Shaping global change

Annual Report 2016

Key figures (IFRS)
GFT Technologies SE

in € million	2016	2015	Δ %
Income statement			
Revenue	422.56	373.51	13%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	46.71	44.56	5%
Earnings before interest and taxes (EBIT)	34.79	34.23	2%
Earnings before taxes (EBT)	33.05	32.52	2%
Net income continued operation	24.23	26.55	–9%
Segments			
Revenue *Americas & UK*	219.42	210.78	4%
Revenue *Continental Europe*	200.52	162.68	23%
Revenue *Others*	2.62	0.05	
Earnings before taxes (EBT) *Americas & UK*	9.43	16.07	–41%
Earnings before taxes (EBT) *Continental Europe*	25.26	20.06	26%
Earnings before taxes (EBT) *Others*	–1.64	–3.61	
Share			
Net earnings per share from continued operations (undiluted)	€0.92	€1.01	–9%
Average number of outstanding shares	26,325,946	26,325,946	0%
Balance sheet			
Non-current assets	175.54	173.45	1%
Cash, cash equivalents and securities	62.29	46.98	33%
Other current assets	128.21	106.38	21%
Assets	**366.04**	**326.81**	**12%**
Non-current liabilities	134.65	111.73	21%
Current liabilities	114.21	90.63	26%
Shareholders' equity	117.18	124.45	–6%
Liabilities	**366.04**	**326.81**	**12%**
Equity ratio	32%	38%	
Cash flow			**in € million**
Cash flow from operating activities	19.83	42.60	–22.77
Cash flow from investing activities	–16.54	–31.73	15.19
Cash flow from financing activities	13.01	–3.37	16.38
Employees			
Employees (absolute figures as of 30 December)	4,870	4,050	20%
Utilisation rate (weighted Ø GFT)	90%	89%	

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Letter to the shareholders

Ladies and gentlemen,

Global political events such as the Brexit vote or the US presidential election caused considerable economic turmoil in 2016 and also left their mark on GFT. It is all the more pleasing therefore that we can look back on a successful year. Once again, we were able to thrill our customers with solutions for the digitisation of their business processes. Projects for the implementation of compliance requirements, especially for investment banks, also provided important growth momentum again in 2016.

We raised consolidated revenue by 13% to €423 million and EBITDA (earnings before interest, taxes, depreciation and amortisation) by 5% to €47 million in 2016. Pre-tax earnings (EBT) improved by 2% to €33 million.

There was very encouraging growth in revenue generated with retail banks in Continental Europe, which rose by 23% to €201 million. Growth was particularly strong in Spain, whose banking sector is one of Europe's most advanced in terms of digitisation. Revenue generated with clients in this country increased by 61% to €78 million.

At the same time, the global downward market trend in investment banking since the beginning of 2016 led to subdued capital spending in the USA and the UK. In spite of these challenging conditions though, we achieved sales growth in this region of 4% to €219 million. At the end of last year, we began to also target clients in the USA and the UK with our solutions for the digitisation of business processes in order to tap further growth potential.

In the past year, we greatly expanded our presence in Latin America with the acquisition of a company in Brazil. The specialist knowledge of our new colleagues in the field of process management and mobile banking applications is an ideal fit for our portfolio. Our so-called Digital Innovation Labs in Barcelona, London, São Paulo and Stuttgart also play a key role in the development of innovative solutions. We develop prototypes of future applications based on cutting-edge technologies at these labs and present the future of banking to our clients.

According to experts on the financial services industry, the Digital Transformation of this sector will radically change the face of banking in the years ahead. There are strong arguments for concepts that see the bank of the future as a digital ecosystem. Against this backdrop, banks are expected to invest increasingly in IT projects for the Digital Transformation of their business models over the coming years. We expect numerous growth opportunities from this trend. Investments to implement compliance requirements will also remain high. This will give investment banks the scope to invest again in new technologies aimed at enhancing efficiency and maintaining their competitive edge.

Dr Jochen Ruetz – Chief Financial Officer (CFO)
Marika Lulay – Chief Operating Officer (COO)
Ulrich Dietz – Chief Executive Officer (CEO), Chairman of the Managing Directors

We expect a further positive development of business in 2017 with an increase in consolidated revenue to €450 million. For the year as a whole, EBITDA is expected to improve to €49 million with an increase in EBT to €35 million. In the medium term, we aim to raise revenue to €800 million with an EBITDA margin of around 12% by 2020. Our objective is to combine steady organic growth of around 10% per year with targeted acquisitions.

With our 5,000 or so highly motivated and dedicated employees, we are working hard to maintain our dynamic growth trajectory. Since founding GFT 30 years ago, we have always remained true to one principle: the use of cutting-edge technologies to create innovative business models for our clients. I would like to thank our employees for repeatedly devoting their knowledge, experience and perseverance to ensure the best-possible solutions for our clients.

In this way, we aim to actively shape the opportunities and possibilities of digital change also in the next 30 years – together with our clients around the world.

Best regards,

Ulrich Dietz
Chairman of the Managing Directors, CEO

Administrative Board Report

Ladies and gentlemen,

In the financial year 2016, the GFT Group continued its growth course with significant increases in revenue and earnings. The strong demand for solutions to digitalise the business processes of retail banks was a major growth driver. In addition, financial service providers continued to invest heavily in projects for the implementation of regulatory compliance.

In the following, we would like to report in detail on the work of the Administrative Board:

Cooperation between the Administrative Board and the Managing Directors

In the financial year 2016, the Administrative Board of GFT Technologies SE conducted its duties with great care and pursuant to the legal provisions, the company's articles of association and its own rules of procedure. All significant strategic questions and individual issues were discussed thoroughly and resolved on where necessary by the Administrative Board. The main topics for the Administrative Board were the current course of business, the development of earnings, key projects and any deviations from planned developments. In particular, all major projects of the Managing Directors, the activities of the subsidiaries and their respective results were discussed thoroughly and critically during the meetings. In the reporting period, the Administrative Board focused in particular on the activities of the *Americas & UK* segment. One meeting of the Administrative Board was held in London.

The Managing Directors regularly informed the Administrative Board – in written and verbal reports both during and outside its meetings – about the current state of business, the earnings trend, major projects and deviations from planned developments by means of ongoing target/actual comparisons. All reports also formed the basis for extensive discussions within the Administrative Board. Moreover, the company's short- and medium-term development prospects, its strategic alignment and its financial, investment and personnel planning, as well as the associated risks, were discussed in detail with the Managing Directors.

In addition to the meetings, the Chairman of the Administrative Board was also in regular contact with the Managing Directors throughout the year.

All transactions requiring the approval of the Administrative Board during the reporting year were extensively examined and discussed by the Administrative Board on the basis of the written documents and oral explanations provided. All necessary resolutions of the Administrative Board – including the necessary approval decisions – were adopted during the meetings, in conference calls, or via email circulation.

Dr Paul Lerbinger –
Chairman of the Administrative Board

This ensured that the Administrative Board was able to fulfil its duties carefully and promptly at all times.

Due to the low number of its members, the Administrative Board chose not to form any committees. In accordance with statutory obligations, all tasks could and can be performed in a sensible and transparent manner by the Administrative Board as a complete body.

Meetings of the Administrative Board as well as discussions held outside of meetings

The Administrative Board held five meetings and two conference calls in the reporting period. Resolutions on particularly urgent matters were adopted outside meetings by email circulation. No member of the Administrative Board attended less than half of the Administrative Board meetings.

The business development of the GFT Group, as well as the short-, medium- and long-term corporate and financial planning, were discussed in detail at every meeting of the Administrative Board.

On **2 February 2016**, the Administrative Board approved a rental agreement in London spanning a period of several years via a resolution adopted **by written circulation**.

In a **conference call** on **2 March 2016**, the Administrative Board discussed the preliminary figures of the annual and consolidated financial statements for the financial year 2015 as submitted by the Managing Directors. The dividend proposal submitted by the Managing Directors was also the subject of discussions. Following its own examination, the Administrative Board approved the preliminary figures and the dividend proposal. In addition, the Administrative Board discussed and adopted amendments to the Group's management structure at the level below the Managing Directors.

At the **balance-sheet meeting** held in Stuttgart on **23 March 2016**, the Administrative Board approved the annual financial statements and consolidated financial statements as at 31 December 2015 and thus adopted the financial statements for the year. Prior to this, the Administrative

Board had examined in detail the annual financial statements of GFT Technologies SE, the management report for GFT Technologies SE and the proposal for allocating net income, as well as the consolidated financial statements and Group management report on the basis of the documents provided well in advance, and in particular the audit reports and unqualified audit opinion of the auditing company KPMG Wirtschaftsprüfungsgesellschaft AG, Berlin. Moreover, the documents were discussed thoroughly with the Managing Directors during the meeting, which was also attended by the chief auditors. The latter presented their audit results in detail and answered fully all questions posed by the Administrative Board. Before the meeting, the Administrative Board carefully examined the auditor's reports itself and was able to satisfy itself that the audit and audit report had been executed in an orderly and proper manner. The results of the Administrative Board's own review corresponded with those of the auditors.

At the same meeting, the agenda for the Annual General Meeting 2016 was also discussed in detail. The auditors confirmed beforehand that there were no circumstances which might cast doubt on their independence. Moreover, the Administrative Board discussed risk management and the reporting system with regard to accounting. The Managing Directors also informed the Administrative Board in detail about the current status of negotiations on a potential acquisition of Habber Tec Brazil (W.G. Systems Ltda.) in Brazil.

Without the presence of the Managing Directors, the Administrative Board also resolved on whether the Managing Directors had reached their individual targets for the financial year 2015 with regard to variable compensation and resolved on the personal targets for the financial year 2016.

On **11 April 2016**, the Administrative Board adopted a resolution **by written circulation** to acquire Habber Tec Brazil.

On **26 April 2016**, the Administrative Board adopted **by written circulation** the convening of the Annual General Meeting 2016 and the corresponding agenda.

At the **meeting** in London on **9 May 2016**, the Managing Directors presented the results for the first quarter of 2016, the quarterly announcement and the current forecast for the financial year. In addition, the Administrative Board was informed comprehensively about the position of the *Americas & UK* segment. The senior management of this segment also explained in detail the respective future challenges, prospects and strategies.

At the Administrative Board **meeting** held in Stuttgart on **13 June 2016**, the Administrative Board discussed the Annual General Meeting taking place on the following day. The Administrative Board also resolved that companies of the GFT Group could use non-auditing services and in particular tax advisory services of KPMG or its network and determined the precise details. Moreover, the Administrative Board dealt with the new regulations of capital market legislation, and especially the Market Abuse Regulation.

During the **conference call** on **8 August 2016**, the Administrative Board discussed the results for the first six months of 2016 and half-yearly financial report. In addition, the Managing Directors informed the Administrative Board about the current forecast for the financial year 2016.

At its **meeting** on **7 November 2016**, the Administrative Board discussed the results for the third quarter of 2016, the quarterly statement and the forecast for the fourth quarter of 2016. The Administrative Board was also informed in detail about the current situation and possible future developments with regard to the clients and competitors of the GFT Group.

At the **meeting** on **5 December 2016**, the Managing Directors presented the proposed budget for the financial year 2017 and explained the company's medium-term planning, including financial, investment and manpower planning. The Administrative Board discussed the proposals in detail before adopting the budget. Following this, the Administrative Board issued the scheduled Declaration of Compliance with the German Corporate Governance Code (GCGC) according to section 22 (6) SEAG in conjunction with section 161 AktG. The Administrative Board also completed the regular efficiency audit pursuant to section 5.6 GCGC. Following this, the Administrative Board adopted a resolution setting the main audit topics for the forthcoming auditing of the annual financial statements.

Prior to this, the Administrative Board discussed the personal targets for the financial year 2017 with regard to variable compensation of the Managing Directors, in the absence of the members concerned.

Corporate Governance and Declaration of Compliance

In the reporting period, the Administrative Board discussed in depth the rules of good corporate governance and their application within the GFT Group. Further details on the corporate governance principles and their implementation within the GFT Group are presented in the Corporate Governance Report.

At its meeting on 5 December 2016, the Administrative Board issued its declaration on the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG. The document was published on the company's website http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/declaration-of-compliance/ on 6 December 2016 and is included in the Corporate Governance Statement.

The members of the Administrative Board individually pursued their duties regarding ongoing training, as also recommended in section 5.4.5 (2) GCGC, by studying the latest literature and attending various events, in particular on issues regarding the correct performance of duties, corporate governance and financial reporting.

Conflicts of interest and their treatment

Whenever transactions between GFT Technologies SE, or companies of the GFT Group, on the one hand and companies for which individual members of the Administrative Board work on the other were discussed, or resolutions were adopted, the Administrative Board members in question did not participate in discussions or the adoption of resolutions in order to avoid any suspicion of a conflict of interest.

Annual financial statements and consolidated financial statements 2016

The annual financial statements as at 31 December 2016 of GFT Technologies SE, the consolidated financial statements of the GFT Group as at 31 December 2016, and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The audits each received an unqualified audit opinion. As part of the audit remit, the auditors also concluded that the Administrative Board had taken appropriate steps, as required by section 22 (3) sentence 2 SEAG, in particular to establish a monitoring system for the early detection of developments which might jeopardise the continued existence of the company and that the monitoring system can fulfil its tasks.

The annual financial statements, the consolidated financial statements and the combined management report as at 31 December 2016, as well as the audit reports of the auditors, the other documents to be examined and the proposal of the Managing Directors for the appropriation of the balance sheet profit were made available to each member of the Administrative Board in good time. All of the above documents – with the exception of the annotated auditor's reports – were explained by the Managing Directors at the Administrative Board of 22 March 2017. The meeting was also attended by the auditors, who reported on the priorities and the results of the audit and stated that no material weaknesses in the internal control system and risk management system in relation to the financial reporting process had been detected.

The qualification, independence and efficiency of the auditors was checked by the Administrative Board, especially in connection with discussions on the annual financial statements, the half-yearly financial report and the quarterly statements. The auditors also reported on other services rendered and declared that pursuant to sections 7.2.1 GCGC there were no circumstances which might have impaired their independent and unbiased audit.

The Administrative Board examined itself all documents submitted on the annual and consolidated financial statements, including the audit reports of the auditors, and discussed them with the Managing Directors and the auditors at length. It is the firm belief of the Administrative Board that these documents were prepared in an orderly manner and comply with statutory requirements, as do the audit and the audit reports. The Administrative Board has no objections and concurs with the findings of the audit, also on the basis of its own review. At its meeting on 22 March 2017, it approved the annual financial statements 2016 of GFT Technologies SE and the consolidated financial statements of the GFT Group for 2016, as prepared by the Managing Directors, with a corresponding resolution. The annual financial statements of GFT Technologies SE for 2016 were thus adopted. On the basis of its own review, and in consideration of the economic situation of the company, the Administrative Board believes that the proposal of the Managing Directors concerning the allocation of net income and a dividend payment of €0.30 per share entitled to dividends is reasonable and therefore supports this proposal.

Personnel changes

At the meeting of the Administrative Board on 29 January 2017, Ulrich Dietz – in agreement with the Administrative Board and of his own accord – resigned as Managing Director and Chief Executive Officer (CEO) of GFT Technologies SE with effect as of the end of the Annual General Meeting of GFT Technologies SE on 31 May 2017. The new CEO will be Marika Lulay, who was unanimously appointed by the Administrative Board. As Managing Director, she currently holds the position of Chief Operating Officer (COO) and is responsible for the operational business as well as the key areas technology and quality management. In addition, the Administrative Board elected Ulrich Dietz as Chairman of the Administrative Board and Dr Paul Lerbinger, the current Chairman, as Vice Chairman.

Thanks

The Administrative Board would like to thank all employees of the GFT Group's companies for their hard work and personal commitment. They played a decisive role in helping the Group achieve its results in the financial year 2016. We are also grateful to the shareholders of GFT Technologies SE.

Stuttgart, 22 March 2017

For the Administrative Board

Dr Paul Lerbinger
Chairman of the Administrative Board

Corporate Governance Report

The Administrative Board of GFT Technologies SE defines corporate governance as being a comprehensive system of good and responsible company management. This is an important foundation for the sustainable value creation of the GFT Group. The Administrative Board of GFT Technologies SE observes all applicable regulations regarding its organisational and supervisory obligations and is also guided by the recommendations of the German Corporate Governance Code (GCGC) in its currently valid version as published by the respective Government Commission.

Corporate governance of the GFT Group

As a European Company listed in Germany, GFT Technologies SE is primarily subject to the guidelines of Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE Regulation) and the German act implementing Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company ("SE-Ausführungsgesetz" -SEAG), as well as Regulation (EU) No. 596/2014 of 16 April 2014 regarding market abuse (MAR). Insofar as the SE Regulation, the SEAG and the MAR do not contain more specific regulations, the German Stock Corporation Act (Aktiengesetz – AktG), the German Commercial Code (Handelsgesetzbuch – HGB) and the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), among others, shall additionally apply. Moreover, the Articles of Association of GFT Technologies SE, the rules of procedure of the Administrative Board and the Managing Directors, the respective local legislation and rules of procedure for affiliated companies as defined by section 15 et seq. AktG and the Business Conduct Guidelines of the GFT Group form the basis for corporate governance. The Administrative Board regularly considers corporate governance. The Managing Directors are responsible for its integration into the processes of the GFT Group.

With a few exceptions, GFT Technologies SE observes the recommendations of the GCGC (www.dcgk.de). The latest Declaration of Compliance of the Administrative Board of GFT Technologies SE concerning the recommendations of the "Government Commission on the German Corporate Governance Code" can be found in the Corporate Governance Statement. The latest Declaration of Compliance, and those submitted in previous years, are permanently available on the GFT Group's website (http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/declaration-of-compliance/).

Shareholders, Annual General Meeting and Investor Relations

The share capital of GFT Technologies SE is divided into 26,325,946 no-par bearer shares. Each share entitles the bearer to one vote. The shareholders actively exercise their rights at the company's Annual General Meeting, where they interact directly with the Administrative Board and Managing Directors and cast their votes. The Annual General Meeting is held once per calendar year. GFT Technologies SE publishes all the necessary documents and information on its website in preparation for the event. Shareholders can cast their votes at the Annual General Meeting either in person or via a proxy of their choice. The company also appoints a proxy who is bound by the voting instructions received. Shareholders can issue their instructions to this proxy in writing, by fax or electronically – as described in the invitation to the Annual General Meeting. Shareholders attending the Annual General Meeting can also instruct a proxy to vote for them in accordance with the conditions announced at the Annual General Meeting and on transfer of the voting card.

The company provides its shareholders, as well as financial analysts, shareholders' associations, the media and interested members of the public, with regular and up-to-date information on the development of business. Further information on the company's extensive Investor Relations activities is presented on the corporate website of GFT Technologies SE (http://www.gft.com/int/en/index/company/investor-relations/). In addition, the dates of essential regular publications (including the Annual Report and interim financial reports) and the dates of the Annual General Meeting, balance-sheet press and analysts' conferences are published here sufficiently in advance. Analyst assessments and the latest investor presentation are also available in English.

Governing, supervisory and management bodies, single-tier management and control structure

GFT Technologies SE has a single-tier management and control structure. This internationally widespread system is characterized by the fact that the company is managed by a single governing body, the Administrative Board, while the Managing Directors are responsible for the operating business.

The Administrative Board and Managing Directors are obliged to pursue the company's interests and its strategic principles. These are geared in particular towards avoiding conflicts of interest.

The company has taken out D&O insurance for the members of the Administrative Board and the Managing Directors. The agreed excess in this D&O policy for the Managing Directors complies with the statutory provisions. No suitable excess has been agreed in the D&O policy for those Administrative Board members who are not also Managing Directors. The company does not believe that an excess for these members of the Administrative Board provides an additional incentive to carry out its activities with due diligence and in accordance with statutory provisions.

Administrative Board

The Administrative Board of GFT Technologies SE consists of seven members. It comprises leading business figures with detailed knowledge and international experience of the IT sector, banking, finance and law. The Administrative Board consists exclusively of shareholder representatives. The disclosures on the respective professions of Administrative Board members and a list of the seats they hold on mandatory supervisory boards or comparable committees, as well as their relations with related companies and persons, are presented in the notes to the consolidated financial statements of the annual report.

With regard to its composition, the Administrative Board has set targets for the proportion of female members in line with statutory obligations arising from the German law on the equal participation of women and men in leadership positions in the private and the public sectors of 24 April 2015. In other respects, the Administrative Board of GFT Technologies SE considers the special professional competencies of its members in different areas, in national and international experiences, as well as their independence within the meaning of section 5.4.2 sentence 2 GCGC as essential criteria for the composition of the body. However, the Administrative Board refrains from defining specific objectives for its composition beyond the aforementioned principles. It believes this would deprive the Administrative Board of the necessary flexibility in nominating candidates for election to the Administrative Board by the Annual General Meeting. For the same reason, the Administrative Board also refrains from setting a regular limit for the length of membership to the Administrative Board. To this extent, the company diverges from section 5.4.1 (2) GCGC.

Three members of the Administrative Board were appointed as Managing Directors; the majority of members are non-executive members. All members of the Administrative Board were elected by the Annual General Meeting of 23 June 2015 for the period ending on expiry of the Annual General Meeting which decides on discharge for the financial year 2020, but for no longer than six years.

Details on the meetings of the Administrative Board in the reporting period are published in the Administrative Board Report contained in the annual report. Information on the working procedures of the Administrative Board is included in the summarised Corporate Governance Statement. This is published on the website of GFT Technologies SE (http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/corporate-governance-statements/).

Managing Directors

GFT Technologies SE has three Managing Directors. Ulrich Dietz was appointed as Chief Executive Officer (CEO). The responsibilities of the Managing Directors and the divisions they head are presented in the notes to the consolidated financial statements and online at http://www.gft.com/int/en/index/company/about-us/management/.

At the meeting of the Administrative Board on 29 January 2017, Ulrich Dietz stepped down from his position as Managing Director and Chief Executive Officer (CEO) of GFT Technologies SE – at his own request and in agreement with the Administrative Board – with effect from the Annual General Meeting of GFT Technologies SE on 31 May 2017. The Administrative Board voted unanimously to appoint Marika Lulay as his successor for the position of CEO – also with effect from 31 May 2017.

Information on the working procedures of the Managing Directors is provided in the summarised Corporate Governance Statement (http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/corporate-governance-statements/).

A list of seats held by the Managing Directors on mandatory supervisory boards or comparable committees, as well as their relations with related companies and persons, are presented in the notes to the consolidated financial statements.

Remuneration for members of the Administrative Board and the Managing Directors

Disclosures on remuneration for members of the Administrative Board and the Managing Directors are to be found in the Remuneration Report section of this annual report.

Share option programmes and similar share-based incentive schemes

The GFT Group has no share option programmes or similar share-based incentive schemes.

Shareholdings of Administrative Board members and Managing Directors of GFT Technologies SE

At the end of the reporting period on 31 December 2016, the members of the Administrative Board held a total of 9,602,520 shares. Of this total, Ulrich Dietz held a total of 6,913,514 shares, of which 2,000 were attributed to him, and Maria Dietz held a total of 2,548,706 shares, of which 2,000 were attributed to her.

At the end of the reporting period, the Managing Directors held a total of 7,053,814 shares. Of this total, Ulrich Dietz held a total of 6,913,514 shares, of which 2,000 were attributed to him.

Directors' Dealings

Until 2 July 2016, the members of the Administrative Board and others were obliged to disclose the purchase and sale of shares and related financial instruments of GFT Technologies SE in accordance with section 15a WpHG. As of 3 July 2016, this obligation derives from Art. 19 MAR. The respective disclosures are published online at http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/directors-dealings/.

Compliance

In its rules of procedure and internal guidelines, the GFT Group has formulated binding regulations regarding behaviour, processes and guiding values for the company and its employees. It is an overriding principle of the Administrative Board that all employees comply with legally and ethically correct procedures in their daily business and regard them as a matter of course. In order to ensure that compliance remains a firm component of company processes, all employees – including those of domestic and foreign subsidiaries – are regularly informed and trained. The Compliance Office and further internal offices provide support for the Managing Directors of GFT Technologies SE and the management boards of GFT Group subsidiaries regarding compliance with guidelines and processes. With the aid of internal and external audits, compliance with the applicable regulations is regularly reviewed and recommendations are provided for their ongoing development.

