total of € 5,474,463.00, divided into 5,474,463 shares. The new shares were issued at a price of € 37.65 each with selected institutional investors, subject to the exclusion of subscription rights, through an accelerated book building process. These investors are entitled to dividends in the 2017 fiscal year, beginning on January 1, 2017. The overall interest of investors significantly exceeded the placement volume so that it was not possible to meet all the subscription requests for shares. Through the successful cash capital increase, the company generated gross issuing proceeds of € 18.74 million. The capital increase was entered in the German commercial register on July 7, 2017. The new shares were issued on July 10, 2017.

### Acquisition of the Adepcor Group

With economic effect on August 1, 2017, SNP acquired 60% of the shares in the South American Adepcor Group. The remaining 40% of the shares will be purchased over the next three years. The Adepcor Group consists of three local subsidiaries, namely, ADP Consultores S.R.L. in Buenos Aires, Argentina, ADP Consultores Limitada in Santiago de Chile, Chile, and the subsidiary ADP Consultores S.A.S. in Bogotá, Colombia..

### Strategic Partnership Between NTT DATA Global Solutions and SNP

In September 2017, a strategic alliance was formed with the Japanese company NTT DATA Global Solutions. NTT DATA is a leading provider of business and IT solutions and a global innovation partner for its customers. The Japanese group, headquartered in Tokyo,

is represented in more than 40 countries worldwide. The objective of the partnership is to jointly offer software-centric and highly automated transformation services for companies and organizations in the Asia-Pacific region.

### "Transformation World": A New Visitor Record, With Well Over 400 Participants

This year's "Transformation World," the largest expert-level congress for digital software transformation in the German-speaking world, was held in October 2017. With significantly more than 400 participants from all over Europe, the USA and Asia, this two-day congress was once again completely sold out this year and has established itself as a top community in the field of business and IT transformation far beyond Germany. The increase in the number of participants from one year to the next clearly demonstrates the high level of topicality of the areas covered by this congress. SNP has now hosted this congress on four occasions.

### Product Launch: CrystalBridge

The CrystalBridge software was presented for the first time at "Transformation World". With this software, entire IT landscapes can be visualized and controlled by means of a modern user interface. CrystalBridge enables optimal planning, simulation and execution of even the most complex business transformations (see Business Model and Organization / Software Segment).

### Acquisition of ERST GmbH

With economic effect as of October 1, 2017, SNP has acquired 100% of the shares in ERST European Retail Systems Technology GmbH, which is headquartered in Hamburg. ERST is a software and technology firm that specializes in the secure transfer of business-critical data within complex and heterogeneous IT landscapes

on the basis of a proprietary middleware platform. The use of “managed data transfer services” – and thus the prompt transfer of data independent of format and across multiple locations and the management of this process (24/7/365) – is a key prerequisite for successful digitalization in the field of e-commerce and business.

#### **Change of Legal Form to a European Stock Corporation (Societas Europaea/SE)**

In December 2017, SNP Schneider-Neureither & Partner AG underwent a change of legal form and became a European stock corporation (Societas Europaea/SE). The new legal form corresponds with the increasingly international orientation of the SNP Group and offers efficient structures to maintain the company’s successful course of growth. The change of legal form was entered in the German commercial register on December 6, 2017. The Annual General Meeting decided in favor of the conversion on May 31, 2017, after the presentation of a corresponding proposal by the Executive Board and the Supervisory Board.

### **ECONOMIC REPORT**

#### **Macroeconomic Environment**

The International Monetary Fund (IMF) has predicted stronger global economic growth for 2018 than initially expected. In the context of the U.S. tax reform approved in December and the stronger recovery in Europe and Asia, the IMF has further revised upward its forecasts for world economic growth. According to the IMF, protectionist tendencies and a potential correction on the financial markets are among the most significant downward risks to this upward trend.

In 2018 and in 2019, the Monetary Fund expects the world economy to grow by 3.9% each year. For 2017, the IMF assumes a global growth rate of 3.7%. The international finance organization places particularly

strong emphasis on the tax reform in the USA. Due to the significantly lower corporate tax rate and the extended range of depreciation and amortization opportunities, this will stimulate investments in particular.

The world’s largest economy will post significantly stronger growth than previously assumed in this year and the next as a direct consequence of this reform. However, since some of these tax breaks are subject to time limits and a further increase in the trade deficit is expected, the IMF’s economists predict weaker growth in the USA from 2022.

These experts have also praised the trend in Europe. Stronger internal demand and the robust export industry mean that in 2018 and 2019, the eurozone’s economic growth will be 0.3 percentage points stronger than previously assumed. For Germany, gross domestic product (GDP) is expected to pick up by 2.3% in 2018 and by 2.0% in 2019.

The IMF has also upgraded its forecast for Asia and particularly for Japan, but it has stressed this region’s strong dependence on global trade liberalization as well as foreign investment. Stronger growth is also expected in the Asian and European emerging countries and also in the developing countries.

The Monetary Fund sees a continuation of the global upturn as the most likely scenario. Nonetheless, geopolitical hot spots, the risk of more stringent financing conditions and a correction on the stock markets are seen as dangers. In particular, protectionist tendencies may pose a significant risk. If the renegotiations of the North American Free Trade Agreement (NAFTA) and the negotiations between the United Kingdom and the EU result in new trade barriers, this would have a negative impact on investments, productivity and, thus, global growth.

## Industry-Related Environment

The global market for information technology and telecommunications (ICT) is one of the most important markets, with one of the strongest growth rates by comparison with other international sectors: According to Gartner, in 2017, the total volume of expenditure in this sector will increase by 3.3% to approximately \$ 3.5 trillion. In 2018, the experts predict a further increase in worldwide IT expenditure of 4% to \$ 3.7 trillion. The two segments of IT services and enterprise software are expected to post the strongest growth rates. IT services will increase by 4% in 2017 to \$ 931 billion and in 2018 to \$ 980 billion; for the enterprise software segment, the figures are \$ 354 billion (2017, +8.5%) and \$ 387 billion (2018, +9.4%).

Gartner also predicts an increase in IT expenditure on the European ICT market in 2018 to in excess of \$ 1 trillion (2018, +4.9%). For the enterprise software segment, in 2018, expenditure will increase by 10.5% to \$ 106 billion, while in the IT services segment, it will pick up by 6.4% to \$ 286 billion in the same period.

The assessment of analysts at the digital association Bitkom arrived at a similar conclusion: In 2017, sales of information technology and telecommunications products and services in the EU Member States are expected to have increased by 1.8% to € 683 billion. In the previous year, the rate of growth was slightly lower at 1.3%. This bears out the trend of the past few years of the IT sector faring considerably better than the telecommunications market. According to this forecast, sales of IT hardware, IT services and software will increase by 3.0% to € 389 billion. On the other hand, the telecommunications market will register significantly weaker growth of 0.3% and reach a volume of € 294 billion. The software and IT services business segments are the key growth drivers in the ICT market, with growth levels of 5.4% and 2.7% respectively.

The research firm IDC has examined global sales of the cloud business segments that are currently technologically available: In the first six months of 2017, total global cloud expenditure increased by around 29% year over year and reached \$ 63.3 billion. At € 44.4 billion, software as a service (SaaS) remains the most significant cloud business segment. However, the infrastructure as a service (IaaS) and platform as a service (PaaS) segments are registering considerably stronger growth: PaaS has increased by approximately 50% to \$ 8.6 billion, while IaaS has grown by 38% to \$ 11.2 billion.

## Bitkom's Industry = Job Engine

The digital association Bitkom predicts that 21,000 new jobs were created in the ICT sector in Germany in 2017. As a result, it is predicted that 1,051,000 people will be employed in the industry in Germany by the end of 2017. This corresponds with an increase of 2% compared with the end of 2016. Software companies and IT service providers are registering the strongest growth levels here.

## Key Performance Indicators

In order for SNP SE to achieve a sustainable increase in the company's value, its efforts are focused on further profitable growth and continuously strengthening the financial capacity of the SNP Group. An internal management system ensures that these strategic goals are achieved. In particular, sales and operating earnings (in accordance with the IFRS) in the company's two Professional Services and Software business segments, the backlog of orders and the level of capacity utilization in the Professional Services division are the most significant performance indicators.

Moreover, as well as these financial performance indicators, which are of the highest significance, the order backlog and capacity utilization indicators are continuously monitored, but without specifying a uniform

quantified target level throughout the company, in view of the high volume of inorganic growth. The order backlog is a key driver of revenue development. Negotiations with customers may take some time and are influenced by many factors. Changes to project implementation plans may likewise result in significant fluctuations in the order backlog. The target revenue for the following year, on the basis of a project progressing according to plan, is determined to a considerable extent in accordance with the order backlog. Capacity utilization, i.e., the volume of productive working hours that can be directly performed and billed within the scope of IT consulting, is an important yardstick of the efficiency of our consulting business.

At the start of the 2018 fiscal year, due to the significant acquisitions and the associated depreciation / amortization effects, EBIT (non-IFRS) and EBITDA (IFRS and non-IFRS) will be introduced as further significant financial performance indicators at Group level. In the future, they will be incorporated in planning and managed within the scope of internal reporting.

To improve the comparability of the company on the capital market, for the fiscal year 2017, SNP SE is also reporting non-IFRS performance indicators. These adjusted performance indicators are not determined on the basis of IFRS accounting standards and are therefore non-IFRS performance indicators. The following expenses have not been included in our disclosures concerning operating expenses (non-IFRS):

- Acquisition-related expenses
- Amortization of identified intangible assets acquired through company acquisitions Incidental acquisition costs
- Expenses associated with SNP Schneider-Neureither & Partner AG's change of legal form to become a European stock corporation (Societas Europaea/SE)
- Expenses for share-based payment transactions

In the 2017 fiscal year, depreciations and other operating expenses arose here in the amount of € 3.0 million (previous year: € 0.5 million).

Disclosures concerning the EBIT, EBIT margin, EBITDA and the EBITDA margin that are reported as EBIT (non-IFRS), EBIT margin (non-IFRS), EBITDA (non-IFRS) and EBITDA margin (non-IFRS) differ from the corresponding IFRS performance indicators on account of an adjustment for the aforementioned operating expenses (non-IFRS).

In addition, the key figures thus determined are adjusted for exchange rate losses and gains. The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions involve fluctuations in currency exchange rates. In 2017, there were net exchange rate losses in the amount of € 2.2 million (previous year: net exchange rate gains in the amount of € 0.5 million).

## **OVERALL SUMMARY OF TARGET ACHIEVEMENT BY THE EXECUTIVE BOARD / THE MANAGING DIRECTORS**

In the 2017 fiscal year, the SNP Group achieved decisive strategic growth objectives. It successfully drove forward its strategy of internationalization through two company acquisitions. The number of employees broke the significant 1,000 mark. Moreover, SNP's conversion into a European stock corporation (SE) strengthened its international focus and drove forward the Group's strategic development.

The Group only partially achieved its financial goals in 2017 as a whole: The revenue target communicated at the start of the year (€ 96 million to € 100 million) was clearly exceeded. The revenue forecast was revised

## Earnings Position

€ MILLION	2017				2016			
	IFRS	Adaption	Currency impact	Non-IFRS, adjusted for exchange rate effects	IFRS	Adaption	Currency impact	Non-IFRS, adjusted for exchange rate effects
Revenue	122.3	0.0	0.0	122.3	80.7	0.0	0.0	80.7
Capitalized own services	0.2	0.0	0.0	0.2	0	0.0	0.0	0.0
Other operating income	1.9	0.0	-0.6	1.3	1.2	0.0	-0.7	0.5
Cost of material	-19.2	0.0	0.0	-19.2	-8.3	0.0	0.0	-8.3
Personnel costs	-71.5	0.0	0.0	-71.5	-47.2	0.0	0.0	-47.2
Other operating expenses	-29.9	1.4	2.8	-25.7	-17.8	0.1	0.2	-17.5
Other taxes	-0.5	0.0	0.0	-0.5	-0.1	0.0	0.0	-0.1
<b>EBITDA</b>	<b>3.3</b>	<b>1.4</b>	<b>2.2</b>	<b>6.9</b>	<b>8.5</b>	<b>0.1</b>	<b>-0.5</b>	<b>8.1</b>
Depreciation	-3.8	1.6	0.0	-2.2	-1.6	0.4	0.0	-1.2
<b>EBIT</b>	<b>-0.5</b>	<b>3.0</b>	<b>2.2</b>	<b>4.7</b>	<b>6.9</b>	<b>0.5</b>	<b>-0.5</b>	<b>6.9</b>

upward twice in the course of the year: in May, to approximately € 110 million, when the acquisition of Poland's BCC Group was announced, and in October, to around € 120 million due to a positive situation for orders and projects. At the end of the year, the SNP Group achieved Group revenue of € 122.3 million (previous year: € 80.7 million). Of this, the Professional Services business segment accounts for revenue in the amount of € 98.3 million (previous year: € 66.6 million) and the Software business segment for revenue of € 24.0 million (previous year: € 14.0 million). Adjusted for acquisitions, in the 2017 fiscal year, Group revenue amounts to € 87.4 million (of which Professional Services: € 72.5 million; Software: € 14.8 million).

With regard to earnings, in 2017, the situation was particularly shaped by one-off extraordinary expenses, exchange rate losses and growth costs and by revenue that was lower than expected from software licensing in SNP's core division. In October, the original earnings forecast for the 2017 fiscal year (EBIT margin of between 7% and 12%) was likewise changed to a generally balanced operating result. As of the end of the year, the Group registered an unsatisfactory negative operating result (EBIT) in the amount of € -0.5 million (IFRS) and an EBIT figure of € 4.7 million (non-IFRS, adjusted for exchange rate effects). The original planning for the 2017 fiscal year assumed an EBIT figure (IFRS and non-IFRS) of between approximately € 7 and 12 million.

On the business segment side, the Professional Services business segment registered an EBIT figure (IFRS) of € 0.3 million (previous year: € 4.9 million), while the Software business segment registered an EBIT figure (IFRS) of € 4.9 million (previous year: € 5.9 million). Specific activities such as finance, accounting and human resources, as well as IT services, are activities that are managed and supervised at Group level. They were not included in the segment earnings.

## EARNINGS POSITION

After strong growth in the 2016 fiscal year, the SNP Group started the 2017 fiscal year with renewed revenue growth. Following a year-on-year increase in Group revenue of 16.8% to € 21.6 million in the first quarter of the current fiscal year, revenue in the second quarter of 2017 compared with the second quarter of 2016 rose by 36.0% to € 26.4 million. In the third quarter of 2017, revenue increased by 68.2% to € 33.0 million; in the final quarter, the highest quarterly revenue in the company's history was generated (€ 41.3 million; previous year: € 23.1 million). This represents an increase of 78.5% on the same quarter in the previous year. At the end of the 2017 fiscal year, the company reported Group revenue of € 122.3 million, corresponding to a year-over-year increase of 51.6%. Aside from acquisition-related revenue growth, decisive factors were the sustained very good order situation as well as good capacity utilization given a significantly higher order backlog.

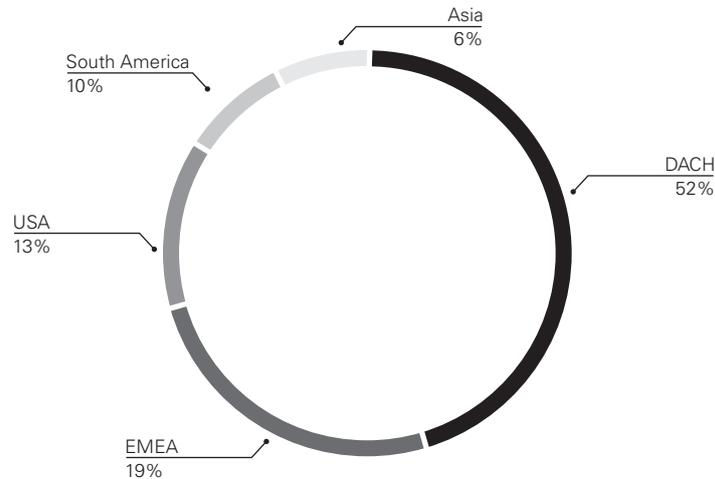
### Organic and Inorganic Allocation of Revenue

The initial consolidations of Harlex Consulting (as of October 1, 2016), Innoplexia GmbH (as of May 1, 2017), the BCC Group (as of May 1, 2017), the Adepcon Group (as of August 1, 2017) and ERST GmbH (as of October 1, 2017) had a material impact on revenue growth in the 2017 annual financial statements. Of the total revenue increase of € 41.7 million, the acquired companies accounted for € 35.0 million. Adjusted for this acquisition effect, organic revenue growth was € 6.7 million, or approximately 8%.

### Revenue Distribution by Region

The SNP Group generated revenue of € 64.0 million (previous year: € 59.0 million) in the DACH region (Germany, Austria and Switzerland). This corresponds to a

## REVENUES BY REGION



share of total revenue of approximately 52% (previous year: 73%). The lower percentage of revenue can be connected to the SNP Group's continued successful internationalization strategy. Other European countries (Poland, UK, Spain) contributed around € 23.6 million (previous year: € 1.4 million); this corresponds to a share of around 19% (previous year: around 2%) of total revenue.

Revenue continued to grow in the USA during the reporting period. In 2017, revenue of € 15.9 million was achieved in the U.S. market. This corresponds to an increase of € 2.8 million or approximately 21% year over year. This was mainly due to the processing of a large order from the U.S. chemical industry as scheduled. As measured by total revenue, the North America region contributed approximately 13% of revenue in 2017 (previous year: approximately 16%).

The South America region provided a revenue share of € 12.0 million. This corresponds to approximately 10% of total revenue. The Asia region contributed € 6.9 million to revenue (previous year: € 7.1 million).

### Revenue Distribution by Business Segment

On the segment side, the **Professional Services division**, which primarily includes consulting services, contributed € 98.3 million (previous year: € 66.6 million) to revenue in the 2017 fiscal year. This corresponds to an overall revenue share of 80.4% and represents a year-over-year increase of 47.6%. Adjusted for acquisitions, the remaining organic revenue growth was € 5.9 million, or approximately 9%. In the previous year, acquisition-adjusted organic revenue growth amounted to € 14.4 million or approximately 26%.

In the past fiscal year, revenues of € 24.0 million (previous year: € 14.0 million) came from the **Software division** (including maintenance). This corresponds to an increase of € 10.0 million, or approximately 71%, on

the previous year. Software revenue in the fourth quarter of 2017 thus amounted to € 10.1 million; this represents an increase of 123.9% (previous year: € 4.5 million) on the final quarter of the previous year.

Over the full year, the strong growth was mainly due to the inorganically achieved software revenues in the amount of € 9.2 million. Of this amount, € 7.3 million relates to inorganic software licensing fees; the maintenance fees generated through the acquired companies amounted to € 1.9 million.

In the 2017 fiscal year, revenue from SNP's in-house products amounted to € 15.5 million (previous year: € 14.0 million). Adjusted for acquisitions, revenue in the Software segment overall has thus increased by € 0.8 million or around 6%. As a component of the overall revenue from SNP's in-house products, at € 12.5 million, licensing fees are slightly higher than in the previous year (previous year: € 12.0 million). Maintenance fees of € 3.0 million were € 0.9 million, or 43%, above the level of the previous year.

The SNP Transformation Backbone® with SAP LT remained the largest revenue driver in the "in-house products" division in the past fiscal year. Including maintenance, this product contributed € 10.4 million (previous year: € 9.5 million) to business segment revenue. This corresponds to a share of total software revenue of approximately 43% (previous year: 68%). The share also amounts to approximately 67% of total software revenue from in-house products.

The standard software SNP Data Provisioning and Masking generated revenue of € 2.7 million (previous year: € 2.8 million) during the reporting period. The percentage share of total software revenue amounts to 11%. The share amounts to 17% of total software revenue from in-house products.

### Earnings Position

€ MILLION	2017	2016
Order entry	130.7	95.5
Order backlog	61.3	39.3
Revenue	122.3	80.7
EBITDA (non-IFRS, adjusted for exchange rate effects)	6.9	8.1
EBITDA (IFRS)	3.3	8.5
EBIT (non-IFRS, adjusted for exchange rate effects)	4.7	6.9
EBIT (IFRS)	-0.5	6.9
Number of employees	1,341	712

The SNP Interface Scanner replaced Dragoman as the third strongest in-house product. This software analyzes interfaces between SAP systems and ensures transparent visualization of SAP landscapes. The product contributed € 1.1 million (previous year: € 0.0 million) to segment revenue in the reporting period. This corresponds to approximately 5% (previous year: 0%) of the total software revenue. The share amounts to 7% of total software revenue from in-house products.

### Earnings Performance

In the 2017 fiscal year, SNP SE achieved an EBITDA figure (IFRS) of € 3.3 million (previous year: € 8.5 million) and an EBITDA figure (non-IFRS; adjusted for exchange rate effects) of € 6.9 million (previous year: € 8.1 million). This corresponds to an EBITDA decrease on the previous year of 61.7% (IFRS) or 15.1% (non-IFRS, adjusted for exchange rate effects). The EBITDA margin (IFRS) thus amounts to 2.7% (previous year: 10.6%), and the EBITDA margin (non-IFRS, adjusted for exchange rate effects) to 5.7% (previous year: 10.1%). In the same period, the EBIT figure (IFRS) amounted to € -0.5 million (previous year: € 6.9 million) and the EBIT figure (non-IFRS, adjusted for exchange rate effects) to € 4.7 million (previous year: € 6.9 million). The operating result (IFRS) was thus € 7.4 million, or 107.7% weaker than in the previous year, and the operating result (non-IFRS, adjusted for exchange rate effects) was € 2.2 million, or 31.8% weaker than in the previous year. The EBIT margin (IFRS) is -0.4% and has also decreased on the previous year (previous year: 8.5%). The EBIT margin (non-IFRS, adjusted for exchange rate effects) is 3.8% (previous year: 8.5%).

On the segment side, the Professional Services business segment registered an EBIT figure (IFRS) of € 0.3 million (previous year: € 4.9 million) and the Software business segment registered an EBIT figure (IFRS) of € 4.9 million (previous year: € 5.9 million). Specific activities such as finance, accounting and human resources

as well as IT services are activities that are managed and supervised at Group level. They are not included in the segment earnings.

The operating margin loss (IFRS) in the 2017 fiscal year is mainly attributable to extraordinary expenses and growth costs as well as revenue from software licensing for SNP's in-house products, which has fallen short of expectations.

Starting at the beginning of the fourth quarter of 2016, the focus for 2017 was on strategically enhancing the entire Group and securing sustainable growth. These growth-securing measures included:

- The adjustment of the Group structure in the U.S. and Germany
- The development of another training academy in Germany
- The legal conversion of SNP AG into a European stock corporation (SE)
- Investment expenses and start-up losses resulting from the intensified international sales strategy, with a twin emphasis on the U.S. and SNP Applications
- The advancing integration of corporate acquisitions in the past two years and the resulting integration expenses
- Expenses related to the issuance of the promissory note loan
- Legal and consulting expenses related to the inorganic growth strategy of the SNP Group
- Expenses related to the recruitment of experienced employees at the senior level
- Increased research and development expenses to further the degree of automation, including the use of artificial intelligence in transformation projects
- Additional extraordinary restructuring expenses
- Exchange rate losses primarily due to unfavorable performance of the U.S. dollar

In addition, growth costs and restructuring investments have led to higher personnel costs as well as to an increase in other operating expenses. In the 2017 fiscal year, personnel costs increased by € 24.3 million to € 71.5 million. Of this amount, € 14.1 million is attributable to the companies that underwent initial consolidation. Other operating expenses (IFRS) increased by € 12.1 million to € 29.9 million, of which approximately € 4.6 million is related to acquisitions. Other operating income increased by € 0.7 million to € 1.9 million in the reporting period.

Since the other financial expenses of € 1.4 million were offset by only slight other financial income in the period under review, there were net finance costs of € 1.4 million (previous year: € 1.1 million), which constitutes earnings before taxes (EBT) of € -1.9 million (previous year: € 5.7 million). Income tax expenses of € 0.8 million (previous year: € 1.5 million) led to a loss for the year of € 2.7 million in the 2017 fiscal year, after coming in at € 4.2 million in the previous year. This corresponds to a net margin of -2.2% (previous year: 5.2%). Accordingly, diluted and basic earnings per share amount to € -0.47 (previous year: € 0.95).

### **Order Backlog and Order Entry**

Order entry as of December 31, 2017, totaled € 130.7 million, approximately 22% above the comparable amount in the previous year (€ 95.5 million). Around two thirds of these incoming orders are attributable to the DACH region (Germany, Austria and Switzerland). The Adepcon Group provides approximately 10% of the incoming orders; SNP UK contributes a further 8%. The Applications business area is responsible for around 5% of the order entry worldwide.

The order backlog, as of December 31, 2017, was € 61.3 million; this corresponds to an increase of approximately 56% on the previous year's comparable figure of € 39.3 million. This significant increase is primarily

attributable to the sharp increase in incoming orders and confirms the sustainability of the SNP business model.

### **Net Assets**

Compared to December 31, 2016, total assets increased considerably, by € 65.3 million to € 153.8 million, above all due to the majority acquisitions of various companies (see Business Performance and Economic Condition) as well as the issuing of additional equity and borrowed capital.

Current assets rose by € 20.2 million to € 78.6 million. Within current assets, trade receivables and other receivables increased by € 17.0 million, while other financial and nonfinancial assets increased by € 1.4 million. Both changes were primarily driven by acquisitions. Trade receivables include work in progress including POC (percentage of completion) with a volume of € 9.1 million. Cash and cash equivalents increased by € 2.0 million compared with December 31, 2016, to € 33.9 million.

Noncurrent assets increased during the reporting period from € 30.1 million (December 31, 2016) to € 74.5 million as of December 31, 2017. This increase was primarily due to the increase in goodwill as a result of the acquisitions of the Adepcon Group, the BCC Group, ERST GmbH and the acquisition of a majority stake in Innoplexia GmbH. Compared with December 31, 2016, goodwill increased by € 34.5 million to € 56.1 million.

In addition, intangible assets (€ +8.3 million) and property, plant and equipment (€ +2.0 million) rose due to acquisitions and in anticipation of further replacements of capital assets and new investments. The € 0.8 million increase in deferred tax assets to € 1.8 million is mainly attributable to deferred tax assets for higher loss carryforwards.