GFT share

2016 was not an easy year on the stock markets for most investors, especially those focusing on the German and European markets. Sentiment was not only burdened by fears of a renewed global recession but also by political uncertainties surrounding the Brexit referendum – the vote on whether the UK should leave the EU. The European blue chip index EURO STOXX 50, for example, recorded year-on-year growth of just 0.7%. The German benchmark index DAX 30 only managed to end the year 6.9% up after a late rally. The tech-stock index TecDAX closed the year with a loss of 1.0%. Following growth of 154% to €31.59 in the previous year, the GFT share was burdened by profit-taking, weak sentiment in the banking sector and general stock market uncertainty in 2016. The share closed 35% down at €20.50.

In early 2016, signs of weaker economic growth in the emerging markets and a series of disappointing economic data from the USA put the international stock markets under enormous pressure. The DAX 30 and TecDAX each lost around 19% in the first six weeks of trading. Stability returned in mid-February and there was a slight recovery in March on the ECB's announcement of further monetary easing.

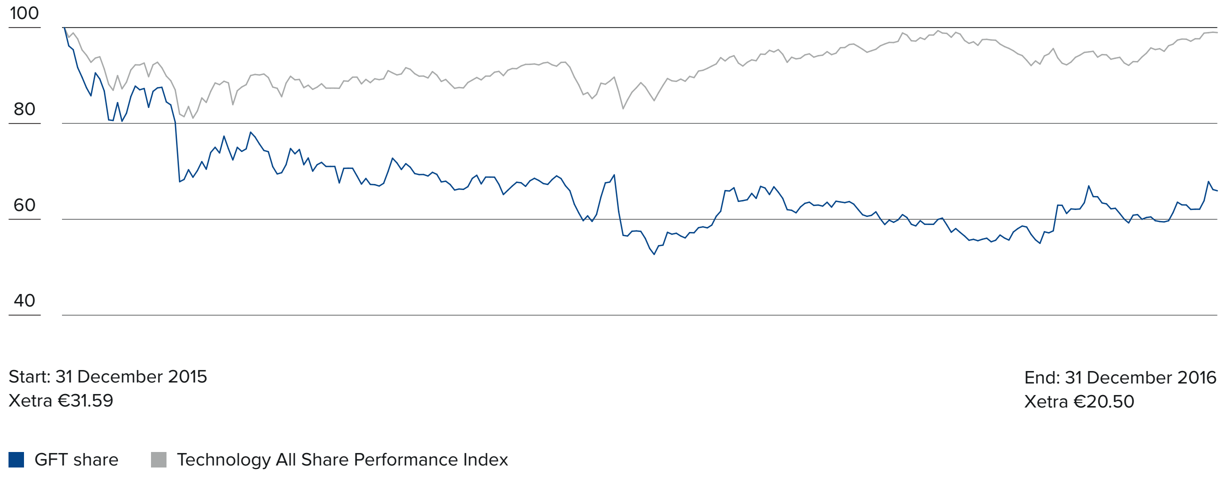
The GFT share started 2016 at the high level of €31.59 but subsequently failed to escape the effects of negative market sentiment in the early weeks. Heavy share price losses in the banking sector in early February hit the share hard and fell to €21.43 on 8 February. GFT Technologies SE announced its preliminary results for the financial year 2015 on 2 March 2016. Despite having raised its full-year forecasts several times during the year, these results once again surpassed guidance. The share closed at €22.32 on 31 March and thus ended the first quarter with a loss of 29%.

The modest recovery of the international stock markets continued in the second quarter. However, volatility increased noticeably in June as the Brexit referendum drew closer. Whereas markets responded positively to poll results in the days leading up to the referendum and initially rallied, the shock decision in favour of a UK exit from the EU resulted in strong losses on 23 June and the following days, especially on the European stock markets. Although these losses were partially offset by the end of the month, the DAX and MDAX indices ended the first six months with losses of 9.0% and 3.2%, respectively. The TecDAX was down by as much as 11.5%.

The GFT share initially moved sideways in the second quarter. On the announcement of positive first-quarter figures on 12 May 2016, the analysts of the financial institutes Warburg, quirin and equinet all issued "buy" recommendations. Against the backdrop of a possible Brexit – and the resulting uncertainty for the largest sales market of GFT Technologies SE – the share became more volatile again in June and fell to a new year-low of €18.51 on 16 June. The slight recovery to €21.53 following positive poll results was ended on 23 June by the surprise Brexit decision. The share was now caught up in the strong downward trend of Europe's stock markets and fell to a new year-low of €17.56 on 28 June. The GFT share closed trading on 30 June at €17.89 – corresponding to a decline of 43% in the first half of 2016.

In July and August, the international stock markets recovered and recorded a clear upward movement supported by positive economic data. The DAX climbed to a new year-high in August while the US indices Dow Jones and Nasdaq also reached new all-time highs. In September, volatility returned – above all in Europe – as a result of disappointing monetary policy decisions taken by the ECB and new concerns surrounding Deutsche Bank.

Share performance indexed 2016 – GFT Technologies SE vs. TecDAX



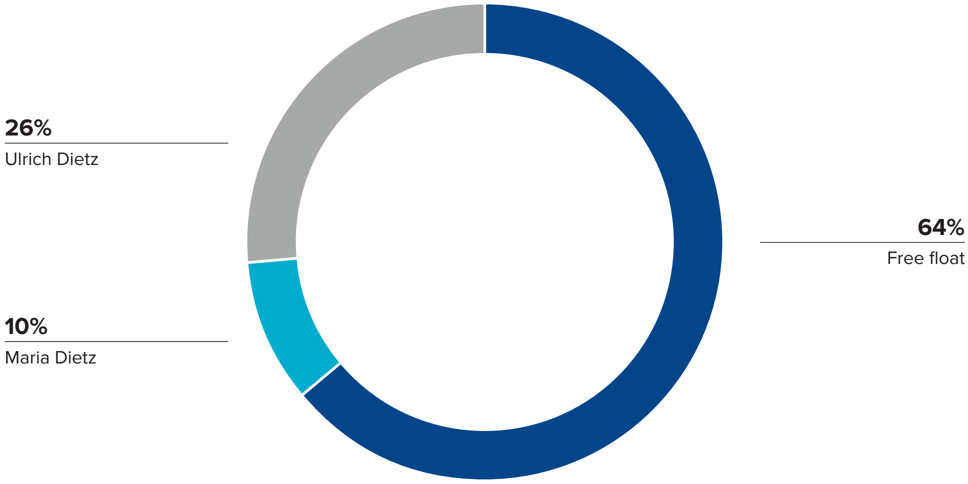
Following a brief setback to its year-low of €16.37 on 6 July, the GFT share also rallied strongly and was able to almost fully offset its Brexit-related losses by mid-August. This trend was aided by a new UBS study which upgraded the share's rating from "neutral" to "buy" and raised the upside target from €22.50 to €25.00. According to analysts, the GFT share's strong slide in the first half-year resulted from an overvaluing of risks relating to negative sentiment in the banking sector and the Brexit referendum. GFT Technologies SE's business had proved to be more resistant to macroeconomic uncertainties than expected. This positive assessment was underpinned by the half-year results published on 11 August which helped lift the GFT share above the 20-euro-mark again. This upward trend was interrupted in mid-August by volatile market sentiment and the share fell back to €18.08 at the end of the third quarter.

With the exception of minor setbacks in October, the international stock markets were generally buoyant in the fourth quarter and grew strongly towards the end of the year. While the US indices already reached new all-time highs in November, the DAX and MDAX only pulled out of their full-year decline in December and reached a positive overall performance of 6.9% (DAX) and 6.8% (MDAX) for 2016 as a whole. The TecDAX ended the year down 1.0%.

As in the previous month, the GFT share initially suffered in October from market fears surrounding Deutsche Bank and the possible effects of a hard Brexit. The share only began to show signs of recovery towards the end of the month as it climbed again towards €18. Following the announcement of positive nine-month results on 10 November, Warburg, equinet and UBS confirmed their "buy" recommendations and the share continued its upward trend. This rally was accompanied by short-term profit-taking. As of mid-December, the share began to benefit from more upbeat market sentiment and closed at €20.50 on 30 December 2016, corresponding to a decline of 35% compared to the prior-year closing price (€31.59).

The average daily trading volume amounted to 112,325 shares and was thus slightly below the prior-year figure (2015: 127,038 shares).

Shareholder structure on 31 December 2016



Share capital

As of 31 December 2016, the share capital of GFT Technologies SE amounted to €26,325,946.00 divided into 26,325,946 no-par bearer shares. Each no-par share has a prorated share of capital amounting to €1.00.

Shareholder structure

On 16 June 2016, company founder Ulrich Dietz bought 20,000 GFT shares via the Xetra trading platform. As a result, his proportion of voting stock increased from 26.2% to 26.3% at the end of the first half-year. On the same date, Maria Dietz continued to hold 9.7%. The free float portion (according to the definition of Deutsche Börse) amounted to 64.0% at the end of the financial year. According to the aforementioned definition, "non-free float" applies to all shares held by a shareholder whose accumulated total accounts for at least 5.0% of a company's share capital attributable to a particular share class.

Annual General Meeting

At the Annual General Meeting of GFT Technologies SE on 14 June 2016, shareholders adopted the proposal of the Administrative Board for a dividend of €0.30 for the 2015 financial year corresponding to a dividend payout of €7.90 million and a dividend rate of around 30%, based on the GFT Group's net income for 2015. This was in line with the company's dividend policy, which recommends a dividend rate of between 20% and 40%. Within this range, the aim is to achieve a dividend rate of approximately 30%, whereby upward and downward adjustments may be made depending on the organic and inorganic growth of the GFT Group.

Capital market communication

GFT Technologies SE has always maintained a transparent and continuous dialogue with shareholders, financial analysts, business journalists and potential investors. Our main priority is to ensure a high degree of openness for all capital market participants. In the financial year 2016, GFT Technologies SE was represented at nine investor conferences and nine roadshows held at leading stock exchange locations in Europe and the USA. In the course of some 220 investor meetings, Chief Financial Officer Dr Jochen Ruetz and the Investor Relations team presented the business model, strategic alignment and development of business. Annual and quarterly results, as well as key strategic decisions, were explained to investors and analysts during conference calls. Numerous individual talks were held with domestic and foreign institutional investors, either by phone or at the company's headquarters in Stuttgart. Private shareholders also displayed a strong interest in the company's development – we attach great importance to providing professional support for such private investors.

Of the five financial institutes that published studies and ratings on the GFT share in 2016 (equinet, Warburg Research, quirin, Hauck & Aufhäuser and UBS), all rated the share a "buy" at the end of 2016 with upside targets ranging from €21 to €28. New additions in 2016 were Hauck & Aufhäuser and UBS. We also continued our cooperation with the research specialist Edison Research, which publishes studies on the GFT share (without rating). Thanks to its strong international orientation, the institute's publications reach a wide audience in the Anglo-American market.

Further information

The Investor Relations section of our corporate website gft.com provides information on the GFT share, excerpts from conference calls with analysts, the quarterly and annual reports, and presentations on strategy and the company's development.

Subscribe to the latest financial news of GFT Technologies SE via email with our News Service.

The Investor Relations team of GFT Technologies SE can be contacted by email at ir@gft.com or via http://www.gft.com/int/en/index/company/investor-relations/contact/

Information on the GFT share

	FY/2016	FY/2015
Prior year-closing quotation (Xetra)	€31.59	€12.42
Closing quotation on 31 December (Xetra)	€20.50	€31.59
Percentage change	−35%	+154%
Year-high (daily closing prices Xetra)	€30.38 (04/01/2016)	€32.07 (07/12/2015)
Year-low (daily closing prices Xetra)	€16.37 (06/07/2016)	€13.00 (20/01/2015)
Number of shares on 31 December	26,325,946	26,325,946
Market capitalisation on 31 December	€540 million	€832 million
Average daily trading volume in shares (Xetra and Frankfurt)	112,325	127,038
Earnings per share from continued operations	**€0.00**	**€1.01**

Initial stock market quotation: 28/06/1999
ISIN: DE0005800601
Market segment: Prime Standard
Indices: TecDAX, DAXplus 30 Family, GERMAN GENDER INDEX

Marika Lulay

Managing Director,
COO

STRATEGY AND PROJECTS

In the IT sector, clients are not only looking for providers who offer outstanding technological expertise, but for those who are willing to go the extra mile, to find the optimal solution. Our ideas on the digitalisation of business processes are characterised by this ‘extra mile’ and continue to drive the Digital Transformation of the banking sector. Ideas are turned into reality in our Digital Innovation Labs. In our labs we pool technological and sector expertise, develop new business models together with our clients, bringing them to life in the form of robust prototypes.

At the same time, there is still no end in sight to the deluge of new regulations for the financial services sector. We offer our clients relief from this resource-intensive compliance obligation, with a solution that collects the latest requirements, evaluates them and monitors the implementation within the firm. We also jointly develop ideas, how they can benefit from new regulations, such as PSD2. This provides transparency and a clear holistic overview, giving banks more freedom to explore new ideas for efficiency and innovation.

THE DIGITAL BANK

Banks have arrived in the digital world and are now fully immersed in topics such as instant payments, QR-code payments, peer-to-peer lending and blockchain applications. A GFT survey of experts shows that nearly all financial institutions have developed digital banking strategies and are now in the process of putting them into practice.

The key driver of this trend are the banks' customers who are demanding convenient and future-oriented offerings – especially with regard to mobile banking. An increasing number of users are already undertaking their banking via smartphones whilst contactless payment methods are on the rise all over the world. The introduction of instant payment services is expected to give the market a further boost. At the GFT Digital Innovation Labs, our experts are therefore working hard on tomorrow's applications, testing their everyday usability and highlighting areas where they could be integrated into the existing structures of our clients. To ensure that the new applications work flawlessly, they also help banks bring their IT systems up-to-date with the latest technology.

With their disruptive innovations, fintechs are shaking up the financial world and its established structures. Banks have long recognised the need to fine-tune their business models. They are becoming increasingly open to change and no longer regard the new market players as a threat, but as potential cooperation partners. Or they are launching their own initiatives, such as Deutsche Bank's 'digital think-tank'. As a mediator between fintechs and banks, GFT encourages the exchange of ideas between both worlds, has its eye on the latest trends and is driving the debate about what tomorrow's banks should look like.

But what role will banks play in future? Will they merely provide the infrastructure for third parties? Or can they establish themselves as the central hub in a mobile ecosystem? The challenge is to transfer their established strengths into the digital age, for example by focusing on identity, risk and security management. After all, they still hold two trump cards: the data and the trust of their customers.

THE NEXT GENERATION OF MOBILE BANKING

As a key player of the German telecommunications market with almost 43 million customers, the mobile operator Telefónica Deutschland has taken its first step into the mobile banking sector. The mobile bank account ‘O_2 Banking’ has a clear business model: instead of traditional interest rates, customers are rewarded with variable mobile data volume.

Together with Fidor Bank, GFT worked on the realisation of this innovative banking solution. An international project team developed native apps for iOS and Android, taking into account the specific features of each device and operating system.

The launch of Germany’s first mobile-only bank account was completed in record time – with the banking solution becoming operational in summer 2016. The market response has been overwhelming: as an “outstanding digital innovation”, O_2 Banking received the “Handelsblatt” and “Euro Forum 2016” DIAMONDSTAR Award in the Digital Banking category.

> “Banks need to set the course for their future role in the financial world.”

Carlos Eres
Managing Director
GFT Spain

REGULATORY REQUIREMENTS STAY COMPLEX

The banking world is under tremendous stress with regard to compliance. The regulatory requirements for financial institutions are constantly increasing, both in quantity and complexity. On average, new regulations have been added or existing ones updated every 12 minutes throughout 2016. As a result, millions of euros have already been invested in various compliance programmes to tackle the immense scale and speed of the new regulations.

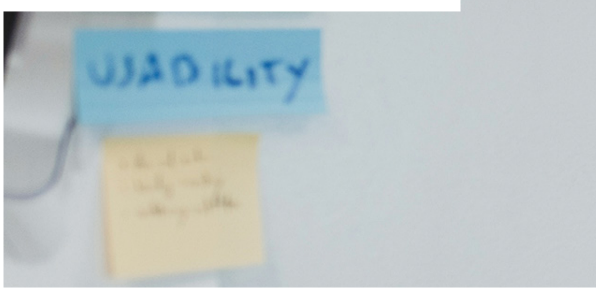
The new legislation is aimed at stimulating competition and strengthening the position of consumers, however it is also designed to account for technical developments and changed market structures.

Regulators are starting to consider how to reform the entire financial services industry, while at the same time stimulating competition and opening up new business areas. While banks have so far implemented mainly provisional solutions in specific areas, this is now no longer sufficient. In order to remain competitive, they need a sustainable approach that strategically organises the numerous individual measures.

What can the finance industry expect in 2017? In particular, investment banks will need to face the new challenges of MiFID II. This EU Markets in Financial Instruments Directive aims at increasing the transparency, efficiency and integrity of the financial markets. Although the implementation deadline for this amendment has been postponed to January 2018, it is essential that financial institutions begin making the necessary adjustments and modifications to their IT systems as soon as possible.

In the field of retail banking, the regulators are opening up the market to new competitors from non-financial sectors. According to the Payment Services Directive (PSD2), banks must now grant third parties free access to their customer data. In order to generate their own competitive advantages, banks need resourceful business ideas, speed and an advanced IT architecture. One thing is certain: as a harbinger of the digital revolution in payments, PSD2 will certainly shake up the European financial market.

And then there's the political uncertainty. What impact will Brexit have? Will the USA, with President Donald Trump at its helm, introduce regulatory reform? It's still unclear what consequences this might have for the global banking landscape.



NEW BUSINESS MODELS DUE TO PSD2

The European regulatory authorities are currently working hard to prepare the EU-wide rollout of a digital revolution in payment transactions. In addition to the revised Payment Service Directive (PSD2), other important new EU regulations include the General Data Protection Regulation, SecurePay and Instant Payment – one to protect consumers and the other to bring more competition into the financial services sector. Taken together, the new legislation is causing quite a stir long before it comes into force in 2018. PSD2, for example, obliges banks to grant third parties free access to their customers' account information. This will facilitate a multitude of new business models and bring new competitors into the field – not just fintechs but industry outsiders like Apple, Google and PayPal. For banks, the creation of open interfaces (APIs) will mean a huge additional effort that initially cannot be monetised. Banks can only benefit from the dynamics of open data if they radically rethink their strategy: with data-based business models and a completely revamped IT architecture.

The key currency of digitisation is data – something financial institutes have in spades. Every single transaction generates new data. Due to the vast quantity of available data, banks could soon know their customers better than anyone. The key to success lies in the utilisation and consolidation of this data. Together with the banks, our GFT banking experts are developing ideas for such solutions – e.g. in the field of identity management. Similarly, banks could keep a housekeeping book for their customers and flag up any financial leeway. Anonymised data from card payments could also be exploited and sold.

Ulrich Dietz

Chairman of the Managing Directors, CEO

TECHNOLOGY AND INNOVATION

The pressure on established banks continues to grow. New technologies threaten their traditional structures, but also offer great opportunities. We are working hard on the next generation of digital banking solutions and developing ways to leverage new technologies, such as Blockchain and Artificial Intelligence, to create new business models.

We are aware that groundbreaking new ideas rarely emerge from well-established companies following well-trodden paths, therefore we spread our net even wider; to other industries, to new technologies, and to the breeding ground for new ideas – the start-up scene. Over the last five years, we have transformed our innovation platform CODE_n from an international start-up competition into an international ecosystem of digital pioneers; a network which brings together entrepreneurship, science, business, politics, art and technology.

INNOVATIVE IT ENABLES NEW BUSINESS MODELS

Financial services and IT have now become an inseparable couple. The ongoing and urgently necessary digitalisation of basic business processes can only be achieved with the aid of highly integrated and innovative information technology.

The modularisation and opening up of backend systems is becoming increasingly important for banks. By creating interfaces – for example on the basis of micro-services – banks can gain flexibility and opportunities for innovation, while also expanding their portfolio for the customer.

The technology on everyone’s lips at the moment is blockchain. The main focus here is on so-called smart contracts – intelligent contracts that are event-driven, self-monitoring and self-executing. These offer completely new business models for banks and other companies. In order to discover exactly what’s possible, GFT set up a blockchain incubator where we successfully tested different use cases for distributed ledger technology.

In addition, the previously unglamorous world of digital payments is also facing great change. With the implementation of instant payments, the world of credit card payments, digital wallets and internet payment services is on the verge of a radical shake-up.

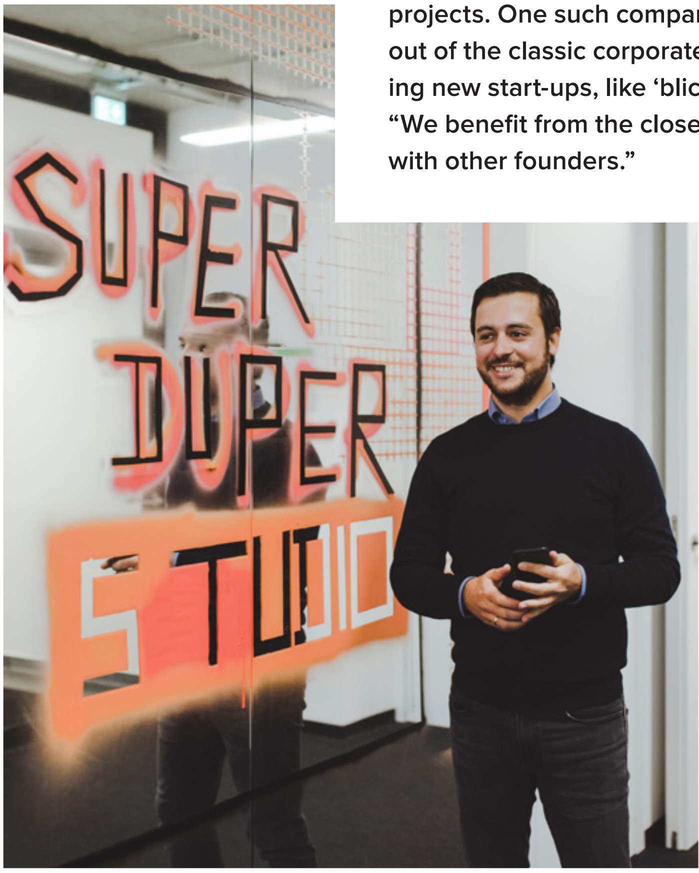
Algorithms instead of real people: financial service providers are digitalising their investment advice and brokerage business with the aid of robo advisors. The trend is heading towards hybrid investment advice – a combination of real-life advisors and technological aids. The technology behind it is artificial intelligence or machine learning and will increasingly be used by banks in the future, both for consulting purposes and for the digital automation of processes.

If banks succeed in linking technologies with new business ideas, this will permanently strengthen their own innovative power and even allow new business models. This is also the basis for GFT’s innovation platform CODE_n. The open ecosystem acts as an idea and communication pool for experts in specific fields and IT, while building bridges between established companies and the digitalised world of the start-up scene.

CODE_n

Breaking new ground was once again the motto for CODE_n in 2016. After four years at CeBIT in Hanover, in September 2016 the first CODE_n new.New Festival was held at the Centre for Art and Media (ZKM) in Karlsruhe, Germany. For three days, everything revolved around future-oriented innovations and the digitalisation of business, science, art and society. From intelligent windows and revolutionary displays to a virtual operating theatre – over 5,000 visitors from 15 nations were captivated by the vision of a digital future presented in an area of some 11,000 square metres and by the 52 finalists of the CODE_n16 start-up CONTEST. In the Innovators Area, there were four topic worlds to explore – fintech, HealthTech, Mobility and Photonics – as well as numerous other tech highlights. A quick trip around Google's virtual reality world? Or a visit to one of the 120 or so conference sessions? Visitors were encouraged to follow their interests, explore and join in. The CODE_n Award and its 30,000 euro prize money was ultimately won by Xarion for the development of unique, optical laser sensors that can detect noise by changing the speed of light transmission.