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**Financial Position**

On the equity and liabilities side, current liabilities increased from € 32.6 million as of December 31, 2016, to € 40.5 million as of December 31, 2017. This increase is almost entirely attributable to the development of trade payables and other liabilities as well as other nonfinancial liabilities. Trade payables and other liabilities increased by € 8.8 million to € 11.8 million, mainly due to acquisitions. Other nonfinancial liabilities have increased by € 6.1 million to € 16.7 million, mainly due to acquisitions as a result of higher employee-related liabilities. On the other hand, financial liabilities have decreased by € 6.9 million to € 11.2 million. Opposing effects are apparent within the financial liabilities item. While liabilities from the bond declined by € 10.7 million due to early termination and repayment in March 2017 and liabilities to banks declined by € 1.1 million, purchase price liabilities related to acquisitions carried out (totaling € 9.8 million, compared with € 5.3 million in the previous year) have increased by € 4.5 million. Noncurrent liabilities increased by € 45.8 million and amounted to € 53.2 million as of December 31, 2017 (as of December 31, 2016: € 7.3 million). This rise is primarily attributable to a € 43.9 million increase in noncurrent financial liabilities to € 49.5 million. € 39.6 million of this increase is due to the issuance of borrower's note loans with a nominal volume of € 40.0 million as well as an increase from € 4.0 million to € 9.1 million for noncurrent purchase price liabilities in connection with company acquisitions. Deferred tax liabilities increased by € 1.5 million, mainly due to the capitalization of intangible assets within the scope of the initial consolidation of the companies acquired in 2017.

The equity of the company increased to € 60.1 million as of December 31, 2017 (as of December 31, 2016: € 48.6 million). Through the issuance of 497,677 no-par-value shares in July 2017, issued capital increased to € 5.5 million. The capital reserves increased accordingly from € 36.3 million to € 54.3 million. Retained earnings declined by € 4.7 million to € 2.2 million as a result of the net loss for the Group, the distribution for the 2016 fiscal year and the effect arising from the purchase of

minority shares in SNP Transformations SEA Pte. Ltd. Other reserves decreased by € 1.4 million to € -1.7 million due to the decrease in the adjustment item for foreign currency translation. Noncontrolling interests have mainly decreased due to the increase in the shares held in SNP Transformations SEA Pte. Ltd. Due to the increase in equity, combined with the corresponding increase in total equity and liabilities to € 153.8 million as of December 31, 2017 (December 31, 2016: € 88.5 million), the equity ratio declined from 54.9% to 39.1%.

## FINANCIAL POSITION

### Management of Financial, Liquidity and Capital Structure

SNP SE has a central financial management system for global liquidity control. Interest rates and currency changes, as well as their effect on the company's financial position and financial performance, are analyzed within the scope of this financial management system and hedging measures are implemented where appropriate. The key objective of this financial management system is to ensure a minimum level of liquidity for the Group, in order to safeguard its solvency at all times. Cash and cash equivalents are monitored throughout the Group. SNP safeguards its flexibility and independence through its high volume of cash and cash equivalents. SNP is able to draw upon additional liquidity potential in case of need through further standard credit lines.

In the past few years, cash and cash equivalents have primarily been used for operating activities, the investment needs associated with growth, the acquisition of companies and for the payment of dividends. SNP assumes that its liquidity holdings together with its financial reserves in the form of various unused credit lines will be sufficient to cover its operating financing requirements in 2018 and – together with the expected cash flows from operating activities – will cover debt repayment and our planned short- and medium-term investments.

Maintenance of a strong financial profile is the overriding goal for management of our capital structure. The focus here is on equity, in order to bolster the confidence of our investors, lenders and customers and to safeguard positive business performance. SNP concentrates on a capital structure that enables it to cover its future potential financing requirements via the capital markets on reasonable terms. This ensures a high level of independence, security and financial flexibility.

In February 2017, SNP reached an agreement with investors on the issuance of borrower's note loans with a total volume of € 40 million. The volume is spread across fixed and variable interest-bearing tranches in terms of three to seven years. Of these borrower's note loans, € 5 million is to be repaid after 3 years, € 26 million after 5 years and € 9 million after 7 years. The average yield at the time of issuance of the promissory note loans amounted to 1.41% per annum. This promissory note loans include standard financial covenants that were complied with in the 2017 fiscal year. Moreover, the company assumes that it will continue to comply with the agreed financial covenants in the future.

### **Development of Cash Flow and the Liquidity Position**

The negative operating cash flow in the amount of € 7.5 million (previous year: positive operating cash flow of € 0.6 million) in the 2017 fiscal year is mainly attributable to the net loss for the period as well as the growth-related increase in receivables and other current and noncurrent assets in the amount of € 9.0 million. This contrasts with positive effects due to depreciation and amortization (€ 3.8 million) and a € 0.8 million increase in trade payables, other provisions, tax liabilities and other current liabilities.

The cash flow from investing activities also came in negative, at € -34.0 million (previous year: € -9.4 million), which was attributable not only to payments for invest-

ments in property, plant and equipment of € 2.8 million and for intangible assets of € 2.7 million but also primarily to the cash outflow related to the acquisition of majority stakes in the Adepcon Group, the BCC Group and ERST GmbH, to the acquisition of an additional 60% of shares in Innoplexia GmbH and to the increased investment in SNP Transformations SEA Pte. Ltd. (in total: € 28.8 million). This contrasts with proceeds from the disposal of items of property, plant and equipment in the amount of € 0.2 million.

The positive cash flow from financing activities of € 44.0 million (previous year: € 26.8 million) resulted from both the assumption of promissory note loans (€ 39.9 million) and the issuance of a capital increase (€ 18.3 million). This was offset by the redemption of the bond and the repayment of loans in the amount of € 12.2 million and dividend payments of € 1.9 million.

The effects of changes in foreign exchange rate on cash and bank balances amount to € -0.6 million (previous year: € +0.1 million).

Overall cash flow during the reporting period came to € 2.0 million (previous year: € 18.1 million). Taking into account the changes presented here, the level of cash and cash equivalents rose to € 33.9 million as of December 31, 2017. As of December 31, 2016, cash and cash equivalents amounted to € 31.9 million. Overall, SNP AG remains very solidly positioned financially.

### **Sustainability at SNP and nonfinancial declaration**

The Group's sustainability activities and the nonfinancial declaration in accordance with Section 33 c and b of the HGB are outlined in our "Corporate Social Responsibility Report", which you will find on our website: [www.snpgroup.com/en/investor-relations/financial-publications/financial-reports/2018](http://www.snpgroup.com/en/investor-relations/financial-publications/financial-reports/2018)

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 Nonfinancial Performance Indicators

## NONFINANCIAL PERFORMANCE INDICATORS

The following nonfinancial performance indicators are highly significant for an understanding of the business performance of SNP SE as well as the company's position. The management registers only some of these performance indicators in a quantitative form on an ongoing basis, through KPIs.

### Employees

#### Training and Education

Qualified and motivated employees contribute significantly to the success of SNP. Since the competition for qualified IT specialists, particularly in the ERP environment, continues unabated, SNP is actively engaged in the training and advancement of its own young talent. SNP therefore devotes significant resources to training and education. SNP has its own training centers in Heidelberg, Magdeburg, Berlin and Dallas. Five training programs were conducted in Germany in 2017.

In addition, the company gives all employees the opportunity to participate in comprehensive training and continuing education programs. The programs have internal and external training components that impart both technical and soft skills. In addition, SNP promotes a variety of sports-related and healthy activities.

#### Further Increase in Personnel

The Group's number of employees increased considerably on the previous year, from 712 to 1,341. The significant increase in the number of employees was primarily attributable to the majority acquisitions of the Polish BCC Group and the South American Adepcon Group.

In addition, new employee hires were made during the reporting period in order to manage the very good operational order situation and to build up and expand targeted resources for further corporate development. Accord-

ingly, nominal personnel expenses increased 51.4% year over year to € 71.5 million (previous year: € 47.2 million). The personnel expense ratio (personnel expenses relative to revenue) decreased slightly from 58.5% in the previous year to 58.4%.

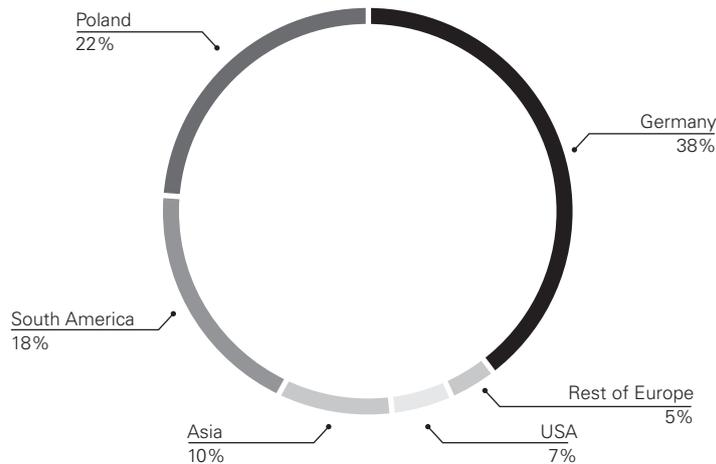
Included among employees were two Managing Directors (previous year: 3 members of the Executive Board), 23 managers (previous year: 17) and 92 trainees, students and interns (previous year: 60). There were no employees in partial early retirement in the 2017 fiscal year (previous year: 0). The average number of employees during the reporting period, excluding the aforementioned group of individuals, was 1,022 (previous year: 605 employees).

#### Increasing Internationalization

As a result of the internationalization strategy, the share of the workforce not employed in Germany increased significantly. As of December 31, 2016, the SNP Group had 316 employees working in foreign subsidiaries, representing a percentage share of the total workforce of around 44%. On December 31, 2017, the number of employees working in foreign subsidiaries had increased to 837; the percentage share therefore increased by a further 18 percentage points to around 62% of the total workforce. In Germany, the number of employees increased from 396 as of December 31, 2016, to 504 as of December 31, 2017. However, their percentage of the total workforce declined from around 56% to approximately 38%. Austria accounts for 49 employees (previous year: 45); the Group has seven employees in Switzerland (previous year: 5). Overall, the Group therefore has 560 employees in the DACH region (previous year: 446).

In Poland, the SNP Group had 292 employees at the end of the year (previous year: 0); this corresponds to a share of the total workforce of around 22%. The Southeast Asian economic zone (Malaysia, Singapore, China) ac-

## EMPLOYEES BY REGION



counts for a further 128 employees (previous year: 138); this corresponds to a percentage decrease of nine percentage points to 10% of the total workforce. In the USA, the number of employees increased from 34 in the previous year to 90. In South America, the SNP Group has 239 employees (previous year: 0); they account for a percentage share of 18% of the Group's workforce.

You will find further information on the Group's employees in our "Corporate Social Responsibility Report", which may be downloaded from our website: <https://www.snpgroup.com/en/investor-relations/financial-publications/financial-reports/2018/>

### Innovations

SNP and their products help organizations respond quickly to technological and economic changes. To ensure this, the company itself must be continuously evolving and making new technologies available. Therefore, innovation is a key component of the Group's strategic development and makes a crucial contribution to the company's future growth.

The company demonstrated its ability to innovate with the market launch of the core product SNP Transformation Backbone®. This is the first standard software for IT transformations available worldwide. To satisfy increasing technological and economic change in corporate landscapes, the company is constantly working on offering its customers solutions for their transformation projects that are even more efficient in terms of cost and time. Continual investments are made in software extensions to add further application functionality and to target additional markets.

The research and development strategy has been to actively pursue new product ideas, enhancements and solutions. By integrating research and development (R&D) with sales, the company has been able so far to

promptly detect changes in the market and to develop market-driven and therefore market-relevant product innovations.

R&D costs in proportion to revenue amounted to 11.4% in the 2017 fiscal year (previous year: 13.7%).

### Partnership With SAP

In cooperation with SAP, components of the SAP Landscape Transformation Software (SAP LT) have been added to SNP Transformation Backbone®. With this expansion, SNP also covers highly standardized end-to-end scenarios in its software and service portfolio. As a result of its collaboration with SAP, SNP has intimate knowledge of the latest developments in transformation software. This will decisively strengthen SNP's market position as an innovation leader for business and IT transformations.

SNP Transformation Backbone® with SAP LT and SNP Interface Scanner have both received the SAP certification "SAP Certified Powered by SAP NetWeaver". Solutions that make use of SAP NetWeaver can be more rapidly and easily integrated in SAP solution environments. Customers benefit from improved interoperability with SAP applications and from the large ecosystem of solutions that run on SAP NetWeaver

### Artificial Intelligence

SNP has started to explore the potential use of artificial intelligence in the area of data transformation projects. The objective is to achieve a significantly higher degree of automation by using artificial intelligence in transformation projects. A research project with the University of Mannheim was established for this purpose in 2017.

## Disclosures Related to Takeover Law

## EMPLOYEES AT YEAR END

2015	401
2016	712
2017	1,341

**Innovation Partnership with Innoplexia GmbH**

By means of a majority interest in Heidelberg-based Innoplexia GmbH, SNP has gained access to an innovative data analysis approach, which serves as the basis for market research, competition monitoring and targeted online marketing. Innoplexia operates, among other things, a data collection system, which, with the help of intelligent analytics, collects market-specific information from internet platforms (Google, comparison portals, shopping sites, etc.). The system makes it possible to compile market and competition-related information in the form of customer-specific reports on an up-to-date daily basis.

Using artificial intelligence can markedly increase transparency in the digital market. Targeted internet activities are monitored and analyzed, and relevant information about customers is prepared in such a way that smart decisions can be made. There are concrete plans underway to make the results of the analysis available in CrystalBridge.

**DISCLOSURES RELATED TO TAKEOVER LAW**

The disclosures as of December 31, 2017, which are required according to Art. 9 (1) clause c) (ii) of the SE Regulation and Section 22 (6) of the SEAG in conjunction with Section 289 and Section 315a (1) of the HGB, are provided below. Those elements of Section 289a (1) and Section 315a (1) of the HGB that are not fulfilled at SNP Schneider-Neureither & Partner SE are not mentioned.

**Composition of Issued Share Capital (Section 289a (1) (1) No. 1 and Section 315a (1) (1) No. 1 of the HGB)**

As of December 31, 2017, the share capital of SNP Schneider-Neureither & Partner SE amounted to € 5,474,463.00, consisting of 5,474,463 ordinary no-par-value shares with a calculated share of capital of € 1.00

per share. Each share entitles the holder to one vote. As of December 31, 2017, the company held 21,882 treasury shares.

**Direct or Indirect Investments Exceeding 10% of Capital (Section 289a (1) (1) No. 3 and Section 315a (1) (1) No. 3 of the HGB)**

- Dr. Andreas Schneider-Neureither (CEO): 18.21%.

In accordance with Section 33 of the WpHG, 0.80% of the total voting rights are directly attributable to Dr. Schneider-Neureither, resident in Germany; 17.41% of the total voting rights are indirectly attributable pursuant to Section 34 of the WpHG. The indirectly attributable voting rights are held by the following entities, which are controlled by Dr. Schneider-Neureither and whose share of voting rights in SNP Schneider-Neureither & Partner SE amounts to 3% or more, in corresponding order: Schneider-Neureither GmbH, SN Verwaltungs GmbH & Co. KG, SN Holding GmbH and SN Assets GmbH.

**Statutory Provisions and Provisions of the Articles of Incorporation on the Appointment and Dismissal of Managing Directors and the Amendment of the Articles of Incorporation (Section 289a (1) (1) No. 6 and Section 315a (1) (1) No. 6 of the HGB)**

With regard to the appointment and dismissal of Managing Directors, reference is made to the applicable statutory provisions in Section 40 of the SEAG. In addition, Section 12 (1) of the articles of incorporation of SNP SE stipulates that the Board of Directors shall appoint one or more Managing Directors. Managing Directors may be recalled by way of a resolution of the Board of Directors by a simple majority of the votes cast. Pursuant to Section 12 (5) of the articles of incorporation of SNP SE, Managing Directors who are members of the Board of Directors may be recalled only for cause within the meaning of Section 84 (3) of the AktG or in case of the

termination of the employment contract. In accordance with Art. 9 (1) clause c) (ii) of the SE Regulation, the amendment of the articles of incorporation is provided for in Sections 133 and 179 of the AktG. The Board of Directors is authorized to approve changes to the articles of incorporation that involve only wording (Section 8 (3) of the articles of incorporation of SNP SE).

**Powers of the Board of Directors to Issue or Repurchase Shares (Section 289a (1) (1) No. 7 and Section 315a (1) (1) No. 7 of the HGB)**

The Board of Directors is authorized to increase the share capital by May 20, 2020, up to a total of € 630,304 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value shares (2015 Authorized Capital). The 2015 authorized capital had an original amount of up to € 1,869,030.00 and was partially utilized in the 2016 fiscal year. In addition, the Board of Directors is authorized to bar the subscription rights of shareholders in four cases: first, to remove fractional shares from the subscription rights of shareholders; second, if new shares, particularly in connection with company acquisitions, are issued in exchange for in-kind contributions; third, pursuant to Section 186 (3) (4) of the AktG, if new shares are issued in exchange for cash contributions and the issue price does not significantly fall short of the stock market price of the already listed share at the time it is ultimately determined; and fourth, as necessary, in order to grant subscription rights for new shares to owners or creditors of warrant-linked bonds and/or convertible bonds.

The Board of Directors is moreover authorized to increase the share capital by May 31, 2022, up to a total of € 497,680 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value shares (2017 Authorized Capital). The 2017 authorized capital had an original amount of up to € 995,357.00 and was partially utilized in the 2017 fiscal year. In addition, the Board of Directors is authorized to bar the

subscription rights of shareholders in four cases: first, to remove fractional shares from the subscription rights of shareholders; second, if new shares, particularly in connection with company acquisitions, are issued in exchange for in-kind contributions; third, pursuant to Section 186 (3) (4) of the AktG, if new shares are issued in exchange for cash contributions and the issue price does not significantly fall short of the stock market price of the already listed share at the time it is ultimately determined; and fourth, as necessary, in order to grant subscription rights for new shares to owners or creditors of warrant-linked bonds and/or convertible bonds.

The share capital is conditionally increased by up to € 1,869,030.00, divided into up to 1,869,030 no-par-value shares (2015 Contingent Capital). The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash contributions and subject to conversion obligations that were issued or guaranteed until May 20, 2020, by the company by virtue of the authorization of the Board of Directors and the resolution of the General Meeting on May 21, 2015, exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose. The new shares will be issued in accordance with the aforementioned authorization at option and conversion prices to be determined. The new shares participate in profits from the beginning of the fiscal year in which they arise. The Board of Directors is authorized to determine further details regarding the execution of the contingent capital increase.

On May 12, 2016, the Annual General Meeting authorized the company to acquire for the coming five years treasury shares up to a total of 10% of the outstanding share capital at the time of the resolution.

**Key Agreements of the Company Subject to Change of Control Following a Takeover Bid and the Resulting Consequences (Section 289a (1) (1) No. 8 and Section 315a (1) (1) No. 8 of the HGB)**

SNP SE's key financing agreements with its lenders include the usual conditions in the event of a change of control; in case of a change of control, these provide for a right of termination and a right to require early repayment.

**RISKS, OPPORTUNITIES AND FORECAST REPORT**

**Risk Management and Risk Report**

In its business activities, the SNP Group is subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Risks refer to the possibility of events occurring with unfavorable consequences for SNP's economic situation. SNP employs effective management and control systems to identify risks at an early stage, to evaluate them and to deal with them systematically. They are combined into a uniform risk management system, which is presented below. SNP's risk management system essentially consists of the following three components: its risk management policy, a standardized risk identification and treatment method and the responsible departments within its organizational structure, which are entrusted with the implementation of its risk management approach. All risks are systematically identified, evaluated and monitored. Risk assessment and aggregation rules have been defined for this purpose. Risks are normally balanced out by appropriate opportunities. However, the risk management system does not address the opportunities. During the reporting period, there were no material chan-

ges in the risk management system compared to the previous year.

The risk management policy stipulates a risk management process that consists of the following risk management cycle.

The local subsidiaries' risk managers for each division handle the primary risk identification process. This is accompanied by the implementation of an initial risk assessment. A central department reviews and analyzes the individual risks so as to be able to identify possible tendencies and reciprocal effects. The risk analysis also reviews whether compliance aspects have been appropriately represented. The individual analysis of risks is mainly implemented for the purpose of their quantification. The probability of realization of the risk and the possible effect on SNP's business activities are significant aspects. A three-point scale is created for each (low/moderate/high). The damage potential is determined for each risk on the basis of these two parameters. This may be classified as a "slight risk," a "moderate risk," or a "high-level risk."

The following tables show the amount of loss and the probability of occurrence of the risks.

LEVEL OF DAMAGE	AMOUNT OF DAMAGE
Low	< 100,000
Moderate	100,000 – 500,000
High	> 500,000

LEVEL OF PROBABILITY OF OCCURRENCE	PROBABILITY OF OCCURRENCE
Low	< 20%
Moderate	20 – 80%
High	> 80%

An overall analysis of the risk position is compiled in the risk aggregation. All risks are documented here and assigned to the appropriate risk areas. The risk reporting is derived from the aggregated overview, with an assessment of the situation for each of the individual areas. Eleven areas were selected for the year 2017 in the period under review. These are outlined in further detail in the risk report. Measures are implemented for each area – and also for individual risks – which are intended to be proportionate to the potential level of damage. The risk managers are responsible for implementation of these measures. The effectiveness of countermeasures, reduction strategies and SNP's internal control system are monitored and safeguarded by means of the management measures.

#### **Risk Management Systems (Report and Explanations Pursuant to Section 315 (2) (5) and Section 289 (5) of the HGB)**

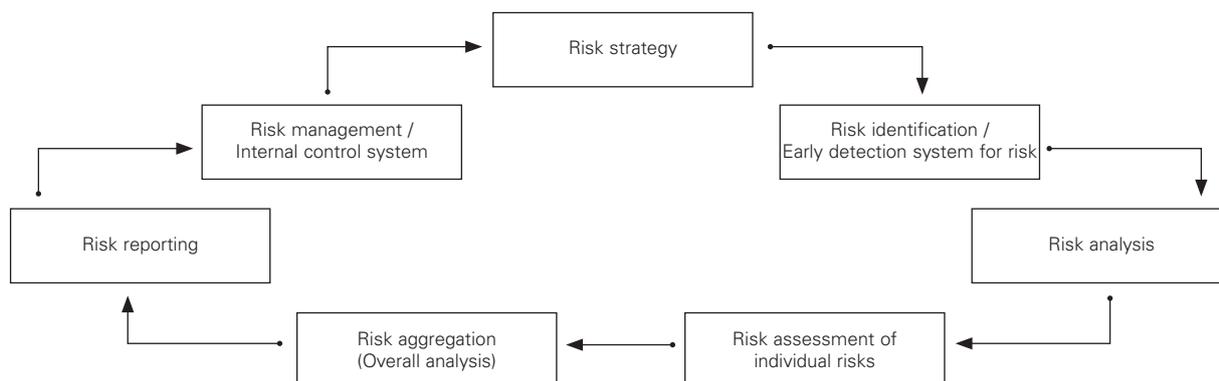
SNP strives for sustainable growth and a steady increase in the value of the company. This strategy is reflected in its risk policy. The basis of risk management is the monitoring and evaluation of financial, economic and market-related risks. IT-supported risk management, in which both qualitative and quantitative methods are applied at all levels of the Group, is a vital component of the planning and execution of its business strategy. The scope of risk consolidation mainly covers the Group's scope of consolidation; the companies acquired in 2016 and 2017 will be gradually integrated within the risk management system. The constant refinement of the risk management system is an important step that allows the company to respond promptly to changing conditions that may directly or indirectly affect the financial position and financial performance of SNP SE. Crucial projects are continuously monitored regarding their feasibility and profitability. All risk management-related activities are subject to annual planning. The reporting and documentation periods are based on the relevant deadlines as of the end of the quarter.

In order to ensure the early detection of risks on a Group-wide, systematic basis, SNP has installed a "monitoring system for the early detection of risks that may threaten the survival of the company," in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). This early detection system for risk ensures that the SNP Group can always adjust promptly to changes in its environment.

#### **Risk Management System Regarding Significant Risks Threatening the Company's Survival**

The risk management system for significant risks threatening the company's survival is integrated into the SNP Group's value-oriented management and planning system. It is an important component of the overall planning, controlling and reporting process in all relevant legal entities, business fields and core functions. Its purpose is to systematically identify, evaluate, monitor and document all significant risks threatening the company's survival. The Board of Directors establishes guidelines for risk management. These guidelines serve as the basis for risk management by the risk management officer. The risk management officer ensures that the specialized departments identify risks proactively and promptly, evaluate them both quantitatively and qualitatively and develop suitable measures to avoid or compensate for risks. Using a systematic risk inventory, the employees responsible revise and reassess the risks at least once per fiscal year. In addition to routine reporting, there is a Group internal reporting requirement for risks that may occur unexpectedly. Each risk is assigned to a risk group. When providing notifications and reassessments of risks, the amount of the loss and probability of occurrence must be indicated in accordance with guideline provisions. The task of the employees responsible is to develop and, if necessary, to introduce measures corresponding to the evaluation of risks that are suited to avoiding, reducing or protecting against these risks. Significant risks and countermeasures that have been introduced are moni-

## Risks, Opportunities and Forecast Report



tored regularly during the year. The Managing Directors and the Board of Directors are regularly informed about material identified risks.

### Internal Control and Risk Management System Regarding Accounting

The internal control and risk management system regarding the accounting process is designed to ensure the correctness and effectiveness of accounting and financial reporting. Due to its inherent limits, it is possible that the internal control system for financial reporting may not prevent or uncover all potentially misleading statements.

The Group accounting department regularly checks whether Group-wide accounting and evaluation principles are continuously updated and followed, internal Group transactions are fully recorded and properly eliminated, significant accounting issues subject to mandatory disclosure arising from agreements are identified and properly depicted, processes are in place ensuring the completeness of financial reporting, processes are in place to enforce the separation of functions and the double-check principle during the preparation of financial statements, and rules exist governing authorization and access to relevant IT accounting systems.

However, the internal control and risk management system for the accounting process cannot absolutely guarantee the avoidance of any accounting inaccuracies.

SNP is satisfied that the effectiveness of the Group's accounting-related control system was safeguarded as of December 31, 2017.

### Monitoring of the Internal Control and Risk Management System

The Board of Directors oversees the monitoring of the internal control and risk management system. The auditor examines the fundamental suitability of the early detection system for risk integrated into the risk management system to identify at an early stage any risks that pose a threat to the company's survival. In addition, he reports to the Board of Directors about any potential weaknesses in the internal control and risk management system.

### Risk Report

During the reporting period, there were no significant changes in risks relative to the previous year. In particular, no significant risks arose that might endanger the company's existence in terms of their probability of occurrence and potential damage caused. Adequate measures have been taken to avoid or compensate for risks.

### Economic and Political Risks

Uncertainty in the global economy and the financial markets, social and political instability – e.g. due to interstate conflicts, terror attacks, civil unrest, war or international conflicts – may adversely affect our business activities or have a negative impact on our business activities, our financial and earnings position and our cash flows.

SNP's customers are primarily large companies and multinational corporations. Business cycles influence the business and investment behavior of these companies. Therefore, global economic and business development can affect the success of the business. Cost reduction measures and investment freezes for IT projects on the part of customers can lead to project delays and/or cancellations. SNP tries to mitigate this market risk through regional diversification.

However, the diversification effect has limited impact during a global crisis. Therefore, company management tries to counter these risks by monitoring the market so that it will be able to respond to serious changes, if necessary, by promptly adjusting the business and its cost structure.

In addition, over the course of the year, SNP is subject to the typical business cycles for the IT sector. This usually means a very strong demand in the fourth quarter. Since the company's capacities, particularly in Professional Services, are largely fixed over the entire year in order to accommodate expected peak demand, heightened risk exists here if short-term changes in investment behavior should occur. SNP tries to reduce these risks by employing freelancers. Compared to the previous year, the use of external service providers and cost of materials increased by a total of 116.3% to € 16.2 million. SNP likewise seeks to reduce risks and their negative effects by continuously increasing the proportion of maintenance fees and recurring fees and thus revenue that can be more easily planned for. In 2017, maintenance fees increased by € 2.8 million or approximately 138.1% to € 4.9 million.

Similarly, it cannot be ruled out that in the Software division, scheduled software sales may fall through over the short term or purchase decisions by customers may be postponed, influencing the company's target achievement. SNP tries to reduce this risk through greater diversification of software products and stronger marketing of all software products. In the 2017 fiscal year, revenue from SNP's in-house products amounted to € 15.5 million (previous year: € 14.0 million).

SNP classifies the economic and political risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **Risks of Technology Development**

With its portfolio of products and services, SNP offers specific solutions for the transformation of ERP landscapes. Therefore, it focuses on a niche market. The possibility exists that another provider may offer better or less expensive solutions so that SNP loses market share or is driven from the market entirely. SNP counters this risk by developing new products and by continuously refining and improving existing products. In 2017, research and development costs as a percentage of revenue were 11.4% (previous year: 13.7%). Given the complexity of SNP products and processes, the company has managed to achieve an innovation lead until now that generally limits the possibility of imitation.

The earnings position of SNP largely depends on its success in adapting its products to changes in the market and achieving a rapid return on investment (ROI) from the production of high-quality new products and services. Revenue and earnings may be adversely affected if technologies do not function properly, do not encounter the expected market acceptance or are not launched in the market at the right time.

By integrating sales and the Professional Services division with research and development (R&D), the company has so far been able to detect changes in the market promptly and to develop market-driven and therefore also market-relevant product innovations.

SNP classifies the technological risks for the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

### Operational Risks

The implementation of projects in the ERP transformation market is frequently associated with a considerable deployment of resources by customers and is subject to a variety of risks that are often beyond their control. These risks include a lack of resources and system availability as well as the reorganization of existing projects. In order to minimize project risks, the SNP Group and its customers choose to use a modular approach, dividing projects into separate subprojects.

The remaining risks through conventional liability scenarios are mitigated by insurance coverage.

SNP classifies the operational risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### Risks of Dependence on SAP SE

The success of SNP products and consulting services is currently strongly linked to the acceptance and market penetration of the standard ERP software of SAP SE. The risk exists that SAP SE solutions may be supplanted by competing products.

However, the danger of a sudden collapse of the fundamentals for the market is regarded as minimal. Given the high investment of time and expense associated with a new installation of standard enterprise software, management anticipates that it will have sufficient time to realign its product offerings in response to changes in the market.

The SNP Group is constantly developing its product portfolio and increasingly orienting it toward solutions for the entire ERP market. In the process, the company is tapping into additional potential revenue sources, while simultaneously reducing its dependence on SAP SE.

SNP classifies the risks of dependence on SAP SE for the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

### Growth Risks

SNP AG continues to position itself for organic and inorganic growth. Company acquisitions can lead to a significant increase in SNP's value. However, the risk exists that it may not be possible to successfully integrate an acquired company into the SNP Group.

Furthermore, acquired companies or business areas may not develop as expected following their integration. In this case, the depreciation and amortization of such assets could impair earnings. Similarly, the risk exists that certain markets or sectors may offer only limited growth potential, contrary to expectations. SNP usually protects itself against this risk by arranging variable purchase price components or purchase price retentions that are linked to future performance indicators. In addition, SNP generally does not initially acquire all of the shares in companies in order to preserve liquidity and hedge-related risks.

SNP classifies the growth risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### Personnel Risks

SNP employees and their skills are of fundamental importance to the success of the company. Therefore, the loss of important employees in strategic positions is a significant risk factor. Furthermore, competition for qualified IT specialists continues unabated and could lead to shortages.

In order to mitigate this risk, SNP strives to offer a motivational work environment that enables existing employees to develop their abilities and realize their full potential.

This includes a range of individualized continuing education opportunities and attractive incentive programs. In addition, the company continually attempts to identify, hire and retain suitable employees. Further measures include university marketing programs and the routine measurement of employee satisfaction.

Moreover, SNP has increasingly begun to train young professionals in customized training programs. As of December 31, 2017, SNP employed 92 students and trainees (previous year: 60).

However, insuring against overall personnel risk is possible only to a limited extent. SNP classifies the personnel risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **Insurance Risks**

SNP has hedged against potential losses and liability risks by taking out appropriate insurance coverage. However, additional liability obligations or damages could arise that are unknown at the current time or could be economically disproportionate to the amount of the insurance protection. The scope of insurance coverage is continuously reviewed in light of the probability that certain risks may occur and adjusted, if necessary.

SNP classifies the insurance risks for the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

### **Legal Risks**

Legal risks primarily involve matters of company law, commercial and trademark law, contract law, product liability law, capital market law and cases of changes to relevant existing laws and their interpretations. A violation of an existing provision may occur as a result of ignorance or negligence. SNP uses external service providers and experts to minimize most of these risks. Moreover, in 2017, SNP initiated the development of an internal legal department with its own in-house legal experts. Legal disputes can lead to significant costs and damage to the company's image even if the company's legal position is vindicated. As of December 31, 2017, significant legal risks from lawsuits and third-party claims did not exist.

SNP classifies the legal risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **Sales Risks**

The SNP Transformation Backbone® with SAP LT software product and the other SNP software products are sold by SNP's in-house sales team as well as through partners such as system integrators and consultants. The success of marketing by the in-house sales team or these partners is determined particularly by specific market conditions, such as the availability of competing products, the general demand for standard software products for transformation projects and further products as well as the company's own product positioning in the market.

Marketing via third parties also carries the general risk that the relevant products are not sold with the commitment that SNP expects. Another risk is that distributors may terminate partnerships against the wishes of SNP. This could lead to medium-term substitution problems

and to significantly higher sales expenses. SNP attempts to reduce this risk by strengthening its in-house sales team, selecting partners carefully and offering attractive sales terms.

As of December 31, 2017, the number of sales employees increased to 94 (December 31, 2016: 62). The number of partner companies remained unchanged at 54.

SNP classifies the sales risks for the Professional Services and Software business segments as a moderate risk with a moderate probability of occurrence.

#### **Risk of Dependence on Individual Customers and Industries**

In the 2017 fiscal year, as in the previous year, no customer generated revenue that exceeded 10% of total revenue.

In the view of the management, dependence on individual customers for the Professional Services and Software business segments is a relatively slight risk.

Through a continuously growing, highly loyal customer base including many well-known major companies, SNP SE has firmly established itself in the mechanical engineering, chemical and electronics industries in particular. On the basis of order entry, in the 2017 fiscal year, these industries jointly represented a share of 36%. Measured in terms of order entry, the automobile industry (5%), the oil and gas industry and the utilities sector (4% each) were the next largest industries. Due to this diversification in terms of industries, SNP SE is not dependent on individual industries. We classify the risk of dependence on individual industries in the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

#### **Financial Risks**

##### **■ Credit Risk (Default Risk)**

A credit risk arises if a customer or counterparty to a financial instrument fails to meet its contractual obligations. SNP is constantly working on improving receivables management and intensively monitors the creditworthiness of its major customers. In order to reduce the default risk, the company requires deposits for individual projects, regardless of their respective significance, and invoices for milestones reached. As a result, credit risks exist only for the remaining amount owed.

SNP classifies the credit risk for the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

##### **■ Liquidity Risk**

SNP has a large amount of cash and cash equivalents, which are exclusively investments in term deposits, overnight money or similar conservative products with maturities of up to one year. Consequently, the interest rate risk associated with such financial investments is negligible. Given the low or even negative rate of interest accruing to the specified forms of investment, SNP is exposed to the risk of a loss in purchasing power from the liquid funds it is holding in case of a concurrently high rate of price inflation (inflation rate). The default risk posed by business partners, with whom SNP has made deposits or concluded derivative financial contracts, is minimized by regular credit checks of the relevant institutions. Derivative contracts were not concluded in the 2017 fiscal year. SNP is financed through its equity as well as external funds. As of December 31, 2017, its equity ratio amounts to 39%, while interest-bearing external funds account for 26% of total assets. In the context of a high volume of cash and cash equivalents (€ 33.9 million as of December 31, 2017) and a solid financing

structure, the management classifies the liquidity risk for the Professional Services and Software business segments as a slight risk with a slight probability of occurrence.

#### ■ **Currency Risk**

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions in foreign currencies involve fluctuations in currency exchange rates. Operating business and financial transactions must be converted into our Group reporting currency, the euro. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, relate primarily to the absolute amount of the key figures reported in euros. The realization of currency risks might have a significant impact on our business activities, our financial and earnings position and our cash flows. For this purpose, SNP considers the needs-based use of derivative financial instruments to avert potential foreign currency risks.

SNP classifies the currency risk for the Professional Services and Software business segments as a moderate risk with a slight probability of occurrence.

#### **Risk Report Summary**

Overall risks are limited and calculable. Based on available information, in the view of the Managing Directors, there are currently and in the foreseeable future no significant individual risks the occurrence of which is expected to endanger the existence of the Group or a significant Group company.

Given current business fundamentals and the company's solid financial structure, management does not believe that the totality of individual risks poses a threat to the ongoing survival of the SNP Group.

No risks endangering the survival of the company occurred during the 2017 fiscal year.

#### **Strategic Opportunities**

SNP SE remained committed to its objective of becoming the global standard for software-based data transformation. To achieve this goal, we are focusing on three strategic objectives at SNP:

- Automation through software
- Access to new markets through internationalization
- The ability to deliver projects globally

Our software portfolio is the technological core of our business model. Through technological innovations and improvements, we increase the benefits to the customer while also tapping into new sources of licensing income.

SNP SE is focusing on increasing its software licensing fees, which represent a significant success factor and a key benchmark in the software industry. These fees in turn result in highly profitable long-term maintenance fees, which therefore generate positive cash flows. As well as these growth areas, the Group is also focusing on boosting efficiency in all of its corporate segments.

It has developed the software CrystalBridge in this respect, which it presented at the SNP conference "Transformation World" last year. In the future, all SNP software solutions will be combined under the CrystalBridge umbrella. This will establish a homogeneous software platform that fulfills all of our customers' business and IT requirements. This approach is intended to close the gap between our customers' business and IT strategies.

The CrystalBridge software platform – which consists of individual modules – will cover a large number of IT and business transformation scenarios. The benefit for

customers is a customer-specific but nonetheless automated and highly transparent solution for the full range of IT data transformations (see Business Model and Organization / Software Segment).

The SNP Interface Scanner offers additional sales potential. This software provides an interface analysis between SAP systems and the surrounding IT landscapes (see Business Model and Organization / Software Segment).

To achieve our goal of becoming the global standard for all data transformation with our software and service portfolio, we have gained access to international markets through the implementation of an accelerated inorganic internationalization strategy. Following acquisitions in Asia, North America and the United Kingdom, we acquired the Polish BCC Group and the South American Adepcon Group in 2017. As a result, SNP now has a presence in almost all commercially relevant regional markets.

SNP is well placed for its positive corporate development thanks to its positioning in the commercially relevant regional markets and needs-based targeting of customers' requirements for IT transformation projects.

These acquisitions have increased the SNP Group's number of employees to in excess of 1,300. In order to service the increasing demand for SNP products and services, attracting new specialists is a key success factor in our growth strategy. By having greater access to customers, we are able to position SNP's software globally as well as to provide our new employees with the necessary transformation skills, enabling them to implement transformation projects in the Group's new markets.

With companies modifying their IT architectures and the existence of new software business suites from a wide range of manufacturers with global significance,

transformation experts are expected to become scarcer. We are ensuring the SNP Group's efficiency and ability to deliver to customers in a timely and sustainable manner by expanding our global team and building upon the increased sales potential of our portfolio.

### **Expanding the Market Position in the USA**

Currently with three locations in the USA, the SNP Group is excellently positioned to further penetrate the American market for transformation services. Through trainee programs for young talent in the USA, U.S.-based projects are increasingly being implemented inside the country. In order to improve this process further, in January 2017, SNP Labs Inc. was merged into SNP America Inc.

The commissioning of an order volume by the U.S. computer and IT group Hewlett-Packard and another major order from the U.S. chemical industry in 2016 are a testament to the company's rising reputation in the market. Through the successful implementation of its major project with Hewlett-Packard and the company's processing of a large project in the U.S. chemical industry as scheduled, it was possible to demonstrate the high degree of effectiveness of SNP software and massively improve its prominence in the U.S. IT market. As well as these flagship projects, around 80 transformation projects have already been completed for other well-known American corporations.

On the basis of various successfully realized major projects, we verify our sales and software strategy in relation to the contacts and negotiation partners for our target customers. While IT transformations such as upgrades to S/4HANA are generally sold at the customer's IT level, an expanded target customer marketing approach at the risk and compliance levels can deliver enormous added value, both for our customers and for SNP.

The new EU General Data Protection Regulation and the increased global risk of cyber-attacks and hacking are forcing companies to increasingly invest in suitable software and consulting services. The increased requirements at the risk and compliance levels are likely to have a long-term impact on our sales and software strategy.

### **Expanding the Group's Market Position in Southeast Asia / China**

At the beginning of 2016, the SNP Group succeeded in taking a step toward Asia by acquiring majority interests in two companies with more than two decades of project experience in Malaysia, Singapore and China. The Group is now focusing on further penetration of the Asian IT and SAP market, particularly the Chinese market. Targeted measures aimed at improving sales efficiency in the form of increased concentration on the sale of SNP software products and a focus on the profitable transformation business segment have paid off and are expected to have a long-term effect. As well as the Chinese Cyber Security Law, which came into effect in mid-2017, SAP SE's intensified Chinese sales strategy to acquire new customers in the field of SAP Cloud Services also promises additional sales potential for SNP software and services on the Chinese market.

### **Technical Transformation Projects: S/4HANA and Cloud**

Innovation leadership in the area of transformation software and the steady expansion of the solution portfolio harbor significant growth opportunities for SNP. Since SAP SE announced the introduction of a new SAP Business Suite 4 with its new database SAP HANA, the update – which is one of the largest in the SAP ERP world – is one of the key issues for SNP software development and consulting. The SAP S/4HANA team specifically established for this purpose devotes a lot of

energy to the development of solutions and services that help customers to rapidly execute this complex transformation project with the minimum level of risk. SNP has already successfully completed more than 30 SAP S/4 projects and has also assembled an interdisciplinary SAP S/4 competence team for the internal changeover process. SNP's unchanged goal is to develop appropriate migration solutions and strategies for the corporate transformation market and to decisively shape this market.

Cloud computing is another key current IT trend. Cloud computing offers SAP customers the opportunity to significantly reduce their operating costs while increasing their agility and performance levels. However, transferring system landscapes to a cloud environment frequently requires prolonged downtimes for the affected SAP application systems, which customers are generally unable to accept. It is here that SNP's Transformation Backbone Software comes into play. SNP offers a solution that enables customers to realize the transfer of their system landscape to the cloud, for example, with only a very limited downtime, therefore enabling the resumption of business activities as quickly as possible. This solution has already been successfully implemented for a large number of international customers, e.g., Kellogg's.

### **Diversified Integration Strategy for the Acquired Companies**

In 2017, the Group completed the two biggest company acquisitions in its history: the Polish and Eastern European IT and SAP markets were opened up through Poland's BCC Group. The process of integrating this acquisition in the SNP Group is going as scheduled and is being supported by an internal post-merger integration team for the first time. The objectives for the integration plan include the use of this Polish site as a nearshoring center for consulting services for IT projects that require increased personnel resources. The BCC

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**Forecast Report**

Group was already renamed SNP Poland in 2017. Moreover, the entire SNP Group became a Microsoft Gold Partner through this acquisition in Poland. This Microsoft Gold Partnership will enable SNP at a global level to migrate, install and administer SAP landscapes in the Microsoft Cloud Azure Cloud. The SNP Group is therefore ideally placed in order to realize future SAP business in the cloud with Microsoft as well as Amazon Web Services. As the largest and most experienced SAP partner in Poland, SNP Poland has a comprehensive range of more than 40 unique proprietary solutions that expand the SAP standard while complementing the SAP system.

The Adecon Group was the second major company acquisition in 2017. Adecon's history goes back around 20 years. It operates as an SAP Value Added Reseller on the South American market. This profitable group has offices in Argentina, Chile and Colombia and specializes in projects with very large data volumes, where it offers its customers decisive technological and consulting added value. The majority of its key clients are from Latin America and Europe and mainly consist of insurance companies, private social security funds, commercial enterprises, pharmaceutical companies as well as media, manufacturing and utility companies.

**Growing Through Targeted Acquisitions**

New acquisitions give rise to additional opportunities for SNP to augment its strategic range of products and solutions, to penetrate new sales markets, to gain technical expertise and to expand capacity. In the past, SNP has successfully taken over several companies, which now are helping improve its market penetration. A targeted market survey in search of possible target companies – focusing on the Software segment – is an objective of SNP's corporate strategy.

**Improving the Reputation of the SNP Brand**

By virtue of its highly innovative software portfolio, SNP occupies a clearly unique position in the market for IT and business transformations. SNP is in a position to manage and support transformations both at the global and regional level using different ERP systems. With more projects and growing project volumes, both the reputation of the SNP brand and the customer trust in SNP's software and consulting services are improving.

**Developing the SNP Software Portfolio**

The basis and driver of growth at SNP SE is the company's own software portfolio. Our highly innovative and unique product range already provides our customers with a vital contribution to value creation. In the process, we enable our customers to navigate digital transformation successfully and to take advantage of market opportunities. The strategic goal is to turn SNP into the industry standard for software-based IT transformation in order to reliably support and promote permanent change in companies. The focus will be on the technological development of SNP software products in 2018, as well.

**FORECAST REPORT**

As a result of the investments in growth made in the past fiscal year and the company's enhanced reputation in the market, the Management assumes higher sales in both the Professional Services segment and in the Software segment. In particular, the increased contribution to total sales of software license revenue and related economies of scale should result in wider operating margins over the medium to long term.

The performance of the SNP Group is largely independent of the performance of the overall economy since SNP is generally less affected by a potential economic

downturn as a result of its positioning as a specialized provider of standardized ERP transformations. This is due to the fact that companies also need to adjust their IT landscapes during periods of economic weakness in order to remain competitive.

As in previous years, it is assumed that in the current fiscal year, revenue will not be evenly distributed over the quarters and that the second half of the year should be much stronger. Overall, the Management expects Group revenue of between € 150 million and € 155 million in the 2018 fiscal year and plans on an operating earnings margin (EBIT margin) in the mid-single-digit percentage range.

According to the Group's planning, the Software business segment accounts for around 23% of this target revenue and the Professional Services business segment for approximately 76%. While the EBIT margin excluding non-segment-related expenses is expected to fall within the mid-single-digit percentage range in the Professional Services business segment, for the Software business segment, the management expects an EBIT margin in the lower- to mid-double-digit percentage range.

Apart from acquisition-related expenses (amortization of identified intangible assets acquired in previous years through company acquisitions) in the amount of € 1.6 million, the current budget planning for the 2018 fiscal year does not envisage any significant operating expenses according to non-IFRS indicators. The expected IFRS and non-IFRS EBIT margins therefore differ by around 1%.

The Managing Directors and the Board of Directors remain committed to the prioritized mid-term goal of structurally increasing the SNP Group's profitability.

## RESPONSIBILITY STATEMENT

We certify to the best of our knowledge that in accordance with applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's financial position and financial performance and that the business performance, including the result of operations and the position of the Group, are presented in the Group management report in a way that gives a true and fair view, and that significant opportunities and risks for the expected performance of the Group are described.

Heidelberg, March 26, 2017

Managing Director  
Dr. Andreas Schneider-Neureither

# CONSOLIDATED FINANCIAL STATEMENT

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# CONSOLIDATED FINANCIAL STATEMENT

## CONSOLIDATED BALANCE SHEET

as of December 31, 2017

ASSETS			adjusted	adjusted
In €	Notes	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
<b>Current assets</b>				
Cash and cash equivalents	14.	33,876,722.70	31,914,247.64	13,769,161.99
Other current assets	15.	402,907.08	123,266.04	26,535.46
Trade receivables and other receivables	16.	41,903,614.93	24,936,628.24	14,951,336.65
Inventories	17.	371,250.00	371,250.00	371,250.00
Other non-financial assets	18.	1,876,904.88	715,307.72	557,217.59
Tax receivables	24.	182,663.75	363,217.58	142,467.50
		<b>78,614,063.34</b>	<b>58,423,917.22</b>	<b>29,817,969.19</b>
<b>Non-current assets</b>				
Goodwill		56,125,565.10	21,563,226.63	10,161,875.47
Intangible assets	19.	10,886,520.40	2,615,839.57	1,513,312.70
Property, plant and equipment	20.	5,187,057.31	3,160,586.66	1,998,513.21
Other financial assets	15.	809,340.50	291,999.29	205,219.40
Investments accounted for under the equity method	21.	2.00	421,850.98	22,355.14
Trade receivables and other receivables	16.	270,000.00	1,011,615.38	175,000.00
Other non-financial assets	18.	85,654.83	42,172.18	2,290.00
Tax receivables		0.00	0.00	4,588.13
Deferred taxes	24.	1,807,167.29	1,001,365.17	1,338,314.96
		<b>75,171,307.43</b>	<b>30,108,655.86</b>	<b>15,421,469.01</b>
		<b>153,785,370.77</b>	<b>88,532,573.08</b>	<b>45,239,438.20</b>
<b>EQUITY AND LIABILITIES</b>				
In €	Notes	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
<b>Current liabilities</b>				
Trade payables and other liabilities	22a.	11,766,804.86	2,976,608.73	2,322,143.23
Tax liabilities	24.	388,101.70	234,859.61	416,690.91
Financial liabilities	22b.	11,236,382.24	18,107,860.66	3,091,836.08
Other non-financial liabilities	22c.	16,447,792.69	10,328,732.77	7,453,082.51
Provisions	23.	105,347.49	98,009.00	120,000.00
Deferred income	27.	586,982.42	884,499.01	270,425.64
		<b>40,531,411.40</b>	<b>32,630,569.78</b>	<b>13,674,178.37</b>
<b>Non-current liabilities</b>				
Trade payables and other liabilities	22a.	579,811.65	149,041.98	28,477.08
Financial liabilities	22b.	49,486,955.13	5,531,350.72	14,265,621.56
Provisions for pensions	25.	1,531,313.00	1,518,551.00	1,234,009.00
Deferred taxes	24.	1,524,906.53	59,395.98	13,028.90
Deferred income	27.	34,018.00	69,084.00	221.00
		<b>53,157,004.31</b>	<b>7,327,423.68</b>	<b>15,541,357.54</b>
<b>Equity</b>				
Subscribed capital	28.	5,474,463.00	4,976,786.00	3,738,060.00
Capital reserve	30.	54,260,325.48	36,331,446.56	7,189,482.76
Retained earnings	30.	2,179,921.78	6,913,341.27	5,497,097.46
Other components of the equity		-1,678,503.26	-296,252.83	13,912.26
Treasury shares	29.	-414,650.19	-414,650.19	-414,650.19
<b>Equity attributable to shareholders</b>		<b>59,821,556.81</b>	<b>47,510,670.81</b>	<b>16,023,902.29</b>
Non-controlling interests	31.	275,398.25	1,063,908.81	0.00
		<b>60,096,955.06</b>	<b>48,574,579.62</b>	<b>16,023,902.29</b>
		<b>153,785,370.77</b>	<b>88,532,523.08</b>	<b>45,239,438.20</b>

The following notes are an integral part of the consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2017

In €	Notes	2017	2016
<b>Revenue</b>		<b>122,342,803.83</b>	<b>80,685,261.23</b>
Professional Services	35.	98,332,742.51	66,640,120.09
Licenses		19,098,562.47	11,982,350.05
Maintenance		4,911,498.85	2,062,791.09
Capitalized own services		161,419.54	0.00
Other operating income	36.	1,918,355.01	1,227,905.89
Cost of material	37.	-19,214,860.76	-8,276,195.63
Personnel costs	38.	-71,471,700.40	-47,207,185.63
Other operating expenses	39.	-29,935,184.02	-17,810,886.84
Other taxes		-532,878.30	-94,944.70
<b>EBITDA</b>		<b>3,267,954.90</b>	<b>8,523,954.32</b>
Depreciation and impairments on intangible assets and property, plant and equipment		-3,776,125.61	-1,667,105.49
<b>EBIT</b>		<b>-508,170.71</b>	<b>6,856,848.83</b>
Income from investments accounted for using the equity method		-24,053.67	8,180.38
Other financial income		57,338.72	158,715.31
Other financial expenses		-1,384,119.23	-1,295,317.64
<b>Net financial income</b>		<b>-1,350,834.18</b>	<b>-1,128,421.95</b>
<b>EBT</b>		<b>-1,859,004.89</b>	<b>5,728,426.88</b>
Income taxes	24.	-806,559.02	-1,517,436.27
<b>Consolidated net loss / income</b>		<b>-2,665,563.91</b>	<b>4,210,990.61</b>
Thereof:			
Profit attributable to non-controlling shareholders		-234,488.16	146,706.17
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE		-2,431,075.75	4,064,284.44
<b>Earnings per share</b>	12.	<b>€</b>	<b>€</b>
- Undiluted		-0.47	0.95
- Diluted		-0.47	0.95
<b>Weighted average number of shares</b>			
- Undiluted		5,189,918.00	4,297,691.00
- Diluted		5,189,918.00	4,297,691.00