After starting life in late 2015 at GFT's Corporate Center in Stuttgart, the innovation campus entitled CODE_n SPACES has also come of age. The space attracts company founders, the innovation teams of international corporations and experienced managers from all backgrounds who collaborate in an ecosystem of innovation. Now the campus was already being expanded. The new premises offer 14 additional offices – plus lounge, community and workshop areas. Daimler and Bosch are already members of the SPACES network, and are amongst other established companies that use the campus for their innovation projects. One such company is Südwestbank: "It was important to get the team out of the classic corporate structures and promote new ways of thinking." Exciting new start-ups, like 'blickshift', are equally convinced by the campus concept: "We benefit from the close contact with decision-makers and mentors – but also with other founders."



“Our mission is to encourage sustainable and autonomous innovation. We accelerate digital business models – for start-ups and established companies.”

Moritz Gräter
Managing Director
CODE_n

Dr Jochen Ruetz

Managing Director,
CFO

WORKING FOR GFT

GFT is at home in 12 countries, speaks 34 languages and has 59 different nationalities. Our approximately 5,000 employees share a curiosity for all things new as well as a willingness to engage with unusual perspectives and creative ideas. Unified process standards, continuity in management and common corporate values form the basis for our teams to cooperate successfully across national boundaries.

The GFT workforce grew by around 20 percent in 2016. This was largely attributable to the expansion of our development centres in Brazil, Costa Rica, Poland and Spain with the recruitment of some excellent specialists. Our approach is based on a tried and trusted model. The new colleagues are immediately involved in ongoing projects and individually trained and supported from the outset.

Equally important was the acquisition of the IT service provider Habber Tec Brazil for the Brazilian financial market, thereby expanding our presence in Latin America. The specialist knowledge of our new colleagues makes an ideal addition to our portfolio in the field of digital banking.

A fixed component of every working week is the analysis of new technologies, the professional exchange of ideas within the framework of mentoring programmes and regular individual training. By contrast, our working time and career models tailored to the current needs and life situation of each employee are highly flexible. We are keenly aware that the knowledge and motivation of our employees are our most valuable asset.

“Never say no to a major change in your life.”

Nuria Mir
Executive Delivery Manager
GFT Spain

Nuria Mir joined GFT in Barcelona 20 years ago as a systems analyst for a core banking application. She has since held numerous positions in various countries. As an example, together with her husband and four children, for example, she moved from Barcelona to work in São Paulo, Brazil, for four years.

Nuria, you're currently Executive Delivery Manager at GFT and head a team of more than 400 people. What are your most important tasks?

I'm responsible for ensuring that the projects I supervise are carried out within the specified time, at the agreed price and in accordance with the latest standards. I see my main task as being to strengthen and motivate my team. It never ceases to fascinate me just how much positive energy my colleagues can develop when they recognise how I value their commitment and trust their expertise.

You've worked for GFT in a variety of countries. What was the biggest challenge for you so far?

That's right, I've worked for GFT in Spain, Germany and Brazil and provided support for colleagues working on projects in Portugal and Italy. The four years I spent as a director in Brazil probably had the most lasting impression on me. GFT gave me fantastic support with organising everything: My colleagues in Brazil helped me find a house for the family and a suitable school for my four children.

So everything went smoothly right from the start?

No, just the opposite. The traffic in São Paulo, for example ... It took me over two hours to get to the office every morning because I didn't know the shortcuts. Everything was new – both for me and my family: the language, the food, the school, the working habits. And then I had to put together a completely new team. This was particularly hard for me as an outsider who didn't know anybody yet, didn't speak the language fluently and came from another culture. Sometimes I felt as if I was doing everything wrong. The fantastic support I got from my Brazilian colleagues really helped, though. They understood my daily minor crises and gave me plenty of reassurance. Regular meetings with my mentors from Spain gave me the professional security for my new tasks. And so it got a little bit better every day: my team and I grew together, my Portuguese improved and I felt comfortable in my new home.

Wasn't it a tremendous risk to move nearly 10,000 kilometres with the whole family?

It certainly was. But in the end it was also one of the best experiences of my life! I can only advise people to never say no to major changes in life. Such challenges help you grow both personally and professionally. Today, I have a much better understanding of how differently people approach problems. Each culture has its strengths and it's important to recognise and encourage them. I find it very enriching for me personally to work with colleagues from different countries. Thanks to my time abroad, I have friends everywhere at GFT – we help each other and often come up with completely new solutions.

JOINING FORCES FOR SUCCESS

“There’s no routine in my job. And that’s exactly the appeal for me!” Anyone listening to Björn Lehnhardt talk about his work soon gets the feeling: it’s more of a calling than a profession. As a project manager at GFT, he’s been responsible for major IT projects for over six years now.

Björn normally works at the client’s facility. “I need direct contact with the relevant departments to ensure the best-possible service. This creates a certain project dynamic with both positive and negative effects. Clients often only recognise during the course of a project what they really need and how a major IT project can affect their work processes. It’s therefore important to involve and challenge the client from the very start, and to lure him out of his comfort zone.”

By limiting project time, GFT consultants and project managers have the opportunity to quickly gain experience in a wide variety of areas – from different types of clients and corporate cultures to new technologies and business fields. “That’s what makes project work so exciting and means it also fits perfectly with the idea of lifelong learning,” says the 34-year-old.

What else makes working for GFT so special? “Team spirit,” states Björn succinctly. “We truly live the teamwork ethos – it’s not just some buzzword they use in the job description. The fact that you don’t need to use your elbows to get ahead in our company is one of the reasons I go to work with a smile every morning.”

“At GFT, I don’t simply do a job. I can really make a difference.”

Björn Lehnhardt
Project Manager
GFT Germany

Combined Management Report

1. Basic principles of the Group

1.1 Basis of presentation

This combined management report for the GFT Group and GFT Technologies SE was prepared in accordance with sections 289, 315 and 315a of the German Commercial Code (Handelsgesetzbuch – HGB). Unless stated otherwise, the following information applies to the GFT Group and to GFT Technologies SE.

1.2 Business model

Group structure
As the strategic management holding company, GFT Technologies SE, domiciled in Stuttgart, Germany, is responsible for the management and control of all legally independent companies of the GFT Group. In addition to defining the corporate targets and strategy, its key responsibilities include steering the Group's risk and financial management. Moreover, GFT Technologies SE provides group-wide administrative services and manages global Corporate Communications, including communication with the capital market in the field of Investor Relations. In addition, GFT Technologies SE acts as a separate legal entity for operating business in Germany. The Administrative Board of GFT Technologies SE is responsible for the management and control of the GFT Group: it sets the group-wide alignment of business strategy and supervises its operational implementation by the Managing Directors.

GFT Technologies SE has been a European Company (Societas Europaea, SE) with a single-tier management and supervision structure since 18 August 2015. The Annual General Meeting of 23 June 2015 elected the first Administrative Board, which comprises seven members. Dr Paul Lerbinger was elected as Chairman of the Administrative Board and Ulrich Dietz (CEO) as its Deputy Chairman. The other members of the Administrative Board are Marika Lulay (COO), Dr Jochen Ruetz (CFO), Dr-Ing Andreas Bereczky, Maria Dietz and Prof Dr Andreas Wiedemann. The first Administrative Board appointed Ulrich Dietz (CEO), Marika Lulay (COO) and Dr Jochen Ruetz (CFO) as Managing Directors.

Changes in management adopted with effect from 31 May 2017
On 29 January 2017, Ulrich Dietz stepped down from his position as Managing Director and CEO of GFT Technologies SE – at his own request and in agreement with the Administrative Board – with effect from the end of the Annual General Meeting on 31 May 2017. The Administrative Board voted unanimously to appoint Marika Lulay as successor to the position of CEO – with effect from the end of the Annual General Meeting on 31 May 2017. Marika Lulay is currently COO and has been responsible for the operating business of GFT Technologies SE since 2002. The Administrative Board elected Ulrich Dietz as Chairman of the Administrative Board and Dr Paul Lerbinger, the current Chairman of the Administrative Board, as Deputy Chairman – also with effect from the end of the Annual General Meeting on 31 May 2017.

Acquisition of W.G. Systems Ltda. (Habber Tec Brazil)
In the second quarter of 2016, GFT Technologies SE expanded its portfolio of services and presence in Latin America with the acquisition of the Brazilian subsidiary of the Habber Tec International Group. In the transaction dated 12 April 2016, 100% of shares were acquired in W.G. Systems Ltda., São Paulo, Brazil, which operated under the trademark Habber Tec Brazil. The company specialises in implementation and ongoing IT support for such topics as big data, analytics and mobile solutions with a substantial footprint in the financial services industry.

New segment reporting since 1 January 2016
Following the sale of the staffing services division emagine with effect from 30 September 2015, the structure of those corporate components used to make decisions in business affairs – namely resource allocation and internal performance measurement – has changed. Consequently, the segment reporting of GFT Technologies SE was adapted with effect from 1 January 2016. The continued business division has since been divided into the segments *Americas & UK* and *Continental Europe*. The prior-year figures were adjusted accordingly. Segment reporting complies with the accounting principles specified in IFRS 8 and is based on the internal controlling and reporting of GFT Technologies SE.

The *Americas & UK* segment comprises companies in the following countries:

- UK
- USA
- Canada
- Brazil
- Costa Rica
- Mexico
- Peru

The *Continental Europe* segment comprises companies in the following countries:

- Germany
- Italy
- Poland
- Switzerland
- Spain

The success of the two segments is measured using the segment performance indicators "revenue" and "earnings before taxes" (EBT), amongst others. Segment revenue and segment earnings also include transactions between the business segments. Such transactions are conducted at market prices and on an arm's-length basis.

Structure of the GFT Group with the most important Group companies

GFT Technologies SE

Business division *Americas & UK*

- **UK**
  GFT Financial Ltd.
- **USA**
  GFT USA Inc.
- **Canada**
  GFT Canada Inc.
- **Brazil**
  GFT Brasil Consultoria Informática Ltda.
- **Costa Rica**
  GFT Costa Rica SA
- **Mexico**
  GFT México S.A. de C.V.
- **Peru**
  GFT Peru S.A.C.

Business division *Continental Europe*

- **Germany**
  GFT Technologies SE
- **Italy**
  GFT Italia S.r.l.
- **Poland**
  GFT Poland Sp. z.o.o.
- **Switzerland**
  GFT Schweiz AG
- **Spain**
  GFT IT Consulting S.L. Adesis Netlife S.L.U.

A full list of subsidiaries and other investments is provided in the notes to the consolidated financial statements on page 99.

Business operations
GFT Technologies SE is a globally aligned technology partner for Digital Transformation in the financial services industry. Its clients include leading retail and investment banks in Europe, as well as in North and South America. With its expertise in consulting and technology, paired with many years of experience in the financial services industry and extensive specialist knowledge of the finance sector, the company guides its clients through digital change processes. Its range of services includes consulting on the development and realisation of innovative IT strategies, the development of bespoke solutions, the implementation of bank-specific standard software, and the maintenance and further development of business-critical core banking processes. GFT Technologies SE focuses on complex topics of application development within the framework of legacy IT infrastructures – as are typical for major banks. The key growth drivers are the digitisation of business processes, the implementation of regulatory compliance and the trend towards outsourcing IT services to low-cost locations.

The *Continental Europe* segment is largely dominated by retail banking clients at present, while clients in the *Americas & UK* segment are mainly from the field of investment banking.

With the aid of its Global Delivery Model, which combines customer proximity and quality with attractive cost benefits (onshore/nearshore model), GFT Technologies SE can reliably supply its range of solutions to the core markets of Europe and the Americas. The company's consultants and sales staff are in direct contact with clients (onshore) to provide advice on the development of strategies and to coordinate their projects. Cost-effective development services for clients in Europe are provided by the company's own development centres in Spain and Poland, while highly skilled development teams in Brazil and Costa Rica (nearshore) work on client projects in the USA.

The innovation platform CODE_n helps position the GFT Group as a forward-looking company and thus provides it with advance access to innovative start-ups in the finance sector (fintechs) with disruptive business models and new technologies. Interesting innovations and technologies are integrated into the company's solutions portfolio.

1.3 Management system

The GFT Group's strategy is aimed at achieving a sustainable increase in enterprise value by continually expanding competitive advantages. As part of its strategic planning, it determines how this objective is to be achieved in the targeted countries and market segments. The internal management system comprises regulations and measures for the organisational implementation of management decisions and the permanent monitoring of their effectiveness. All Group executives are involved in this management process. This includes the Administrative Board, the Managing Directors, the managing directors of the Group's subsidiaries, and the managers responsible for group-wide administrative functions. The national organisations regularly report to the Managing Directors on the course of business and analyse the opportunities and risks for future development. The monthly reporting of all national organisations on the development of key performance indicators (KPIs) compared to the given targets serves as the Group's main internal controlling instrument.

Key performance measures for the GFT Group
The key performance indicators (KPIs) used to measure the success of strategy implementation in the GFT Group are consolidated revenue, EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBT (earnings before taxes). Other performance measures are also used for the internal management process. These include revenue by country, market segment and industry, as well as contribution margins and account collection targets. A key non-financial performance indicator for the GFT Group is the productive utilisation rate. The latter is based solely on the use of staff in client projects and does not include any sales activities or involvement in internal projects.

Target/actual and year-on-year comparisons of key financial performance indicators and year-on-year figures for the utilisation rate are to be found in the Economic Report. Moreover, the Economic Report includes an explanation of further key non-financial performance indicators which play an important role for the company's successful development but are not used to steer all areas of the company. These include measures for attracting and retaining skilled employees, as well as quality management during the processing of client projects.

A key component of the internal management process is the Group's systematic opportunity and risk management aimed at identifying, assessing and steering opportunities and risks which may lead to positive or negative deviations from targets. Further information on this topic is provided in sections 3 Risk Report and 4 Opportunities Report.

Key performance measures for GFT Technologies SE
The KPIs used to measure the business success of GFT Technologies SE are revenue and EBT. The financial performance measure EBITDA used by the GFT Group, which does not include the amortisation of acquisitions, is not a KPI for GFT Technologies SE.

1.4 Research and development

The GFT Group continually analyses the most important technology trends in the finance sector. On this basis, the GFT division develops pioneering solutions for the banking sector and helps its clients enhance their competitive position by gaining a technological lead. The Applied Technologies Group is responsible for conducting innovative basic research at the Spanish development centre in Sant Cugat del Vallès, near Barcelona. It prepares and evaluates trend analyses, examines the viability of new technological developments, builds prototypes of new application solutions and supports the sales teams with solution approaches.

Internally, the main focus in the past financial year was on the implementation and further development of a new PSA solution (Professional Service Automation), which is specially adapted to the needs of the GFT Group as a project-oriented service company. This solution supports all administrative areas of the IT infrastructure – from client support to project management and the interface to financial accounting. The development costs incurred in connection with this project amounted to €2.53 million (2015: €0.79 million). The ongoing development of the project management solution Cardinis Suite – acquired in connection with the Sempla takeover in 2013 – resulted in development costs of €0.33 million in the financial year 2016 (2015: €0.30 million), which were capitalised as in the previous year.

The GFT Group invested a total of €7.43 million in research and development during the reporting period 2016 (2015: €3.62 million). The largest share of this total (€4.29 million or 58%) was accounted for by personnel expenses (2015: €2.60 million or 72%). Expenses for external services amounted to €0.34 million (2015: €0.48 million), corresponding to 5% (2015: 13%) of total research and development costs.

1.5 Corporate Governance Statement

The Corporate Governance Statement to be submitted pursuant to sections 289a, 315 (5) of the German Commercial Code (HGB) is available online at http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/corporate-governance-statements/.

2. Economic report

2.1 General economic and sector-specific conditions

General economic conditions

The global economy achieved only modest growth of 3.1% in 2016. According to experts of the International Monetary Fund (IMF), this was the weakest global growth since the financial and economic crisis of 2008/2009. The positive signals in the first half of the year – stronger-than-expected growth in the EU and Japan – was initially slowed by the uncertainty caused by the Brexit vote. As a consequence, the IMF downgraded its forecast for global economic growth from 3.2% (as of April) to 3.1% in June. Nevertheless, the IMF's experts observed growing output, declining inflation and stable commodity and energy prices in the second half of the year, which they regarded as indicators of economic recovery in many countries.

The eurozone's economic recovery was moderate but steady in 2016. Despite the global economic and political uncertainties, the European Central Bank (ECB) believes that the economic situation is still robust. In its economic report of December 2016, it calculates that gross domestic product (GDP) rose by 1.7% in the past year. According to the ECB, the economy is being bolstered by domestic demand – which in turn is benefiting from the central bank's monetary policy. It believes that the UK economy is holding up well despite a noticeable rise in inflation, due mainly to the weaker pound.

The German economy is on a stable upward trajectory. In its monthly report of December 2016, the German central bank (Deutsche Bundesbank) put GDP growth for the full year 2016 at 1.8%. The pace of economic growth picked up significantly in the fourth quarter in particular. This was attributed to the performance of the country's manufacturing industry, which reported a sharp rise in new orders following stagnation in the third quarter. Moreover, one of the main pillars is lively domestic demand, which is benefiting from low unemployment figures and the rising income of private households.

Sector-specific conditions

The global IT market did not grow as strongly as expected in 2016. After predicting growth of 1.6% at the beginning of the year, the US market research institute Gartner reported in its January 2017 update that the increase had been just 0.5% – significantly lower than the 2.4% increase in the previous year and 1.1 percentage points below their prediction. With growth of 4.5%, the IT services segment easily outperformed the IT market as a whole and lay 0.7 percentage points above the forecast issued by Gartner at the start of the year.

According to Gartner, banks around the world increased their spending on IT by 1.8% in 2016, whereby the figure for investment banks (+0.3%) was much lower than for retail banks (+2.4%). The strongest growth in global IT spending by banks was in the field of IT services (+4.7%), followed by software (+3.5%). Financial institutions in Western Europe spent 1.6% less on IT than in the previous year, while IT spending in North America grew by 2.9%.

According to Gartner, the focus of banks on the digitisation of their offerings continued to intensify in 2016 and increased their propensity to invest in the corresponding services. There is also a growing interest in partnerships with fintech companies.

According to the German digital association Bitkom, Germany's information and communications technology (ICT) sector achieved revenue growth of 1.7% in 2016, whereby the IT segment performed much better (+3.6%) than the telecommunications market (−0.4%). Bitkom believes that this strong growth is being driven by the ongoing digitisation of the economy as a whole: this lifted software sales by 6.2% and IT services by 2.7%.

2.2 Development of business

Development of business compared to guidance

The GFT Group announced its guidance for the financial year 2016 on 2 March 2016. It forecast an increase in revenue of around 10% to €410.00 million (2015: €373.51 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) were expected to grow by around 9% to €48.50 million (2015: €44.56 million) and pre-tax earnings (EBT) by around 8% to €35.00 million (2015: €32.52 million). The non-financial performance indicator "productive utilisation rate", based on the use of staff in client projects, was expected to remain at the high prior-year rate of 89% in 2016.

On announcement of its half-yearly figures on 11 August 2016, the GFT Group adjusted its full-year guidance for 2016. As a result of the strong revenue trend in the first six months, the full-year forecast for revenue was raised by €10.00 million to €420.00 million. Due to one-off effects from the falling value of the British pound after the Brexit referendum, the full-year forecasts for EBITDA and EBT were reduced by €2.00 million each to €46.50 million and €33.00 million, respectively.

The medium-term guidance first issued on 2 March 2016 was confirmed on 11 August 2016. The GFT Group aims to raise consolidated revenue to €800.00 million with an EBITDA margin of around 12% in 2020. The underlying business plan assumes continued organic growth of around 10% per year in combination with targeted acquisitions.

In the financial year 2016, revenue and earnings of the GFT Group were slightly above the guidance last issued. The forecast for revenue was exceeded by €2.56 million or 0.6%, for EBITDA by €0.21 million or 0.5% and for EBT by €0.05 million or 0.2%. The capacity utilisation rate of 90% in 2016 was on a par with the previous year (2015: 89%).

Target/actual comparison for the financial year 2016

KPIs	Forecast 2016	Results 2016	Absolute deviation	Deviation in %
Revenue	€420.00 million[1]	€422.56 million	€2.56 million	0.6%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€46.50 million[2]	€46.71 million	€0.21 million	0.5%
Earnings before taxes (EBT)	€33.00 million[3]	€33.05 million	€0.05 million	0.2%
Capacity utilisation rate	89%	90%	–	–

[1] Guidance updated by plus €10.00 million on 11 August 2016
[2] Guidance updated by minus €2.00 million on 11 August 2016
[3] Guidance updated by minus €2.00 million on 11 August 2016

Overview of business development
The GFT Group maintained its upward trajectory in the financial year 2016 with solid growth in revenue and earnings. The strongest growth driver was the demand for solutions to digitise business processes. There was also consistently high demand for the Group's solutions to implement compliance requirements.

With the acquisition of W.G. Systems Ltda., the Brazilian subsidiary of the Habber Tec International Group which operated under the trademark Habber Tec Brazil (in the following Habber Tec Brazil), the GFT Group expanded its portfolio of services and presence in Latin America. Habber Tec Brazil specialises in implementation and ongoing IT support for such topics as big data, analytics and mobile solutions with a substantial footprint in the financial services industry. Habber Tec Brazil was included in the Group's income statement as of the second quarter of 2016.

Consolidated revenue rose by 13% to €422.56 million in the financial year 2016 (2015: €373.51 million). Adjusted for the revenue contribution of the acquisitions made in July 2015 (Adesis Netlife S.L.) and April 2016 (Habber Tec Brazil), there was organic growth of 10%.

The *Continental Europe* segment raised revenue by 23% to €200.52 million (2015: €162.68 million). This growth was mainly driven by persistently strong demand from retail banking clients for solutions to digitise their business processes. Revenue growth was particularly strong in Spain, whose banking sector is one of Europe's most advanced in terms of digitisation. Revenue in this country rose by 61% to €78.05 million (2015: €48.45 million).

The *Americas & UK* segment, which mainly comprises investment banking clients, reported revenue growth of 4% to €219.42 million (2015: €210.78 million). This segment accounted for 52% (2015: 56%) of consolidated revenue. The moderate revenue growth of this segment reflects the global downward market trend in investment banking since the beginning of 2016.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 5% to €46.71 million (2015: €44.56 million). This figure contains negative exchange rate effects of €–1.97 million due to the strong devaluation of the British pound after the Brexit referendum. Pre-tax earnings (EBT) improved by 2% to €33.05 million (2015: €32.52 million). Due to a higher tax rate (27%), earnings per share of €0.92 were 9 cents down on the previous year (2015: €1.01). In the previous year, the tax rate was just 18% as a result of retroactive tax refunds in Spain.

Key figures by quarter

in € million	Q1/2016	Q2/2016	Q3/2016	Q4/2016	FY/2016	FY/2015	Δ %
Revenue	97.39	110.64	106.25	108.28	422.56	373.51	13%
EBITDA	10.15	11.39	12.46	12.71	46.71	44.56	5%
EBT	7.04	7.56	9.11	9.34	33.05	32.52	2%

2.3 Development of revenue

Development of consolidated revenue
In the financial year 2016, the GFT Group generated revenue growth of 13% to €422.56 million (2015: €373.51 million). Of this total, Adesis Netlife S.L. (Adesis, acquired in July 2015) accounted for €13.59 million (2015: €6.42 million) and Habber Tec Brazil (acquired in April 2016) for €4.28 million (2015: €0.00 million). Adjusted for these revenue contributions, the GFT Group achieved organic growth of 10%.

Consolidated revenue in the financial year 2016

	2016		2015		Δ %
	€ million	share %	€ million	share %	
GFT Group organic	404.69	96%	367.09	98%	10%
Adesis	13.59	3%	6.42	2%	112%
Habber Tec Brazil	4.28	1%	0.00	0%	–
GFT Group	**422.56**	**100%**	**373.51**	**100%**	**13%**

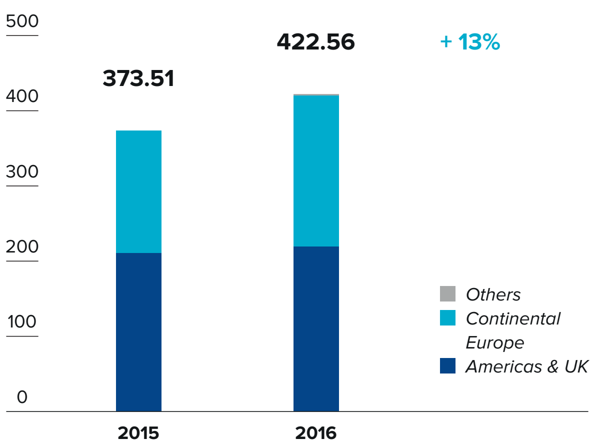
Consolidated revenue in the fourth quarter of 2016

	Q4/2016		Q4/2015		Δ %
	€ million	share %	€ million	share %	
GFT Group organic	104.10	96%	99.22	97%	5%
Adesis	3.44	3%	2.81	3%	22%
Habber Tec Brazil	0.74	1%	0.00	0%	–
GFT Group	**108.28**	**100%**	**102.03**	**100%**	**6%**

Revenue by segment
Revenue in the *Continental Europe* segment increased by 23% to €200.52 million in the financial year 2016 (2015: €162.68 million). The main growth driver in this segment was persistently strong demand from retail banking clients for solutions to digitise their business processes.