The following notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2017

In €	2017	2016
<b>Net income for the period</b>	<b>-2,665,563.91</b>	<b>4,210,990.61</b>
<b>Items that may be reclassified to profit or loss in the future</b>		
Currency translation differences	-1,420,244.61	-172,351.13
Deferred taxes on currency translation differences	-	-
	<b>-1,420,244.61</b>	<b>-172,351.13</b>
<b>Items that will not be reclassified to profit or loss</b>		
Change from the revaluation of defined benefit pension plans	42,943.00	-233,791.00
Deferred taxes on revaluation of defined benefit pension plans	-10,553.85	63,711.25
	<b>32,389.15</b>	<b>-170,079.75</b>
<b>Income and expenses directly recognized in equity</b>	<b>-1,387,855.46</b>	<b>-342,430.88</b>
<b>Total comprehensive income</b>	<b>-4,053,419.37</b>	<b>3,868,559.73</b>
Profit attributable to non-controlling shareholders	-240,093.19	114,440.38
<b>Profit attributable to shareholders of SNP Schneider-Neureither &amp; Partner SE in total comprehensive income</b>	<b>-3,813,326.18</b>	<b>3,754,119.35</b>

The following notes are an integral part of the consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2017

In €	2017	2016
<b>Profit after tax</b>	<b>-2,665,563.91</b>	<b>4,210,990.61</b>
Depreciation	3,776,125.61	1,667,105.49
Change in provisions for pensions	12,762.00	186,599.16
Other non-cash income/expenses	-473,693.59	515,681.61
Changes in trade receivables, other current assets, other non-current assets	-8,960,085.25	-8,276,435.36
Changes in trade payables, other provisions, tax liabilities, other current liabilities	830,139.99	2,342,234.06
<b>Cash flow from operating activities (1)</b>	<b>-7,480,315.15</b>	<b>646,175.57</b>
Payments for investments in property, plant and equipment	-2,759,230.85	-2,063,362.75
Payments for investments in intangible assets	-2,679,765.59	-1,439,980.76
Payments for investments in at-equity investments	-	-401,191.00
Proceeds from disposals of tangible fixed assets	204,837.37	52,159.00
Payments for the acquisition of consolidated companies and other business units	-28,782,749.30	-5,521,987.00
<b>Cash flow from investing activities (2)</b>	<b>-34,016,908.37</b>	<b>-9,374,272.51</b>
Dividend payments	-1,932,412.56	-1,263,500.52
Proceeds from capital increase	18,293,276.92	30,128,921.15
Proceeds from loans	39,867,507.09	-
Payments on loans	-12,210,572.71	-2,100,000.00
<b>Cash flow from financing activities (3)</b>	<b>44,017,798.74</b>	<b>26,765,420.63</b>
Changes in cash and cash equivalents due to foreign exchange rates (4)	-558,100.16	107,761.96
<b>Cash change in cash and cash equivalents (1)+(2)+(3)+(4) 4</b>	<b>1,962,475.06</b>	<b>18,145,085.65</b>
Cash and cash equivalents at the beginning of the fiscal year	31,914,247.64	13,769,161.99
<b>Cash and cash equivalents as of December 31</b>	<b>33,876,722.70</b>	<b>31,914,247.64</b>
<b>Composition of cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	33,876,722.70	31,914,247.74
<b>Cash and cash equivalents as of December 31</b>	<b>33,876,722.70</b>	<b>31,914,247.74</b>

The following notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1, 2016 to December 31, 2017

In €	Subscribed Capital	Capital reserve	Retained earnings
<b>As of Jan. 1, 2016</b>	<b>3,738,060.00</b>	<b>7,189,482.76</b>	<b>5,497,097.46</b>
Dividend payment			-1,263,500.52
Capital increase	1,238,726.00	29,141,963.80	
Change consolidation group			
Total comprehensive income			4,064,284.44
Acquisition minorities			-1,384,540.11
<b>As of Dec. 31, 2016</b>	<b>4,976,786.00</b>	<b>36,331,446.56</b>	<b>6,913,341.27</b>
Dividend payment			-1,932,412.56
Capital increase	497,677.00	17,928,878.92	
Change consolidation group			
Total comprehensive income			-2,431,075.75
Acquisition minorities			-369,931.18
<b>As of Dec. 31, 2017</b>	<b>5,474,463.00</b>	<b>54,260,325.48</b>	<b>2,179,921.78</b>

The following notes are an integral part of the consolidated financial statements.

## Other components of equity

Currency conversion	Revaluation of performance-oriented obligations	Other components	Treasury shares	Shareholders of SNP AG attributable capital	Non-controlling shares	Total equity
<b>270,404.56</b>	<b>-256,492.30</b>	<b>13,912.26</b>		<b>16,023,902.29</b>	<b>0.00</b>	<b>16,023,902.29</b>
				-1,263,500.52		-1,263,500.52
				30,380,689.80		30,380,689.80
				0.00	1,524,928.32	1,524,928.32
-140,085.34	-170,079.75	-310,165.09		3,754,119.35	114,440.38	3,868,559.73
				-1,384,540.11	-575,459.89	-1,960,000.00
<b>130,319.22</b>	<b>-426,572.05</b>	<b>-296,252.83</b>	<b>-414,650.19</b>	<b>47,510,670.81</b>	<b>1,063,909.81</b>	<b>48,574,579.62</b>
				-1,932,412.56		-1,932,412.56
				18,426,555.92		18,426,555.92
				0.00	112,370.21	112,370.21
-1,414,639.58	32,389.15	-1,382,250.43		-3,813,326.18	-240,093.19	-4,053,419.37
				-369,931.18	-660,787.58	-1,030,718.76
<b>-1,284,320.36</b>	<b>-394,182.90</b>	<b>-1,678,503.26</b>	<b>-414,650.19</b>	<b>59,821,556.81</b>	<b>275,398.25</b>	<b>60,096,955.06</b>

## CHANGES IN CONSOLIDATED FIXED ASSETS

for the period from January 1 to December 31, 2017

In €	Acquisition-/ production costs Jan. 1, 2017	Currency differences	Additions	Additions from company acquisitions	Disposals	Reclassifica- tion	Acquisition-/ production costs Dec. 31, 2017
<b>I. Intangible fixed assets</b>							
1. Concessions, industrial property rights and similar rights and licenses to suchrights and values	5,476,207.88	-197,084.11	2,375,419.29	7,679,409.46	-249,434.82	-124,100.00	<b>14,960,417.70</b>
2. Goodwill	21,563,226.63	-1,330,588.03	0.00	35,892,926.50	0.00	0.00	<b>56,125,565.10</b>
3. Capitalized own services	0.00	0.00	305,417.14	0.00	0.00	124,100.00	<b>429,517.14</b>
	<b>27,039,434.51</b>	<b>-1,527,672.14</b>	<b>2,680,837.43</b>	<b>43,572,335.96</b>	<b>-249,434.82</b>	<b>0.00</b>	<b>71,515,499.94</b>
<b>II. Propety, plant and equipment</b>							
1. Land, rights equivalent to property and buildings on third-party land	383,161.67	-15,506.72	195,716.04	71,264.42	-52,123.95	33,759.19	<b>616,270.65</b>
2. Other equipment, office and factory equipment	6,237,427.37	-94,965.18	2,564,773.44	1,189,910.73	-1,384,272.81	-33,759.19	<b>8,479,114.36</b>
	<b>6,620,589.04</b>	<b>-110,471.90</b>	<b>2,760,489.48</b>	<b>1,261,175.15</b>	<b>-1,436,396.76</b>	<b>0.00</b>	<b>9,095,385.01</b>
<b>Total fixed assets</b>	<b>33,660,023.55</b>	<b>-1,638,144.04</b>	<b>5,441,325.91</b>	<b>44,833,511.11</b>	<b>-1,685,831.58</b>	<b>0.00</b>	<b>80,610,884.95</b>

The following notes are an integral part of the consolidated financial statements.

## CHANGES IN CONSOLIDATED FIXED ASSETS

for the period from 1 January to 31 December, 2016

In €	Acquisition-/ production costs Jan. 1, 2016	Currency differences	Additions	Additions from company acquisitions	Disposals	Acquisition-/ production costs Dec. 31, 2016
<b>I. Intangible fixed assets</b>						
1. Concessions, industrial property rights and similar rights and licenses to suchrights and values	3,681,841.97	53,254.30	1,352,875.79	393,800.40	-5,564.58	5,476,207.88
2. Goodwill	10,161,875.47	145,592.67	0.00	11,255,758.49	0.00	21,563,226.63
	<b>13,843,717.44</b>	<b>198,846.97</b>	<b>1,352,875.79</b>	<b>11,649,558.89</b>	<b>-5,564.58</b>	<b>27,039,434.51</b>
<b>II. Propety, plant and equipment</b>						
1. Land, rights equivalent to property and buildings on third-party land	302,014.24	1,541.61	55,204.37	24,401.45	0.00	383,161.67
2. Other equipment, office and factory equipment	4,443,713.20	20,370.90	2,008,113.58	115,559.96	-350,330.27	6,237,427.37
	<b>4,745,727.44</b>	<b>21,912.51</b>	<b>2,063,317.95</b>	<b>139,961.41</b>	<b>-350,330.27</b>	<b>6,620,589.04</b>
<b>Total fixed assets</b>	<b>18,589,444.88</b>	<b>220,759.48</b>	<b>3,416,193.74</b>	<b>11,789,520.30</b>	<b>-355,894.85</b>	<b>33,660,023.55</b>

The following notes are an integral part of the consolidated financial statements.





NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. BASIC INFORMATION ON THE COMPANY

SNP Schneider-Neureither & Partner SE arose through a transformation from Schneider-Neureither & Partner AG. The transformation into a European stock corporation (Societas Europaea / SE) was entered into the commercial register on December 6, 2017. The company is based in Heidelberg, Germany. The company is entered into the commercial register of the Mannheim District Court under HRB 729172.

The shares of SNP Schneider-Neureither & Partner SE are traded on the Prime Standard of the Frankfurt Stock Exchange under security identification number ISIN DE007203705.

SNP Schneider-Neureither & Partner SE is a software-oriented business consulting firm that specializes in the delivery of services in the area of data processing, whereby proprietary software developments are used, particularly in the area of digital transformation management. SNP enables companies to successfully navigate the rapidly changing digital environment and seize their opportunities on the market with a highly flexible IT infrastructure. SNP supports organizations in adapting their business models and using new technologies. SNP software and services facilitate the implementation of business or technical modifications to business applications.

The solutions and software from SNP provide support for M&A projects and carve-outs, allow for the integration of previously divergent IT landscapes and promote expansion into new markets outside the domestic space. With SNP Transformation Backbone, the company offers the world's first standardized software for automatically assessing and implementing changes to IT systems. This provides customers with clear qualitative advantages, while notably reducing the time and expense involved in transformation projects.

The consolidated financial statements of SNP Schneider-Neureither & Partner SE, Heidelberg, for the fiscal year ended December 31, 2017, were approved for publication by resolution of the Board of Directors on March 26, 2018.

## 2. GENERAL INFORMATION

The consolidated financial statements of SNP Schneider-Neureither & Partner SE and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and Section 315a (1) of the HGB.

The IFRS include the IFRS newly released by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC or IFRS IC) and the Standing Interpretations Committee (SIC), as adopted by the EU. At the same time, the consolidated financial statements satisfy the commercial law requirements according to Section 315a (1) of the HGB.

The consolidated financial statements were prepared in euros (€), the functional currency of the parent company. Unless otherwise stated, all amounts in the notes to the consolidated financial statements are provided in thousands of euros (€ thousand). Due to rounding-off, slight discrepancies are possible in this report for total amounts as well as percentage figures.

The income statement was prepared according to the nature of expense method. SNP Schneider-Neureither & Partner SE exercised the option of presenting the income statement and the statement of comprehensive income separately.

The preparation of the consolidated financial statements is done using a historical cost basis, with the exception of financial assets available for sale, which are measured at market value.

## 3. APPLICATION OF NEW ACCOUNTING RULES

The following standards and interpretations of the International Accounting Standards Board (IASB) that have come into force have been adopted by the European Union (EU) and taken into consideration in the preparation of the consolidated financial statements as of December 31, 2017:

- Amendment to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendment to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Improvements to IFRS 2014–2016 – Amendment to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard

The application of these new or revised standards and interpretations has only affected the consolidated financial statements within the scope of the disclosures regarding the statement of cash flows according to IAS 7.

#### 4. NEW ACCOUNTING RULES WHICH HAVE NOT YET TAKEN EFFECT

The following standards and interpretations (of relevance to the Group) have been issued but have not yet taken effect as of the date of publication of the consolidated financial statements. The Group intends to apply these standards as of the date that they come into effect, where appropriate.

##### **IFRS 15 (Revenue from Contracts with Customers)**

The IASB issued IFRS 15 on May 28, 2014. The new standard on revenue realization will apply for us from January 1, 2018. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue as well as the related interpretations. Within the scope of our preparations for application of IFRS 15, in 2017, we developed new accounting and measurement principles for revenue realization based on IFRS 15 and adjusted the relevant business processes in line with these new accounting guidelines. These efforts were part of a project which we implemented throughout our company. We have also developed a global introduction and training concept for all relevant stakeholder groups within SNP and introduced internal controls for application of the new accounting guidelines and processes.

IFRS 15 provides for two possible transition options for the implementation of the new rules: (1) retrospective application to each past reporting period presented in accordance with IAS 8 (accounting methods, changes to accounting-related estimates and errors) or (2) retrospective application with recognition of the cumulative effect of first-time application through an adjustment to the opening balance of retained earnings (cumulative catch-up method). Moreover, specific exemptions may be applied in case of first-time application of IFRS 15. We will apply the new standard retrospectively with effect as of January 1, 2018, on the basis of the cumulative catch-up method. We will also make use of the exemption permitting the new standard to be applied

only to contracts not yet fulfilled as of January 1, 2018. This exemption will affect both the cumulative effect of first-time application of this standard for retained earnings and our future revenue and expenses. Please see below for further information.

There are several differences between our future accounting and measurement methods based on IFRS 15 and our previous accounting and measurement methods. These are outlined in note 10. The key differences are as follows:

In the period up to December 31, 2017, revenue from licensing fees within the scope of multi-component contracts (project licenses) was realized on the basis of a specific date, as of the conclusion of the contract and delivery of the software. Upon the application of IFRS 15, from January 1, 2018, this revenue will be realized in accordance with the progress of the project, over the duration of the project. For our opening balance as of January 1, 2018, we expect the above-mentioned changes in the revenue realization methods to result in a € 4.1 million decrease in equity before deferred taxes and contract assets. In line with the degree of completion of these projects, from January 1, 2018, we expect an increase in our revenue and EBIT figures by the same volume. To date, receivables under customer contracts in connection with POC-related accounting are reported under trade receivables. In the future, they will be reported separately. Where customer payments exceed the performance provided to date, this will be reported as a trade payable. In the future, we will report a customer contract either as a contract liability or as a contract asset once one of the parties has begun to fulfill the contract. Legal claims to the provision of consideration by customers will only be reported as trade receivables if the legal claim is unconditional. For our opening balance as of January 1, 2018, we expect a € 3.1 million decrease in our trade receivables item and a € 1.0 million increase in our contract liabilities item.

##### **IFRS 9 (Financial Instruments)**

On July 24, 2014, the IASB issued the fourth and final version of IFRS 9. We will apply IFRS 9 from January 1, 2018. IFRS 9 introduces a consistent approach to the classification and measurement of financial assets. The standard is based on the cash flow properties and the business model used to manage these assets. Furthermore, it provides for a new model of impairment that is based on expected credit losses. IFRS 9 also includes new regulations for the application of hedge accounting in order to improve the presentation of the risk management activities of a company, particularly with regard to the management of nonfinancial risks.

SNP will make use of the exemptions from full retrospective application and thus recognize the effect of first-time application as an adjustment to the opening balance of retained earnings. We have reviewed our financial assets and liabilities and expect the following effects.

#### **Classification of Financial Assets**

Most of our debt instruments and all loans, trade receivables and other financial receivables will fulfill the criteria for accounting at amortized cost. Therefore, we do not expect the amendments to have any significant effect on our financial position and financial performance.

#### **Financial Liabilities**

To date, we have not designated any financial liabilities at fair value through profit or loss and nor do we intend to do so in the future, as things stand. Nor have we modified any of our financial liabilities in the past. We do not therefore expect any significant effect on our financial liabilities, since the only significant changes that IFRS 9 will make in relation to accounting for financial liabilities are the following: changes to the fair value of liabilities designated at fair value through profit or loss that are attributable to changes in the default risk for this liability are to be reported directly in equity, in other comprehensive income, and modified financial liabilities will be accounted for on the basis of the original effective interest rate and not the effective interest rate resulting from modification.

#### **Impairments**

We will apply the simplified impairment model provided by IFRS 9 and thus recognize any losses resulting from trade receivables and contract assets expected over the entire term. We assess the default risk for trade receivables on the basis of customers' credit quality as well as the payment history of the relevant customers. Outstanding debts are locally monitored on an ongoing basis. We apply the general impairment rules under IFRS 9 in accordance with our new accounting and measurement methods for bank balances, debt instruments and loans, as well as other financial receivables not classified at fair value through profit or loss. We exclusively invest financial resources with well-known financial institutions in order to minimize the default risk. Loans and other financial receivables are monitored on the basis of borrower-specific information. We do not expect that the changeover to a model that sets aside expected loan losses will result in significant changes to our impairments for trade receivables and other assets, in comparison with the amounts that we would have recognized if we had continued to apply our previous accounting and measurement methods.

#### **Hedge Accounting**

We will apply the new hedge accounting requirements prospectively. As of the reporting date, December 31, 2017, we do not have any such hedges.

#### **IFRS 16 (Leases)**

The IASB issued IFRS 16 on January 13, 2016. We will apply IFRS 16 from the date on which it comes into effect (January 1, 2019), subject to the modified retrospective approach. In particular, application of the new standard will have significant effects on accounting for leases where SNP is the lessee and real estate lease agreements, since in principle all leases must be recognized in a company's balance sheet (in the form of rights of use and leasing liabilities). We intend to make use of the exemptions provided for in the standard (e.g., in relation to short-term leases, leases for low-value assets and in relation to the separation of components of a contract that do not constitute leasing). We expect the application of IFRS 16 to result in an increase in the balance sheet total, since rights of use and leasing liabilities must be recognized that were not previously recognized in the balance sheet, as well as an increase in the operating result, since costs that were previously recognized as rental expenses must now be classified as interest expenses. Since the effects of application of IFRS 16 will depend on the leases in existence as of the date of first-time application, a reliable assessment of the effects of IFRS 16 on our consolidated financial statements is not yet possible. However, we expect this to have significant effects on the Group's financial position and financial performance in light of the current real estate lease agreements.

### **5. CORRECTION TO PRESENTATION OF THE PREVIOUS YEAR**

In the previous year, SNP made changes to its reporting that did not have any effect on equity. These changes are outlined below and in the section that provides information on the key accounting policies. In the period up to and including 2016, as a rule, the company classified and categorized trade receivables and trade payables as current. This reporting format meant that current assets and current liabilities were reported as too high. In addition, rent-free periods were reclassified from current deferred income to trade payables and other liabilities. Licenses held for resale were reclassified from trade receivables and other receivables to inventories. Finally, the noncurrent portions of the prepaid expenses item were reclassified from current assets to noncurrent assets.

In € thousand	12/31/2016	1/1/2016
Current assets	-1,054	177
Noncurrent assets	1,054	177
<b>Total assets</b>	<b>0</b>	<b>0</b>
Current liabilities	-1,752	-29
Noncurrent liabilities	1,752	29
<b>Total liabilities</b>	<b>0</b>	<b>0</b>
<b>Net effect on equity</b>	<b>0</b>	<b>0</b>

## 6. SCOPE OF CONSOLIDATION

Aside from SNP Schneider-Neureither & Partner SE (Dossenheimer Landstrasse 100, 69121 Heidelberg, Germany) as the parent company, the scope of consolidation includes the following subsidiaries in which SNP Schneider-Neureither & Partner SE holds the majority of the voting rights directly or indirectly.

COMPANY NAME	COMPANY HEADQUARTERS	SHARE OWNERSHIP IN %
SNP Transformations Deutschland GmbH (previously SNP Consulting GmbH)	Thale, Germany	100
SNP Business Landscape Management GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP Applications Singapore Private Limited	Singapore	80
SNP Applications EMEA GmbH	Heidelberg, Germany	100
SNP GmbH	Heidelberg, Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG	Steinhausen, Switzerland	100
Schneider-Neureither & Partner Iberica, S.L.	Madrid, Spain	100
SNP Transformations, Inc. (previously SNP America, Inc.) <sup>1</sup>	Jersey City, New Jersey, USA	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Hartung Consult GmbH	Berlin, Germany	100
Hartung Informational System Co., Ltd.	Shanghai, China	100
SNP Transformations SEA Pte. Ltd. (previously Astrums Consulting (S) Pte. Ltd.) <sup>2a</sup>	Singapore	81
SNP Transformations Malaysia Sdn. Bhd. (previously Astrums Consulting Sdn. Bhd.) <sup>2b</sup>	Kuala Lumpur, Malaysia	81
Harlex Management Ltd.	London, U.K.	100
Harlex Consulting Ltd.	London, U.K.	100
RSP Reinhard Salaske & Partner Unternehmensberatung GmbH <sup>3</sup>	Wiehl, Germany	100
Business Consulting Center Sp. z o.o. <sup>4</sup>	Suchy Las, Poland	100
BCC IP Sp. z o.o. <sup>4</sup>	Suchy Las, Poland	100
BCC Business Consulting Center GmbH <sup>4</sup>	Berlin, Germany	100
BCC Business Consulting Center UK Ltd. <sup>4</sup>	London, U.K.	100
BCC Business Consulting Center Netherlands B.V. <sup>4</sup>	Amsterdam, The Netherlands	100
Innoplexia GmbH <sup>5</sup>	Heidelberg, Germany	80
ADP Consultores S.R.L. <sup>6</sup>	Buenos Aires, Argentina	100
ADP Consultores Limitada <sup>6</sup>	Santiago de Chile, Chile	100
ADP Consultores S.A.S. <sup>6</sup>	Bogotá, Colombia	100
ERST European Retail Systems Technology GmbH <sup>7</sup>	Hamburg, Germany	100

<sup>1</sup> In January 2017, SNP Labs Inc. was merged with SNP America Inc. In addition, SNP America Inc. was renamed SNP Transformations Inc. In November 2017, SNP Applications Americas Inc., which was founded in February 2017, was merged with SNP Transformations Inc. The intra-group transactions have not had any effect on the Group's financial position and financial performance.

<sup>2a</sup> In March 2017, Astrums Consulting (S) Pte. Ltd. Was renamed to SNP Transformations SEA Pte.; in May 2017, SNP SE increased its share in the company from 51% to 81%. This share increase has been treated as an equity transaction between the shareholders.

<sup>2b</sup> In March 2017, the subsidiary Astrums Consulting Sdn. Bhd. was renamed SNP Transformations Malaysia Sdn. Bhd.

<sup>3</sup> In April 2017, RSP GmbH was retroactively merged with SNP Transformations Deutschland GmbH. This intragroup transaction has not had any effect on the Group's financial position and financial performance.

<sup>4</sup> With economic effect as of May 1, 2017, 100% of the shares were acquired in the Polish BCC Group.

<sup>5</sup> With economic effect as of May 1, 2017, a further 60% of the shares in Innoplexia were acquired. SNP invested in Innoplexia GmbH back in April 2016 by purchasing 20% of its shares. As a result, SNP now holds 80% of the shares in the company.

<sup>6</sup> With economic effect as of August 1, 2017, within the scope of a share deal, SNP SE acquired 60% of the shares in the ADP Group in Argentina, Chile and Colombia. In addition, the acquisition of the remaining 40% of shares at a fixed agreed price legally over the next 3 years was agreed. From an economic viewpoint, the shares were already attributable to SNP SE as of August 1, 2017.

<sup>7</sup> With economic effect as of October 1, 2017, 100% of the shares were acquired in ERST European Retail Systems Technology GmbH.

The exemption rule pursuant to Section 264 (3) of the HGB has been used for the following companies included in the consolidated financial statements.

- SNP Transformations Deutschland GmbH, Thale
- SNP Applications DACH GmbH, Heidelberg
- SNP Applications EMEA GmbH, Heidelberg
- SNP Business Landscape Management GmbH, Heidelberg

## 7. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are based on the annual financial statements of SNP Schneider-Neureither & Partner SE and its consolidated subsidiaries and are prepared according to uniform Group-wide accounting methods. Subsidiaries are fully consolidated from the acquisition date, i.e., from the time the Group achieves control. Their inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

Capital is consolidated according to the purchase method. As of the acquisition date, the consideration transferred, including noncontrolling interests in the acquired company, is offset against the balance of the acquired identifiable assets and the assumed liabilities. Any remaining positive difference is recognized as goodwill. Any negative difference remaining following a reassessment is recognized as profit.

The fiscal year of SNP Schneider-Neureither & Partner SE and its subsidiaries ends on December 31.

All intragroup balances, transactions, income, expenses, profits and losses resulting from intragroup transactions that are included in the carrying amounts of assets are eliminated in full.

Noncontrolling interests are parts of the profit or loss for the period and of the net assets attributable to interests neither directly nor indirectly assigned to SNP SE. Noncontrolling interests are disclosed separately from the equity of the owners of SNP SE within equity in the consolidated statement of financial position. Changes in the parent company's ownership interest in a subsidiary that do not lead to a loss of control are accounted for as equity transactions.

### Associates

The Group's investments in an associate are accounted for using the equity method. An associate is a company over which the Group exerts significant influence.

According to the equity method, investments in an associate are recorded in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate. The goodwill attributable to an associate is included in the carrying amount of the equity interest and is neither amortized nor subjected to a separate impairment test.

The income statement includes the Group's share of the associate's profit or loss for the period. The Group records its share of the changes shown directly in the equity of the associate and presents it in the statement of changes in equity, as required. Unrealized gains and losses from transactions between the Group and the associate are eliminated in relation to the investment in the associate.

The Group's share of the profit of an associate is presented in the income statement. This involves the profit attributable to equity holders of the associate and therefore is the profit after taxes and noncontrolling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared as of the same reporting date as the financial statements of the Group. Adjustments to Group-wide accounting methods are made, as required.

Following the application of the equity method, the Group determines whether it is necessary to record an additional impairment loss for its shares in an associate. On every reporting date for financial statements, the Group determines whether objective grounds exist to state that the equity interest in an associate could be impaired. If this is the case, the difference between the recoverable amount of the investment in an associate and the carrying amount of the "share in the profit / loss of associates" is recorded as an impairment loss, through profit or loss, for the result from investments accounted for using the equity method.

## 8. FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros, the functional currency of the parent company and the reporting currency. Each company within the Group determines its own functional currency. The items contained in the financial statements of the respective companies are measured using this functional currency. Foreign currency transactions are initially translated at the spot rate between the functional currency and the foreign currency on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing rate. All exchange rate differences are recognized through profit or loss for the period.