The *Americas & UK* segment, which mainly comprises investment banking clients, reported revenue growth of 4% to €219.42 million (2015: €210.78 million). This segment accounted for 52% (2015: 56%) of consolidated revenue. The moderate revenue growth of this segment reflects the downward market trend in investment banking since the beginning of 2016. According to the consultancy firm Bain & Company, the global income of investment banks was down 27% year on year in the first quarter of 2016.

Revenue by segment
in € million



Revenue by segment in the financial year 2016

	2016		2015		Δ %
	€ million	share %	€ million	share %	
Americas & UK	219.42	52%	210.78	56%	4%
Continental Europe	200.52	47%	162.68	44%	23%
Others	2.62	1%	0.05	0%	–
GFT Group	**422.56**	**100%**	**373.51**	**100%**	**13%**

Revenue by segment in the fourth quarter of 2016

	Q4/2016		Q4/2015		Δ %
	€ million	share %	€ million	share %	
Americas & UK	53.18	49%	53.68	53%	−1%
Continental Europe	54.90	51%	48.30	47%	14%
Others	0.20	0%	0.05	0%	–
GFT Group	**108.28**	**100%**	**102.03**	**100%**	**6%**

Revenue by country
In the **UK**, revenue fell 14% to €138.83 million in the financial year 2016 (2015: €161.82 million). This was due to shifts in certain client budgets from the UK to the USA, as well as to delays in project decisions caused by the downward market trend in investment banking. Although the UK's share of consolidated revenue fell to 33% (2015: 43%), it remains the GFT Group's largest sales market.

Revenue generated with clients in **Spain** (mainly retail banks) rose by 61% to €78.05 million (2015: €48.45 million). This figure includes a revenue contribution from Adesis of €9.26 million (2015: €4.46 million). Business was also aided by the country's revitalised banking sector, which is one of Europe's most advanced in terms of digitisation. With an 18% share of consolidated revenue (2015: 13%), Spain was the GFT Group's second-largest sales market.

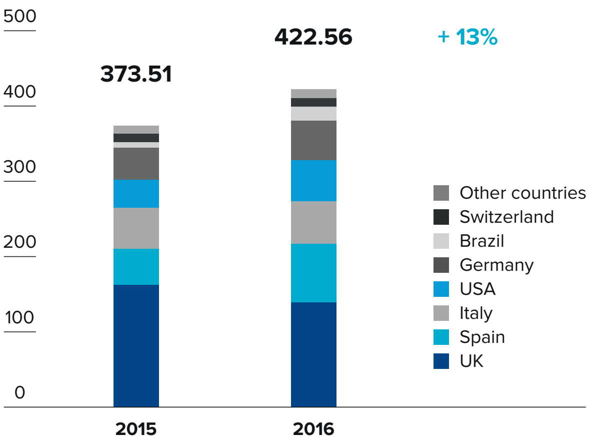
Revenue in the **USA** benefited from the shifting of certain project budgets from the UK and rose by 49% to €55.18 million (2015: €37.12 million). The country's share of consolidated revenue grew to 13% (2015: 10%).

There was also a positive revenue trend in **Germany** with growth of 20% to €51.99 million (2015: €43.15 million). As a result, Germany contributed 12% (2015: 12%) to consolidated revenue.

Sales to clients in **Brazil** more than doubled to €18.78 million (2015: €7.31 million) – corresponding to 5% (2015: 2%) of consolidated revenue. Habber Tec Brazil accounted for €4.28 million (2015: €0.00 million) of this revenue.

Revenue relating to **Other countries** increased by 15% to €12.22 million (2015: €10.65 million). This total includes revenue of €4.33 million (2015: €1.96 million) generated by Adesis in Mexico.

Revenue by country
in € million



Revenue by country in the financial year 2016

	2016		2015		Δ %
	€ million	share %	€ million	share %	
UK	138.83	33%	161.82	43%	−14%
Spain	78.05	18%	48.45	13%	61%
Italy	56.10	13%	54.33	14%	3%
USA	55.18	13%	37.12	10%	49%
Germany	51.99	12%	43.15	12%	20%
Brazil	18.78	5%	7.31	2%	157%
Switzerland	11.41	3%	10.68	3%	7%
Other countries	12.22	3%	10.65	3%	15%
GFT Group	**422.56**	**100%**	**373.51**	**100%**	**13%**

Revenue by country in the fourth quarter of 2016

	Q4/2016		Q4/2015		Δ %
	€ million	share %	€ million	share %	
UK	31.88	29%	40.40	40%	−21%
Spain	21.38	20%	16.44	16%	30%
Italy	15.67	14%	15.39	15%	2%
USA	13.58	13%	9.59	10%	42%
Germany	12.41	11%	12.49	12%	−1%
Brazil	6.44	6%	2.09	2%	208%
Switzerland	4.00	4%	2.27	2%	76%
Other countries	2.92	3%	3.36	3%	−13%
GFT Group	**108.28**	**100%**	**102.03**	**100%**	**6%**

2.4 Earnings position

Earnings position of the GFT Group

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the GFT Group rose by €2.15 million to €46.71 million in the financial year 2016 (2015: €44.56 million), corresponding to growth of 5%. EBITDA was burdened by exchange rate effects of €−1.97 million (2015: €−0.79 million), due mainly to the devaluation of the British pound. Following its acquisition in June 2015, Adesis made standard central Group cost allocations of €0.65 million for the first time in the reporting period and achieved an EBITDA result of €−1.26 million. EBITDA includes total costs for the CODE_n innovation drive of €1.47 million (2015: €2.28 million).

Despite the increase in depreciation and amortisation of €1.59 million, **earnings before interest and taxes (EBIT)** improved by €0.56 million to €34.79 million in 2016 and were thus 2% above the prior-year figure (2015: €34.23 million).

Earnings before taxes (EBT) of €33.05 million were slightly up on the previous year (2015: €32.52 million). The operating margin of 7.8% was 0.9 percentage points below the prior-year figure (2015: 8.7%).

In the reporting period, the GFT Group generated **earnings after taxes** (net income) of €24.23 million, corresponding to a decrease of €2.32 million or 9% (2015: €26.55 million). As a result of the current distribution of earnings among the various national subsidiaries, as well as special effects from retroactive tax refunds in Spain during 2015, the calculated **tax ratio** increased to 27% (2015: 18%).

Earnings per share fell to €0.92 (2015: €1.01), based on 26,325,946 outstanding shares.

Earnings (EBT) by segment

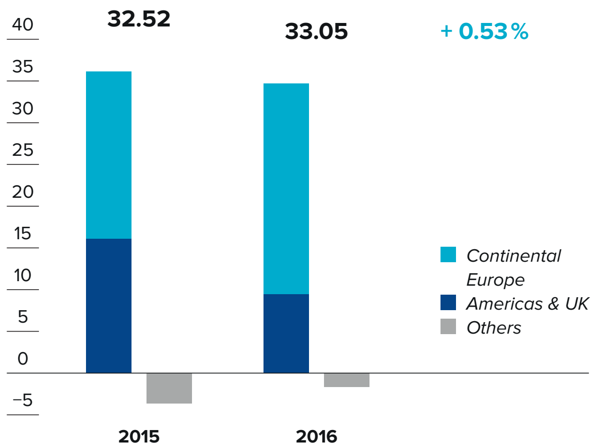
The pre-tax earnings contribution (EBT) of the *Americas & UK* segment fell by 41% to €9.43 million in 2016 (2015: €16.07 million). The operating margin – based on external revenue – fell to 4.3% (2015: 7.6%). This decline resulted mainly from negative exchange rate effects of €–1.91 million (2015: €–1.04 million), as well as from underutilisation of staff at the UK and US business units due to the postponement of projects in the investment banking sector.

The *Continental Europe* segment raised pre-tax earnings (EBT) by 26% to €25.26 million (2015: €20.06 million). Segment earnings were only affected to a minor extent (€–0.07 million) by currency effects (2015: €0.25 million). The operating margin – based on external revenue – amounted to 12.6% (2015: 12.3%).

Increased Group allocations for the operating segments *Americas & UK* and *Continental Europe* had a positive impact on earnings of the *Others* category. Earnings in this segment improved to €–1.64 million (2015: €–3.61 million).

The *Others* category – presented as a reconciliation column in segment reporting – comprises items which by definition are not included in the segments. It also includes elements of the Group headquarters which are not allocated, e.g. items or revenue relating to corporate activities only occasionally incurred or generated. Moreover, the reconciliation comprises expenses for CODE_n and activities in connection with the acquired building for the Group's headquarters in Stuttgart.

Earnings (EBT) by segment
in € million



Earnings (EBT) by segment in 2016

	2016		2015		Δ %
	€ million	margin %	€ million	margin %	
Americas & UK	9.43	4.3	16.07	7.6	–6.64
Continental Europe	25.26	12.6	20.06	12.3	5.20
Others	–1.64	–	–3.61	–	1.97
GFT Group	**33.05**	**7.8**	**32.52**	**8.7**	**0.53**

Earnings (EBT) by segment in the fourth quarter of 2016

	Q4/2016		Q4/2015		Δ %
	€ million	margin %	€ million	margin %	
Americas & UK	2.80	5.3	4.89	9.1	–2.09
Continental Europe	7.86	14.3	6.13	12.7	1.73
Others	–1.32	–	–1.25	–	–0.07
GFT Group	**9.34**	**8.6**	**9.77**	**9.6**	**–0.43**

Consolidated earnings position by income and expense items
In 2016, **other operating income** of €6.26 million was €2.82 million higher than in the previous year (2015: €3.44 million). Other operating income included positive currency effects of €1.55 million (2015: €1.01million).

The **cost of purchased services** decreased by €2.64 million to €59.85 million in the reporting period (2015: €62.49 million). The ratio of cost of purchased services to revenue was 3 percentage points down on the previous year at 14% (2015: 17%).

Personnel expenses increased by €39.21 million to €254.66 million in the reporting period (2015: €215.45 million) due to increased headcount and the acquired companies. Compared to the previous year, the proportion of revenue to personnel expenses (the personnel cost ratio) rose from 58% to 60%.

In 2016, **depreciation and amortisation of tangible and intangible assets** rose by €1.59 million to €11.92 million (2015: €10.33 million). The increase is mainly due to writedowns on the customer base of €1.33 million (2015: €0.55 million) from the purchase price allocation (PPA) of Adesis and of €0.44 million (2015: €0.00 million) for Habber Tec Brazil.

Other operating expenses increased by €13.12 million to €67.54 million in the reporting period (2015: €54.42 million). The main cost elements were operating, administrative and selling expenses, which rose by €14.31 million to €62.49 million (2015: €48.18 million). Other operating expenses also include negative exchange rate effects of €3.52 million (2015: €1.80 million), which mainly relate to the devaluation of the British pound.

The **financial result** in 2016 amounted to €–1.80 million (2015: €–1.73 million).

2.5 Earnings according to HGB

The GFT Group's dividend policy recommends a dividend payout ratio of between 20% and 40% of consolidated net income. Within this range, the aim is to achieve a dividend rate of approximately 30%, whereby upward and downward adjustments may be made depending on the organic and inorganic growth of the GFT Group.

A detailed explanation of the annual net income of GFT Technologies SE according to HGB is provided in section 8 of the combined management report. This states that annual net income in the financial year 2016 amounted to €8.34 million. There were no transfers to revenue reserves.

The Administrative Board will therefore recommend to the Annual General Meeting on 31 May 2017 to distribute a dividend to shareholders of €0.30 per no-par share from the balance sheet profit. It will also suggest carrying forward the remaining amount of €2.33 million after payment of the total dividend of €7.90 million.

2.6 Financial position

The GFT Group's central financial management aims to ensure a sufficient supply of liquidity for all Group companies. The Treasury division implements financial policy and risk management on the basis of the agreed guidelines and permanently monitors both existing and potential financial risks. The GFT Group uses derivative financial instruments as required to hedge against currency and interest rate risks. The GFT Group pursues a prudent investment strategy which currently focuses exclusively on short-term periods. A detailed presentation on the assessment of liquidity risks and risks from fluctuations in currencies and interest rates, including the countermeasures taken, is provided in section 3 "Risk Report".

As the parent company of the GFT Group, GFT Technologies SE has concluded a number of promissory note agreements and a syndicated loan agreement in order to secure the long-term funding of the Group. The syndicated loan agreement with a fixed term of five years for an amount of up to €80.00 million was concluded in the financial year 2015 with a banking consortium comprising Deutsche Bank AG, Landesbank Baden-Württemberg and UniCredit Bank AG. The amount of up to €80.00 million comprises two tranches, a Facility A credit line of up to €40.00 million and a Facility B revolving credit line of up to €40.00 million. At the end of the reporting period, €40.00 million of Facility A and €22.00 million of Facility B had been drawn. The interest rate is variable: for both facilities it is a fixed premium set per calendar year depending on the GFT Group's level of debt and based on the Euribor rate – 1, 2, 3 or 6 months.

During the term of the loan agreements, the GFT Group is subject to specific financial covenants, mainly ancillary loans conditions. These mostly refer to specific financial covenants which must be met. The assumption of financial liabilities and the provision of collateral is also limited. If specific financial covenants and other rules of conduct are not met, this may lead to the immediate termination of the loan agreements. From the current perspective, there are no significant risks relating to the non-achievement of financial covenants or non-compliance with the other rules of conduct which are known to the company.

As of 31 December 2016, **cash and cash equivalents** amounted to €62.29 million and were thus €15.31 million above the corresponding figure at the end of 2015 (€46.98 million). The cash inflow resulted mainly from the external financing of increased client receivables, as well as from reduced payments for company acquisitions. There was no stock of short-term securities.

As of 31 December 2016, the GFT Group had unused credit lines of €39.88 million. The net liquidity of the GFT Group – calculated as the stock of disclosed cash and cash equivalents less financial liabilities – changed from €−36.46 million in the previous year to €−42.05 million as of 31 December 2016. The main reason for this trend was the increase in trade receivables and the resulting funding requirements.

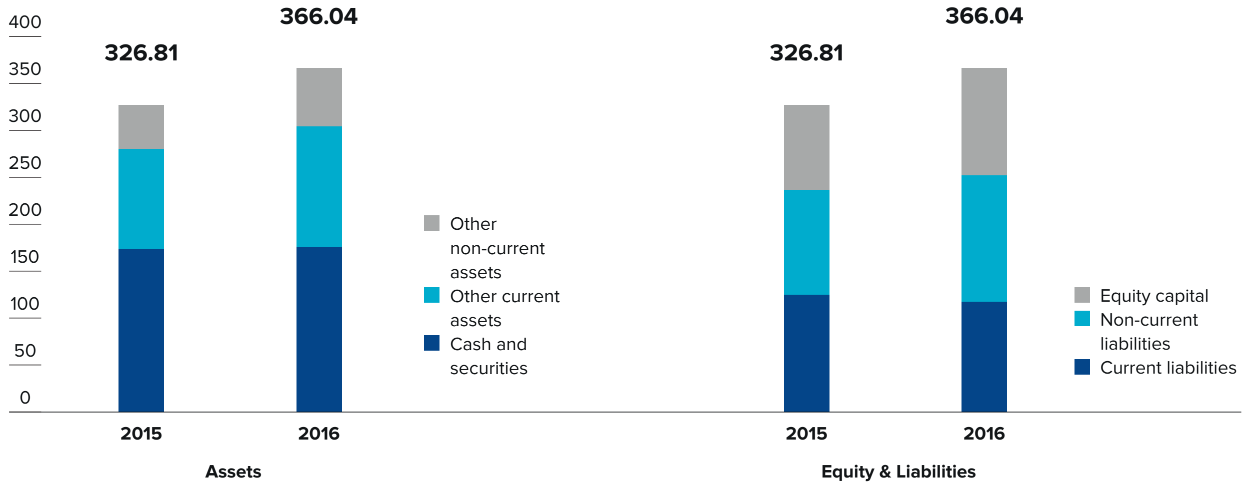
In the financial year 2016, **cash flows from operating activities** amounted to €19.83 million and were thus €22.77 million below the comparative prior-year figure (€42.60 million), due mainly to increased client receivables. The negative year-on-year trend was influenced by numerous opposing effects. Net income of €24.23 million (2015: €25.37 million), amortisation and depreciation of €11.92 million (2015: €10.39 million), income tax expenses of €8.82 million (2015: €6.27 million) and trade payables of €8.50 million (2015: €9.06 million) were opposed in particular by outflows from changes in trade receivables of €−24.36 million (2015: €1.13 million) and income taxes paid of €−7.16 million (2015: €−11.42 million).

Cash flows from investing activities improved by €15.19 million to €−16.54 million in the financial year 2016 (2015: €−31.73 million). This was mainly due to reduced payments for company acquisitions less acquired cash and cash equivalents (€−6.66 million; 2015: €−22.34 million). The change in proceeds from the disposal of consolidated companies with an effect on liquidity amounted to €0.00 million (2015: €6.03 million). Proceeds in the previous year resulted from the disposal of the emagine division. Cash flow from investing activities in the financial year 2016 is mainly determined by capital expenditure of €−9.29 million (2015: €−13.12 million). Payments for property, plant and equipment mostly concerned standard investments in IT.

Cash flows from financing activities amounted to €13.01 million in the financial year 2016 and were thus €16.38 million above the prior-year figure of €−3.37 million. The rise in cash flows from financing activities resulted mainly from the €17.00 million increase in the assumption of loans to €22.01 million, compared to €5.01 million in the previous year. The payment to shareholders of €7.90 million (2015: €6.58 million) agreed at the Annual General Meeting of 14 June 2016 (dividend payment for the financial year 2015) resulted in a cash outflow.

2.7 Asset position

Group balance sheet structure
in € million



Assets

in € million	31/12/2016	31/12/2015
Other non-current assets	175.54	173.45
Other current assets	128.21	106.38
Cash and securities	62.29	46.98
	366.04	326.81

Equity & Liabilities

in € million	31/12/2016	31/12/2015
Equity capital	117.18	124.45
Non-current liabilities	134.65	111.73
Current liabilities	114.21	90.63
	366.04	326.81

As of 31 December 2016, the **balance sheet total** amounted to €366.04 million and was thus €39.23 million above the year-end figure 2015 (31 December 2015: €326.81 million). The increase in assets is mainly due to a rise in trade receivables and increased cash and cash equivalents.

Non-current assets of €175.54 million as of 31 December 2016 were largely unchanged from year-end 2015 (31 December 2015: €173.45 million). The marginal increase of €2.09 million resulted mainly from increases in property, plant and equipment of €4.72 million to €31.21 million (31 December 2015: €26.49 million), mostly for standard investments in IT. The net decrease in goodwill to €107.07 million as of 31 December 2016 (31 December 2015: €109.21 million) was mainly the result of currency effects (€–6.27 million) and the acquisition of Habber Tec Brazil (€4.13 million).

As of 31 December 2016, **current assets** amounted to €190.50 million and were thus €37.14 million above the year-end 2015 figure (€153.36 million). The rise in current assets is mainly the result of an increase in trade receivables of €22.48 million to €117.31 million (31 December 2015: €94.83 million). An implementation project between a software vendor and its end customer was terminated by mutual consent in the third quarter of the current year. The GFT Group acted as the supplier of the software vendor. As no final agreement was reached about the amount of the receivable owed to GFT Technologies SE by the software vendor, this led to an unexpectedly high level of receivables as of 31 December 2016. In addition, there was a rise in cash and cash equivalents as of 31 December 2016 of €15.31 million to €62.29 million, compared to €46.98 million at the end of the previous year. There was an opposing development in particular among the current income tax assets, which fell by €2.18 million to €3.23 million (31 December 2015: €5.41 million).

As of 31 December 2016, **equity** of €117.18 million was €7.27 million below the corresponding figure of 31 December 2015 (€124.45 million). This negative trend was mainly due to changes in equity not affecting net income of €–20.30 million, compared to €–3.20 million as of 31 December 2015. The decrease of €17.10 million was due to the rise in conditional consideration for a company acquired in the financial year 2013. In July 2013, an 80% stake in the Italian IT service provider Sempla S.r.l. was acquired. A put and call option agreement was concluded for the remaining 20% of shares based on the operating earnings of the years 2015 to 2017. The Italian unit – now trading under GFT Italia S.r.l. – performed very well and the original expectations regarding payment for the put and call option were raised significantly. In addition, the adjustment amount for foreign currency translations fell by €6.46 million to €2.22 million (31 December 2015: €8.68 million), due in particular to the devaluation of the British pound. Net income for the period of €24.23 million, less the dividend payment in June 2016 of €7.90 million (31 December 2015: €6.58 million), increased the balance sheet profit by €16.33 million to €47.31 million (31 December 2015: €30.98 million).

The **equity ratio** as of 31 December 2016 stood at 32% and was thus 6 percentage points below the year-end 2015 figure (38%).

Non-current liabilities were up €22.92 million to €134.65 million as of 31 December 2016 (31 December 2015: €111.73 million). The rise was mainly due to higher other financial liabilities, which increased by €18.90 million to €32.84 million as of 31 December 2016 (31 December 2015: €13.94 million). This is largely attributable to the increased conditional consideration for the acquisition of the Sempla Group in the financial year 2013. The rise in financial liabilities of €3.22 million to €86.04 million as of 31 December 2016 (31 December 2015: €82.82 million) resulted mainly from financing the acquisition of Habber Tec Brazil. The remaining items were largely unchanged from the previous year.

At the end of the financial year 2016, **current liabilities** stood at €114.21 million – compared to €90.63 million at year-end 2015. The net increase of €23.58 million is mainly the result of a rise in financial liabilities of €17.69 million to €18.31 million (31 December 2015: €0.62 million) and the increase in other liabilities of €11.42 million to €41.97 million (31 December 2015: €30.55 million). The funding of increased client receivables led to a rise in rise in current financial liabilities. The increase in other liabilities resulted mainly from increased prepayments on customer orders. The decline in other provisions of €4.91 million to €37.06 million (31 December 2015: €41.97 million) is mostly a result of lower employee commissions/bonuses.

Due in particular to the increase in borrowing, the GFT Group's **debt ratio** rose by 6 percentage points to 68% as of 31 December 2016 (31 December 2015: 62%).

2.8 Overall assessment of the development of business and the economic position

With solid growth in revenue and earnings, the GFT Group was slightly above its own full-year targets in the reporting period. The strongest growth driver was the demand for solutions to digitise the business processes of retail banks in the *Continental Europe* segment. Growth in the *Americas & UK* segment slowed as a result of subdued capital spending in the investment banking sector.

The equity ratio of 32% as of 31 December 2016 was 6 percentage points below the equity ratio on 31 December 2015 (38%). The GFT Group thus still has a solid capital and balance sheet structure.

2.9 Non-financial performance indicators

Employees

As a technology partner for Digital Transformation in the financial services industry, the GFT Group's 4,800 or so employees help leading banks and insurers find solutions for the complex challenges of their industry. International teams of on-site consultants and experts at the Group's development centres work across borders on the planning and implementation of bespoke IT solutions of the highest standard. As the growth targets of the GFT Group, as an IT service provider, require an adequate increase in staffing levels, the recruitment of highly skilled and motivated employees is one of the Group's main success criteria. Recruiting focuses on attracting the best employees world-wide, promoting their professional and personal development and retaining them at the company. The main increase in headcount has been at the development centres in Spain, Poland, Brazil and Costa Rica. As an internationally aligned company, the GFT Group is an attractive employer in these countries – especially for young university graduates seeking an international career.