The assets and liabilities of these subsidiaries are translated into the reporting currency of SNP Schneider-Neureither & Partner SE at the closing rate on the reporting date. Income and expenses are translated at the weighted average exchange rate during the fiscal year. The resulting differences are recognized as a separate component of equity under "Other equity effects not recognized in profit and loss."

The following table shows the companies that have a functional currency other than the euro. The euro exchange rates applied are also shown:

COMPANY	COUNTRY	CURRENCY	CLOSING RATES		AVERAGE RATES	
			2017	2016	2017	2016
SNP (Schweiz) AG	Switzerland	CHF	1.1702	1.0739	1.1117	1.0902
SNP Resources AG	Switzerland	CHF	1.1702	1.0739	1.1117	1.0902
SNP Transformations, Inc.	USA	USD	1.1993	1.0541	1.1297	1.1067
SNP Schneider-Neureither & Partner ZA (Pty) Limited	South Africa	ZAR	14.8054	14.4570	15.0490	16.2772
Hartung Informational System Co., Ltd.	China	CNY	7.8044	7.3202	7.6290	7.3496
SNP Transformations SEA Pte. Ltd.	Singapore	SGD	1.6024	1.5324	1.5588	1.5278
SNP Applications Singapore Private Limited	Singapore	SGD	1.6024	1.5324	1.5588	1.5278
SNP Transformations Malaysia Sdn. Bhd.	Malaysia	MYR	4.8536	4.7287	4.8527	4.5842
Harlex Management Ltd.	United Kingdom	GBP	0.8872	0.8562	0.8766	0.9673
Harlex Consulting Ltd.	United Kingdom	GBP	0.8872	0.8562	0.8766	0.9673
BCC Business Consulting Center UK Ltd.	United Kingdom	GBP	0.8872	0.8562	0.8766	0.9673
Business Consulting Center Sp. z o.o.	Poland	PLN	4.1770		4.2570	
BCC IP Sp. z o.o.	Poland	PLN	4.1770		4.2570	
ADP Consultores S.R.L.	Argentina	ARS	22.3663		20.5768	
ADP Consultores Limitada	Chile	CLP	735.2100		747.7923	
ADP Consultores S.A.S.	Colombia	COP	3578.7110		3509.3440	

## 9. USE OF ESTIMATES

The preparation of the consolidated financial statements requires estimates and assumptions made by the Managing Directors that affect the amounts of assets, liabilities, income and expenses disclosed in the consolidated financial statements and the disclosure of contingent liabilities. Actual results may deviate from these estimates.

The most important assumptions about the future and other key sources of uncertainty regarding estimates as of the reporting date, as a result of which a significant risk exists that a material adjustment to the carrying amounts of assets and liabilities could be necessary, are discussed below.

### Realization of Revenue

The measurement of individual customer projects is based on the percentage of completion method. Under this method, the total anticipated cost of the project, its resulting percentage of completion, the revenue it is expected to generate as well as other factors must be estimated. The underlying assumptions and estimates inherent in the determination of the degree of completion affect the amount and timing of revenue recognition so that it is subject to uncertainty. If sufficient information is not available, revenue is recognized only in the amount of the costs that have been incurred.

We are required to determine the following factors for accounting for our multi-component contracts:

- Which contracts with a specific customer must be reported as an overall contract;
- Which partial services for an overall contract may be individually identified and must therefore be separately reported;
- How the overall fee for an overall contract should be broken down into its partial services.

The assessment of whether various contracts with a given customer must be reported as an overall contract entails significant discretionary judgments, since we must evaluate whether these contracts were jointly negotiated or are otherwise linked with one another. The timing and amount of revenue recognition may differ, depending on whether two contracts are reported separately or as an overall contract.

#### **Measurement of Trade Receivables**

SNP takes into account impairments of trade receivables by recognizing decreases in revenue as well as allowances for doubtful accounts. The assessment of whether a receivable can be collected entails discretionary judgments and requires assumptions regarding bad debt losses that may be subject to significant changes. Discretionary judgments are necessary where we assess the available information as regards the financial situation of a specific customer to determine whether a bad debt loss is probable, the amount of this bad debt loss can be reliably estimated and an allowance is thus necessary for this customer. The determination of a general valuation allowance for remaining receivables on the basis of past experience also entails discretionary judgments, since past trends may not be representative of future development. Changes in our estimates in relation to the allowances for doubtful accounts might have a significant impact on our reported assets and expenses. In addition, our operating result might be adversely affected if the actual bad debt losses are significantly higher than we had assumed.

#### **Accounting for Income Taxes**

Due to the international nature of our business activity, we are subject to changes in tax legislation in our Group's various jurisdictions. Moreover, our ordinary business activities include transactions whose ultimate tax consequences are uncertain due to different interpretations of tax legislation. In addition, the income taxes paid by us are subject to ongoing tax audits carried out by German and foreign tax authorities. Discretionary judgments are therefore necessary in order to determine our global income tax provisions. We assess the development of tax uncertainties on the basis of current tax legislation and our interpretations. Changes in the assumptions that form the basis of these estimates and results that differ from these assumptions may give rise to significant adjustments to the carrying

amount of our income tax provisions. The assessment of whether a deferred tax asset is impaired requires discretionary judgments on the part of the management, since we must estimate future taxable income in order to determine whether use of this deferred tax asset is probable. For the assessment of our ability to use our deferred tax assets, we consider all of the available information, including taxable income realized in the past, as well as the predicted taxable income in the periods in which these deferred tax assets are expected to be realized. Our assessment of future taxable income is based on assumptions regarding the future market conditions and the future profits of SAP. Changes in these assumptions and results that differ from these assumptions may give rise to significant adjustments to the carrying amount of our deferred tax assets.

#### **Accounting for Business Combinations**

Within the scope of accounting for business combinations, discretionary judgments are necessary within the scope of the assessment as to whether an intangible asset can be identified and should be recognized separately from goodwill. In addition, an estimate of the fair values of the identifiable acquired assets and assumed liabilities as of the date of acquisition entails significant discretionary judgments on the part of the management. The necessary assessments are based on the information that is available as of the date of acquisition, as well as the expectations and assumptions that the management deems appropriate. These discretionary judgments, estimates and assumptions may have a significant impact on our financial position and financial performance due to the following reasons, for example:

- the fair values assigned to the assets subject to depreciation will affect the value of the depreciation recognized in the operating result in the periods following the acquisition.
- Subsequent adverse changes to the estimated fair values of assets might result in additional expenses due to impairments.
- Subsequent changes in the estimated fair values of liabilities and provisions may result in additional expenses (in the case of an increase in the estimated fair values) or additional income (in case of a decrease in the estimated fair values).

#### **Subsequent Accounting for Goodwill and Other Intangible Assets**

Discretionary judgments are necessary:

- for the determination of the economic useful life of an intangible asset, since here, we estimate the period in which this intangible asset is likely to provide us with an economic benefit;
- for the determination of the method of amortization,

since according to the IFRS, assets must undergo amortization on a straight-line basis unless we can reliably determine consumption of the future economic benefit.

The amortization period and the amortization method both affect the expenses for amortization recognized in the individual periods. The assessment of impairments of our goodwill and intangible assets is highly dependent on the management's assumptions regarding future cash flows and economic risks that entail significant discretionary judgments and assumptions as regards future developments. These may be influenced by a large number of factors, e.g.,

- changes to business strategy
- internal forecasts
- estimates of our weighted average cost of capital (WACC)

Changes to the underlying assumptions for our assessments of impairments of our goodwill and intangible assets may result in significant adjustments to the carrying amount of our recognized goodwill and intangible assets as well as to the impairment losses recognized through profit or loss.

## 10. KEY ACCOUNTING POLICIES

In order to improve the clarity and informational value of the financial statements, individual items in the statement of financial position and in the income statement have been aggregated and disclosed separately in the Notes.

### Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid assets that can be converted into cash within a month or less without any value risk.

**Financial assets** are classified as financial assets that are measured at fair value through profit or loss as loans and receivables, as investments held to maturity or as financial assets available for sale. Upon initial recognition, financial assets are measured at fair value. In the case of financial investments that are not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are also included.

The Group determines the classification of its financial assets upon initial recognition and reviews this classification at the end of each fiscal year as long as this is permissible and appropriate.

Customary market purchases and sales of financial assets are accounted for as of the trade date, i.e., the date

on which the company entered into a commitment to purchase the asset. Customary market purchases or sales of financial assets are those that require the delivery of assets within a period prescribed by market rules or conventions.

**Loans and receivables** receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are measured at amortized cost using the effective interest method. Gains and losses are recognized through profit or loss in the period, if the loans and receivables are derecognized or impaired.

### Financial assets at fair value through profit and loss

include financial assets held for trading purposes and financial assets that upon initial recognition are classified as measured at fair value. Financial assets are classified as held for trading purposes if they are acquired for the purpose of being sold in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading purposes, with the exception of any derivatives that are a financial guarantee or that have been designated as a hedging instrument and are effective as such. Gains or losses on financial assets held for trading purposes are recognized through profit or loss. The Group has not assigned any financial instruments to this category under the fair value option.

Changes in the market value of derivative financial instruments are recognized through profit or loss. Other regulations can apply in the context of cash flow hedges. The Group did not carry out any derivative transactions in the reporting year or in the preceding year.

### Financial Assets Available for Sale

Available-for-sale financial assets are non-derivative financial assets that either do not satisfy the requirements for assignment to one of the three above categories or are designated as available for sale. After the initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains or losses are recognized directly in equity. If such a financial asset is derecognized or impaired, the cumulative gain or loss previously recognized directly in equity is now recognized through profit or loss.

### Assets Recognized at Amortized Cost

On every reporting date for financial statements, the carrying amounts of financial assets not measured at fair value through profit or loss are checked for substantial, objective evidence of impairment. If objective evidence exists that an impairment has occurred with loans and receivables recognized at amortized cost, the amount of the loss is the difference between the carry-

ing amount of the asset and the present value of the expected future cash flows, discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognized through profit or loss.

The Group then determines whether there is objective evidence of an impairment of financial assets. If it determines that there is no objective evidence of an individually tested financial asset being impaired, then it assigns the asset to a group of financial assets with comparable default risk profiles and tests them collectively for impairment. Assets that are individually checked for impairment and for which an impairment has been recognized are not included in the general portfolio-based impairment test.

If the amount of the impairment decreases in one of the subsequent reporting periods and if this decrease can be objectively traced back to an issue that arose after the impairment was recognized, the impairment loss recognized earlier is reversed. The amount of the impairment reversal is limited to the amortized cost at the time of the reversal. The reversal is recognized through profit or loss.

#### **Other Financial Assets**

Financial assets include loans and receivables, acquired equity and debt instruments and derivative financial instruments (derivatives) with a positive fair value. Financial assets will only be classified as financial assets measured at fair value through profit or loss if they are held for trading purposes, since we do not designate any financial assets at fair value through profit or loss. All other financial assets are classified as loans and receivables unless we designate them as available-for-sale financial assets. There are no acquired equity and debt instruments or derivatives as of December 31, 2017 or December 31, 2016. Impairment losses for financial assets are recognized in net finance costs.

#### **Trade Receivables**

Trade receivables are measured at amortized cost, taking into account decreases in revenue and appropriate deductions for all discernible individual risks. These decreases in revenue and allowances are recognized on the basis of an analysis of key outstanding invoices. We assess the solvency of all of our customers while taking into consideration their payment history, and we will recognize an allowance for individual customer balances if it is probable that we will not receive the amount stipulated in the contract. We reverse receivables and recognize allowances if all of the options for the recovery of claims have been exhausted and these must be

considered uncollectible. Expenses for the recognition of allowances and allowances for individual customers will be recognized in other operating expenses, net in our consolidated income statement. Trade receivables include non-invoiced services provided during consulting projects on a fixed-price basis and on a time and material basis. In the past, the company had to accept defaults by individual customers or groups of customers that were immaterial for the presentation of its financial position and financial performance. In the previous year, all trade receivables were reported under current assets. Within the scope of the changeover of the balance sheet structure, noncurrent trade receivables from the previous year in the amount of € 1,012 thousand were reclassified from current assets to non-current assets. This reclassification has not had any effect on earnings.

#### **Inventories**

Inventories are measured at the lower of cost / production cost and net realizable value. In the previous year, inventories in the amount of € 372 thousand had been reported under trade receivables. These were reclassified to inventories in the past fiscal year. This reclassification was implemented in order to achieve a more appropriate presentation of the net asset position.

#### **Other Nonfinancial Assets**

We report other nonfinancial assets at amortized cost. In the previous year, prepaid expenses had been reported under current assets. Within the scope of the changeover of the balance sheet structure, noncurrent prepaid expenses from the previous year in the amount of € 42 thousand were reclassified from current assets to noncurrent assets.

#### **Goodwill**

Goodwill resulting from mergers is measured upon initial recognition at cost, which is calculated as the excess of the cost of the merger over the Group's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less cumulative impairment losses. Goodwill is tested for impairment at least once annually or if issues or changes in circumstances indicate the possibility of impairment.

For the purpose of impairment testing, the goodwill acquired from a merger must be assigned, from the acquisition date, to cash-generating units of the Group that are expected to benefit from merger-related synergies. This applies regardless of whether other Group assets or liabilities have already been assigned to these units. Each unit to which goodwill has been assigned represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Goodwill of € 56,126 thousand (previous year: € 21,563 thousand) was assigned to the Professional Services business segment for the purpose of impairment testing.

The Professional Services business segment represents the smallest cash-generating unit in the Group for which goodwill is monitored as part of internal management. The impairment test is based on the value in use, which is determined by discounting the planned cash flows resulting from the continuation of the individual units. Cash flow planning is based on the current operating results and a three-year business plan. Cash flows in subsequent years are updated using a constant growth rate of 1.00% (previous year: 0.50%). These cash flow forecasts are discounted to the value in use at a pretax rate of 10.5% (previous year: 8.4%). Business planning takes into account both current information and historical developments. No impairment losses were required either in the reporting year or in the previous year.

There is estimate uncertainty regarding the following assumptions underlying the calculation of the value in use of the Professional Services unit:

- EBIT margin
- Discount rate
- Growth rate.

The EBIT margins are calculated on the basis of the expected average values, applying the findings of the three preceding fiscal years. The calculation also takes into account working capital effects.

The discount rates represent current market assessments regarding the specific risks relevant to the cash-generating units, including the interest effect and the specific risks of the assets. The calculation of the discount rate takes into account the specific circumstances of the Group and the business segment being tested for impairment and is based on its weighted average cost of capital (WACC). The weighted average cost of capital was derived from the capital asset pricing model (CAPM). Data from a financial services provider was used in part to derive the beta factor in a peer-group analysis (peer companies in the same industry) in order to take into account the business segment-specific risk. Other parameters are the market

risk premium and the basic interest rate. The weighted average cost of capital reflects both debt and equity.

The growth rates are based on industry-related expected values.

From our point of view, no realistic change in the key assumptions will mean that the carrying amount for our Professional Services business segment exceeds its recoverable amount.

In reporting year 2017, there were negative currency translation effects with regard to goodwill of € -1,331 thousand (previous year: € 146 thousand) in accordance with IAS 21.

### **Intangible Assets**

Individually acquired intangible assets are measured at cost upon initial recognition. Borrowing costs are recognized as expenses unless they are capitalized as part of the acquisition or production costs of a qualifying asset.

After initial recognition, intangible assets are carried at their acquisition costs, less cumulative amortization and cumulative impairment losses.

It should be determined whether intangible assets have a finite or indefinite useful life. Intangible assets with finite useful lives are amortized over their economically useful lives using the straight-line method and tested for impairment whenever there are indications that they could be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. If the expected useful life or the expected consumption pattern of the asset has changed, another amortization period or another amortization method is selected. Such changes are treated as changes in estimates.

Amortization is based on useful lives of two to ten years.

There are currently no intangible assets with indefinite useful lives.

### **Research and Development Costs**

In accordance with IAS 38, research costs are recognized as expenses, while development costs are capitalized if other criteria are met. If it is not possible to clearly distinguish between the research and development phases of an internal project, all of the expenses associated with this project should be treated as research expenses. In the 2017 fiscal year, research and development expenses totaling € 13,984 thousand

(previous year: € 11,038 thousand) were recognized as expenses, since a clear distinction between the research and development phases was not possible. This corresponds to 11.4% of revenue (previous year: 13.7%).

In one special case, externally awarded development work was capitalized in the amount of € 144 thousand (previous year: € 44 thousand) as well as own work in the amount of € 161 thousand (previous year: € 0 thousand). This work was necessary for the completion of the project.

### **Property, Plant and Equipment**

Property, plant and equipment are measured at acquisition or production costs, less depreciation and impairments. Borrowing costs are recognized as expenses unless they are capitalized as part of the acquisition or production costs of a qualifying asset. Property, plant and equipment essentially comprise office equipment, vehicles and computers and are depreciated on a straight-line basis over an economic useful life of 1 to 20 years.

On every reporting date, the Group evaluates whether there are indications that an asset could be impaired. If such evidence exists, the Group estimates the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of fair value less selling costs and the value in use.

If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and written down to its recoverable amount.

The Group did not carry out any impairments in the reporting year.

## **Liabilities**

### **Financial Liabilities**

Financial liabilities are classified as those measured at amortized cost and those measured at fair value through profit or loss or as other liabilities. The group of financial liabilities includes trade payables, leasing liabilities, liabilities to banks and liabilities from company acquisitions. In the previous year, all trade payables and other liabilities were reported under current liabilities. Within the scope of the changeover of the balance sheet structure, noncurrent trade payables and other liabilities from the previous year in the amount of € 149 thousand were reclassified from current liabilities to noncurrent liabilities.

### **Financial liabilities at fair value through profit and loss**

include financial liabilities held for trading purposes and financial liabilities that upon initial recognition are classified as measured at fair value. Financial liabilities are classified as held for trading purposes if they are acquired for the purpose of sale in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading purposes, with the exception of any derivatives that are a financial guarantee or that have been designated as a hedging instrument and are effective as such. Gains or losses on financial liabilities held for trading purposes are recognized through profit or loss. The Group has not assigned any financial instruments to this category under the fair value option.

Changes in the market value of derivative financial instruments are recognized through profit or loss. Other regulations can apply in the context of cash flow hedges. The Group did not carry out any derivative transactions in the reporting year or in the preceding year.

**Other nonfinancial liabilities** are initially recognized at fair value, adjusted for transaction costs. Subsequent measurement occurs at amortized cost using the effective interest method.

### **Fair Value of Financial Assets and Liabilities**

The fair value of financial instruments that are traded on active markets is determined by the quoted market price on the reporting date.

A financial instrument is regarded as being traded on an active market if quoted prices are easily and routinely available from an exchange, trader, broker, industry group, price calculation service or regulatory authority and these prices represent current and regularly occurring market transactions between independent third parties. The fair value is determined by a price agreed upon by a willing buyer and a willing seller in a transaction subject to conventional market conditions. The fair value of these financial instruments has the highest degree of reliability (level 1).

The fair value of financial instruments that are not traded on any active market (e.g., over-the-counter derivatives) is determined using measurement methods. The application of these measurement methods maximizes the use of inputs observed in the market, while avoiding the use of company-specific estimates as much as possible. If all material inputs for determining the fair value of a financial instrument in the market are observable, its measurement satisfies level 2 criteria in terms of reliability.

If one or more material inputs do not involve observable market data, the financial instrument belongs to the lowest level of reliability regarding its subsequent measurement (level 3).

The measurement methods applied to determine the fair value of financial instruments include:

- quoted market prices or dealer prices for similar financial instruments
- the discounted cash flow method

The carrying amount of cash and cash equivalents, receivables, current liabilities and provisions approximately corresponds to their fair value in view of the short-term maturities of these instruments.

The carrying amount of noncurrent liabilities corresponds approximately to their fair value based on the market price for similar financings.

#### **Provisions for Pensions**

Provisions for pensions are recognized according to the project unit credit method in accordance with IAS 19 "Employee Benefits." This method considers not only the pensions and vested benefits known on the reporting date, but also expected future increases in pensions and salaries in the estimation of the relevant independent variables. The calculation is based on actuarial studies taking into account biometric data. The amounts recognized in the statement of financial position include the actuarial gains and losses arising from changes in inventories and deviations between the assumptions made and actual developments. Actuarial gains and losses are offset without effect on profit or loss. IAS 19 (2011) was applied for the first time in 2013. The expense incurred from the allocation of pension provisions in the amount of the current service cost is reported under personnel costs, while the interest component contained therein is recognized in net finance costs.

Under defined contribution plans, contributions are immediately offset as an expense. Since there are no other obligations aside from these contributions, no provisions are required.

#### **Other Provisions**

A provision is recognized if the Group has a current (legal or constructive) obligation arising from a past event for which an outflow of resources with economic benefits is probable to settle the obligation and a reliable estimate of the amount of the obligation is possible. The expense involved in making the provision is disclosed in the income statement after deducting any highly probable reimbursement. If the interest effect is

material, the provisions are discounted. In case of a discount, the increase in provisions over time is recognized as interest expense.

#### **Deferred Income**

Deferred income is recognized either as revenue from licensing fees or as revenue from maintenance fees, depending on the reason for deferral, once the basic criteria for revenue realization are fulfilled. For example, this will be the case if the services have been provided. In the previous year, deferred income had been reported under other current liabilities. Within the scope of the changeover of the balance sheet structure, noncurrent deferred income from the previous year in the amount of € 69 thousand was reclassified from current liabilities to noncurrent liabilities.

#### **Treasury Shares**

If the Group acquires treasury shares, they are deducted from equity. The purchase, sale, issuance or redemption of treasury shares is not recognized in profit or loss. During a sale of treasury shares, in the amount of the proceeds from the resale, the previous acquisition cost is first posted against the deduction entry in equity. Any proceeds in excess of this acquisition cost are transferred to capital reserves.

In the period up to February 21, 2013, SNP Schneider-Neureither & Partner SE bought back a total of 7,294 treasury shares. Following the allocation of bonus shares (capital increase from company funds resolved by the Annual General Meeting on May 16, 2013), the number of treasury shares currently held is 21,882. The acquisition cost of € 414,650.19 has been disclosed as a negative item in equity in accordance with IAS 32.33. There were no changes in the 2014–2017 fiscal years.

#### **Taxes**

##### **Current Tax Assets and Tax Liabilities**

Current tax assets and tax liabilities for both the current period and previous periods are measured in the amount of an expected refund from the tax authorities or payment to the tax authorities. Current income taxes are calculated on the basis of the country-specific rules on the determination of profits for tax purposes.

Other taxes, such as transfer taxes and taxes on assets and capital, are separately recognized as operating expenses.

##### **Deferred Taxes**

In accordance with IAS 12 "Income Taxes," deferred taxes are recognized for all temporary differences between the carrying amounts in the consolidated statement of financial position and the tax valuations of as-

sets and liabilities (liability method) and tax loss carryforwards. Deferred tax assets for accounting and measurement differences and for tax loss carryforwards have been recognized only to the extent that it can be assumed with sufficient probability that these differences will lead to the recognition of a corresponding benefit in the foreseeable future. As a rule, the next five fiscal years are considered to be the foreseeable future. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as noncurrent assets and liabilities.

Allowances are recognized on the carrying amount of deferred tax assets where realization of the expected benefits resulting from the deferred taxes is not probable and the Group will not derive any benefit due to a lack of offsetting options. Deferred tax assets are recognized on the basis of the relevant companies' budgetary accounting. This budgetary accounting is revised annually and requires a large number of assessments. These assessments may be revised due to changes in the market and the competitive environment, the respective company's customer structure and the general economic situation. Due to regular reassessment, the deferred tax assets item may be subject to significant fluctuations.

Deferred tax assets and liabilities are measured at the tax rates that apply to the period in which the asset is expected to be realized or the liability is expected to be settled. The tax rates (and tax laws) apply that are in effect or that have been announced as of the reporting date.

Deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against one another in case of a legally enforceable offsetting right and if these deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same tax authority for the same taxable entity or for different taxable entities that intend to settle on a net basis.

### Leases

The determination as to whether an agreement is or contains a lease is made on the basis of the economic content of the agreement and requires an assessment as to whether the fulfillment of the contractual agreement is dependent on the use of a particular asset or assets and as to whether the agreement grants the right to use the asset.

Finance leases, in which essentially all risks and opportunities associated with ownership of the transferred asset are transferred to the Group, are capitalized at the fair value of the leased asset or, if lower, the present value of the minimum lease payments at the inception of the lease. Simultaneously, a matching liability is recognized that is subsequently repaid and updated using the effective interest method. Lease payments are apportioned into the components of finance costs and repayment of the lease liability, so that the remaining carrying amount of the lease liability bears interest at a constant rate. Finance costs are expensed immediately.

Expenses from operating leases are recognized directly in the income statement. The corresponding future lease obligation is reported under other financial obligations.

SNP has concluded leases under which the lessor retains beneficial ownership of the leased assets (operating leasing) as well as other leases where SNP bears all key risks and opportunities, as the lessee, and must thus be considered the beneficial owner (finance leasing).

### Realization of Revenue

#### Revenue Classes

Our revenue results from fees that we charge our customers for

- licenses for proprietary developments
- licenses for commercial transactions (reselling)
- support services for licenses
- consulting services
- data center services
- training and other services

Software licensing fees result from the license fees that we realize through the sale or licensing of software to customers for use on their own hardware.

Software support fees and maintenance fees represent the revenue that we generate from standardized support services, i.e., unspecified future software updates, upgrades and extensions as well as technical product support services for on-premises software.

Consulting fees mainly relate to the installation of software products, the implementation of transformation projects, projects associated with SAP Solution Manager and traditional IT consulting. These consulting fees include travel expenses that are charged to our customers and are paid for by them.

We recognize the various products and services whose delivery or performance is promised in our customer contracts as separate units of account (separately identifiable partial services).

Products and services that cannot be classified as separately identifiable partial services are combined in a unit of account (combined partial services).

The portion of the transaction price that has been allocated to an individually identifiable partial service is separately recognized in revenue in accordance with the accounting and measurement methods for the relevant partial service.

We divide the overall fee for a customer contract between the individually identifiable partial services on the basis of their fair values. This apportionment is based on the relationship between the individual fair values and the separate partial services. These fair values correspond to the prices at which we regularly offer these deliveries and services individually. Where company-specific standard prices and third-party sales prices cannot be determined due to a lack of individual transactions or a lack of uniform pricing, for the calculation of the fair value of an individually identifiable partial service, we use its estimated individual sales price.

Revenue is recognized if a contract exists, it is probable that the Group will receive the economic benefit and the amount of revenue can be reliably determined.

In accordance with IAS 18 "Revenue," sales are recognized as of when services have been rendered.

Revenue from fixed price projects is recognized according to the percentage of completion. The determination of the percentage of completion is based on the number of hours worked by the reporting date as a percentage of the total estimated hours for the respective project. If the result of a service transaction cannot be estimated reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Software revenue is recognized immediately upon conclusion of the contract and upon delivery, provided that no significant modifications or other adjustments to the software are required as part of the sale. As standard, the software has an unlimited license, or (within the scope of transformation projects) our customers are granted a time-limited right of use. We likewise recognize revenue from such time-limited licenses upon delivery of the software. Maintenance agreements are

usually concluded separately. If maintenance fees are prepaid for several years, revenues are deferred on a pro rata basis.

Revenue is reported less discounts, price reductions, customer bonuses and rebates.

Interest is recognized using the effective interest method, while dividends / profit entitlements are recognized at the time when the right to receive payment is established.

A regional breakdown of revenue can be found in the segment report.

### **Recognition of Expenses**

Operating expenses are recognized through profit or loss at the time when the service is used or when the expenses are incurred.

### **Net Finance Costs**

As well as interest income from loans granted and claims from finance leasing, financial income also includes other income directly associated with financing or an investment in financial assets.

Besides interest expenses from loans and finance lease liabilities, financial expenses include other expenses directly associated with financing or an investment in financial assets, where their recognition in equity is not required. Interest expenses are recognized in the income statement according to the effective interest method. Borrowing costs are not capitalized.

## **11. ACQUISITIONS/BUSINESS COMBINATIONS**

### **Acquisition of the BCC Group**

As of May 1, 2017, SNP SE acquired 100% of the shares in the Poznan-based Polish BCC Group. BCC ranks among the largest SAP partners in Central and Eastern Europe and specializes in the areas of SAP services, software development and cloud provisioning.

From the Group accounting perspective, 100% of the shares are attributable to SNP SE as of May 1, 2017. At that time, the company was incorporated into the 2017 consolidated financial statements.

The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method. The goodwill from the acquisitions is attributed to the Professional Services business segment.

### Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

	in € thousand
Cash and cash equivalents	17,762
Liabilities (fixed purchase price installment)	5,793
<b>Total transferred consideration</b>	<b>23,555</b>

The first portion of the purchase price was paid with liquid assets in May 2017.

### Expenses Associated With the Business Combination

The Group incurred expenses related to the business combination of € 297 thousand, consisting of legal and consulting fees as well as taxes. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

	in € thousand
Intangible assets	3,799
Property, plant and equipment	1,053
Cash and cash equivalents	98
Trade receivables	4,131
Other assets	225
Trade payables	-1,324
Other liabilities	-2,940
Deferred taxes	-377
<b>Total identifiable acquired net assets</b>	<b>4,665</b>

Since the time of acquisition, BCC has contributed € 16,368 thousand to Group revenue and € 1,908 thousand to Group earnings from continuing operations after taxes. If the business combination had taken place at the beginning of the year, Group revenue from continuing operations would have been € 23,404 thousand and Group earnings from continuing operations after taxes would have been € 1,131 thousand.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	23,555
Fair value of identifiable net assets	-4,665
<b>Goodwill at the time of acquisition</b>	<b>18,890</b>

Of the € 23,555 thousand in consideration transferred, the initial portion of the purchase price amounting to € 17,762 thousand was paid in the first half of 2017 and thus represents a cash outflow. A further € 5,793 thousand will be settled over the next three years and is

disclosed under other noncurrent liabilities. No equity instruments were issued for the acquisition of shares. A cash inflow of € 98 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 17,664 thousand. Goodwill in the amount of € 18,890 thousand includes the value of the synergies expected to result from the company acquisition.

### Majority Stake in Innoplexia GmbH

With economic effect on May 1, 2017, SNP SE increased its share in Innoplexia GmbH from 20% to 80% of the shares in the company. A key objective of increasing this investment is to further develop the SNP transformation software and to generate automated recommended actions for transformation projects using artificial intelligence and software algorithms. In addition, Innoplexia will further secure the established SNP Group distribution networks and will open up the necessary access to additional international markets.

From the Group perspective, 80% of the shares are attributable to SNP SE as of May 1, 2017. At that time, business operations were incorporated into the 2017 consolidated financial statements as part of the full consolidation (up until the increase of shares in the company, the interest was reported under at-equity investments, and the result was shown under the item "result from investments accounted for using the equity method").

The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method.

The goodwill from the acquisitions is attributed to the Professional Services business segment.

### Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

	in € thousand
Cash and cash equivalents	2,400
<b>Total transferred consideration</b>	<b>2,400</b>

Both the purchase price of € 400 thousand for the acquisition of the 20% in April 2016 and the purchase price of € 2,000 thousand for the acquisition of the 60% in May 2017 were paid with liquid assets. The fair value of shares held prior to the acquisition totaled € 667 thousand. The gain of € 267 thousand is recognized under other operating income in the statement of comprehensive income.

Of the total consideration transferred, € 2,400 thousand represents the fixed portion of the purchase price, which was paid in full in installments of € 400 thousand in the first half of 2016 and € 2,000 thousand in the first half of 2017; this represents a cash outflow in both years. No equity instruments were issued for the acquisition of shares. A cash inflow of € 40 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 2,360 thousand.

### Expenses Associated with the Business Combination

The Group incurred expenses related to the business combination of € 11 thousand, consisting of legal and consulting fees. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

	in T€
Intangible assets	903
Property, plant and equipment	26
Cash and cash equivalents	40
Trade receivables	72
Other assets	3
Liabilities to banks	-119
Trade payables	-20
Other liabilities	-273
Deferred tax liabilities	-70
Total identifiable acquired net assets	562
of which attributable to SNP SE (80%)	450
of which attributable to noncontrolling interests	112

Since the time of acquisition, Innoplexia has contributed € 862 thousand to Group revenue and € -326 thousand to Group earnings from continuing operations after taxes. If the business combination had taken place at the beginning of the year, Group revenue from continuing operations would have been € 1,098 thousand and Group earnings from continuing operations would have been € -476 thousand after taxes.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Consideration transferred plus "former shares" revaluation effect	2,400
Remeasurement of interests already held (20%)	267
Result according to the equity method up to the transaction	-2
Fair value of identifiable net assets (to the extent that they are attributable to SNP SE)	-450
Goodwill at the time of acquisition	2,215

Goodwill in the amount of € 2,215 thousand includes the value of the synergies expected to result from the company acquisition.

### Acquisition of Additional Shares in SNP Transformations SEA Pte. Ltd.

On June 8, 2017, the Group acquired an additional 30% of voting shares in SNP Transformations SEA Pte. Ltd., which increased SNP SE's share in the company to 81%. Consideration of € 1,031 thousand was paid to noncontrolling interest holders. The carrying amount of the net assets of the noncontrolling interests amounted to € 661 thousand. The acquisition should be recognized as a transaction between shareholders, whereby a shift in shareholding occurs between the majority shareholder SNP SE and the noncontrolling interests. Noncontrolling interests of € 661 thousand were derecognized, while the remaining difference of € 370 thousand reduced retained earnings.

### Acquisition of the Adepcon Group

With economic effect on August 1, 2017, SNP acquired 60% of the shares in the South American Adepcon Group. The remaining 40% of the shares will be purchased over the coming years. The Adepcon Group consists of three local subsidiaries, namely, ADP Consultores S.R.L. in Buenos Aires, Argentina, ADP Consultores Limitada in Santiago de Chile, Chile, and the subsidiary ADP Consultores S.A.S. in Bogotá, Colombia.

From the Group perspective, 100% of the shares are attributable to SNP SE as of August 1, 2017. At that time, the company was incorporated into the 2017 consolidated financial statements.

The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method. The goodwill from the acquisitions is attributed to the Professional Services business segment.

### Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

	in € thousand
Cash and cash equivalents	7,733
Liabilities (fixed purchase price installments)	4,900
Contingent consideration	3,280
<b>Total transferred consideration</b>	<b>15.913</b>

The first portion of the purchase price was paid with liquid assets in August 2017.

### Expenses Associated with the Business Combination

The Group incurred expenses related to the business combination of € 606 thousand, consisting of brokerage commission and legal and consulting fees. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

	in € thousand
Intangible assets	1,695
Property, plant and equipment	179
Cash and cash equivalents	1,071
Trade receivables	3,262
Other assets	1,244
Trade payables	-1,568
Other liabilities	-3,476
Deferred taxes	-417
<b>Total identifiable acquired net assets</b>	<b>1,990</b>

Since the time of acquisition, the Adepcor Group has contributed € 11,972 thousand to Group revenue and € 1,135 thousand to Group earnings from continuing operations after taxes. If the business combination had taken place at the beginning of the year, Group revenue from continuing operations would have been € 21,755 thousand and Group earnings from continuing operations after taxes would have been € 645 thousand.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	15,913
Fair value of identifiable net assets	-1,990
<b>Goodwill at the time of acquisition</b>	<b>13,923</b>

Of the € 15,913 thousand in consideration transferred, the initial portion of the purchase price amounting to € 7,733 thousand was paid in Q3 2017 and thus represents a cash outflow. A further € 4,900 thousand will be settled over the next three years and is disclosed under other current and noncurrent liabilities. The contingent consideration is determined by key figures that were contractually agreed upon for the years 2018-2020. This is due after a period of four years and has

been reported under the other noncurrent liabilities. Upon reaching the agreed key figures, the contingent consideration may be between USD 0 and 4 million. On the basis of our assessment, we expect to pay the full amount of the contingent consideration. No equity instruments were issued for the acquisition of shares. A cash inflow of € 1,071 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 6,662 thousand. Goodwill in the amount of € 13,923 thousand includes the value of the synergies expected to result from the company acquisition.

### Acquisition of ERST European Retail Systems Technology GmbH

With effect as of October 1, 2017, SNP acquired 100% of the shares in ERST European Retail Systems Technology GmbH (ERST GmbH) from Hamburg, Germany. ERST GmbH is a software and technology firm that specializes in the secure transfer of business-critical data within complex and heterogeneous IT landscapes on the basis of a proprietary middleware platform. ERST GmbH has 9 employees.

The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method. The goodwill from the acquisitions is attributed to the Professional Services business segment.

### Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

	in € thousand
Cash and cash equivalents	2,220
Liabilities (fixed purchase price installment)	74
<b>Total transferred consideration</b>	<b>2,294</b>

The first portion of the purchase price was paid with liquid assets in November 2017.

### Expenses Associated with the Business Combination

The Group has not incurred any significant costs in connection with the business combination.

### Identifiable Acquired Assets and Assumed Liabilities

The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

	in € thousand
Intangible assets	1,281
Property, plant and equipment	6
Cash and cash equivalents	754
Trade receivables	74
Other assets	76
Trade payables	0
Other liabilities	-385
Deferred taxes	-377
<b>Total identifiable acquired net assets</b>	<b>1,429</b>

Since the time of acquisition, ERST GmbH has contributed € 566 thousand to Group revenue and € 224 thousand to Group earnings from continuing operations after taxes. If the business combination had taken place at the beginning of the year, Group revenue from continuing operations would have been € 2,274 thousand and Group earnings from continuing operations after taxes would have been € 501 thousand. These figures have been extrapolated in a linear fashion on the basis of the financial statements for the short fiscal year as of December 31, 2017 and the annual financial statements as of June 30, 2017.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	2,294
Fair value of identifiable net assets	-1,429
<b>Goodwill at the time of acquisition</b>	<b>865</b>

Of the € 2,294 thousand in consideration transferred, the initial portion of the purchase price amounting to € 2,220 thousand was paid in Q4 2017 and thus represents a cash outflow. A further € 74 thousand will be settled in 2019 and has been reported under noncurrent financial liabilities. A cash inflow of € 754 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 1,466 thousand. Goodwill in the amount of € 865 thousand includes the value of the synergies expected to result from the company acquisition.

### Successful Issuance of Borrower's Note Loans

In February 2017, SNP Schneider-Neureither & Partner SE reached an agreement with banks on the issuance of borrower's note loans with a total volume of € 40.0 million. The volume is spread across fixed and variable interest-bearing tranches in terms of three to seven years. The average yield at the time of issuance of the borrower's note loans amounted to 1.41% per annum. The borrower's note loans were recognized in the statement of financial position, less the brokerage commission and plus deferred interest, at € 39.6 million. As of December 31, 2017, the carrying value is € 39.9 million.

### Early Redemption of the Corporate Bond

Effective March 27, 2017, the corporate bond (ISIN: DE000A14J6N4 / WKN: A14J6N) was redeemed early. In accordance with the bond conditions, the notice of redemption was published in the German Federal Gazette and on the company's website. The bond with a total amount issued of € 10 million (and a total nominal amount of up to € 20 million) was fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

## 12. EARNINGS PER SHARE

		2017	2016
<b>Earnings attributable to SNP SE shareholders</b>	<b>€</b>	<b>-2,431,074.75</b>	<b>4,064,283.44</b>
Weighted average number of shares (basic)	Shares	5,189,918	4,297,691
Weighted average number of shares (diluted)	Shares	5,189,918	4,297,691
Basic earnings per share	€ / share	-0.47	0.95
Diluted earnings per share	€ / share	-0.47	0.95

### 13. SEGMENT REPORTING

Segment reporting was prepared in accordance with IFRS 8. Based on the Group's internal reporting and organizational structure, the presentation of individual information from the consolidated financial statements is subdivided according to segment.

in € thousand	PROFESSIONAL SERVICES	SOFTWARE	TOTAL
<b>EBIT of the business segments</b>			
2017	276	4,902	5,178
Margin	0.3%	20.4%	4.2%
2016	4,938	5,927	10,865
Margin	5.1%	40.4%	11.3%
<b>External revenue</b>			
2017	98,333	24,010	122,343
2016	66,640	14,045	80,685
 <b>RECONCILIATION</b>			
in € thousand	<b>2017</b>	<b>2016</b>	
<b>Result</b>			
Total reportable segment	5,178	10,865	
Expenses not allocated to the segments	-5,685	-4,009	
<b>EBIT</b>	<b>-507</b>	<b>6,856</b>	

In 2017, reporting of the segment expenses was adjusted in line with the internal reporting structure. The figures from previous years for the segment result have been adjusted accordingly on grounds of comparability. This has resulted in a € 2,837 thousand increase in the result for the Software business segment, a € 1,065 thousand decrease in the result for the Professional Services business segment and a € 1,115 thousand increase in non-segment-related expenses. Other operating income and other taxes with a volume of € 658 thousand have been entirely allocated to these two business segments. In addition, business segment-related assets have not been shown, since this is not relevant for internal reporting.

## Reporting by Region

Regions	Revenue (external)		Noncurrent assets		Investments	
	2017	2016	2017	2016	2017	2016
in € thousand						
DACH	63,995	59,012	21,594	14,117	9,659	4,957
EMEA	23,612	1,449	29,728	6,613	24,118	6,556
North America	15,891	13,113	2,849	3,164	563	219
South America	11,972	0	14,756	0	15,807	0
Asia	6,873	7,110	3,272	3,446	128	3,474
<b>Total</b>	<b>122,343</b>	<b>80,685</b>	<b>72,199</b>	<b>27,340</b>	<b>50,275</b>	<b>15,206</b>

In 2017, the region-based presentation of the reports was changed over from presentation by country to presentation by region.

Segmentation into operational areas is based on the internal organizational and reporting structure according to segment.

The Software business segment primarily includes the development and marketing of the in-house software solution for ERP transformations SNP Transformation Backbone and the extension to SNP Transformation Backbone with SAP LT, the software product CrystalBridge, the SNP Interface Scanner, the translation software SNP Dragoman and the SNP Data Provisioning and Masking software, a solution for the migration and secure masking of productive ERP data for tests, training and quality assurance.

The Professional Services segment includes consulting regarding changes in a business area. Management and project management consulting plays a vital role in the services portfolio: Essentially, this consulting is divided into the two areas of Business Landscape Transformation (BLT) and Business Landscape Management (BLM).

Segment data is determined from financial controlling data and is based on IFRS figures. The EBIT (earnings before interest and taxes) indicators are used for the purpose of the company's internal management.

Transfer prices between business segments are determined based on customary arm's length conditions between third parties. Segment income, segment expenses and segment result include transfers between business segments. These transfers are eliminated during consolidation.

Specific activities such as finance, accounting and human resources as well as internal IT services are exclusively managed and supervised at Group level. These are shown in the reconciliation as other costs.

## 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include both bank deposits and cash in hand.

## 15. OTHER FINANCIAL ASSETS

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Loans and other financial receivables	403	337	740	123	1	124
Rent deposits	0	472	472	0	291	291
<b>Total</b>	<b>403</b>	<b>809</b>	<b>1,212</b>	<b>123</b>	<b>292</b>	<b>415</b>

Loans and other financial receivables comprise loans to employees and third parties and other receivables. As of December 31, 2017, there were no other financial receivables that were overdue but not impaired. As of the reporting date, we do not have any indication of the impairment of financial receivables that are not overdue nor impaired.

## 16. TRADE RECEIVABLES AND OTHER RECEIVABLES

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Trade receivables	32,780	270	33,050	20,227	1,012	21,239
Receivables from POC	9,123	0	9,123	4,709	0	4,709
<b>Total</b>	<b>41,903</b>	<b>270</b>	<b>42,173</b>	<b>24,936</b>	<b>1,012</b>	<b>25,948</b>

Trade receivables are comprised as follows:

in € thousand	12/31/2017	12/31/2016
Gross carrying amount of trade receivables	33,495	21,385
Impairment losses	-445	-146
<b>Net carrying amount of trade receivables</b>	<b>33,050</b>	<b>21,239</b>

Trade receivables are not interest bearing and are reported at amortized cost. For further information on the maturity analysis, please see note (32).

Fixed-price projects measured according to the percentage-of-completion method but not yet completely invoiced are disclosed as of the end of the reporting period as follows:

in € thousand	12/31/2017	12/31/2016
Costs incurred plus profit or loss from projects not yet invoiced	15,160	9,328
Minus interim invoices	-6,367	-4,738
	<b>8,793</b>	<b>4,590</b>
of which receivables from fixed-price projects	9,123	4,709
of which payables from fixed-price projects	330	119

## 17. INVENTORIES

These inventories are software licenses that have been acquired with the intention to resell them.

## 18. OTHER NONFINANCIAL ASSETS

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Prepaid expenses	833	80	913	578	42	620
Receivables from tax refunds	924	0	924	58	0	58
Miscellaneous assets	120	6	126	79	0	79
<b>Total</b>	<b>1,877</b>	<b>86</b>	<b>1,963</b>	<b>715</b>	<b>42</b>	<b>757</b>

Prepaid expenses mainly comprise those made within the scope of lease, support and license agreements.

## 19. INTANGIBLE ASSETS

The progress of individual items of intangible assets is presented in the analysis of changes in fixed assets for the 2017 fiscal year and for the previous year.

There are no restrictions on ownership or disposal.

## 20. PROPERTY, PLANT AND EQUIPMENT

The progress of individual items of property, plant and equipment is presented in the analysis of changes in fixed assets for the 2017 fiscal year and for the previous year.

There are no restrictions on ownership or disposal.

## 21. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the 2012 fiscal year, an equity investment of 24% of the share capital of Composite Design Transformation GmbH, from Walldorf, Germany, was acquired. The objective of this company is IT consulting. In the 2012 fis-

cal year, the value of the investment was written down to € 1.00. Based on current information, there have been no changes in the measurement of the fair value of the investment.

Following the acquisition of Hartung Consult GmbH in January 2016, SNP SE has acquired 40.02% of the shares in Polygon Solutions GmbH, Lünen, Germany. The objective of this company is IT consulting. In the 2017 fiscal year, the value of the investment was written down to € 1.00, since the management does not expect this to provide any positive long-term earnings contributions in the future and no appropriate sale price can be realized.

The investments do not entail any further risks. From the Group's perspective, these investments are classified as immaterial.

## 22. TRADE PAYABLES AND OTHER LIABILITIES, FINANCIAL LIABILITIES AND OTHER NONFINANCIAL LIABILITIES

### 22A. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are comprised as follows:

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Trade payables	11,422	550	11,972	2,838	100	2,938
Deposits received	330	0	330	120	0	120
Miscellaneous liabilities	15	30	45	19	49	68
<b>Total</b>	<b>11,767</b>	<b>580</b>	<b>12,347</b>	<b>2,977</b>	<b>149</b>	<b>3,126</b>

Miscellaneous liabilities mainly comprise deferred items for rent-free periods.

## 22B. FINANCIAL LIABILITIES

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Corporate bond	0	0	0	10,699	0	10,699
Liabilities to banks	1,026	39,598	40,624	2,100	434	2,534
Purchase price obligations	9,751	9,067	18,818	5,309	5,097	10,406
Leasing obligations	318	315	633	0	0	0
Other financial liabilities	141	507	648	0	0	0
<b>Total</b>	<b>11,236</b>	<b>49,487</b>	<b>60,723</b>	<b>18,108</b>	<b>5,531</b>	<b>23,639</b>

In March 2015, SNP Schneider-Neureither & Partner SE placed a € 10.0 million corporate bond in the capital markets. The partial bonds were exclusively offered to qualified investors in Germany and abroad as part of a private placement. The corporate bond featured an interest rate of 6.25% per annum and matures in March 2020. The bond traded in the open market on the Frankfurt Stock Exchange under ISIN DE000A14J6N4 or security identification number A14J6N. In February 2017, the partial bond was redeemed early effective March 27, 2017. The bond with a total amount issued of € 10.0 million will be fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

In February, SNP Schneider-Neureither & Partner SE reached an agreement with investors on the issuance of borrower's note loans with a total volume of € 40.0 million. The volume is spread across fixed and variable interest-bearing tranches in terms of three to seven years. The average yield at the time of issuance of the borrower's note loans amounted to 1.41% per annum.

The borrower's note loans were recognized in the statement of financial position, less the brokerage commission and plus deferred interest, at € 39.6 million. As of December 31, 2017, the carrying value is € 39.9 million.

These purchase price obligations have mainly resulted from future payment obligations within the scope of company acquisitions in 2016 and 2017.

SNP has concluded finance leases for vehicles as well as furniture and office equipment. The Group's finance lease obligations are secured by the lessor's ownership of the leased assets. The future minimum lease payments are indicated as a leasing obligation in the above table.

No collateral is provided for financial liabilities. Instead, standard covenants are agreed that include termination options. The financial figures serving as the basis for these covenants were all fulfilled in 2017.

## 22C. OTHER NONFINANCIAL LIABILITIES

in € thousand	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Employee-related liabilities	12,289	0	12,289	6,956	0	6,956
Other taxes	3,160	0	3,160	2,169	0	2,169
Other nonfinancial liabilities	999		999	1,204	0	1,204
<b>Total</b>	<b>16,448</b>	<b>0</b>	<b>16,448</b>	<b>10,329</b>	<b>0</b>	<b>10,329</b>

Employee-related liabilities mainly relate to vacation and bonus obligations as well as obligations for employee-related social security contributions.

## 23. PROVISIONS

in € thousand	1/1/2017	Additions from company ac- quisitions	Utilization	Reversal	Addition	12/31/2017
Warranty risks	53	12	0	-60	0	5
Archiving costs	45	7	0	-4	12	60
Legal costs	0	0	0	0	40	40
<b>Total</b>	<b>98</b>	<b>19</b>	<b>0</b>	<b>-64</b>	<b>52</b>	<b>105</b>

## 24. TAX ASSETS AND TAX LIABILITIES

Current tax assets and tax liabilities involve receivables and payables from current income taxes.

### Income Taxes

Income taxes are comprised as follows:

in € thousand	2017	2016
<b>Expenses for current taxes</b>		
Current income taxes, year under review	1,516	824
Current income taxes for prior periods	-195	2
	<b>1.321</b>	<b>826</b>
<b>Income (previous year: expense) from deferred taxes</b>		
Change in timing differences, year under review	118	861
Change in timing differences, prior periods	262	0
Change in tax assets from tax loss carryforwards	-894	-170
	<b>-514</b>	<b>691</b>
	<b>807</b>	<b>1.517</b>

As of the reporting date, the expected tax burden on taxable income is 30.0%, as in the previous year. This is comprised as follows:

Trade tax at a rate of assessment of 401.8%	14.1%
Corporate tax	15.0%
Solidarity surcharge (5.5% of the corporate tax amount)	0.8%
Applicable tax rate	29.9%
Rounded rate	30.0%

For the calculation of the tax effects for the subsidiary SNP Transformations Inc., Jersey City, NJ, USA, due to the Tax Cuts and Jobs Act, which will come into effect on January 1, 2018, the tax rate has been reduced from 35.0% in the previous year to 25.75% in the year under review.

The deferred taxes recognized directly in equity under other components of equity can be seen in the statement of comprehensive income and are presented below:

in € thousand	2017			2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Remeasurement of defined benefit obligations	43	-11	32	-234	64	-170

## Tax Reconciliation

The following table shows the reconciliation of the expected tax expense and the tax expense actually reported:

in € thousand	2017	2016
Earnings before taxes (EBT)	-1,859	5,728
Expected tax income/expense at a rate of 30%	-558	1,709
Effect of different tax rates	142	-141
Effects of changes in tax rates	127	0
Non-period current income taxes	-195	-2
Non-period deferred taxes	262	0
Foreign withholding tax	19	0
Expenses/income not affecting taxes	465	60
Waiver of capitalization of loss carryforwards in current year	701	256
Use of loss carryforwards not capitalized in current year	-160	-306
Other factors	4	-60
<b>Actual income taxes</b>	<b>807</b>	<b>1,517</b>

Deferred tax assets and deferred tax liabilities from temporary differences between the carrying amounts and the tax valuations of assets and liabilities are presented in the table below:

in € thousand	12/31/2017	12/31/2016
<b>Deferred tax liabilities</b>		
Intangible assets	-1,792	-61
Property, plant and equipment	-167	0
Trade receivables	-1,219	-375
Other nonfinancial assets	-9	0
Noncurrent financial liabilities	-121	-344
Deferred tax liabilities	-3,308	-780
Offsetting	1,783	721
<b>Total deferred tax liabilities</b>	<b>-1,525</b>	<b>-59</b>
<b>Deferred tax assets</b>		
Intangible assets	691	513
Tax loss carryforwards	1,871	841
Trade receivables	98	0
Other financial assets	6	0
Pension obligations	369	348
Noncurrent financial liabilities	147	0
Other current liabilities	408	20
Deferred tax assets	3,590	1,722
Offsetting	-1,783	-721
<b>Total deferred tax assets</b>	<b>1,807</b>	<b>1,001</b>

The capitalization of deferred taxes on tax loss carryforwards in the 2017 fiscal year relates to the parent company (€ 1,099 thousand) as well as the German subsidiary Innoplexia GmbH (€ 164 thousand) and the foreign entities SNP Transformations Inc., Jersey City, NJ, USA (€ 372 thousand), Hartung Informational System Co., Ltd. Shanghai, China (€ 160 thousand) and SNP Transformations SEA Pte. Ltd. Singapore (€ 76 thousand). The loss carryforwards in Germany, China and Singapore can be used without any time limit. In the USA, losses can be carried forward over a period of 20 years from when they are incurred. These tax loss carryforwards increased in the 2017 fiscal year. Plans assume positive taxable income in subsequent years. Therefore, it is expected that the tax loss carryforwards will be reduced again in the coming years. As regards the use of the tax benefits recognized due to loss carryforwards, because of the strong order situation and the positive order outlook, in the future, the Group's individual companies are expected to generate sufficient taxable income. The subsidiaries in the USA and Singapore have a history of tax losses. Due to the clearly positive revenue forecast for the USA as well as cost-saving measures, the new central management and governance structure for the overall Group and the replacement of the local management team as well as sales measures, for the foreseeable future, taxable income is expected that will match the tax loss carryforwards reported.