In order to actively recruit suitable university graduates, the GFT Group cooperates closely with universities in Brazil, Germany, Poland and Spain, including the University FATEC of Sorocaba and Tatuí, FACENS Engineering University of Sorocaba in Brazil, the University of Łódź and the Technical University of Poznan in Poland, the Universitat de Barcelona, the Catalan Pompeu Fabra, the IESE Business School and the Universitat de Lleida in Spain, the Cooperative State University of Baden-Württemberg in Stuttgart and Villingen-Schwenningen, as well as Darmstadt University in Germany. New colleagues are integrated into projects from the outset and assume their own areas of responsibility. Flat hierarchies ensure freedom and speed in decision-making. During regular feedback sessions, individual career plans are drawn up and continuously monitored. A mentoring programme promotes the development of employees by providing personal guidance. With a series of programmes, such as the GFT Accelerated Leadership Program and Cross Cultural Management Training, staff are provided with the skills they need for the next career level.

Numerous technological innovations in our market environment require the continuous professional development of our employees. A wide range of internal training opportunities specially tailored to employee needs in the field of software development, IT architecture, consulting, sales and project management is available. In addition to technical training and courses in methodological skills for project management, seminars on language and soft skills are also provided.

The GFT Group promotes the career prospects of its executives by offering coaching and internal mentoring. Since 2012, the company has been investigating the effectiveness of its measures to promote career opportunities for women within the framework of the Women's Career Index (FKi) developed by the German Federal Ministry for Family Affairs. Data on the status quo, targets and general conditions are analysed. For many years, the GFT Technologies SE has been among Germany's top ten "women-friendly" companies in the FKi ranking.

We offer working time models that are tailored to their specific needs and life situation of our employees. Flexible working hours and mobile working without strict requirements regarding office presence enable staff to find a suitable work-life balance. Moreover, we provide individually tailored part-time options, for example during or after parental leave, and help staff plan longer periods away from work (sabbaticals).

In addition to professional expertise, the complexity of our international IT projects requires a high degree of self-responsibility, decision-making and intercultural competence. Great importance is therefore attached to the personality and social skills of our employees as well as their willingness to actively shape our corporate culture. We focus on the five values: Caring, Committed, Courageous, Collaborative and Creative, which were jointly developed by management and staff as the guiding principles of the GFT Group. Every year, employees of our national organisations honour their colleagues by presenting them Values Awards for living these values.

Headcount is calculated on the basis of full-time employees; part-time staff are included on a pro rata basis.

As of 31 December 2016, the GFT Group employed a total of 4,870 people (31 December 2015: 4,050). This year-on-year increase in headcount of 20% resulted from the acquisition of Habber Tec Brazil (102 employees) as well as from new hires – in particular at the development centres in Spain, Brazil, Poland and Costa Rica.

The productive utilisation rate, based on the use of production staff in client projects, amounted to 90% in the reporting period (2015: 89%).

As of 31 December 2016, the number of staff employed by the *Americas & UK* segment was 1,333 (31 December 2015: 938), corresponding to growth of 42%. Headcount in the *Continental Europe* segment rose by 14% to 3,428 (31 December 2015: 3,015). The holding company employed 109 people (31 December 2015: 97), an increase of 12% over the previous year.

In Germany, headcount increased by 12% to 310 (31 December 2015: 276). The number of staff employed outside Germany rose by 786 or 21% to 4,560 (31 December 2015: 3,774). At the end of the reporting period, 94% of GFT's employees were thus located abroad (31 December 2015: 93%).

Viewed over the year as a whole, the GFT Group had an average of 4,527 full-time employees in 2016 compared to 3,737 in 2015 – an increase of 21%.

Employees by segment

	31/12/2016	31/12/2015	Δ %
Americas & UK	1,333	938	42%
Continental Europe	3,428	3,015	14%
Others (Holding)	109	97	12%
Total	**4,870**	**4,050**	**20%**

Employees by country

	31/12/2016	31/12/2015	Δ %
Spain	2,023	1,802	12%
Brazil	797	454	76%
Poland	594	489	21%
Italy	554	499	11%
Germany	310	276	12%
UK	235	241	−2%
Mexico	116	100	16%
Costa Rica	106	62	71%
USA	73	71	3%
Switzerland	56	46	22%
Canada	6	10	−40%
Total	**4,870**	**4,050**	**20%**

Quality management
The GFT Group undertakes complex IT projects on behalf of its clients that place high demands on project management. In order to ensure high-quality implementation of budget and deadline agreements and minimise project risks, internal processes and development work are systematically reviewed and continuously optimised according to the criteria of the internationally recognised Capability Maturity Model Integration (CMMI®) system. The process organisation developed by GFT Technologies SE for handling client projects was first assessed according to CMMI® regulations in 2008 at the development centres in Spain, Brazil and Germany and rated CMMI® Level 3. This rating requires projects to be conducted according to an adapted standard process with constant group-wide process optimisation. Scheduled rating is carried out every three years. In 2011 and 2014, GFT's rating was re-certified according to CMMI® Level 3. In 2014, the processes and development services in Italy were included in the rating. In Poland and the UK, teams were established for quality assurance and process optimization as part of the project organisation process (Process Product Quality Assurance, PPQA) according to CMMI® in 2015. In 2016, PPQA activities including reporting to the central division Risk & Quality Management were further optimised and adapted to the growth of the development centres. A new process (Standard CMMI® Appraisal Method for Process Improvement, SCAMPI) was also introduced to prepare for the official re-evaluation of process and product quality at the international development centres, which is due to be conducted by the CMMI® Institute in 2017.

3. Risk report

Internal control and risk management organisation
The risk management system of the GFT Group applies in the same way to GFT Technologies SE. The risks of the subsidiaries have an indirect impact on GFT Technologies SE as the parent company of the GFT Group. It is therefore necessary to make a standardised assessment of risks across the entire Group.

As an internationally operating company, the GFT Group is continually exposed to internal and external risks which need to be monitored and limited. To this end, a group-wide risk management system has been established in order to identify and analyse risks at an early stage and take appropriate counter-measures. The system serves to recognise potential occurrences that might lead to a lasting or significant impairment of the company's financial position and performance.

The establishment of this risk management system ensures compliance with the relevant legislation as well as the effective management of risks. In order to guarantee the effectiveness of the GFT Group's global risk management system and enable the aggregation of risks and transparent reporting, a consistent, integrated approach to the management of corporate risks has been implemented.

The risk management system comprises a variety of control processes and control mechanisms and represents an essential element of the corporate decision-making process. It has therefore been implemented throughout the GFT Group as a fundamental component of the business processes. The main principles and the organisational structures, measurement and monitoring processes are defined in a risk management guideline.

The group-wide risk management function (headed by Group Controlling) and the risk category responsibles are charged with updating and implementing the risk management guideline. At the same time, the risk inventory is regularly updated and risks assessed on an annual basis. Within the central risk management system of the GFT Group, each employee has the opportunity to report escalations in risk categories, which are then measured by the risk category responsibles. The notification system was made part of an integrated system in 2015.

On the basis of standardised reports and information flows, environment analyses and staff notifications, the risk category responsibles derive the relevant recommendations for reducing or avoiding risks. These recommendations are then incorporated into the risk management system.

All managers of the GFT Group are involved in the group-wide risk policy and associated reporting processes. This includes the Managing Directors and the chief executives of Group subsidiaries, as well as those managers responsible for processes and projects.

Risk management system
The Risk Management Guideline regulates the handling of risks within the GFT Group and defines a uniform methodology valid across the entire Group. The guideline is regularly reviewed and adjusted as required, but at least once a year. The effectiveness of the risk management system is monitored by regular audits of the Corporate Internal Audit division. Moreover, the external auditors check every year whether the risk management system is suited to recognising existential risks at an early stage.

The GFT Group's risk management system is integrated into its business processes and decisions and thus embedded into group-wide planning and controlling processes. Risk management and control mechanisms are precisely coordinated with each other. They ensure that relevant risks for the company are recognised and assessed as early as possible.

Risk management is mainly centrally organised, although individual responsibilities may be located locally. Risks and opportunities are regularly determined, evaluated and analysed across all hierarchy levels. The identification of risks takes place at different levels of the company. This is to ensure that risk tendencies are recognised and consistent risk management is practised across all departments. Moreover, each employee is called upon to inform their superiors about foreseeable risks and/or to report escalations in risk categories to the central risk management system of the GFT Group.

The centrally organised Risk Management Steering Committee (RMSC), headed by the Chief Financial Officer (CFO), is at the heart of the standardised risk reporting process. Due to the constant growth and increasing internationalisation of the GFT Group, its composition was adapted to these changed conditions in 2016. All managers with global responsibility for a particular function are now included in the restructured committee, whereas previously it had only comprised German corporate services managers. It coordinates the various management bodies and ensures they are provided with swift and continual information. The RMSC is also responsible for the continual analysis of GFT's risk profile, for initiating measures to prevent risks and for the corresponding control instruments. In addition, GFT Group's management bodies hold regular meetings in dedicated groups (mainly Global Business Committee and Risk Management Steering Committee) in order to exchange risk-relevant information between the operative and central divisions across all levels, locations and countries.

The planning and identification of internal and external risks is carried out jointly by the risk category responsibles and the business units or national companies. Depending on the estimated probability of occurrence and potential impact (such as the potential loss or damage amount), risks are classified as "high", "medium" or "low". The key risk indicators are summarised in the risk inventory.

Risks are monitored in close cooperation between the risk category responsibles and the department managers in the operational areas. They also jointly ensure the implementation of effective strategies to minimise risks. Risks can either be reduced by taking pro-active countermeasures or consciously accepted. The department managers are responsible for continuously monitoring the risks and the effectiveness of countermeasures. Risks are hedged against by taking out insurance cover if this is considered useful with regard to the economic benefits.

The RMSC receives regular reports on the status of the risk management system and its implementation in the Group's various divisions. Moreover, it is informed about the financial outlook, the capacity utilisation of production units and the current risk status of operational projects at its regular meetings. Internal Audit regularly reviews aspects of the risk management system and reports to the Risk Management Steering Committee, the Managing Directors and the Administrative Board.

Description of the accounting-related internal control and risk management system acc. to section 289 (5) and section 315 (2) no. 5 HGB
The internal control and risk management system for the accounting of the GFT Group and the annual financial statements of GFT Technologies SE is linked with the company-wide risk management system. It includes organisational and monitoring structures to ensure that business items are recorded, processed and analysed in accordance with statutory regulations and are subsequently incorporated into the consolidated financial statements according to IFRS and the annual financial statements of GFT Technologies SE pursuant to the German Commercial Code (Handelsgesetzbuch, HGB) in a compliant manner.

The accounting process of the GFT Group (including GFT Technologies SE) ensures that the full and correct amounts and disclosures are included in the instruments of financial reporting (accounting, components of the financial statements, the Group Management Report and Management Report) and that the relevant legal and statutory requirements are fulfilled. The respective structures and processes also comprise the risk management system and internal control measures in relation to the accounting process.

Key elements of risk management and control in the accounting process include a clear allocation of responsibilities and controls in the preparation of annual financial statements, as well as transparent regulations in the form of accounting guidelines. Further important control principles in the accounting process include the "four-eye principle" and a clear separation of functions.

The Group Consolidation department transfers all relevant changes in the accounting and measurement policies to the group-wide guidelines on accounting and revenue recognition. Together with the financial reporting calendar, these guidelines form the basis for the financial reporting process. The subsidiaries of GFT Technologies SE are responsible for compliance with group-wide accounting standards in their financial statements and are supported and monitored to this end by the Group Consolidation department. External service providers are used for the valuation of pension obligations, purchase price allocations in the course of company acquisitions or other complex accounting transactions. The consolidation is performed globally by the Group Consolidation department. Internal Audit performs audits of the accounts prepared by the consolidated companies.

Risk assessment
As part of the risk management system, risks are classified as "high", "medium" or "low" according to the estimated probability of occurrence and their potential impact on business targets. The scales used to measure these indicators are presented in the tables below.

Probability of occurrence	Description
1 to 33%	more unlikely
34 to 66%	likely
67 to 99%	more likely

According to this classification, the risk category responsibles define a "more unlikely" risk as one whose probability of occurrence is low, and a "more likely" risk as one whose occurrence can be expected within a given period of time.

The effects of these risks are classified in the groups "insignificant", "moderate" or "significant".

Effects	Description
insignificant	limited negative impact on business, financial position, earnings and cash flow
moderate	negative impact on business, financial position, earnings and cash flow
significant	considerable negative impact on business, financial position, earnings and cash flow

Risks are classified as "high", "medium" or "low" according to the estimated probability of occurrence and their impact based on business, reputation, financial position, earnings and cash flow.

Probability of occurrence	Effects		
	insignificant	moderate	significant
more unlikely	l	l	m
likely	l	m	h
more likely	m	h	h

l = low risk m = medium risk h = high risk

Risk factors
The risk positions listed below are those which the GFT Group identifies and monitors as part of its risk management system. These risk positions grouped into four categories: market risks, operational risks, financial risks and organisational risk, which are in turn broken down into smaller categories.

The common factor for all risks described in this report is that their occurrence may have a critical impact on the GFT Group's business, financial position, earnings and cash flow. At the same time, they may increase other risks and result in a negative deviation from current revenue and earnings targets. Each risk is classified on a scale of low, medium or high.

Risk areas of the GFT Group

Market risks	Operational risks	Financial risks	Organisational risks
▪ Macroeconomic environment ▪ Financial services sector ▪ Competition	▪ Project risks ▪ Business risks ▪ Integration risks	▪ Liquidity risks ▪ Exchange rate and interest risks ▪ Accounting risks	▪ Personnel risks ▪ Technological risks ▪ Legal risks

Market risks

Macroeconomic environment
The main macroeconomic risks of the GFT Group include the overall economic situation, the general propensity to invest and price developments on the IT market. The political and economic development of the economies in core markets has an impact on the investment behaviour of customers. In the financial year 2016, the GFT Group generated 81% of its revenue in Europe, so that in particular the European environment is of importance.

Events such as a regional or global economic crisis, military conflicts, terrorist attacks or fluctuations in national currencies can have a lasting impact on demand for solutions and services, for example due to delays in project contracts, rising credit risks of customers, changed refinancing costs or other distortions of competition.

The GFT Group prepares for the occurrence of such macroeconomic risks by taking appropriate measures such as changing its investment priorities, adjusting the portfolio of services, making organisational changes or hedging.

The GFT Group estimates the probability of these macroeconomic risks as likely. The effects on the GFT Group can range from insignificant to significant, so that in total these risks are classified as high.

Focus on financial services sector
The GFT Group has a strong focus on the financial services sector. In the financial year 2016, 92% of revenue was generated with clients in this industry. There are risks, for example, in the form of regional or global financial crises, a loss of public confidence in banks and states, a lack of or excessive regulation of financial service providers, as well as typical sector demand cycles.

These risks may adversely affect the demand of customers in a country or a region. Events such as a regional or global economic crisis, military conflicts, terrorist attacks or fluctuations in national currencies can have a lasting impact on demand for the solutions and services of the GFT Group, for example due to delays in project contracts, rising credit risks of customers, changed refinancing costs or other distortions of competition.

In order to keep these market risks low, the GFT Group broadens both its client base and service portfolio in the area of its core competencies. Measures include the conclusion of long-term contracts, intensive customer support at the level of top management, a focus on high-quality consulting services in the field of core banking applications and targeted account management.

The GFT Group estimates the probability of the risk of focusing on the financial services sector as likely, its impact on the GFT Group can range from insignificant to significant, and the resulting risks in total are therefore classified as high.

Competition
The global market for IT services is fiercely competitive. The GFT Group must compete with a number of companies of varying size and international scope. Risks may arise, for example, from new competitors with cheaper price structures, pioneering technological innovations and changes in the organisational structures of bank with a focus on internal IT departments.

These competitive risks may adversely affect the market shares of the GFT Group if the currently occupied or targeted solution areas are replaced by new technologies or cheaper providers.

The GFT Group is working hard to meet the requirements of its clients by anticipating their needs with innovative solutions and by investing in future-oriented topics such as the digitisation of banking processes and the implementation of compliance requirements. The GFT Group uses the innovation platform CODE_n to anticipate disruptive trends in the finance sector and to incorporate them into new business models. The GFT Group's software development model offers further competitive advantages. The Applied Technology team continually monitors market developments and new technologies in order to flexibly adapt the portfolio of services where necessary.

The GFT Group estimates the probability of competitive risks as likely and their impact on the GFT Group as more moderate, so that in total these risks are classified as medium.

Operational risks

Project risks
The core business of the GFT Group comprises consulting, the development of software solutions, and the implementation of international IT projects. Depending on the complexity of the project, the type of order or solution offered, this may involve contractual, technological and economic risks.

As a result, project delays, insufficient quality or lack of resources may lead to economic losses, compensation claims, lack of repeat business and damage to the Group's reputation.

In order to keep these project risks at a manageable level, the GFT Group employs a standardised and computer-aided bidding process which makes the calculated margins and potential risks transparent for all employees. Offers are released by defined specialists and managers at all levels of the hierarchy depending on the economic size and risk profile of the project.

Project processing includes a risk management system integrated into project management methods, which safeguards the implementation or provision of services. The internationally recognised Capability Maturity Model Integration (CMMI®) process model is used. Application of the CMMI® process has in the past enabled us to significantly reduce technical problems such as projects going over budget or deadlines not being met. Project and quality management have been optimised with the successfully certified further development of internal processes according to CMMI® Level 3 – as achieved by the development centres in Spain, Germany and Brazil in 2008. The process was re-certified as scheduled in 2011 and 2014. The delivery unit in Italy was included in the rating for the first time in 2014. At the time of the rating, the Rule and Adesis delivery units were not yet part of the GFT Group. Teams for quality assurance and the optimisation of processes as part of project organisation (PPQA: Process Product Quality Assurance) according to CMMI® were established in Poland and the UK in 2015. In 2016, PPQA activities including reporting to the corporate division Risk & Quality Management were optimised further and adapted to the growth of the development centres. Moreover, a new process (SCAMPI: Standard CMMI® Appraisal Method for Process Improvement) was developed to prepare the official re-evaluation of process and product quality at the international development centres, which is scheduled to be conducted by the CMMI® Institute in 2017. The corporate division Risk & Quality Management examines group-wide compliance with the CMMI® model and the implementation of risk management requirements, and reports any deviations to the responsible managers and the Managing Directors.

The staff required for the completion of contracted projects are coordinated by the local staffing managers. The required manpower capacities and technological knowledge for the project are continuously planned. The resulting utilisation in the following months is defined on the basis of the in-house workforce and project utilisation. Any lack of capacity is offset by hiring new staff or purchasing external services. Foreseeable surplus capacities are counteracted by early communication to the sales department, which then steps up its sales activities. The staffing organisation is managed uniformly by a manager with global responsibility.

The relevant project risks of the GFT Group are made transparent for the manager responsible by means of standardised escalations of the respective departments (Risk & Quality Management, controlling). In the course of standardised monthly reporting, the main project risks are communicated to the Managing Directors who initiate additional countermeasures where appropriate.

The project business of the GFT Group is not possible without project risks – which are generally offset by project opportunities. GFT estimates the probability of such project risks as likely. Their impact on the GFT Group can be significant in certain cases, and in total this risk is therefore classified as high and extensive methods and processes of risk management are employed.

Operating risks

The possible economic harm caused by the infringement of industrial property rights, and in particular third-party party rights to patents and software, may lead to considerable damage. Due to the increasingly frequent disputes between licensors and licensees, the growing relevance of patents in the field of software and the ever-increasing use of open source software, the GFT Group has established mechanisms for the preparation of bids to customers which are designed to reduce legal risks and potential damages claims in this field.

The Chief Security Officer of the GFT Group is currently responsible for examining any possible pre-existing patents. In addition, a technical and legal process has been introduced which accompanies the use of open source components during bid preparation and throughout the project activities. During the bid preparation stage, any open source components which are used are checked by the project managers with regard to licensing using a matrix system; technical alternatives are discussed – where necessary – with the project managers. On the basis of this review, the use of specific open source software is possible, possible only to a limited extent, or not possible at all. The GFT Group estimates the probability of operating risks as more unlikely. Their impact on the GFT Group can be significant in certain cases, so that in total these risks are classified as a medium risk.

Integration risks

The growth strategy of the GFT Group is based on organic growth which is flanked by targeted acquisitions that expand the service portfolio or allow faster access to new markets. It is therefore important to acquire and then integrate such new businesses in an efficient manner.

The risks in this field include false assessments regarding the integration concept, potential customers, staff qualifications, management skills, or legal and warranty risks.

These risks are dealt with by commissioning external experts in advance of any acquisition to assess the legal and commercial risks and the quality of the customer relationships (due diligence). Moreover, a qualitative evaluation of the employees and managers to be transferred is made prior to acquisition. The integration concept is also prepared in detail prior to any corporate acquisition on the basis of experience from previous takeovers.

The GFT Group estimates the probability of risks in connection with company acquisitions as likely and their impact on the GFT Group may be significant in certain cases. In total, these risks are therefore classified as high. As a consequence, company acquisitions are examined very thoroughly and the subsequent integration process is well prepared.

Financial risks

Liquidity risks

The liquidity of the GFT Group ensures its ability to conduct business. Local or global turbulence among banks, customers or capital markets can result in risks for investments made and receivables due and thus adversely affect the liquidity position.

Such risks may arise, for example, from delayed receipt of receivables or the partial or complete loss of receivables from customers. On the investment side, capital market turbulence, rating downgrades and bank failures may lead to write-downs on investments made with an impact on earnings.

The GFT Group has a centralised financial management system with daily financial reporting. The most important objective is to ensure sufficient liquidity for the Group. Outstanding receivables are analysed as part of the monthly consolidated reporting process and countermeasures are initiated at an early stage. In the case of new customers, credit checks are carried out during the bidding process. On the investment side, the GFT Group pursues a conservative investment policy with an exclusively short-term focus at present.

In addition to a syndicated loan agreement, GFT Technologies SE has taken out several promissory note loans to secure its long-term funding. There are certain rules of conduct for the GFT Group during the term of the loan agreement. These mainly refer to specific financial covenants which must be met and the assumption of financial liabilities and the provision of collateral is limited. If specific financial covenants and other rules of conduct are not met, this may lead to the immediate termination of the syndicated loan agreement. From the current perspective, there are no significant risks relating to the non-achievement of financial covenants or non-compliance with the other rules of conduct which are known.

The GFT Group estimates the probability of these liquidity risks as more unlikely. However, their impact on the GFT Group may be significant so that in total this risk is classified as medium.

Risks from exchange rate and interest fluctuations

As an internationally operating group of companies which prepares its accounts in euro, operations and financial ratios may be influenced by currency and interest rate fluctuations. As all currencies must be converted into euro, exchange rate fluctuations involve risks for the financial position and performance. The financial structure, investments and other balance sheet items are subject to interest rate fluctuations on the capital markets, which may have a negative impact on earnings, and especially on the interest result and other items of the income statement subject to discounting.

In the calendar year 2016, the proportion of consolidated revenue attributable to business in foreign currencies fell slightly from 33% to 32%. The periodic fluctuations of individual currencies can have a significant impact on the revenues and results of the GFT Group.

The Treasury department continuously monitors the existing and potential currency risks for revenue, earnings and balance sheet items. Where required, the GFT Group uses financial instruments to hedge against exchange rate fluctuations. In particular, the exchange rates of the Brazilian real, the US dollar and the British pound are closely observed as they are of particular importance for the Group. Interest rate risks are managed by the Group's treasury management, which uses financial instruments as required.

In order to limit the risk of interest rate changes for a loan with a nominal amount of €40.00 million and variable interest, an interest cap was concluded with an upper interest rate of 1.00%. Changes in interest rates can lead to fluctuations in the market value of the derivative financial instrument. Such market value fluctuations cannot be viewed in isolation from the hedged underlying transaction as the derivative and underlying transaction form a valuation unit with regard to their offsetting value development. For a more detailed presentation, see section 31 of the notes to the consolidated financial statements.

At the end of the reporting period 2016, there were no further significant financial instruments used for risk management purposes.

The GFT Group estimates the probability of interest rate risks as more unlikely and the impact on the GFT Group as moderate so that in total these risks are classified as low. The probability of exchange rate risks is estimated as likely, while the impact on the GFT Group can be moderate so that in total these risks are classified as medium.

Accounting risks

The GFT Group's accounts are prepared according to IFRS regulations, as well as local accounting regulations in the national companies. Changes and new implementation guidelines on accounting policy and other standards, especially with regard to revenue recognition, can have a negative impact on the published financial results.