An asset item for tax loss carryforwards will only be capitalized insofar as it appears probable within a planning horizon of five years that taxable income will be available that can be offset in the future. Overall, no deferred tax assets have been established for the tax loss carryforwards in the amount of € 4,747 thousand (previous year: € 2,110 thousand) that arose in previous years and in the year under review.

The non-capitalized tax loss carryforwards are subject to the following expiry dates:

in € thousand	12/31/2017	12/31/2016
5–10 years	141	0
10–20 years	3,636	2,110
unlimited	970	0
	<b>4,747</b>	<b>2,110</b>

## 25. PROVISIONS FOR PENSIONS

Pension provisions are comprised of provisions for severance payments at SNP Austria GmbH, which by law must be established for employees in Austria, and commitments made to one of the members of the Executive Board and to the Chief Financial Officer of the parent company who left in 2011. In addition, due to the acquisition of RSP GmbH, its pension provisions were also assumed. These provisions were initially transferred to SNP Transformations Deutschland GmbH in 2017 and were subsequently partially transferred to SNP SE. Pension payments are currently being made only at SNP Transformations Deutschland GmbH.

In the 2006 fiscal year, a reinsurance policy was arranged to cover future payment obligations to both beneficiaries at SNP SE. The reinsurance policy was pledged on behalf of the beneficiaries. There is also a reinsurance policy, which has been transferred from RSP GmbH to SNP SE, that is pledged on behalf of the beneficiaries.

The consolidated financial statements include the following amounts from defined benefit plans for post-employment benefits:

in € thousand	2017	2016
Defined benefit obligation (DBO)	1,692	1,664
Fair value of plan assets	161	145
<b>Net carrying amount of defined benefit plans</b>	<b>1,531</b>	<b>1,519</b>

The cost for defined benefit plans breaks down as follows:

in € thousand	2017	2016
Current service cost	65	50
Net interest cost*	20	29
<b>Expenses for defined benefit plans recognized in the consolidated income statement</b>	<b>85</b>	<b>79</b>
Actuarial gains (-)/ losses	-46	234
Loss on plan assets (not including interest income)	3	2
<b>Remeasurement of defined benefit plans recognized in the consolidated statement of comprehensive income</b>	<b>-43</b>	<b>236</b>
<b>Cost for defined benefit plans</b>	<b>42</b>	<b>316</b>

\* Disclosed in the income statement under "other financial expenses."

The following table presents the development of the DBO in detail:

in € thousand	2017	2016
<b>DBO at the beginning of the fiscal year</b>	<b>1,664</b>	<b>1,364</b>
Current service cost	65	50
Interest expense	22	32
<b>Remeasurement</b>		
• Actuarial gains (-) / losses due to changes in demographic assumptions	0	0
• Actuarial gains (-) / losses due to changes in financial assumptions	-46	234
Benefit payments	-13	-16
<b>DBO at the end of the fiscal year</b>	<b>1,692</b>	<b>1,664</b>

The following table shows the detailed reconciliation of changes in the fair value of plan assets:

In T€	2017	2016
<b>Fair value of plan assets at the beginning of the fiscal year</b>	<b>145</b>	<b>130</b>
Interest income	3	2
<b>Remeasurement</b>		
• Gains (+)/ losses (-) from plan assets without amounts contained in net interest expense and income	-3	-2
Employer contributions	16	15
<b>Fair value of plan assets at the end of the fiscal year</b>	<b>161</b>	<b>145</b>

In T€	2017	2016
<b>Discount rate</b>	1.5 bis 1.9%	1.6%
Salary trends	0% bis 3.0%	0% bis 3.0%
<b>Pension trends</b>	0% bis 3.0%	0% bis 3.0%
Average employee turnover *	0%	0%

\* Depending on years of service.

The calculation is based on actuarial studies prepared annually taking into account biometric data.

### Sensitivity Analysis:

A change in the fundamental assumptions above, with other assumptions remaining unchanged, would have increased or reduced the DBO as of December 31, 2017, as follows:

Basic assumption	Defined benefit obligation			
	Increase	Increase previous year	Decrease	Decrease previous year
In T€				
Discount rate (1% change)	-271	-203	317	317 (324)
Future pension trend (1% change)	131	82	-114	-114 (-68)
Future income trend (1% change)	116	120	-105	-105 (-108)
Future income trend (-10% change)	33	31	-	-

As of December 31, 2017, the weighted average term of the defined benefit obligations was approximately 17 years (previous year: 18 years).

The employer contributions to plan assets expected for 2018 and the subsequent nine years amount to € 17 thousand per year.

The benefit payments expected in the next few years involve provisions for severance payments for employees of SNP Austria GmbH and pension payments for employees of SNP Transformation Deutschland GmbH.

The actual payments depend on other criteria being fulfilled. An average annual payment of € 873 thousand is expected for the next ten years.

rer Voraussetzungen abhängig. Im Durchschnitt wird für die nächsten zehn Jahre eine jährliche Zahlung von 873 T€ erwartet.

## 26. CONTINGENT LIABILITIES

As well as the provisions shown in the statement of financial position, contingent liabilities amount to € 1.2 million. These contingent liabilities include purchase price installments that are higher than those reported as financial liabilities in connection with the acquisition of Poland's BCC Group (now: SNP Poland), in the event that SNP fails to make payment on the contractually stipulated earliest payment dates. The probability of a delay in payment is considered to be very low.

## 27. DEFERRED INCOME

Deferred income mainly comprise prepayments made by customers for maintenance agreements.

## 28. UNSUBSCRIBED CAPITAL

As of December 31, 2017, the share capital of the company amounted to € 5,474,463.00 (previous year: € 4,976,786.00) and was comprised of 5,474,463 (previous year: 4,976,786) ordinary no-par-value bearer shares of SNP Schneider-Neureither & Partner SE, each with a nominal value of € 1.00. In July 2017, subscribed capital was increased through a cash capital increase from € 4,976,786.00, divided into 4,976,786 ordinary bearer shares, by € 497,677.00, or 497,677 shares, making partial use of authorized capital, to a total of € 5,474,463.00, divided into 5,474,463 shares. The new shares, which were issued at a price of € 37.65 per share, are entitled to dividends in the 2017 fiscal year, beginning on January 1, 2017.

## 29. AUTHORIZED CAPITAL

The Board of Directors is authorized to increase the share capital by May 20, 2020, up to a total of € 630,304 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value bearer shares (2015 Authorized Capital). The 2015 Authorized Capital had an original amount of up to € 1,869,030 and was partially utilized in the past fiscal year. As a result, share capital increased by € 1,238,726 or 1,238,726 no-par-value ordinary bearer shares, with a nominal proportion of share capital of € 1.00 per share, to a total of € 4,976,786, consisting of 4,976,786 shares.

The Board of Directors is moreover authorized to increase the share capital by May 31, 2022, up to a total of € 497,680 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value bearer shares (2017 Authorized Capital). The 2017 Authorized Capital had an original amount of up to € 995,357 and was partially utilized in the 2017 fiscal year. As a result, share capital increased by € 497,677 or 497,677 no-par-value ordinary bearer shares, with a nominal proportion of share capital of € 1.00 per share, to a total of € 5,474,463, consisting of 5,474,463 shares.

The Board of Directors is authorized to bar the subscription rights of shareholders in four cases: first, to remove fractional shares from the subscription rights of shareholders; second, if new shares, particularly in connection with company acquisitions, are issued in exchange for in-kind contributions; third, pursuant to Section 186 (3) (4) of the AktG, if new shares are issued in exchange

for cash contributions and the issue price does not significantly fall short of the stock market price of the already listed share at the time it is ultimately determined; and fourth, as necessary, in order to grant subscription rights for new shares to owners or creditors of warrant-linked bonds and/or convertible bonds.

## Contingent Capital

The share capital is conditionally increased by up to € 1,869,030.00, divided into up to 1,869,030 no-par-value bearer shares (2015 Contingent Capital). The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash contributions and subject to conversion obligations that were issued or guaranteed until May 20, 2020, by the company by virtue of the authorization of the Board of Directors through the resolution of the General Meeting on May 21, 2015, exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or, if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose. The new shares will be issued in accordance with the aforementioned authorization resolution, at option and conversion prices that are yet to be determined. The new shares participate in profits from the beginning of the fiscal year in which they arise. The Board of Directors is authorized to determine further details regarding the execution of the contingent capital increase. No use was made of this in the 2017 fiscal year.

## Treasury Shares

On May 20, 2010, the Annual General Meeting authorized the company to acquire treasury shares up to a total of 10% of the existing share capital at the time of the resolution. In August 2011, the Executive Board resolved to initiate a share buyback program for up to 4,000 shares initially, representing approximately 0.35% of the company's share capital at the time. As part of this buyback program, a total of 3,472 shares were acquired at a price of € 210,398 in the 2011 fiscal year, plus a total of 528 shares at a price of € 35,894 in January 2012.

In February 2012, the Executive Board resolved to continue the share buyback program and acquire up to 4,000 more of the company's no-par-value shares on the stock exchange, corresponding to an additional 0.35% of the company's share capital at the time. In the 2012 fiscal year, a total of 2,551 additional shares were acquired at a price of € 133,133.22. In the 2013 fiscal year, 743 addi-

tional shares were purchased at a price of € 35,224.97. The share buyback program ended in February 2013 with 7,294 shares acquired.

The acquisition cost of € 414,650.19 for the total of 7,294 shares has been disclosed as a negative item in equity in accordance with IAS 32.33. Following the allocation of bonus shares (capital increase from company funds resolved by the Annual General Meeting on May 16, 2013), the number of treasury shares currently held is 21,882.

On May 12, 2016, the Annual General Meeting authorized the company to acquire treasury shares for the coming five years up to a total of 10% of the outstanding share capital at the time of the resolution. This authorization was not used in the period up to December 31, 2017.

Acquired treasury shares have been recognized at cost and deducted from subscribed capital.

The security identification number for the shares is 720 370, ISIN: DE0007203705.

### 30. RETAINED EARNINGS AND CAPITAL RESERVES

Please see the consolidated statement of changes in equity for changes to retained earnings.

The capital reserves increased to € 54,260,325.48 (previous year: € 36,331,446.56). The increase resulted from the issuance of 497,677 new no-par-value bearer shares with a nominal proportion of share capital of € 1.00 per share. The issue price was € 37.65.

As a result, subscribed capital per issued share increased by € 1.00, while the excess amount of € 18,239,862.05 increased the capital reserves. This increase in capital reserves was reduced by the costs of the capital increase of € 444,262.13 less deferred tax liabilities of € 133,279. In total, costs of capital increases of € 1,658,456.96, less deferred tax liabilities of € 497,537.09, were offset in the capital reserves.

#### Proposal on the Appropriation of Profit

The Board of Directors has reviewed the annual financial statements and the consolidated financial statements as well as the management report of SNP SE and the Group, as well as the proposal put forward by the Managing Directors on the appropriation of profit. In the presence of the auditor, the Board of Directors has intensively discussed the key audit matters, the finan-

cial statements and the proposal on the appropriation of profit. The Board of Directors subsequently adopted and approved the 2017 annual financial statements and the 2017 consolidated financial statements.

In light of the Annual General Meeting, which is to be held on May 30, 2018, the Board of Directors passed a resolution on the appropriation of profit. On account of a consolidated loss of € -2.5 million, no dividend is to be distributed. The distributable profit in the amount of € 0.6 million is to be carried forward. SNP SE thus intends to strengthen the company's capital base.

### 31. NONCONTROLLING INTERESTS

The item involves 19% minority interests in the subsidiaries SNP Transformations SEA Pte. Ltd. and SNP Transformations Sdn. Bhd., which were consolidated for the first time in the 2016 fiscal year. In 2017, these interests were increased from 51% to 81%.

There are also 20% minority interests in SNP Applications Singapore Private Limited, which was included in the consolidated financial statements for the first time in 2016.

There are also 20% minority interests in Innoplexia GmbH. Here, in the 2017 fiscal year, these interests were increased from 20% to 80%.

The following disclosures relate to all of the companies in which the Group holds minority interests. The disclosures involve information prior to the elimination performed among other companies of the Group.

	in € thousand
Revenue	4,589
Profit	-1,178
Profit attributable to noncontrolling interests	-234
Other comprehensive income	-30
Comprehensive income	-1,208
Comprehensive income attributable to noncontrolling interests	-240
Current assets	2,342
Noncurrent assets	1,717
Current liabilities	1,229
Noncurrent liabilities	1,238
Net assets	1,591
Net assets attributable to noncontrolling interests	275
Cash flow from operating activities	458
Cash flow from investing activities	-45
Cash flow from financing activities	-111
Net increase in cash and cash equivalents	302
Dividends paid during the year to noncontrolling interests	0

## 32. FINANCIAL INSTRUMENTS

### Objectives and Methods of Financial Risk Management

In the 2017 fiscal year, SNP made substantial investments in its inorganic growth. Moreover, a negative cash flow from operating activities resulted from a net loss for the period as well as a growth-related increase in receivables. The capital increase in the amount of € 18,293 thousand and the issuance of borrower's note loans with a volume of € 40,000 thousand funded this growth as well as the substantial investments made in 2017. Furthermore, there are financial liabilities that contribute to the financing of operating business activities in the form of trade payables and obligations to employees. They are offset by various financial assets, such as trade receivables and cash and cash equivalents that result directly from business activities.

The management monitors and controls the Group's financing and capital structure on an ongoing basis. For this, it uses parameters such as the debt-to-equity ratio and the equity ratio. The Group can adjust dividend payments to shareholders in order to maintain or adjust its capital structure. As of December 31, 2017, and December 31, 2016, no changes were made to the objectives, policies or procedures for monitoring financing and controlling the capital structure.

There was no trading with derivatives in the 2017 and 2016 fiscal years.

The possible risks arising from financial instruments include interest rate-related cash flow risks as well as liquidity, currency and credit risks. The Group monitors these risks on an ongoing basis and compares individual risks to the total risk exposure in order to determine risk concentrations. If necessary, management decides on strategies and procedures to manage individual types of risks, as presented below.

### Credit Risk

The Group enters into transactions with creditworthy third parties. All customers wishing to conduct business with the Group on a credit basis are subject to a credit check. In addition, the receivables portfolio is continuously monitored so that the Group is not exposed to any significant default risks. No credit is granted without prior review and approval according to the current regulations put in place by the Executive Board. The Group has no significant credit risk concentrations.

For receivables and other financial assets of the Group, the maximum credit risk in the event of default by a counterparty corresponds to the carrying amount of these instruments.

The following table shows the credit and default risk of financial assets according to gross carrying amounts:

in € thousand	Neither past due nor impaired	Past due and not impaired	Impaired	12/31/2017
Financial assets	1,212	0	0	1,212
Trade receivables	33,389	9,717	68	42,174
<b>Total</b>	<b>33,601</b>	<b>9,717</b>	<b>68</b>	<b>43,386</b>

in € thousand	Neither past due nor impaired	Past due and not impaired	Impaired	12/31/2016
Financial assets	415	0	0	415
Trade receivables	23,414	2,492	42	25,948
<b>Total</b>	<b>23,829</b>	<b>2,492</b>	<b>42</b>	<b>26,363</b>

The following overview shows the extent to which financial assets that are not impaired are overdue:

in € thousand	Up to 30 days	31 to 60 days	More than 60 days	12/31/2017
Trade receivables not impaired	4,518	2,409	2,858	9,785

in € thousand	Up to 30 days	31 to 60 days	More than 60 days	12/31/2016
Trade receivables not impaired	1,562	339	633	2,534

At the time the consolidated financial statements were prepared, the trade receivables had either been paid or primarily involved customers with top credit ratings.

### Liquidity Risk

The Group monitors the risk of a possible liquidity squeeze through ongoing cash flow planning and monitoring. The key goal is to ensure a minimum level of liquidity in order to safeguard solvency at all times. A high volume of cash and marketable securities therefore serves as a strategic reserve, which helps to keep SNP flexible,

solvent and independent. As well as effective management of capital employed and liquid assets, SNP has reduced the liquidity risk that results from normal business activity and fulfillment of financial obligations by establishing appropriate lines of credit with various credit institutions, which it may draw upon in case of need.

Cash flows from the Group's financial liabilities had the following maturity dates:

<b>As of December 31, 2017</b> in € thousand	<b>Up to 1 year</b>	<b>1 to 2 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Corporate bond	0	0	0	0	0
Borrower's note loan	310	4,940	25,711	8,947	39,908
Liabilities to banks	716	0	0	0	716
Trade payables	11,767	580	0	0	12,347
Purchase price obligations	9,751	1,421	7,646	0	18,818
Other financial liabilities	459	821	0	0	1,280
<b>Total</b>	<b>23,003</b>	<b>7,762</b>	<b>33,357</b>	<b>8,947</b>	<b>73,069</b>

<b>As of December 31, 2016</b> in € thousand	<b>Up to 1 year</b>	<b>1 to 2 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Corporate bond	10,699	0	0	0	10,699
Liabilities to banks	2,100	434	0	0	2,534
Trade payables	2,977	149	0	0	3,126
Purchase price obligations	5,309	5,097	0	0	10,406
Other financial liabilities	0	0	0	0	0
<b>Total</b>	<b>21,085</b>	<b>5,680</b>	<b>0</b>	<b>0</b>	<b>26,765</b>

Financial liabilities that can be repaid at any time are assigned to the earliest possible time period.

### Fair Value

The following table shows the carrying amounts and the fair values of all financial instruments recognized in the consolidated financial statements:

## Financial Instruments Measured at Amortized Cost

in € thousand	Carrying amount		Fair value	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>Loans and receivables</b>				
Trade receivables	42,174	25,948	42,174	25,948
Cash and Cash Equivalents	33,877	31,914	33,877	31,914
Other financial assets	1,212	415	1,212	415
<b>Total</b>	<b>77,263</b>	<b>58,277</b>	<b>77,263</b>	<b>58,277</b>
<b>Financial liabilities measured at amortized cost</b>				
Corporate bond	0	10,699	0	10,625
Financial liabilities	40,624	2,534	40,977	2,534
Trade payables	12,347	3,126	12,347	3,126
Purchase price obligations	18,818	10,406	18,818	10,406
Other financial liabilities	1,280	0	1,280	0
<b>Total</b>	<b>73,069</b>	<b>26,765</b>	<b>73,422</b>	<b>26,765</b>

Financial liabilities involve variable- or fixed-rate bank loans and borrower's note loans.

The following must also be mentioned:

- Interest on short-term and long-term bank loans of € 50 thousand (previous year: € 96 thousand) is recognized with effect on profit or loss.
- Interest expenses from the corporate bond (financial liability at amortized cost) of € 257 thousand (previous year: € 1,011 thousand) is recognized with effect on profit or loss.
- Interest expenses from borrower's note loans in the amount of € 545 thousand (previous year: € 0 thousand) is recognized with effect on profit or loss.

### Market Price Risk

#### Interest Rate Risk Management

The Group is financed in part through its operating cash flow. In order to finance organic and inorganic growth, SNP has also borrowed interest-bearing capital in the form of a bank loan and a borrower's note loan. The bank loan has a fixed basic interest rate and a variable interest rate based on Euribor. The yield on the various tranches of the borrower's note loan consists of fixed and variable interest. The variable interest is also based on Euribor. Therefore, changes in market interest rates can lead to higher interest expense. If the six-month Euribor is positive, a 50 basis point increase in the six-month Euribor will increase interest expense by € 0.1 million p.a. Management continuously monitors the development of market interest rates and the necessity of appropriate hedging measures.

### Currency Risk

The Group companies conduct their operating business in the respective functional currency so that the corresponding foreign exchange risk is regarded as minimal. Currency risks result primarily from intragroup business relationships.

#### Currency Risk Management

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions involve fluctuations in exchange rates. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, relate primarily to the absolute amount of the key figures reported in euros. Management continuously monitors the performance of exchange rates and the necessity of appropriate hedging measures.

Due to the inclusion of subsidiaries, the Group is also reporting assets and liabilities outside of the eurozone, which are denominated in the respective local currency. Exchange rate fluctuations may give rise to changes in value as of the conversion of these assets into euros. The changes in these net assets are reflected in the Group's equity through other comprehensive income.

A sensitivity analysis has been carried out in order to be able to quantify the possible effects of exchange rate fluctuations on Group earnings. This shows the change in Group earnings in the event that the respective functional currency of the Group companies increases or decreases in value by 10% in relation to the foreign currency.

in € thousand	The euro loses in comparison to the currency	The euro loses in comparison to the currency
CHF	-21	26
GBP	33	-40
PLN	193	-235
USD	-222	271
SGD	-110	134
MYR	2	-2
CNY	-13	16
ARS	88	-108
CLP	-16	20
COP	31	-37
ZAR	52	-64

### Share Price Risk

We are exposed to a share price risk in relation to our share-based payment transactions. However, share-based payment transactions only exist at SNP in a few cases. Due to the reduced level of risk which this entails, SNP does not hedge against payment flow risks arising from these programs.

As part of the presentation of market risks, IFRS 7 also requires disclosures about how hypothetical changes in risk variables affect the prices of financial instruments. Stock exchange prices are a particular concern, as risk variables. As of December 31, 2017, and December 31, 2016, the Group held no financial instruments with related share price risks.

A sensitivity analysis has not been carried out due to the insignificant share price risk.

### 33. CAPITAL MANAGEMENT

	12/31/2017		12/31/2016		Delta in %
	in € thousand	As % of the total volume of equity and liabilities	in € thousand	As % of the total volume of equity and liabilities	Total
Equity	60,097	39	48,575	55	19
Current liabilities	40,531	26	32,631	37	19
Noncurrent liabilities	53,157	35	7,327	8	86
Liabilities	93,688	61	39,958	45	57
Total equity and liabilities	153,785	100	88,533	100	42

The Group pursues the goal of safeguarding its long-term corporate survival and preserving the interests of shareholders, employees and all others who read the financial statements.

The management of the capital structure is based on changes in the macroeconomic environment and risks from the assets being held.

The Group's strategy is directed toward the continuous and sustainable increase in the company's value.

As of December 31, 2017, the equity ratio had declined to 39.1% (previous year: 54.9%).

### 34. CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

#### Long Term Incentive Plan (LTI Plan) 2017–2019

In 2017, SNP established an LTI plan 2017–2019 for its Managing Directors. This plan is linked to SNP SE's market capitalization in 2019. The right to payment will be calculated as follows:

If market capitalization on the basis of the highest 60 trading day average (Xetra) in 2019 exceeds the lower limit of € 250 million, the payment will be calculated by subtracting a base value of € 200 million from the market capitalization thus determined. The result will be multiplied by a percentage of 0.3% (CEO) or 0.2% (COO). If the market capitalization exceeds € 400 million, the percentage applied will be increased to 0.45% (CEO) or 0.3% (COO). A ceiling of € 500 million applies for the market capitalization. In the event of a capital increase, the base value and the lower limit will be revised upward in percentage terms, in accordance with the percentage capital increase.

Fair values and assumptions at the end of 2017

Weighted average fair value as of 12/31/2017	€ 84 thousand
	Measurement according to Black-Scholes model
Option pricing model	
Risk-free interest rate	-0.73%
Expected volatility	33.38%
Expected dividend yield	0.82%
Remaining life of the option as of 12/31/2017	2 years

Volatility has been calculated on the basis of the 60-day moving average for the yields on the SNP share in 2017.

Overall, in 2017, an amount of € 28 thousand was recognized in personnel costs for the 2017–2019 LTI plan.

### 35. FIXED-PRICE PROJECTS – POC (PERCENTAGE-OF-COMPLETION) PROJECTS

Revenue relating to fixed-price projects that were not yet completed as of December 31, 2017, amounted to € 14,924 thousand (previous year: € 5,381 thousand) and equals the costs incurred plus the pro rata realizable profit.

Revenue from construction projects for the 2017 fiscal year totaled € 122.3 million (previous year: € 80.7 million).

### 36. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in € thousand	2017	2016
Exchange rate differences	618	687
Reversal of provisions and derecognition of liabilities	332	55
Reversal of impairments for trade receivables	271	97
Advertising allocation	193	0
Proceeds from the disposal of assets	134	8
Insurance compensation	43	63
Discount income	9	2
Work performed and capitalized	0	171
Miscellaneous	318	144
<b>Total</b>	<b>1,918</b>	<b>1,228</b>

### 37. COST OF MATERIALS

This relates to costs for the purchase of third-party consultants to implement projects (cost of purchased services) and to the purchasing of third-party licenses for resale.

### 38. PERSONNEL COSTS

Personnel costs include costs for defined contribution pension plans of € 295 thousand (previous year: € 293 thousand), not including insurance contributions to statutory pension plans. Contributions to statutory pension plans amounted to € 4,090 thousand (previous year: € 2,984 thousand).

Personnel costs include severance payments of € 153 thousand (previous year: € 91 thousand).

The average number of employees in the Group changed as follows:

	2017	2016
Full-time	1,022	605

### 39. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in € thousand	2017	2016
Travel costs	6,024	3,882
Rent, leases	4,327	2,805
Legal and consulting costs	3,829	1,997
Advertising, representation	3,467	2,624
Foreign exchange losses	2,851	180
Vehicles	2,771	2,100
Occupancy costs, energy	1,541	1,089
Other personnel costs	1,370	1,088
Communications	963	742
Office material	486	243
Insurance policies, contributions	419	291
Allowances for receivables	358	111
Commissions	197	264
Money transfer costs	99	34
Supervisory Board costs	86	63
Costs for the disposal of assets	52	5
Miscellaneous	1,095	293
<b>Total</b>	<b>29,935</b>	<b>17,811</b>

### 40. NET FINANCIAL INCOME

Net financial income primarily includes interest expense and interest income as well as payments to previous shareholders.

### 41. CASH FLOW STATEMENT

Cash flow from operating items includes the following items: interest paid of € 855 thousand (previous year: € 1,107 thousand), interest received of € 57 thousand (previous year: € 149 thousand), income taxes paid of € 1,366 thousand (previous year: € 412 thousand) and income taxes received of € 56 thousand (previous year: € 0 thousand).

Cash flow from investing activities includes payments for company acquisitions in the amount of € 28,783 thousand (previous year: € 5,522 thousand). We refer to the disclosures regarding company acquisitions in 11. Acquisitions / Business Combinations.

Non-cash Summe expenses and income include changes in deferred taxes in the amount of € -514 thousand (previous year: € 691 thousand) and other items in the amount of € 40 thousand (previous year: € -175 thousand).

Financial liabilities have developed as follows:

in € thousand	Bond	Borrower's note loans	Bank loans	Total
<b>As of Jan. 1, 2016</b>	<b>10,313</b>	<b>0</b>	<b>4,633</b>	<b>14,946</b>
Assumption	0	0	0	0
Repayment	0	0	-2,100	-2,100
Other payments	-625	0	-95	-720
Non-cash accruals	1,011	0	96	1,107
<b>As of Dec. 31, 2016</b>	<b>10,699</b>	<b>0</b>	<b>2,534</b>	<b>13,233</b>
Assumption		39,606	262	39,868
Addition from corporate acquisition			119	119
Repayment	-10,000	0	-2,211	-12,211
Other payments	-956	-155	-33	-1,144
Non-cash accruals	257	457	41	755
Exchange rate fluctuations	0	0	4	4
<b>As of Dec. 31, 2017</b>	<b>0</b>	<b>39,908</b>	<b>716</b>	<b>40,624</b>

The issuance of the borrower's note loans includes the actual inflow in the amount of € 40,000 thousand less the fee due for the conclusion of the agreement in the amount of € 394 thousand.

The other payments comprise interest payments and fees in particular.

The non-cash deferrals comprise deferred interest expenses in particular.

#### **42. MEMBERS OF THE EXECUTIVE BOARD AND MANAGING DIRECTORS / MEMBERS OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS**

In accordance with the resolution passed by the Annual General Meeting on May 31, 2017, and the entry made in the commercial register on December 6, 2017, SNP Schneider-Neureither & Partner AG was converted into SNP Schneider-Neureither & Partner SE, with a change of its legal form.

Up to its conversion, the company was managed by its Executive Board in accordance with the provisions of the German Stock Corporation Act (AktG). The Supervisory Board oversaw the Executive Board and advised it in relation to its management tasks. Following its conversion, the company is now managed by the Board of Directors, which determines the basic standards for its business activities and oversees their implementation by the Managing Directors.

In the period up to December 6, 2017, the Supervisory Board consisted of the following members: Dr. Michael Drill (Chairman), Gerhardt Burckhardt (Deputy Chairman) and Rainer Zinow. Pursuant to the resolution passed by the Annual General Meeting on May 31, 2017, the Board of Directors consists of the following members: Dr. Andreas Schneider-Neureither, Dr. Michael Drill, Gerhardt Burckhardt and Rainer Zinow.

In the period up to December 6, 2017, the Executive Board consisted of the following members: Dr. Andreas Schneider-Neureither (Chairman) and Henry Göttler. Until March 16, 2018, the same two people served as Managing Directors as had been the former Executive Board members; since this date, Dr. Andreas Schneider-Neureither has been the sole Managing Director.

#### **43. RELATED PARTY TRANSACTIONS AND DISCLOSURES**

According to IAS 24 "Related Party Disclosures," transactions with persons or companies that may be influenced by the reporting company or could influence the company must be disclosed unless they have not already been included as a consolidated company in the consolidated financial statements.

#### **Advances or Loans to Managing Directors or Contingent Liabilities Incurred on Behalf of These Persons**

As of December 31, 2017, no loans, credits or advances were granted to any Managing Directors. Furthermore, SNP SE did not incur any contingent liabilities on behalf of Managing Directors in the reporting year.

#### **Provisions for Pension Commitments to Managing Directors**

SNP SE has made provisions for the pension commitments to Dr. Andreas Schneider-Neureither and Ms. Petra Neureither (CFO until May 19, 2011) totaling € 225 thousand (previous year: € 256 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

#### **Other Transactions**

SNP SE has signed several rental agreements for office space and parking spaces for cars. These agreements have been concluded between the Chairman of the Board of Directors (who is also a Managing Director) and related parties. The invoicing of services is done at arm's length conditions as with third parties. In the 2017 fiscal year, related expenses were € 411 thousand (previous year: € 412 thousand); as of December 31, 2017, there were no outstanding liabilities. In the 2017 fiscal year, assets were sold to the Chairman of the Board of Directors (who is also a Managing Director) in the amount of € 19 thousand (previous year: € 0) and to other related persons in the amount of € 5 thousand (previous year: € 0) at arm's length conditions as with third parties.

In the 2017 fiscal year, SNP SE assumed liabilities of the Chairman of the Board of Directors for his account in the amount of € 35 thousand (previous year: € 0). These liabilities were outstanding as of the reporting date. All transactions have been entered into at arm's length conditions as with third parties.

All of the amounts associated with these transactions were insignificant for SNP SE.

You will find detailed information on the remuneration of our Managing Directors and the members of the Board of Directors in the remuneration report, which is contained within the management report.

#### 44. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Obligations from rental and lease agreements essentially comprise rental agreements for office space and lease agreements for intangible assets and cars. The following payments from rental and lease agreements are contractually binding in the coming fiscal years:

in € thousand	2017	2016
Within one year	4,692	4,119
Between one and five years	9,937	6,314
After five years	2,769	953
	17,398	11,386

#### 45. RISKS ARISING FROM LITIGATION

As of December 31, 2017, one major legal dispute is pending in which compensation claims have been asserted. SNP is a defendant in a legal dispute with two former employees whose employment relationships were terminated after a short period of time. The volume of the claim has not yet been determined. The plaintiffs estimate an upper six-digit euro amount. The defendant considers that this action is at the very least unfounded and is defending itself vigorously against it. The first hearing is to be held at the end of 2018.

#### 46. DIVIDENDS PAID AND PROPOSED

A dividend for 2016 of € 1,932,412.56 was approved and distributed (previous year: € 1,263,500.52) during the 2017 fiscal year. The dividend was € 0.39 per share. In the previous year, the dividend amounted to € 0.34 (adjusted for the higher number of shares after the capital increase in 2016: € 0.26 per share).

In light of the Annual General Meeting, which is to be held on May 30, 2018, the Board of Directors passed a resolution on the appropriation of profit. On account of a consolidated loss of € -2.7 million, no dividend is to be distributed. The distributable profit in the amount of € 0.6 million is to be carried forward for own account. SNP SE thus intends to strengthen the company's capital base.

#### 47. AUDITING AND CONSULTING FEES

In the fiscal year, fees for the auditor for the consolidated financial statements amounted to € 55 thousand (previous year: € 62 thousand), for tax advisory services € 0 thousand (previous year: € 98 thousand) and for other consulting services € 10 thousand (previous year: € 47 thousand).

#### 48. SUBSEQUENT EVENTS

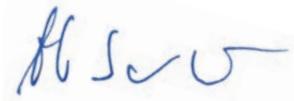
In January 2018, SNP resolved to reorganize and restructure its North American subsidiary, SNP Transformations Inc. Up to 25 full-time positions will be eliminated within the scope of the reorganization in the first half of 2018. SNP expects savings in the lower single-digit millions. These measures relate to the operating and administrative areas and are intended to deliver a permanent improvement in competitiveness and efficiency throughout this subsidiary. In addition, core functions that were previously based at various locations are to be pooled.

#### 49. CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board have issued a declaration on the German Corporate Governance Code. This has been made available on the company's website at <https://www.snpgroup.com/en/investor-relations/corporate-governance/>.

Heidelberg, March 26, 2018

The Managing Director



Dr. Andreas Schneider-Neureither

## INDEPENDENT AUDITOR'S REPORT

to SNP Schneider-Neureither & Partner SE, Heidelberg

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

#### **Audit opinions**

We have audited the consolidated financial statements of SNP Schneider-Neureither & Partner SE and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of December 31, 2017, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2017 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SNP Schneider-Neureither & Partner SE for the fiscal year from January 1, 2017 to December 31, 2017.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law in accordance with section 315e (1) of the German Commercial Code (HGB) and give, in accordance with these requirements, a true and fair view of the assets and financial situation of the Group as of December 31, 2017 and of its earnings situation for the fiscal year from January 1, 2017 to December 31, 2017, and
- the accompanying group management report provides an accurate picture of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German law and accurately presents the opportunities and risks of future development.

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

#### **Basis for the audit opinions**

We have conducted our audit of the consolidated financial statements and the group management report in accordance with section 317 HGB and the EU Audit Regulation (EU-Abschlussprüferverordnung – no. 537/2014; hereinafter „EU Audit Regulation“) and in compliance with the generally accepted standards for the audit of financial statements promulgated by the Institute of Auditors in Germany (Institut der Wirtschaftsprüfer (IDW)). Our responsibility in accordance with these regulations and principles is further described in the section „Auditor's responsibility for the audit of the consolidated financial statements and the group management report“ of our auditor's report. We are independent of the group companies in accordance with European and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare, in accordance with Article 10 (2) (f) of the EU Audit Regulation, that we have not provided any prohibited non-audit services according to Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

#### **Particularly important audit matters during the audit of the consolidated financial statements**

Particularly important audit matters are those that, according to our best judgement, were most significant in our audit of the consolidated financial statements for the fiscal year from January 1, 2017 to De-

ember 31, 2017. These matters have been considered in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion of these statements; we do not express a separate audit opinion on these matters.

## **IDENTIFICATION AND VALUATION OF INTANGIBLE ASSETS IN THE CONTEXT OF COMPANY ACQUISITIONS**

For general information on the acquisition of the BCC Group, Innoplexia GmbH, the Adepcon Group and ERST Retail Systems Technology GmbH, please refer to the notes to the consolidated financial statements under „6. Scope of Consolidation.“ Information on the recognized intangible assets can be found under „11. Acquisitions / Company Acquisitions.“

### **Risk for the financial statements**

On May 1, 2017, SNP Schneider-Neureither & Partner SE acquired all shares in the Polish BCC Group and a further 60% of the shares in Innoplexia GmbH. The Adepcon Group was acquired on August 1, 2017. ERST European Retail Systems Technology GmbH was acquired on October 1, 2017. The total purchase prices amounted to EUR 44.4 million. Intangible assets amounting to EUR 7.5 million were identified and recognized in the context of company acquisitions.

SNP Schneider-Neureither & Partner SE has appointed an external expert to determine and value the identified intangible assets acquired.

The identification and valuation of intangible assets acquired is complex and is based on discretionary assumptions that have a material impact on the amount of fair values determined using capital value-oriented procedures and thus on the amount of remaining goodwill. The key assumptions concern the future sales development of the acquired companies and the assumptions for determining the discount rates.

For the consolidated financial statements, there is the risk that the acquired intangible assets have been inaccurately identified or incorrectly valued.

### **Our auditing approach**

Together with our own valuation specialists, we have evaluated the procedure for identifying intangible assets and the valuation methods applied, among other things. Moreover, we have examined the appropriateness of the key valuation assumptions and the derivation of discount rates, in particular the market risk premium and the beta factor. In this context, we have also assessed the competence, skills and objectivity of the independent expert commissioned by SNP Schneider-Neureither & Partner SE.

We have methodically traced the calculations used to determine the discounted payment surpluses on which the accounting for identified intangible assets are based.

### **Our conclusions**

The procedure for identifying the acquired intangible assets is appropriate. In the context of the company acquisitions of the BCC Group, Innoplexia GmbH, the Adepcon Group and ERST Retail Systems Technology GmbH, the valuation methods used to determine the fair values and the key underlying assumptions and parameters of the valuation of the acquired intangible assets are appropriate.

## **IMPAIRMENT OF GOODWILL**

For information on the accounting and valuation principles applied and the impairment tests performed, please refer to the notes to the consolidated financial statements under „9. Use of Estimates“ and „10. Significant Accounting and Valuation Principles.“

**Risk for the financial statements**

Goodwill amounted to EUR 56.1 million as of December 31, 2017. The share of the balance sheet total amounted to 36.5%.

Goodwill is tested for impairment at the level of the cash-generating unit Professional Services. Goodwill impairment testing is complex and is based on a number of discretionary factors. The most significant assumptions concern expected future sales revenues, the planned profit margin and the discount rate used.

As a result of the impairment test performed, no need for impairment was determined. For the consolidated financial statements, there is the risk that the goodwill of the cash-generating unit Professional Services may not be recoverable.

**Our auditing approach**

On the basis of the explanations provided by persons responsible for planning, we have assessed the planning process and the key assumptions used. Based on the available information, we have evaluated whether the key planned values contained in the plans and the underlying assumptions are appropriate. In addition, we have drawn on extensive explanations from legal representatives. For the cash-generating unit Professional Services, we have compared the expected future cash flows with the existing plan.

Furthermore, we have satisfied ourselves of the planning reliability by retrospectively comparing the planned values (e.g. sales revenues) from previous years with the actual values that occurred. We have assessed the assumptions and parameters used to determine the discount rate used, in particular the market risk premium and beta factor, and have traced the calculation scheme. In addition, we have performed our own sensitivity analyses in order to assess a possible risk of impairment in the event of a reasonably possible change in the key valuation assumptions.

We have evaluated the calculation method of the impairment test and have traced the calculations used to determine the discounted cash surpluses.

**Our conclusions**

The valuation method underlying the impairment test of the goodwill of the cash-generating unit Professional Services is appropriate and consistent with the applicable valuation principles. The most significant underlying assumptions of the impairment test are appropriate.

**RECOGNITION OF SALES REVENUES FROM PROFESSIONAL SERVICES**

Please refer to the comments under „9. Use of Estimates“ and „35. Fixed-Price Projects – POC (Percentage of Completion) – Projects“ for information on recognizing the specified sales revenues.

**Risk for the financial statements**

The company reports sales revenues from Professional Services of EUR 98.3 million in the consolidated profit and loss statement. The share of revenues from Professional Services amounted to 80.4% of the Group's total sales.

The accurate recording of sales revenues in the consolidated financial statements is of particular importance for the economic situation of the Group. The recognition of consulting revenues depends on complex contractual agreements, which results in different dates of recognition.

On the one hand, the company renders consulting services. These services are billed and realized based on the hours recorded by the employees after the services have been rendered (expense projects). In addition, long-term project contracts are carried out based on contracts for work and services. Revenues for these contracts are recognized based on the stage of completion according to the progress made (percentage of completion method). For long-term project contracts, the stage of completion and thus

the extent of revenue recognition is determined by comparing the hours worked and the total hours expected for the project. The total hours expected to complete the project require discretionary decisions that are associated with estimation uncertainty and can have a significant impact on sales revenue amounts.

For the consolidated financial statements, there is the risk that the sales revenues reported from the consulting business have not been recognized.

### **Our auditing approach**

Based on our understanding of processes and the evaluation of the structure and implementation of the established internal controls regarding the accurate recording of contract-related personnel expenses and other expenses in the internal contract accounts, we have examined their effectiveness. These controls ensure that only project-related hours and expenses are recorded in and billed to the respective contract accounts.

For a representative sample, we have examined the underlying contractual agreements to determine whether the projects are expense projects that are realized by rendering services.

For contracts selected using a combination of mathematical-statistical selection and deliberate selection, we have assessed the underlying contractual agreements to determine whether the revenues of the projects in question are recognized based on the stage of completion according to the progress made (percentage of completion method). Subsequently, for the sample of project contracts not yet completed, we have assessed the stage of completion that forms the basis for the sales recognition by evaluating and tracing the total actual hours recorded, the total expected hours and the expected sales in the client's calculation.

For some of the long-term project contracts selected using a combination of mathematical-statistical selection and deliberate selection, we have evaluated the recording of sales revenues on an accrual basis by inspecting the acceptance reports.

### **Our conclusions**

The procedure for differentiating Professional Services and recognizing their revenue is appropriate. The estimates for the stage of completion are appropriate.

### **Other information**

The legal representatives are responsible for other information. Other information includes:

- the other parts of the annual report, with the exception of the audited consolidated financial statements, the group management report and our auditor's report,
- the corporate governance report in accordance with No. 3.10 of the German Corporate Governance Code and
- the assurance in accordance with section 315 (1) sentence 6 HGB for the group management report.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information; accordingly, we do not express an audit opinion or any other form of audit conclusion.

### **In connection with our audit, we are responsible for reading the other information and assessing whether the other information**

- is materially inconsistent with the consolidated financial statements, the group management report or our audit findings or
- otherwise appears materially misrepresented.

**Responsibility of the executive directors and the Board of Directors for the consolidated financial statements and the group management report**

The executive directors are responsible for preparing the consolidated financial statements that comply with IFRS as adopted by the EU and the additional requirements of German law in accordance with section 315e (1) HGB. In accordance with these requirements, the executive directors are also responsible for ensuring that the consolidated financial statements give a true and fair view of the assets, financial situation and earnings situation of the Group. Furthermore, the executive directors are responsible for the internal controls they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the executive directors are responsible for evaluating the Group's ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters related to the Group continuing as a going concern. In addition, they are responsible for accounting on the basis of the going concern accounting principle, unless there is the intention to liquidate the Group or to cease business operations or there is no realistic alternative.

Moreover, the executive directors are responsible for preparing the group management report, which as a whole provides an accurate picture of the Group's position and is consistent with the consolidated financial statements, which in turn accurately present the opportunities and risks of future development in all material respects in accordance with German law. Furthermore, the executive directors are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the requirements of German law and to provide sufficient suitable evidence for the statements in the group management report.

The Board of Directors is responsible for supervising the Group's accounting process for the preparation of the consolidated financial statements and the group management report.

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

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, be these intentional or unintentional, and whether the group management report as a whole provides an accurate picture of the Group's position and is consistent with the consolidated financial statements and the findings of our audit in all material respects, complies with German law and accurately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the generally accepted standards for the audit of financial statements promulgated by the Institute of Auditors in Germany (IDW) [and in supplementary compliance with the International Standards on Auditing (ISA)] will always reveal a material misstatement. Misstatements may result from violations or inaccuracies and are deemed material if it could reasonably be expected that they influence, individually or collectively, the economic decisions that addressees make based on these consolidated financial statements and the group management report.

**We conduct the audit according to our best judgement and maintain a critical stance.**

**In addition,**

- we identify and evaluate the risks of material misstatements, whether intentional or unintentional, in the consolidated financial statements and in the group management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not detected is higher for violations than for inaccuracies, since violations may involve fraudulent interaction, forgeries, intentional incompleteness, misleading representations or the suspension of internal controls.
- we gain an understanding of the internal control systems relevant to the audit of the consolidated financial statements as well as of the precautions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the given circumstances, but not in order to provide an audit opinion on the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies applied by the legal representatives as well as the reasonableness of the estimated values and related information presented by the legal representatives.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, based on the audit evidence obtained, whether there is any material uncertainty with regard to events or circumstances that could raise serious doubts about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and the group management report in the auditor's report or, if this information is inappropriate, to modify our audit opinion. We draw our conclusions based on the audit evidence obtained by the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including any disclosures, and whether the consolidated financial statements present the underlying business transactions and events such that the consolidated financial statements give a true and fair view of the assets, financial situation and earnings situation of the Group in accordance with IFRS, as applicable in the EU, and the additional requirements of German law in accordance with section 315e (1) HGB.
- we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the Group to enable us to express audit opinions on the consolidated financial statements and the group management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we evaluate the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it conveys of the Group's position.
- we perform audit procedures on the future-oriented statements presented by the legal representatives in the group management report. Based on sufficient appropriate audit evidence, we trace the significant assumptions underlying the future-oriented statements made by the legal representatives and evaluate the appropriate derivation of the future-oriented statements from these assumptions. We do not express an independent audit opinion on these future-oriented statements or on the underlying assumptions. There is a significant, unavoidable risk that future events could differ materially from the future-oriented statements.

We discuss with those charged with governance the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit, among other things.

We make a statement to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and measures taken to ensure an independent audit.

From the matters that we have discussed with those charged with governance, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore particularly important audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude public disclosure of the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Other information in accordance with Article 10 of the EU Audit Regulation**

We were elected as Group auditors by the Annual General Meeting on May 31, 2017. We were appointed by the Supervisory Board on July 12, 2017. We have been the Group auditors of SNP Schneider-Neureither & Partner SE since the 2017 fiscal year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (Audit Report).

## AUDITOR RESPONSIBLE

The auditor responsible for the audit is Jörg Müller.

Stuttgart, March 26, 2018

Rödl & Partner GmbH  
Auditing company  
Tax consulting company

Peter Künkele	Jörg Müller
Auditor	Auditor

## ANNUAL FINANCIAL STATEMENTS

SNP Schneider-Neureither & Partner SE, Heidelberg  
BALANCE SHEET (HGB) as at December 31, 2017

ASSETS	€	2017 €	2016 €k
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights and similar rights and values such as licenses to such rights and values	1,404,911.00		600
2. Advance payments on intangible assets	0.00		291
		1,404,911.00	891
<b>II. Fixed assets</b>			
1. Land, rights equivalent to property and buildings including buildings on third-party land	88,457.00		66
2. Other fixed assets and office equipment	1,254,667.92		1,030
3. Advance payments on property, plant and equipment	0.00		30
		1,343,124.92	1,126
<b>III. Financial assets</b>			
1. Shares in affiliated companies	86,204,380.87		29,564
2. Loans in affiliated companies	2,634,585.32		5,586
3. Participations	1.00		403
		88,838,967.19	35,553
<b>B. Current assets</b>			
<b>I. Inventories</b>			
1. Work in progress	4,600,810.31		3,899
2. Goods	371,250.00		371
		4,972,060.31	4,270
<b>II. Receivables and other assets</b>			
1. Trade receivables	2,584,582.84		6,527
2. Receivables from affiliated companies	14,010,974.49		13,957
3. Other assets	730,383.16		268
		17,325,940.49	20,752
<b>III. Cash reserves and bank balances</b>		16,969,250.76	15,545
<b>C. Deferred items</b>		371,923.13	340
		<b>131,226,177.80</b>	<b>78,477</b>
<b>LIABILITIES</b>	€	2017 €	2016 €k
<b>A. Equity</b>			
<b>I. Subscribed capital</b>			
1. Own shares	5,474,463.00		4,977
	-21,882.00		-22
		5,452,581.00	4,955
<b>II. Capital reserves</b>		55,421,245.35	37,181
<b>III. Revenue reserves</b>			
1. Statutory reserves	19,100.00		19
2. Other reserves	52,888.55		53
		71,988.55	72
<b>VI. Retained earnings</b>		567,031.24	4,323
<b>B. Provisions</b>			
1. Provisions for pensions and similar obligations	309,229.31		96
2. Tax provisions	77,230.00		82
3. Other provisions	2,230,313.35		2,872
		2,616,772.66	3,050
<b>C. Liabilities</b>			
1. Corporate bond	0.00		10,802
2. Liabilities to credit institutions	40,759,848.61		2,550
3. Payments received on orders	4,333,387.06		2,863
4. Trade payables	1,601,524.15		1,130
5. Liabilities to affiliated companies	150,561.16		711
6. Other liabilities	19,874,690.08		10,213
		66,720,011.06	28,269
<b>D. Deferred items</b>		376,547.94	627
		<b>131,226,177.80</b>	<b>78,477</b>

SNP Schneider-Neureither & Partner SE, Heidelberg

**PROFIT AND LOSS ACCOUNT (HGB)** from January 1 to December 31, 2017

€	<b>2017</b> €	<b>2016</b> €k
<b>1. Sales revenue</b>	<b>22,374,149.03</b>	<b>26,063</b>
<b>2. Increase in inventories of finished and unfinished goods</b>	701,735.11	1,136
<b>3. Other capitalized internal services</b>	0,00	47
<b>4. Other operating income</b>		
- Of which expenses from foreign currency conversion 367,084.25 € (428 T€)	999,249.62	943
<b>5. Material costs</b>		
Costs for purchased goods	10,807,486.73	12,380
<b>6. Personnel costs</b>		
a) Wages and salaries	9,227,410.66	9,313
b) Social security and expenses for pensions and related employee benefits		
- Of which expenses for pensions 101,994.27 € (111 T€)	1,452,855.96	1,339
<b>7. Depreciation</b>		
a) Of intangible assets and fixed assets	701,068.37	599
<b>8. Other operating expenses</b>		
- Of which expenses from foreign currency conversion 1,051,798.56 € (86 T€)	13,890,222.94	8,742
<b>9. Income from participations</b>		
- Of which from affiliated companies 3,292,470.35 € (1.382 T€)	3,292,470.35	1,383
<b>10. Received profits due to a profit transfer agreement</b>	7,810,289.36	6,709
<b>11. Income from loans of financial assets</b>		
- Of which from affiliated companies 151,548.14 € (235 T€)	151,548.14	235
<b>12. Other interest and similar income</b>		
- Of which from affiliated companies 16,623.50 € (322 T€)	44,861.07	392
<b>13. Depreciation of financial assets</b>	131,541.50	0
<b>14. Expenditure for loss assumption</b>	69,339.50	0
<b>15. Interest and similar expenses</b>		
- Of which from affiliated companies 0,00 € (1 T€)	887,724.05	1,043
<b>16. Taxes on income</b>	6,630.00	169
<b>17. Loss/income after taxes</b>	<b>-1,799,977.03</b>	<b>3,323</b>
<b>18. Other taxes</b>	23,924.33	26
<b>19. Net income</b>	<b>-1,823,901.36</b>	<b>3,297</b>
<b>20. Profit carries forward from previous year</b>	2,390,932.60	1,026
<b>21. Net profit</b>	<b>567,031.24</b>	<b>4,323</b>

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## FINANCIAL CALENDER

March 28, 2018	Publication on Annual Report 2017
April 27, 2018	Publication of the Interim Statement for Quarter I
May 30, 2018	Annual General Meeting 2018
August 2, 2018	Publication of Half Year Figures 2018
October 30, 2018	Publication of the Interim Statement for Quarter III
November 2018	German Equity Forum 2018

All dates are provisional only.

The current financial calendar can be consulted at::

[www.snpgroup.com/eng/Investor-Relations/Financial-calendar](http://www.snpgroup.com/eng/Investor-Relations/Financial-calendar).

## CONTACT

Do you have questions or need more information? We are at your disposal:

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This Annual Report is also available in German. The legally binding document is the original German version, which shall prevail in any case of doubt.



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## **LEGAL NOTICE**

### **Contents**

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