Accounting risks may affect the GFT Group in such a way that previously made forecasts and estimates about the future development of financial ratios can no longer be met due to changes in accounting standards, or may require retroactive adjustments, which in turn can lead to negative reactions on the capital market.

The GFT Group regularly examines reform proposals for changes to accounting policies of relevance to its activities and environment. Moreover, the Group Consolidation department and the CFO discuss upcoming changes in accounting standards with the auditors. Based on such latest information, accounting policies are kept up-to-date and any impact on forecasts is analysed.

The GFT Group estimates the probability of accounting risks as more unlikely, although their impact on the GFT Group can be significant. All in all, these risks are therefore classified as medium.

Organisational risks

Personnel risks

Highly qualified and motivated employees are a key success factor for GFT. Risks arise if the employees required for the implementation of the acquired projects are not available, if the technological skills of employees do not (or no longer) satisfy market needs, or if team sizes are reduced by above-average staff turnover. These risks may lead to inadequate utilisation of the Group's own employees and thus result in fixed costs not being covered. Staff departures may incur additional costs for personnel recruitment measures. The GFT Group counters these risks by positioning itself as an attractive employer which seeks to retain its specialists and executives. The respective HR policy measures include attractive working conditions, personal space, attractive remuneration systems, tailored career models and extensive training. With the aid of targeted recruitment measures, the Group strives to attract new talent and to develop its positive presence on the job market. Potential under-utilisation of own employees is counteracted by regular and intensive utilisation management. The GFT Group estimates the probability of personnel risks as likely, while their impact on the GFT Group can be moderate and in total these risks are therefore classified as medium.

Technological risks

The GFT Group safeguards its future market success as a leader in technology and innovation by identifying technological trends early on and introducing corresponding measures to quickly implement suitable technologies. The short life cycles of IT systems, technologies and software solutions are a key element of the business environment. There is a risk that major developments may not be recognised quickly enough, or underestimated and not applied or implemented. This would have a negative impact on the development of business and revenue.

The GFT Group's Marketing department and sales managers observe market developments, prepare market studies and evaluate them. The Applied Technologies team monitors technological trends, prepares trend analyses and undertakes group-wide research and development. The Group's own IT processes are regularly examined and adapted to new technologies. In addition, the company services and maintains its IT infrastructure to ensure efficient and reliable operation and constant availability. Numerous protective measures, such as data backups, access protection, firewalls, virus scanners and software to detect any penetration of the computer systems, all serve to protect the IT infrastructure. This is intended to guarantee operational capability and exclude unauthorised access to key data or the loss of such data as effectively as possible.

The GFT Group estimates the probability of such technological risks as more unlikely, their impact on the GFT Group can be significant however, and in total therefore these risks are classified as medium.

Legal risks

The legal requirements to be observed by the GFT Group have intensified significantly over the past years. Even if GFT does not infringe any laws, an alleged violation of laws or an accusation brought forward can have a seriously negative impact on its reputation and thus on its share price.

The wide variety of relevant legal regulations makes it difficult to assess such legal risks. If the relevant laws are not observed or the requirements of customers (e.g. regarding data privacy and information security) are not sufficiently met, this might lead to investigations by the supervisory authorities, liability claims, fines and the loss of customers and thus affect the business and economic success of the GFT Group.

The Legal Affairs department regularly reviews new legal requirements in the business and corporate environment of the GFT Group. Based on this latest information, internal legal processes and corporate guidelines are continuously kept up to date. The GFT Group takes particular care to ensure that all employees are familiar with, and comply with, its code of conduct (Business Conduct Guideline), the data protection rules and the regulations on information security.

Moreover, as a further risk-reducing measure in the field of operating activities, master contracts drafted by the Group's own legal department are used as far as possible. With the exception of companies in Italy, any deviations from the standards and the clients' own contracts are checked and negotiated by the GFT Group's legal department. The companies in Italy are supported completely by external legal advisors. These measures ensure that liability risks associated with the contracts (for example, warranties or industrial property rights) are regulated in a clear and transparent way and limited to a reasonable amount. The companies belonging to the GFT division in Italy are supported by external lawyers. Contractual provisions that go beyond the general requirements of the GFT Group (such as the assumption of unlimited liability or the agreement of excessive penalties) require the express approval of the Managing Directors.

The GFT Group estimates the probability of legal risks as not predominantly likely, their impact on the GFT Group may be significant however, and in total these risks are therefore classified as medium.

Overall risk assessment

At the time of preparing this report, there are no recognisable risks that might jeopardise the existence of the GFT Group. No permanent or substantial impairment of the asset, financial or earnings situation of the company is expected. The early warning system for the detection of risks implemented by the GFT Group is constantly evolving and will be reviewed by the external auditor in accordance with statutory requirements.

4. Opportunity report

Opportunity management

The GFT Group operates as an international provider of IT services in a dynamic market environment in which opportunities regularly emerge. Systematically identifying and exploiting such opportunities – while avoiding unnecessary risks – is a key factor for the sustainable development of the company. Opportunities are generally also associated with risks, which are carefully assessed by linking opportunity and risk management.

In its opportunity management system, the GFT Group assesses the relevant market and competitive analyses as well as industry studies and considers the alignment of its portfolio, its cost drivers and the critical success factors in the IT and financial services industry. In this way, it derives those specific opportunities in the target markets which are taken into account in its business planning and the agreement of personal targets with operational management. The goal is to create an added value for shareholders by analysing market opportunities and taking calculable risks.

The GFT Group has a solid control and communication structure that enables it to identify potential opportunities, to assess the necessary investments and thus to pursue the associated risks. Those identified opportunities which are likely to occur have been included in business planning, the outlook for 2017 and the medium-term prospects. The forecast is set out in the Economic Report. The following section focuses on trends or events which deviate from these expectations and which might lead to a positive deviation from the outlook and medium-term prospects. In this connection, the GFT Group attaches greater importance to the opportunities from its international software development centres and client relationships.

Opportunities from the economic environment

Economic conditions have an impact on business, the financial position, earnings and cash flow. The outlook for 2017 and the medium-term prospects are based on the expectation that future economic conditions comply with the presentation in the Forecast Report of this Management Report. Should the global economy and/or the target industries perform better than presented in this outlook, the revenue and results may exceed current guidance and the medium-term prospects.

Opportunities from research and development

As a service company, the GFT Group focuses very closely on the needs of its customers. Additional potential may result from innovative development services which are accepted and used by customers. The continuation of the Group's growth strategy depends on its ability to anticipate customer needs, to offer tailored services and solutions, and to implement them with a high degree of quality. In addition to its own development work, the GFT Group integrates reliable technologies from partners into its solution portfolio.

Should the offered solutions be adopted by clients to a greater extent than currently expected, this may have a positive effect on revenue, earnings and cash flow, so that the stated guidance and medium-term prospects are exceeded.

Opportunities from personnel

Employees are the innovation drivers of the GFT Group, the source of added value for its customers and the driving force behind its sustained growth and profitability. In 2016, the GFT Group's work force grew by 820 employees due to the hiring of new staff and a company acquisition, thus enabling it to take advantage of the prevailing growth opportunities.

The productivity of employees is steadily increased by continuously improving methods and processes, ensuring international team structures and providing regular training. If better progress is made with these methods and measures than currently expected, or should new employees be integrated into the production process more quickly than planned, this may have a positive effect on revenue, earnings and cash flow and consequently the stated guidance and medium-term prospects would be exceeded.

Opportunities from international production centres

The services of the GFT Group are rendered by its own employees and freelance specialists. The Group's own staff work either in the immediate vicinity of customers or carry out their work at one of the international development centres. In the case of the latter, services are provided across borders and at attractive cost rates – mainly from Spain and Poland for Europe, and from Brazil and Costa Rica for the US market.

The international development centres are permanently improved with the aim of maintaining an efficient and cost-effective global delivery network. Further staff hiring is planned at major locations, which will leverage additional economies of scale and increase per capita earnings. Should these economies of scale develop faster than currently expected, this may have a positive effect on revenue, earnings and cash flow. This would result in the stated guidance and medium-term prospects being exceeded.

Opportunities from customer relationships
The GFT Group's added value is generated by providing IT services, mainly for the financial services industry. Its portfolio of solutions is marketed accorded to regions and customer segments. The GFT Group focuses in particular on those regions and customers with the highest spending on services and the greatest business and revenue potential. Services are delivered to clients either locally in the customer's country or across borders from one of the international development centres.

The GFT Group invests in the development of its sales network in order to support existing customers globally and to tap new customers in high-growth markets. In addition, local specialisations are systematised and these competencies are then marketed across borders to customers in all sales regions (cross-selling).

The GFT Group will continue to actively seek opportunities in this sales structure in order to increase the added value for its customers more strongly than currently expected. Should these opportunities develop faster than currently expected, this may have a positive effect on revenue, earnings and cash flow of the GFT Group. In this case, the stated guidance and medium-term prospects would be exceeded.

5. Takeover-relevant information

Disclosures pursuant to section 289 (4) and section 315 (4) German Commercial Code (HGB) and explanatory report of the Administrative Board acc. to section 48 (2) sentence 2 SE-Implementation Act (SEAG) in conjunction with section 176 (1) sentence 1 German Stock Corporation Act (AktG)

Structure of the share capital (No. 1):
At the end of the reporting period, the issued share capital of GFT Technologies SE amounted to €26,325,946.00. It is divided into 26,325,946 shares. The proportionate amount of share capital allocated to each share totals €1.00. All shares of GFT Technologies SE were issued as ordinary bearer shares without nominal value (no-par shares). The shares are fully paid up. All shares have the same rights and obligations. Each share grants one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares (No. 2):
Legal regulations, in particular section 136 AktG and section 28 German Securities Trading Act (WpHG), exclude voting rights for the affected shares in the respective specified cases. We are not otherwise aware of any restrictions affecting voting rights or the transfer of shares.

Shareholdings exceeding 10 percent of the voting rights (No. 3):
GFT Technologies SE is aware of the following shareholding that exceed 10 percent of the voting rights: as at 31 December 2016, Ulrich Dietz (Deputy Chairman of the Administrative Board and Managing Director of GFT Technologies SE), Germany, held 26.254% directly and 0.008% indirectly of total voting rights.

Shares with special control rights (No. 4):
There are no shares with special rights conferring control.

System of control over voting rights when employees own shares and their control rights are not exercised directly (No. 5):
We are not aware of any employees who hold shares and do not exercise their control rights.

Legal regulations and provisions in the articles of association governing the appointment and replacement of executive board members (No. 6):
As a company with a single-tier management and control structure, GFT Technologies SE applies the disclosure obligations of section 289 (4) no. 6 HGB and section 315 (4) no. 6 HGB on the appointment and dismissal of executive board members to the Managing Directors. Their appointment and dismissal is governed by article 43 of Council Regulation (EC) no. 2157/2001 on the Statute for a European Company (SE-VO) and section 40 SEAG. Reference is made to these regulations. Pursuant to section 16 of the articles of association of GFT Technologies SE, the Administrative Board appoints one or more Managing Directors. The Administrative Board can appoint one of these Managing Directors as Chief Executive Officer and one as Deputy Chief Executive Officer. In each case, the appointment and dismissal of Managing Directors requires a majority of two thirds of votes cast by the Administrative Board, whereby abstentions or invalid votes are deemed to be votes not cast. The articles of association of GFT Technologies SE do not contain any further regulations on the appointment and dismissal of Managing Directors. Should one of the required Managing Directors be missing, section 45 SEAG states that a court may appoint a Managing Director on application of one of the persons involved.

Rules governing amendments to the articles of association (No. 6):
The requirements for amendments to the articles of association are regulated in particular in article 59 SE-VO and section 51 SEAG. Reference is made to these provisions. According to section 51 SEAG, the articles of association may determine, unless binding statutory regulations state otherwise, that a simple majority of votes cast is sufficient for a resolution of the Annual General Meeting to amend the articles of association, providing that at least half of share capital is represented. The articles of association of GFT Technologies SE make use of this provision in section 23 (4). A larger majority is required for an amendment to the company's object, for a resolution on relocating the registered offices of the SE to a different EU member state, and for other legally binding cases (section 51 sentence 2 SEAG). The Annual General Meeting can assign the authority to amend the articles of association to the Administrative Board insofar as such amendments merely relate to the wording. This is permitted for GFT Technologies SE by the provisions in section 21 (1) of the articles of association.

Executive board authorities, particularly the issuing and buy-back of shares (No. 7):
As a company with a single-tier management and control structure, GFT Technologies SE applies the disclosure obligations of section 289 (4) no. 7 HGB and section 315 (4) no. 7 HGB regarding executive board authorities to the Administrative Board.

Authorised capital:
The Administrative Board is authorised until 13 June 2021 to increase the share capital of GFT Technologies SE by up to €10,000,000.00 through a one-time-only or repeated partial issuance of bearer shares (no-par shares) against cash contributions and/or contributions in kind (Authorised Capital).

The Administrative Board is authorised to exclude the legal subscription right of shareholders,

- to remove fractional amounts from subscription rights;
- in the case of capital increases for contribution in kind for the granting of shares to acquire companies, company divisions, interests in companies or other assets in connection with the aforementioned company acquisitions (even if a purchase component is paid in cash in addition to shares);
- in the case of a capital increase for cash contribution if the issue price of the new shares is not significantly lower than the stock exchange price and the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation. This restriction is to be applied to those shares which are issued during the term of this authorisation by utilising an authorisation for the disposal of treasury shares valid at the time this authorisation becomes effective in accordance with section 186 (3) sentence 4 AktG. This restriction is also to be applied to shares that have been, or will be, issued for the purpose of servicing convertible bonds/warrants if these bonds are issued during the effectiveness of this authorisation in accordance with section 186 (3) sentence 4 AktG;
- in the case of a capital increase for the issue of employee shares if the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation.

The Administrative Board is authorised to determine a start date for dividend rights which differs from the statutory regulations and to determine the further details of a capital increase and its implementation, in particular the issue amount and the fee to be paid for the new shares, as well as the granting of subscription rights by means of indirect subscription rights pursuant to section 186 (5) AktG.

Conditional capital:
Conditional Capital 2012 (sections 192 et seq. AktG) is regulated in section 4 (7) of the articles of association of GFT Technologies SE:

A conditional increase in share capital (Conditional Capital 2012) of up to €10,000,000.00 is authorised through the issue of a maximum of 10,000,000 new bearer shares. A conditional increase in share capital is only implemented if

(i) the bearers of warrant or conversion rights, or those obliged to convert their warrant or convertible bonds, which were issued or guaranteed by GFT Technologies SE or a company in which GFT Technologies SE directly or indirectly holds a majority of voting rights and capital, on the basis of the authorisation adopted by the Annual General Meeting of 22 May 2012, make use of their warrant or conversion rights or, insofar as they are obliged to convert, fulfil their conversion obligation and

(ii) neither cash settlement is selected nor treasury shares or shares of another listed company are used for fulfilment. The new shares are issued at a warrant or conversion price which corresponds to the requirements of the authorisation to issue warrant or convertible bonds adopted by the Annual General Meeting of 22 May 2012. The new shares participate in the profit from the beginning of the financial year in which they are created as a result of exercising warrant or conversion rights or fulfilling conversion obligations. The Administrative Board is authorised to determine the further specifics in connection with the issue of shares under this contingency.

Purchase of treasury shares:
With a resolution adopted by the Annual General Meeting of 23 June 2015, GFT Technologies SE is authorised to purchase treasury shares up to a total of 10% of share capital as at the time of the Annual General Meeting resolution. The authorisation may be exercised once or several times and in full or in partial amounts. However, the treasury shares purchased on the basis of this authorisation, together with those treasury shares already held by GFT Technologies SE or attributed to it pursuant to sections 71a et seq. AktG, may at no time exceed 10% of the respective share capital. The purchase of treasury shares is made via the stock exchange or as part of a public purchase offer made to all shareholders by GFT Technologies SE. The purchase price per share paid by GFT Technologies SE (exclusive of any ancillary costs) may not exceed, or fall below, the arithmetic mean price for shares of the same class and with the same rights in GFT Technologies SE in the closing auction of Xetra trading (or a comparable successor system) over the ten trading days on which a closing auction was held prior to the purchase of treasury shares or, in the case of a public offer, prior to the day on which the public offer was announced, by more than 10%. In the case of a public offer, the volume of the offer may be limited. The authorisation was granted for every legally permissible purpose, and in particular for the following purposes:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- to cancel shares;
- to offer the corresponding shares for purchase to employees of GFT Technologies SE and affiliated companies of GFT Technologies SE as defined by section 15 AktG;
- to sell the shares with the exclusion of shareholder subscription rights while meeting the requirements of section 186 (3) sentence 4 AktG.

The sale of purchased treasury shares must always be made via the stock exchange or by means of a public offer made to all shareholders. GFT Technologies SE was authorised, however, to employ a different selling method, with the exclusion of shareholder subscription rights, should this be necessary in the interests of GFT Technologies SE, in order to use the shares as follows:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- to offer the corresponding shares for purchase to employees of the company and affiliated companies of GFT Technologies SE as defined by section 15 AktG.

The Administrative Board was also authorised, with the exclusion of shareholder subscription rights, to sell the acquired treasury shares in ways other than via the stock exchange or by way of a public offer to all shareholders, provided that the shares issued with the exclusion of shareholder subscription rights pursuant to section 186 (3) sentence 4 AktG do not exceed 10% in total of share capital, neither at the time this authorisation becomes effective nor at the time when this authorisation is exercised. Those shares issued during the term of this authorisation, utilising an authorisation to issue new shares from Authorised Capital pursuant to section 186 (3) sentence 4 AktG with the exclusion of shareholder subscription rights valid at the time this authorisation became effective, are to be included in this limitation. Also to be included are those shares issued, or still to be issued, for the settlement of warrant/convertible bonds, providing such bonds were issued during the effective term of this authorisation pursuant to section 186 (3) sentence 4 AktG.

In all the above cases, the selling price of a company share (excluding transaction costs) may not be significantly lower than the arithmetic mean price for shares of the same class and with the same rights in GFT Technologies SE in the closing auction of XETRA trading (or a comparable successor system) over the ten trading days on which a closing auction was held prior to the sale of treasury shares or prior to the date on which contract for the sale of treasury shares is concluded. The authorisations to sell may be exercised separately or together, in whole or in part. If exercised in part, the authorisation may be utilised on several occasions. The authorisation applies to shares of GFT Technologies SE already held by GFT Technologies SE at the time this authorisation was granted.

The Administrative Board was also authorised to cancel treasury shares without any further resolution of the Annual General Meeting. The authorisation to cancel shares may be exercised in whole or in part. If exercised in part, the authorisation may be utilised on several occasions. The authorisation applies to shares of GFT Technologies SE already held by GFT Technologies SE at the time this authorisation was granted. Cancellation results in a capital reduction. Contrary to the aforementioned, the Administrative Board may determine that share capital is not reduced, but that the proportion of the remaining shares in the share capital is increased pursuant to section 8 (3) AktG. In this case, the Administrative Board is authorised to adjust the number of shares stated in the articles of association.

The authorisation to purchase treasury shares became effective on 23 June 2015 and is valid until 22 June 2020.

Material agreements of the parent company conditional to a change of control following a takeover bid (No. 8):
GFT Technologies SE has signed several promissory note agreements totalling €25 million which grant termination rights to the respective lender in the event that, without prior consent of the respective lender, a person or a group of people who have coordinated their actions, or persons acting on behalf of such persons (with the exception of those defined “Permitted Owners” defined below) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE. The term “Permitted Owners” refers to (i) the spouses Ulrich and Maria Dietz and their offspring, as well as (ii) persons acting on behalf of one or more of the aforementioned persons.

A banking consortium has provided GFT Technologies SE with a syndicated, half-revolving credit line for a total amount of up to €80 million, of which €62 million had been drawn at the end of the reporting period. The consortium members were granted the right to terminate their portion if a person or a group of people who have coordinated their actions pursuant to section 2 (5) German Takeover Act (Wertpapiererwerbs und Übernahmegesetz – WpÜG), or persons acting on behalf of such persons (with the exception of Ulrich Dietz and/or Maria Dietz and/or their offspring) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE.

A bank in Germany has provided GFT Technologies SE with a master credit line for a total amount of up to €10 million, of which €5 million had been drawn at the end of the reporting period. The bank was granted the right to terminate the master credit line if a person or a group of people who have coordinated their actions pursuant to section 2 (5) WpÜG, or persons acting on behalf of such persons (with the exception of Ulrich Dietz and/or Maria Dietz and/or their offspring) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE.

GFT Technologies SE provides services under a master agreement with Deutsche Bank AG, which also grants Deutsche Bank AG the right to terminate the master agreement and the attendant separate agreements in the case of a change of control. Under this definition, a change of control occurs if (i) a competitor of Deutsche Bank AG buys shares in GFT Technologies SE, and/or an affiliated company which has concluded one or more separate agreements under the master agreement, to the extent that the competitor is able to assume decisive positions within GFT Technologies SE or (ii) a third person who is listed in the embargo list of Deutsche Bank AG purchases half or more of the shares in GFT Technologies SE, or one of the aforementioned affiliated companies, or gains control of their business.

In the service contracts of its Managing Directors, GFT Technologies SE has granted the latter special termination rights in the event of a change of control. Further details are provided in the explanations below.

Compensation agreements with executive board members and employees in the event of a change of control (No. 9):
As a company with a single-tier management and control structure, GFT Technologies SE exclusively applies the disclosure obligation of section 315 (4) no. 9 HGB, regarding compensation agreements made with executive board members for the case of a takeover offer, to its Managing Directors.

For the event of a change of control, GFT Technologies SE has agreed identical, time-limited special termination rights with each Managing Director individually. A change of control exists after the purchase of a minimum of 30% of voting rights in GFT Technologies SE by a third party or by several third parties acting together. A change of control is also deemed to exist on conclusion of an affiliation agreement (as defined by section 291 AktG) by GFT Technologies SE as a dependent company, or if GFT Technologies SE merges with a non-group legal entity, or in other comparable situations. If a Managing Director should justifiably exercise his or her special termination rights, they shall have a one-off claim to severance pay. In two cases, this shall amount to 50% of the annual fixed salary which would have accrued without exercising the special termination right up to the end of the regular contract period, but at least 50% and a maximum of 100% of a full annual fixed salary. In the case of one Managing Director, compensation amounting to a full annual fixed salary plus one payment composed of part of the variable short-term remuneration paid in the previous year and the sum of €200,000.00 is agreed. However, this compensation is absolutely limited to 150% of the reimbursement for the regular residual contract period.

6. Remuneration report

Principles of the compensation system pursuant to section 289 (2) no. 4 HGB and section 315 (2) no. 4 HGB and disclosures pursuant to section 285 no. 9 HGB and section 314 (1) no. 6 HGB, as well as in compliance with the recommendations in section 4.2.5 (3) GCGC

This report is based on the requirements of the German Commercial Code (HGB), the German Accounting Standards and the International Financial Reporting Standards (IFRS), as well as the recommendations of the German Corporate Governance Code (GCGC), insofar as the Administrative Board has not stated deviations to the latter in its Declaration of Compliance. This remuneration report provides disclosures according to section 285 no. 9 HGB and section 314 (1) no. 6 HGB, which are applied in accordance with article 61 of the Statute for a European Company (SE-VO).

In its latest Declaration of Compliance of 5 December 2016, the Administrative Board of GFT Technologies SE declared that the company had waived the use of model tables pursuant to the recommendations of the German Corporate Governance Code as it believes this would not provide any further informational content to the shareholders. The Remuneration Report contains all disclosures required by section 4.2.5 GCGC.

Administrative Board

In accordance with section 15 of the articles of association of GFT Technologies SE, remuneration for the members of the Administrative Board is set by the Annual General Meeting. The Annual General Meeting may adopt a higher payment for the chair and deputy chair of the Administrative Board. Payment is due at the end of each financial year. Members of the Administrative Board who only served on the Administrative Board for part of the financial year, receive one-twelfth of annual remuneration for each month of their membership they commenced.

The Annual General Meeting of GFT Technologies SE on 14 June 2016 adopted a resolution that the Administrative Board members of GFT Technologies SE should receive fixed remuneration retroactively for the full financial year 2016 of €43,000.00, while the Chairman of the Administrative Board should receive €86,000.00 and the Deputy Chairman of the Administrative Board should receive remuneration of €64,500.00 – in each case for the respective financial year and in addition to the reimbursement of expenses and the reimbursement of any VAT due on the remuneration and expenses. Those Administrative Board members – including the Chairman and his Deputy – who have been appointed Managing Directors of the company do not receive any Administrative Board remuneration insofar as they already receive remuneration for their duties as Managing Directors. This compensation regulation applies until the Annual General Meeting decides otherwise.

The resolution on remuneration adopted by the Annual General Meeting of GFT Technologies Aktiengesellschaft on 23 June 2015 applied for the financial year 2015: the Administrative Board received fixed remuneration of €13,000.00, the Chairman of the Administrative Board €26,000.00 and the Deputy Chairman of the Administrative Board €19,500.00 – in each case for the respective financial year and in addition to the reimbursement of expenses and the reimbursement of any VAT due on the remuneration and expenses. For the financial year 2015, this remuneration was granted pro rata for the period beginning on entry of GFT Technologies SE in the commercial register, i.e. 18 August 2015.

Total compensation for the members of the Administrative Board in the past financial year amounted to €215,000.00 (2015: €24,219.19). In 2016, an amount €17,000 (2015: €60,000) was incurred for legal and consultancy services provided by the law firm Hennerkes, Kirchdörfer & Lorz, of whom Professor Dr Andreas Wiedemann is a partner. There were no other benefits or payments granted to members of the Administrative Board for personally rendered services, and in particular consultancy and referral services. There are currently no stock option programmes or similar securities-oriented incentive systems in place for the Administrative Board. No Administrative Board members were granted loans by the company or any affiliated company.

The members of the Administrative Board received the following compensation in financial year 2016 for their work on the Administrative Board of GFT Technologies SE (in euro):

Compensation of the Administrative Board

in €	2015	2016
Dr Paul Lerbinger (Chairman)	9,687.67[1]	86,000.00
Ulrich Dietz (Deputy Chairman)	0.00	0.00
Dr-Ing Andreas Bereczky	4,843.84[1]	43,000.00
Maria Dietz	4,843.84	43,000.00
Marika Lulay	0.00	0.00
Dr Jochen Ruetz	0.00	0.00
Prof Dr Andreas Wiedemann	4,843.84	43,000.00
Total	**24,219.19**	**215,000.00**

[1] Dr Paul Lerbinger received additional compensation of €17,333.33 for the financial year 2015 for his role as Chairman of the Supervisory Board of GFT Technologies Aktiengesellschaft and Dr-Ing Bereczky received €8,666.67 for his position as member of the Supervisory Board of GFT Technologies Aktiengesellschaft.

Managing Directors

Compensation for the Managing Directors is set by the Administrative Board. Amongst other things, it depends on the responsibilities of the respective Managing Director.

Remuneration is composed of performance-based and non-performance-based components. The non-performance-based component is paid in monthly amounts, i.e. twelve times per financial year. The performance-based components are granted as one-off payments. Stock option programmes or similar securities-oriented incentive systems do not currently exist.

In addition, the respective remuneration includes fringe benefits, such as the benefit in kind from the provision of a company vehicle also for private use, premiums for appropriate accident insurance and subsidies for pensions and health insurance within the customary range.

The first performance-based compensation component is linked to the attainment of targets for the key earnings figure of consolidated EBT (Earning Before Taxes) as well as the attainment of personal targets for the financial year agreed individually with the Administrative Board for each Managing Director. If the agreed minimum target is not reached, no corresponding variable compensation is paid. This component is capped individually for each Managing Director.

The second performance-based compensation component (value growth bonus) is based on multi-year development, considering both positive and negative trends. The value growth bonus is linked to the multi-year development of the ratio between EBT and revenue at Group level.

All variable remuneration amounts and total remuneration are capped.

No Managing Director was granted a loan or advance by the company or any affiliated company.

No special capping of payments to the Managing Directors in the event of premature termination has been agreed. The legal regulations therefore apply.

With reference to the contractual arrangements in the event of a change of control, reference is made to section 289 (4) HGB and section 315 (4) HGB, "Compensation agreements with executive board members in the event of a change of control (no. 9)", (see section 6: Takeover-relevant information).

Total remuneration for the Managing Directors in financial year 2016 amounted to €2,216,784.14 (2015: €2,483,819.24 for the three Managing Directors who received remuneration in the current year). The prior-year figure comprises remuneration for the Managing Directors of GFT Technologies SE and for the Executive Board members of GFT Technologies Aktiengesellschaft. It was adjusted for the remuneration of one Executive Board member who left the company following its conversion to a European Company (SE). Including compensation for the departed Executive Board member Jean-François Bodin, remuneration in the previous year amounted to €2,859,445.61.

Remuneration of the Managing Directors in the financial year 2016 acc. to HGB (benefits)

The Managing Directors received the following compensation (benefits granted acc. to HGB in euro), whereby the prior-year figures include compensation as members of the Executive Board of GFT Technologies Aktiengesellschaft:

Ulrich Dietz

in €	2015	2016	minimum	maximum
Non-performance-based compensation	399,999.96	399,999.96	399,999.96	399,999.96
Fringe benefits	9,315.71	8,075.67	8,075.67	8,075.67
Sub-total	**409,315.67**	**408,075.63**	**408,075.63**	**408,075.63**
Performance-based compensation				
short-term	348,654.29	247,012.79	0.00	1,500,000.00
long-term	140,000.00	120,000.00	0.00	200,000.00
Total	**897,969.96**	**775,088.42**	**408,075.63**	**2,108,075.63**

Marika Lulay

in €	2015	2016	minimum	maximum
Non-performance-based compensation	350,000.04	380,000.04	380,000.04	380,000.04
Fringe benefits	59,451.71	47,929.79	47,929.79	47,929.79
Sub-total	**409,451.75**	**427,929.83**	**427,929.83**	**427,929.83**
Performance-based compensation				
short-term	351,241.07	219,178.40	0.00	1,250,000.00
long-term	170,000.00	190,000.00	0.00	265,000.00
Total	**930,692.82**	**837,108.23**	**427,929.83**	**1,942,929.83**

Dr Jochen Ruetz

in €	2015	2016	minimum	maximum
Non-performance-based compensation	260,000.04	273,333.36	273,333.36	273,333.36
Fringe benefits	43,760.36	35,445.17	35,445.17	35,445.17
Sub-total	**303,760.40**	**308,778.53**	**308,778.53**	**308,778.53**
Performance-based compensation				
short-term	246,396.06	185,808.96	0.00	1,250,000.00
long-term	105,000.00	110,000.00	0.00	160,000.00
Total	**655,156.46**	**604,587.49**	**308,778.53**	**1,718,778.53**

Allocation pursuant to the recommendations of section 4.2.5 (3) GCGC for the Managing Directors (in euro):
The following table presents the allocation of fixed compensation and fringe benefits, as well as short-term and long-term variable compensation for the financial year 2016.

in €	Ulrich Dietz	Marika Lulay	Dr Jochen Ruetz
Non-performance-based compensation	399,999.96	380,000.04	273,333.36
Fringe benefits	8,075.67	47,929.79	35,445.17
Sub-total	**408,075.63**	**427,929.83**	**308,778.53**
Performance-based compensation			
short-term	334,012.79	306,178.40	233,808.96
long-term	0.00	0.00	300,000.00[1]
Total	**742,088.42**	**734,108.23**	**842,587.49**

[1] Value of long-term variable compensation for the financial years 2013 to 2015

Other disclosures

The company takes out D&O insurance for the members of the Administrative Board and the Managing Directors of GFT Technologies SE. It is concluded or prolonged annually. The insurance covers the personal liability risk in the event of claims for financial losses. The policy includes a deductible for the Managing Directors which complied, and continues to comply, at all times with the requirements of section 93 (2) sentence 3 AktG.

With regard to the D&O insurance, no deductible is agreed upon for those members of the Administrative Board who are also Managing Directors. The company is of the opinion that a deductible for members of the Administrative Board provides no additional incentive to carry out their activities with due diligence and in accordance with the statutory provisions.

7. Forecast report

Macroeconomic development

In its latest outlook published in January 2017, the International Monetary Fund (IMF) was slightly more upbeat about the prospects for the global economy. Following modest growth of 3.1% in 2016, the economists expect an increase of 3.4% this year and 3.6% in 2018. The main reason is the gradual recovery of major emerging and developing countries which suffered economic crises in 2016. At the same time, the IMF believes that growth prospects for the USA, China, Europe and Japan have improved. However, the IMF has downgraded its outlook for India, Mexico and Brazil. US policy is strengthening an already strong dollar – and this is bad for debt-stricken developing countries and their weak currencies.

According to the ECB's economic report of December 2016, the eurozone's economy will continue its moderate but steady recovery with a gradual increase in inflation. The economists expect GDP growth of 1.7% in 2017 and 1.6% in both 2018 and 2019. Despite the global economic and political uncertainty, the eurozone economy remains robust. The risks to the eurozone's growth prospects remain downward.

According to the Bundesbank, economic growth in Germany will initially benefit from the positive trend in the final quarter of 2016: fast growing exports and strong order intake led to a significant rise in industrial output with a strong stimulus from consumer spending. For the coming years, however, the Bundesbank's economists predict a deterioration in the current very favourable conditions for consumer spending. As a result of the demographic trend, employment is likely to grow less dynamically, while rising energy prices will reduce the purchasing power of consumers. This will be offset in part by growing exports brought about by a recovery of the global market. The Bundesbank therefore predicts that the German economy will grow by 1.8% in 2017, with slightly slower growth of 1.6% and 1.5% in 2018 and 2019, respectively.

The IMF, the ECB and the Bundesbank all warn that these forecasts are currently fraught with political uncertainty: due to Brexit, the new government in the USA, and the upcoming elections in the Netherlands, France, Germany and presumably Italy.

Sector development

According to Gartner, the global IT market is likely to grow faster in 2017 than in the previous year. In its update of January 2017, the market research firm forecast an increase in global IT spending of 2.7%. Growth in spending on IT services will be slightly stronger than in the previous year at 4.6%. According to Gartner, the main growth driver in this market segment will continue to be high investment in the digitisation and modernisation of business processes. Gartner believes that the only thing stopping even stronger growth in this segment is the caution displayed by market participants in view of numerous economic challenges.

As a result of Brexit and the associated uncertainties, only moderate investment in IT services is expected in the UK and Western Europe this year. However, as a result of expected new regulations and tax laws, Gartner forecasts higher demand for IT services in these regions, especially in the financial services sector, in the years ahead.

Global spending on IT by banks is expected to rise by 3.5% in 2017. According to Gartner, growth is likely to be stronger among investment banks (+3.8%) than retail banks (+3.4%). Gartner forecasts that banks in Western Europe will only spend 0.1% more on IT this year than in the previous year, while growth in IT spending is expected to reach 3.9% in North America.

The German digital association Bitkom predicts further growth for the ICT sector. According to Bitkom's latest sentiment barometer of 25 January 2017, 83% of companies surveyed expect an increase in revenue for the year as a whole. Only 8% expect a decline in revenue. As many as 86% of all IT service providers expect increased revenue. All in all, Bitkom expects spending on ICT products and services to rise by 1.2% in 2017.

Expected development of the GFT Group

The GFT Group has a wide range of consulting and IT skills for the financial services sector and is represented in the major financial hubs of Germany, the UK and the USA by its experienced local consultancy teams. In cooperation with its nearshore development centres in Spain, Poland and South America, complex IT projects are delivered at attractive terms offering great value for money. The *Continental Europe* segment is currently dominated by retail banking clients while the *Americas & UK* segment comprises mainly investment banking clients.

For 2017, the GFT Group expects a further positive performance with growth once again above that of the global IT services sector and the IT market in the financial sector. As in the previous year, the key growth driver will be high demand for solutions to digitise the business processes of retail banks. Business with solutions to adapt IT systems to meet regulatory requirements will remain at the current high level, but no longer be as dynamic as in previous years. In the medium term, additional growth is expected from the trend towards outsourcing IT activities to specialised service providers offering cost benefits via their global delivery models (nearshoring).

Banking compliance still at high level
The major packages of measures on banking and financial market regulation adopted by the international supervisory authorities following the financial market crisis have now been largely drafted. They affect the entire banking sector, whereby particular attention was paid to more rigorous regulations for investment banks – many of whom played a major role in the financial crisis.

Many reforms have already been successfully implemented. Others are still in the implementation phase, such as the provisions of the Basel Committee on Banking Supervision regarding capital adequacy and liquidity (Basel III, IV), the new accounting rules for the valuation of financial instruments pursuant to IFRS 9, or the Markets in Financial Instruments Directive (MiFID II) for the harmonisation of financial markets in the European internal market. In addition, there are ongoing adjustments and revisions to existing directives and regulations, especially at European level.

Although the implementation of these regulations represents a major challenge for investment banks in particular and will continue to account for a large part of their IT budgets in the coming years, the main surge of this regulatory flood is now ebbing. Spending on compliance will remain high, but is unlikely to increase further. In view of the uncertainty as to whether a post-Brexit UK will continue to implement EU regulations or adopt its own, UK banks are likely to be reluctant to invest in regulatory projects in the current financial year.

Nevertheless, investment banks will spend increasing amounts on new technologies to enhance their efficiency and maintain competitiveness. Both big data and new business models based on blockchain technology will provide further growth momentum for the *Americas & UK* segment in the medium term. This will depend to a large extent on how rapidly the earnings of investment banks recover, following their decline in 2016. In order to strengthen the *Americas & UK* segment further, investment banking clients in this segment will also be targeted with solutions for the digitisation of their retail banking operations.

The GFT Group has many years of experience in ensuring compliance with regulatory requirements and implementing the appropriate processes in existing IT systems. Numerous references documenting the successful completion of regulatory projects with leading international financial service providers also underline the Group's status as an acknowledged expert.

Digitisation becoming an increasingly important growth driver
Persistently low interest rates, high regulatory costs and the market entry of new fintech competitors have increased the pressure on retail banks in particular. Faced with dwindling margins in their core business, which is simultaneously under attack from new and innovative market players, the banking sector is in the midst of a Digital Transformation process. Banks have not only recognised the opportunities which digitisation offers in terms of cost savings and rationalisation. Increasingly, established business models and value chains are being questioned – although the development of holistic digitisation strategies is still at an early stage.

At present, banks are working to improve their customer interfaces in the front-end area. This includes the development of customer apps, the integration of sales channels in an end-to-end, omni-channel approach, and the revamping of their branch networks. However, this does not mean that the possibilities which digitisation offers have been exhausted. In the next step, forward-thinking banks are planning to extend their value chain at the sales level so that customers can also use third-party services and financial products. Open sales platforms with interfaces to the bank's internal IT system would facilitate this step. Banks could pursue the kind of platform strategy that is already proving very lucrative and successful in other sectors.

It is currently hard to predict the technological direction banks will take in the coming years. However, experts believe the Digital Transformation process will be extensive. There are strong arguments for concepts that see the bank of the future as a digital ecosystem. In addition to one-on-one advice, such banks will become a marketplace for financial products and trustworthy infrastructure services within the framework of identity and risk management. Ultimately, this would continue the principle of the local bank.

Against this backdrop, banks are expected to invest increasingly in IT projects for the Digital Transformation of their business models over the coming years. This will present numerous growth opportunities for the GFT Group as the technological partner of leading financial institutes.

Demographic change accelerating IT outsourcing trend
It is expected that banks will increasingly utilise the cost benefits arising from the outsourcing of IT activities. According to Gartner, the proportion of total expenditure for outsourcing rose to 25% in 2016, compared to 23% in the previous year. Demographic change and the growing scarcity of IT experts in high-wage economic regions will encourage this trend. While many banks in the Anglo-Saxon nations are already making strong use of these outsourcing benefits, banks in Europe and especially Germany still have a lot of catching up ahead of them. The GFT Group's Global Delivery Model with development centres in Spain, Poland and South America offers substantial cost benefits compared to the use of in-house staff or local providers. This model combines the advantages of lower-priced programming services with the local customer support needed for the implementation of complex IT projects provided by onshore consulting teams.

Operating targets of the GFT Group for 2017

The GFT Group has issued the following guidance for the financial year 2017:

- Consolidated revenue for the full year 2017 is expected to reach €450.00 million.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) of €48.50 million and pre-tax earnings (EBT) of €35.00 million are anticipated in 2017.
- The productive utilisation rate of the GFT division is expected to remain at the high prior-year rate of 90% in 2017.

Medium-term prospects for the GFT Group
Assuming that the demand for solutions to achieve regulatory compliance remains strong and the trend to digitise business processes continues, the GFT Group is upholding its medium-term guidance first issued on 2 March 2016. It therefore aims to raise consolidated revenue to €800.00 million with an EBITDA margin of around 12% by 2020. The underlying business plan assumes continued organic growth of around 10% per year in combination with targeted acquisitions.

Assumptions for the forecasts
Our forecasts are based on the above assumptions regarding overall economic development and the development of the financial services sector and IT industry. These forecasts take account of all events known at the time of preparing this report that might have an impact on the performance of the GFT Group.

Overall statement on the expected development

The GFT Group expects a further positive development of its business in the financial year 2017, whereby the first six months are likely to be slightly weaker as certain investment bank projects in the UK were postponed at the beginning of the year. Business with solutions to implement compliance requirements will remain at the current high level over the year as a whole. The company expects numerous growth stimuli from the increasing cost and competitive pressure on banks and the trend towards the Digital Transformation of their business processes.

8. Explanations on the separate financial statements of GFT Technologies SE (HGB)

8.1 General

The annual financial statements of GFT Technologies SE were prepared in accordance with the regulations of the German Commercial Code (HGB), taking into account the supplementary provisions of the German Stock Corporation Act (AktG). They are published in the electronic Federal Gazette. The annual financial statements are available online at http://www.gft.com/int/en/index/company/investor-relations/financial-news-and-reports/financial-reports/.

The management report of GFT Technologies SE has been combined with the management report of the GFT Group. The economic conditions of GFT Technologies SE are largely identical to those of the Group as described in detail in section 2.1 “General economic and sector-specific conditions”.

8.2 Research and development

GFT Technologies SE invested a total of €2.65 million in research and development during the reporting period 2016 (2015: €3.62 million). Compared to the previous year, personnel expenses of €0.42 million or 14% accounted for only a small proportion (2015: €2.60 million or 72%). Expenses for external services amounted to €2.40 million (2015: €0.48 million), corresponding to 85% (2015: 13%) of total research and development costs.

8.3 Development of business

Development of business compared to guidance
GFT Technologies SE issued the following guidance for the financial year 2016 in its management report 2015:

Without considering effects from the German Accounting Directive Implementation Act (BilRUG), revenue in the financial year 2016 was expected to reach €38.00 million with pre-tax earnings (EBT) of €10.50 million. The Managing Directors also estimated that the productive utilisation rate of operating business in Germany would be around 82%.

In the financial year 2016, total revenue amounted to €83.63 million. Adjusted for effects from the initial adoption of section 277 (1) HGB in the BilRUG version, revenue amounted to €61.87 million. Consequently, guidance was exceeded significantly by €23.87 million. This positive deviation is mainly due to higher revenue generated with new clients acquired in the previous year. EBT of €8.35 million was €2.92 million or 35% below guidance. This deviation is mainly attributable to increased other operating expenses in connection with the termination of an implementation project for which GFT Technologies SE acted as the supplier of a software vendor. The productive utilisation rate of operating business in Germany amounted to 83% in the reporting period and was thus 1 percentage point above guidance.

Overview of business development
In an economic environment fraught with uncertainty, the financial year 2016 was generally encouraging for GFT Technologies SE. Revenue generated with clients in the banking sector in Germany rose by €22.61 million or 58% compared to the previous year. The main growth driver was once again the strong demand from retail banking clients for solutions to digitise their business processes.

EBT increased year on year by €2.92 million to €8.35 million (2015: €5.43 million). In addition to the significant increase in revenue, this growth was also largely due to dividend income from foreign subsidiaries of €10.65 million (2015: €8.30 million).

8.4 Development of revenue

In the financial year 2016, GFT Technologies SE generated **total revenue** of €83.63 million, corresponding to a strong year-on-year increase of €44.37 million over the prior-year figure of €39.26 million. Total revenue in 2016 contains first-time income from Group allocations of €21.76 million due to the new definition of revenue introduced by the BilRUG regulations. These allocations mainly refer to income from group-wide service functions and material costs. A comparison with prior-year revenue is thus only possible to a limited extent.

Adjusted for these BilRUG effects, revenue rose by €22.62 million to €61.87 million in the financial year 2016 (2015: €39.26 million). This increase was due in part to increased revenue from existing clients and to revenue generated with newly acquired clients. There was also a positive effect on revenue from the final invoicing of an implementation project between a software vendor and its customer which was terminated by mutual consent in the third quarter of 2016. The GFT Group acted as the supplier of the software vendor and is currently negotiating the amount of the final payment still outstanding.

The revenue of GFT Technologies SE was once again generated predominantly in Germany.

8.5 Earnings position

Overview of earnings position
Earnings before taxes (EBT) of GFT Technologies SE improved by €2.92 million to €8.35 million in the reporting period, compared to €5.43 million in the previous year. In addition to strong revenue growth, the earnings of GFT Technologies SE were affected by three main factors. Firstly, net income was increased by dividend payments from foreign subsidiaries of €10.65 million. Secondly, there were increased material expenses of €9.42 million. And finally, the growth of the GFT Group had a positive impact on earnings in the form of higher Group allocations of €5.36 million.

The productive utilisation rate is one of the most important non-financial performance indicators. It refers solely to the use of production staff in client projects and does not include any sales activities or internal projects. In 2016, it amounted to 83% (2015: 82%) for the operating business of GFT Technologies SE in Germany (without holding).

Earnings position by income and expense items
Changes in inventories of work in progress fell by €14.88 million to €−10.23 million, compared to €4.65 million in the previous financial year. This was due to a closing-date effect resulting largely from the termination and final invoicing of a major multi-year project.

Other operating income fell strongly by €17.59 million to €6.84 million (2015: €24.43 million), which was mainly attributable to the changed legal definition of revenue according to BilRUG.

The **cost of purchased services** increased from €22.75 million to €32.17 million in the financial year 2016 and thus rose much more slowly than revenue. The Spanish subsidiary GFT IT Consulting S.L. is still the most important supplier. Due to the new BilRUG definition, there was a year-on-year increase in expenses of €6.18 million. These expenses for services from other Group companies were previously disclosed under other operating expenses.

Personnel expenses declined by 2% to €27.80 million compared to the previous year (2015: €28.23 million).

In the reporting period, **other operating expenses** amounted to €19.21 million and were thus on a par with the previous year (2015: €20.41 million). They still mainly comprise expenses for services received, licence fees, legal and consulting fees, expenses in connection with external finance and travel expenses.

The **financial result** in the reporting period amounted to €8.39 million (2015: €9.33 million) and was dominated by two opposing effects. Increased investment income of €10.65 million (2015: €8.30 million) was offset by higher expenses from profit transfer agreements (without tax allocations) of the German Group companies of €–1.87 million (2015: €0.19 million).

The operating income, financial result and other taxes added up to an **annual net income** of €8.34 million in the financial year 2016 (2015: €5.42 million).

8.6 Financial position

The financial management of GFT Technologies SE ensures the permanent liquidity of all Group companies. Please refer to section 2.6 Financial position for a more detailed description of the GFT Group's financial structure.

As of 31 December 2016, GFT Technologies SE held cash and cash equivalents amounting to €13.64 million and thus €5.87 million more than at the end of 2015. The cash inflow resulted mainly from the external financing of increased client receivables, as well as from increased dividend payments from foreign subsidiaries. There was no stock of short-term securities.

8.7 Asset position

The **balance sheet total** of GFT Technologies SE was up by 10.40% or €17.78 million to €188.87 million as of 31 December 2016. The rise in assets is mainly due to an increase in trade receivables and in receivables from affiliated companies.

Inventories or **work in progress** fell year on year by €10.23 million to €3.61 million. The main reason was the termination by mutual consent and final invoicing of a project between a software vendor and its end customer in the third quarter of the financial year. The GFT Group acted as the supplier of the software vendor.

As of 31 December 2016, **receivables from affiliated companies** amounted to €40.57 million and were thus €10.36 million above the prior-year figure (31 December 2015: €30.21 million). Of this total, €34.49 million (31 December 2015: €20.00 million) is represented by loans to British, Spanish and German subsidiaries. The rise in receivables from affiliated companies is largely due to the increase in loans to a British and a Spanish subsidiary totalling €8.00 million.

At the end of the reporting period, **trade receivables** amounted to €18.07 million and were thus €12.23 million above the previous year-end figure (31 December 2015: €5.84 million). The rise resulted above all from the final invoicing of a completed major project, for which the GFT Group acted as sub-contractor.

On the liability side, **shareholders' equity** rose only slightly by €0.45 million and amounted to €61.45 million at the end of the reporting period (31 December 2015: €61.00 million). There was a positive effect from net income of €8.34 million (2015: €5.41 million). This was offset by the dividend payment to shareholders of €7.90 million. Due to the increased balance sheet total, the equity ratio fell by 3 percentage points to 33% (31 December 2015: 36%).

At the end of the reporting period, **provisions** totalled €10.37 million and were thus €1.78 million below the prior-year figure (31 December 2015: €12.15 million). The decline in provisions is solely the result of a change in **other provisions**.

As of 31 December 2016, **liabilities** amounted to €117.05 million (31 December 2015: €97.94 million). The €19.11 million rise resulted largely from increased bank liabilities and liabilities to affiliated companies. There was an opposing effect from the decline in advanced payments on orders.

Bank liabilities rose by €22.00 million, from €75.00 million at the end of the previous year to €97.00 million as of 31 December 2016. The increase resulted from the additional use of the syndicated loan and served mainly to finance increased advanced payments on orders and the takeover of W.G. Systems Ltda., São Paulo, Brazil in April of the financial year.

Due in particular to the increase in borrowing, the debt ratio of GFT Technologies SE increased by 3 percentage points to 67% as of 31 December 2016 (31 December 2015: 64%).

8.8 Overall assessment of the development of business and the economic position

With strong growth in revenue and a solid increase in earnings, GFT Technologies SE exceeded its respective prior-year figures. The main growth driver was the demand for solutions to digitise retail banks.

As of 31 December 2016, GFT Technologies SE had an equity ratio of 33% (2015: 36%) and thus continues to have a solid capital and balance sheet structure.

8.9 Risk and opportunity report

The risk management system of the GFT Group applies in the same way to GFT Technologies SE. The risks of the subsidiaries have an indirect impact on GFT Technologies SE as the parent company of the GFT Group. A standardised assessment of risks and opportunities across the entire Group is provided in section 3 Risk Report and section 4 Opportunity Report.

8.10 Forecast report

The future business trend of GFT Technologies SE is subject to a large extent to the same influencing factors as for the GFT Group. Detailed information on the expected macroeconomic and sector developments, as well as the development of the GFT Group, and the assumptions on which Group guidance is based is provided in section 7 Forecast Report.

GFT Technologies SE expects a further positive development of business in its financial year 2017 and anticipates stronger growth on the German market than that of the global IT services sector and the IT market in the financial sector. As in the previous year, the key growth driver will be high demand for solutions to digitise the business processes of retail banks. GFT Technologies SE expects numerous growth stimuli from the increasing cost and competitive pressure on banks and the trend towards the Digital Transformation of their business processes. In line with the expected positive development of the Group companies, solid growth is also expected in Group allocations.

The Managing Directors anticipate that GFT Technologies SE will achieve revenue of €90.00 million and an EBT result of €11.00 million in the financial year 2017. The productive utilisation rate from operating business in Germany is expected to reach 82%.

Financial Statements (IFRS)

Consolidated Balance Sheet

as at 31 December 2016, GFT Technologies SE

Assets

in €	Notes	31/12/2016	31/12/2015
Non-current assets			
Licences, industrial property rights and similar rights	2.1	29,542,905.07	30,273,556.49
Goodwill	2.1	107,073,742.24	109,206,156.49
Property, plant and equipment	2.2	31,210,664.54	26,487,994.14
Securities	2.3	0.00	123,059.81
Financial assets, accounted for using the equity method	2.3	370,040.32	424,201.99
Other financial assets	2.4	1,566,328.49	1,813,994.68
Current tax assets	2.6	883,780.15	799,302.01
Deferred tax assets	2.6	4,890,203.91	4,323,057.16
		175,537,664.72	**173,451,322.77**
Current assets			
Inventories	2.5	27,856.80	0.00
Trade receivables	2.7	117,308,335.67	94,827,931.04
Current tax assets	2.6	3,225,294.33	5,406,581.79
Cash, cash equivalents and securities	2.8/4.0	62,290,469.48	46,977,516.05
Other financial assets	2.4	1,714,013.99	1,222,092.94
Other assets	2.4	5,938,518.73	4,922,683.49
		190,504,489.00	**153,356,805.31**
		366,042,153.72	**326,808,128.08**

Shareholders' equity and liabilities

in €	Notes	31/12/2016	31/12/2015
Shareholders' equity			
Share capital	2.9	26,325,946.00	26,325,946.00
Capital reserve	2.9	42,147,782.15	42,147,782.15
Retained earnings			
Other retained earnings	2.9	22,243,349.97	22,243,349.97
Changes not affecting net income	5.3	−20,296,182.84	−3,201,360.01
Changes in equity not affecting net income			
Actuarial losses	2.10	−2,764,248.94	−2,727,351.59
Foreign currency translations	2.9	2,215,605.09	8,678,759.88
Consolidated balance sheet profit	2.9	47,311,135.14	30,980,236.76
		117,183,386.57	**124,447,363.16**
Liabilities			
Non-current liabilities			
Other financial liabilities	2.12/5.3	32,843,970.47	13,935,523.93
Financial liabilities	2.12/5.5	86,035,062.67	82,816,789.16
Provisions for pensions	2.10	8,689,968.64	8,334,339.98
Other provisions	2.11	1,490,306.35	744,764.93
Deferred tax liabilities	2.6	5,591,639.19	5,901,647.84
		134,650,947.32	**111,733,065.84**
Current liabilities			
Other provisions	2.11	37,064,690.69	41,969,939.29
Current income tax liabilities	2.6	2,437,281.25	1,828,862.73
Financial liabilities	2.12/5.5	18,308,325.27	619,560.40
Trade payables	2.12	12,516,758.54	11,370,826.34
Other financial liabilities	2.12	1,913,480.78	4,287,498.34
Other liabilities	2.12	41,967,283.30	30,551,011.98
		114,207,819.84	**90,627,699.08**
		366,042,153.72	**326,808,128.08**

Consolidated Income Statement

for the period from 1 January to 31 December 2016, GFT Technologies SE

in €	Notes	2016	2015
Revenue	5.2	422,559,342.33	373,506,841.13
Other operating income	3.1	6,257,419.88	3,436,561.91
		428,816,762.21	**376,943,403.04**
Cost of purchased services	3.2	59,847,890.62	62,485,694.53
Personnel expenses			
a) Salaries and wages	3.3	211,118,950.78	178,941,707.25
b) Social security and expenditures	3.3	43,541,919.76	36,505,030.95
		254,660,870.53	**215,446,738.20**
Depreciation on intangible assets and on tangible assets	3.4	11,916,686.30	10,328,513.13
Other operating expenses	3.5	67,542,987.20	54,424,159.21
Result from operating activities		**34,848,327.55**	**34,258,297.97**
Other interest and similar income	3.7	215,994.32	191,808.50
Financial assets, accounted for using the equity method	2.3	−54,161.67	−30,181.12
Interest and similar expenses	3.7	1,962,437.53	1,895,245.72
Financial result		−1,800,604.88	−1,733,618.34
Earnings before taxes		**33,047,722.67**	**32,524,679.63**
Taxes on income and earnings	2.6	8,819,040.49	5,979,432.70
Net income from continued operations		24,228,682.18	26,545,246.93
Net income from discontinued operations		0.00	−1,208,917.33
Net Income of the whole company		**24,228,682.18**	**25,336,329.60**
Loss carried forward from previous year		23,082,452.96	5,643,907.16
Consolidated balance sheet profit/loss		**47,311,135.14**	**30,980,236.76**
thereof non-controlling interests		0.00	0.00
thereof attributed to shareholders of parent company		24,228,682.18	25,336,329.60
Net earnings per share – undiluted	5.4	0.92	0.96
Net earnings per share – diluted	5.4	0.92	0.96
Net earnings per share from continued operations – undiluted	5.4	0.92	1.01
Net earnings per share from continued operations – diluted	5.4	0.92	1.01

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2016, GFT Technologies SE

in €	Notes	2016	2015
Net income of the whole company		**24,228,682.18**	**25,336,329.60**
A.) Components never reclassified to the income statement			
Actuarial gains/losses	2.10	−42,912.51	−822,939.42
Income taxes on components of other comprehensive income		6,015.16	221,261.62
Other (partial) result A.)		**−36,897.35**	**−601,677.80**
B.) Components that can be reclassified to the income statement			
Exchange differences on translating foreign operations: Profits/losses during the financial year	5.1	−6.463.154,79	7,330,548.01
Other (partial) result B.)		**−6.463.154,79**	**7,330,548.01**
Other result		−6.500.052,14	6,728,870.21
Total result		**17,728,630.04**	**32,065,199.81**
thereof non-controlling interests		0.00	0.00
thereof attributed to shareholders of parent company		17,728,630.04	32,065,199.81

Consolidated Statement of Changes in Equity

as at 31 December 2016, GFT Technologies SE

in €	Notes	Subscribed capital	Capital reserve
As at 1 January 2015		**26,325,946.00**	**42,147,782.15**
Dividend payment June 2015	2.9		
Dividend to minority shareholders	5.3		
Discounting of the conditional purchase price liability	5.3		
Comprehensice income for the period 01/01/–31/12/2015			
As at 31 December 2015		**26,325,946.00**	**42,147,782.15**
As at 1 January 2016		**26,325,946.00**	**42,147,782.15**
Dividend payment June 2016	2.9		
Dividend to minority shareholders	5.3		
Variable purchase price liability	5.3		
Comprehensice income for the period 01/01/–31/12/2016			
As at 31 December 2016		**26,325,946.00**	**42,147,782.15**

[1] Net income of the whole company

	Retained earnings		Other results		Consolidated balance sheet profit/loss	Total
	Other retained earnings	Changes without effect on profit/loss	Foreign currency translations	Actuarial gains/losses	Profit (+) Loss (−)	
	22,243,349.97	**−1,753,204.02**	**1,348,211.87**	**−2,125,673.79**	**12,225,392.90**	**100,411,805.08**
					−6,581,485.74	−6,581,485.74
		−998,524.00				−998,524.00
		−449,631.99				−449,631.99
		0.00	7,330,548.01	−601,677.80	25,336,329.60[1]	32,065,199.81
	22,243,349.97	**−3,201,360.01**	**8,678,759.88**	**−2,727,351.59**	**30,980,236.76**	**124,447,363.16**
	22,243,349.97	**−3,201,360.01**	**8,678,759.88**	**−2,727,351.59**	**30,980,236.76**	**124,447,363.16**
					−7,897,783.80	−7,897,783.80
		−1,428,876.87				−1,428,876.87
		−15,665,945.96				−15,665,945.96
		0.00	−6,463,154.79	−36,897.35	24,228,682.18[1]	17,728,630.04
	22,243,349.97	**−20,296,182.84**	**2,215,605.09**	**−2,764,248.94**	**47,311,135.14**	**117,183,386.57**

Consolidated Cash Flow Statement

for the period from 1 January to 31 December 2016, GFT Technologies SE

in €	Notes	2016	2015
Net income		24,228,682.18	25,336,329.60
Taxes on income and earnings	2.6	8,819,040.49	6,274,600.20
Interest income		1,746,443.21	1,796,242.57
Interest paid		−1,778,708.19	−1,556,038.35
Income taxes paid		−7,164,458.87	−11,423,834.97
Depreciation on intangible and tangible assets	2.1/2.2	11,916,686.30	10,388,778.57
Changes in provisions		−4,097,275.99	3,123,599.26
Other non-cash expenses/income		2,275,709.64	3,379,068.64
Profit from the disposal of tangible and intangible assets as well as financial assets		5,969.60	208,009.54
Changes in trade receivables		−24,355,433.49	1,132,836.09
Changes in other assets		−266,627.81	−5,127,419.81
Changes in trade payables and other liabilities		8,498,950.83	9,063,241.47
Cash flow from operating activities	**4.0**	**19,828,977.90**	**42,595,412.81**
Cash receipts from sales of tangible assets		81,874.42	3,871.88
Cash payments to acquire tangible assets	2.2	−9,294,784.64	−13,120,523.94
Cash payments to acquire non-current intangible assets	2.1	−947,369.64	−1,339,824.13
Cash receipts from sales of financial assets		117,022.72	0.00
Cash payments for loans granted to third parties		0.00	−619,755.00
Cash payments to acquire consolidated companies net of cash and cash equivalents acquired		−6,661,892.90	−22,341,474.58
Cash receipts from the sale of consolidated companies		0.00	6,027,115.68
Cash payments to acquire shares in associated companies		0.00	−445,716.48
Interest received		165,666.87	109,176.93
Cash flow from investing activities	**4.0**	**−16,539,483.17**	**−31,727,129.64**

in €	Notes	2016	2015
Cash receipts from taking out short-term or long-term loans	5.5	22,013,760.94	5,009,004.25
Cash payments to redeem short-term or long-term loans	5.5	−1,106,722.56	−1,795,497.46
Payments to shareholders	2.9	−7,897,783.80	−6,581,485.74
Cash flow from financing activities	**4.0**	**13,009,254.58**	**−3,367,978.95**
Influence of exchange rate fluctuations on cash and cash equivalents		−985,795.88	1,348,491.05
Change in cash funds from cash-relevant transactions		15,312,953.43	8,848,795.27
Cash funds at the beginning of the period	4.0	46,977,516.05	38,128,720.78
Cash funds at the end of the period		**62,290,469.48**	**46,977,516.05**

Notes to the Consolidated Financial Statements

for the financial year 2016, GFT Technologies SE

1. Principles and methods

1.1 General information

The consolidated financial statements of GFT Technologies SE as of 31 December 2016 have been drawn up in application of section 315a of the German Commercial Code (HGB), in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) London as they are to be applied in the EU, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements have been prepared in euro (€). Note is made of any amounts which have been rounded to thousand euros (€ thousand) or million euros (€ million). The income statement was prepared using the "nature of costs method". The consolidated financial statements were prepared by the Managing Directors of GFT Technologies SE on 22 March 2017 and adopted by the Supervisory Board on 22 March 2017.

With its IT and consulting expertise, the GFT Group helps leading international financial institutes with the Digital Transformation of their business processes and the implementation of compliance requirements. The range of services includes consulting on the development and realisation of IT strategies, the development of bespoke solutions, the implementation of bank-specific standard software, and the maintenance and further development of business-critical core banking processes.

GFT Technologies SE is registered in Germany (number HRB 753709) in the legal form of a European public limited company (Societas Europea, SE) with headquarters at Schelmenwasenstrasse 34, 70567 Stuttgart. GFT Technologies SE is a listed company and the ultimate parent company of the GFT Group. The GFT share is traded on Germany's main stock exchanges. In line with its global alignment, the company changed its legal status to that of a European public limited company (Societas Europea, SE) in the financial year 2015.

Due to company acquisitions (July 2015: Adesis Netlife S.L., April 2016: W.G. Systems Ltda.), comparability with prior-year figures is only possible to a limited extent.

In the previous year, the emagine division was sold on 30 September 2015 and is thus presented as a discontinued operation in line with IFRS regulations (IFRS 5).

1.2 Effects of new accounting standards

Accounting standards applied for the first time in the financial year 2016

The following pronouncements and amendments released by the IASB for initial application in the financial year 2016 had no material effect on the consolidated financial statements of GFT Technologies SE:

- Amendments to IFRS 10/IFRS 12/IAS 28 "Investment Entities: Applying the Consolidation Exception"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 16/IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to IAS 16/IAS 41 "Agriculture: Bearer Plants"
- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"
- Amendment to IAS 27 "Equity Method in Separate Financial Statements"
- Improvements to IFRS 2010 – 2012
- Improvements to IFRS 2012 – 2014

Those pronouncements and amendments which are material and applied in the consolidated financial statements of GFT Technologies SE are explained below:

Amendments to IAS 1 "Disclosures in the Notes"

The amendments to IAS 1 relate to various disclosure issues. It is made clear that information only needs to be included in the Notes if the content is material. This explicitly also applies if an IFRS/IAS requires a list of minimum disclosures. In addition, explanations concerning the aggregation and disaggregation of items in the statement of financial position and statement of comprehensive income are included. Furthermore, it explains how shares in the Other operating income of entities measured at equity are to be recorded in the statement of comprehensive income. Finally, the structure template for the Notes is replaced by a structure that takes account of the relevance of information for the individual entity.

Accounting standards and interpretations not yet applied in the financial year 2016

The GFT Group will apply the following interpretations of the IASB as of the financial year 2018:

Accounting standards to be applied in the future I

		Applicable to financial years from	Planned first application by GFT from
IFRS 9	Financial Instruments	1 January 2018	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018	1 January 2018

IFRS 9 “Financial Instruments”
The final version of IFRS 9 published in July 2014 replaces the existing guidelines contained in IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 retains “amortised cost” and “fair value” as the criteria for measuring financial instruments. The basis for classification and measurement in future will be the criteria of cash flow characteristics and the business model used for managing the financial instruments. In addition, impairments will be based for the first time on expected credit losses. Under IAS 39, impairment was only recognised for incurred losses. IFRS 9 also contains new provisions on the use of hedge accounting in order to present a company’s risk management activities more clearly, above all with regard to the management of non-financial risks. Moreover, IFRS 9 includes additional disclosure requirements. With the exception of hedge accounting, the standard is to be applied retrospectively, whereby the disclosure of comparative information is not required. For hedge accounting, the requirements are to be applied prospectively, with some limited exceptions. The new standard is effective for financial years beginning on or after 1 January 2018. Earlier adoption is permitted; however, the GFT Group will not be making use of this option. The effects of IFRS 9 on the consolidated financial statements are currently being examined. In order to determine the specific effects on items, more detailed analysis of all reliable and relevant information is required.

IFRS 15 “Revenue from Contracts with Customers”
The new IFRS 15 sets out a comprehensive framework for determining whether, at what level and when revenue is recognised. It replaces all currently existing guidelines on recognising revenue, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”. The standard introduces a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Moreover, it is recognised when control of the goods or services passes to the customer. IFRS 15 also contains new and more extensive disclosure requirements, including a series of quantitative and qualitative information obligations. This should enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for financial years beginning on or after 1 January 2018, whereby earlier adoption is permitted. Application is then either completely retrospective or in modified retrospective form. No use will be made of the option to apply the standard prematurely to the consolidated financial statements of GFT Technologies SE. The effects of the new standard on the GFT Group are currently being examined with a group-wide project to analyse and introduce IFRS 15 at GFT. The group-wide project was introduced in 2015 and comprises four phases: in a first step, the theoretical foundations and requirements of IFRS 15 were analysed with regard to the Group. A checklist was then drawn up which contains all requirements of the standard and which can be used to evaluate each contract with regard to revenue recognition. Phase two comprises a comprehensive analysis of work contracts and service contracts, which were evaluated on a sample basis. As a result, the requirements for adapting existing IT processes and systems were established. Phases three and four, which mainly relate to the financial year 2017, serve in particular to implement the adaptation of IT processes and systems and provide training for group companies regarding the handling of the new IFRS 15 requirements. The results of the detailed analysis of work and service contracts carried out so far indicate that no significant changes are to be expected from application of the new standard.

The IASB also published further amendments to standards which do not have to be applied until a later date and which have not completed the endorsement process to become European law. These are shown in the table below.

Accounting standards to be applied in future II

		Applicable to financial years from	First application by GFT from
Amendments to IAS 7	Statement of Cash Flows: Disclosure Initiative	1 January 2017	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	1 January 2017
Improvements to IFRS (2014 – 2016)	Amendments to IFRS 12	1 January 2017	1 January 2017
Amendment to IFRS 15	Clarifications to IFRS 15	1 January 2018	1 January 2018
Amendments to IFRS 2	Share-based Payment	1 January 2018	1 January 2018
Amendments to IFRS 4	Insurance Contracts	1 January 2018	1 January 2018
Amendment to IAS 40	Investment Property	1 January 2018	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	1 January 2018
Improvements to IFRS (2014 – 2016)	Amendments to IFRS 1 and IAS 28	1 January 2018	1 January 2018
IFRS 16	Leases	1 January 2019	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		

The following explains the accounting standard which is of importance for the GFT Group. With the exception of new or modified disclosures in the notes, the other new or amended standards will have no significant effect on GFT's consolidated financial statements.

IFRS 16 "Leases"
Published by the IASB in January 2016, IFRS 16 replaces the former standard on lease accounting IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. The basic idea of the new standard is that the lessee discloses all leases and the related contractual rights and obligations in the balance sheet. It thus removes the former distinction between operating leases and finance leases for the lessee. The lessee discloses the present value of future lease payments for all leases plus directly attributable costs. At the same time, a corresponding right-of-use for the underlying asset is capitalised. Similarly, finance leases continue to be carried at adjusted cost, while the right-of-use is depreciated in scheduled amounts. There are recognition exemptions for short-term leases with terms of up to one year as well as leases of low value. The regulations for the lessor are substantially unchanged from those in IAS 17. The new standard is mandatory from 1 January 2019. Early adoption is permitted provided IFRS 15 is also applied. The effects for the GFT Group cannot yet be conclusively assessed at present.

1.3 Consolidated group

In addition to GFT Technologies SE, the consolidated financial statements as of 31 December 2016 also included the following subsidiaries (fully consolidated):

- GFT UK Limited, London, UK
- GFT Iberia Holding, S.A.U., Sant Cugat del Vallès, Spain
- GFT IT Consulting, S.L., Sant Cugat del Vallès, Spain
- GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil
- GFT USA, Inc., New York, USA
- GFT Innovations GmbH, Stuttgart, Germany
- GFT Schweiz AG, Zurich, Switzerland (the former GFT Technologies (Schweiz) AG was merged with GFT Financial Solutions AG as of 1 January 2016 and renamed as GFT Schweiz AG)
- GFT UK Invest Limited, London, UK
- GFT Appverse, S.L.U., Sant Cugat del Vallès, Spain
- GFT Real Estate GmbH, Stuttgart, Germany
- SW34 Gastro GmbH, Stuttgart, Germany
- GFT Holding Italy S.r.l., Milan, Italy
- GFT Italia S.r.l., Milan, Italy
- Med-Use S.r.l., Milan, Italy
- GFT Financial Limited, London, UK
- GFT USA Consulting LLC, New York, USA
- GFT Canada LLC, Toronto, Canada
- Waterline Group Inc., Boston, USA
- GFT Poland Sp z.o.o., Łódź, Poland
- GFT Invest GmbH, Stuttgart, Germany
- GFT Costa Rica S.A., Heredia, Costa Rica
- Adesis Netlife S.L., Madrid, Spain
- GFT México S.A., México DF, Mexico

- GFT México Servicio, México DF, Mexico, (was merged with GFT México S.A., México DF, Mexico, as of 1 December 2016)
- GFT Peru S.A.C., Lima, Peru
- W.G. Systems Ltda. (Habber Tec Brazil), (was merged with GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil, as of 1 November 2016)
- GFT Technologies (Ireland) Ltd., Dublin, Ireland

Compared to the consolidated financial statements as of 31 December 2015, the following changes have resulted for the consolidated group:

In an agreement dated 12 April 2016, GFT Brasil Consultoria Informatica Ltda., São Paulo, Brazil, acquired 100% of shares in the Brazilian IT service provider W.G. Systems Ltda., São Paulo, Brazil, for a purchase price of €6.85 million. The agreement contains an earn-out component which depends on reaching certain revenue targets between €0 and €1.84 million.

On 25 November 2016, GFT Technologies SE, Stuttgart, founded GFT Technologies (Ireland), Ltd., Dublin, Ireland. The share capital amounts to €1.00 and is fully paid.

On 14 April 2016, GFT Technologies SE, Stuttgart, founded GFT Invest GmbH, Stuttgart, Germany. The share capital amounts to €25,000.00 and is fully paid.

Equity holdings acc. to section 313 (2) HGB are presented on page 99.

1.4 Consolidation principles

The assets and liabilities of domestic and foreign companies included in the consolidated financial statements are stated in accordance with uniformly applicable accounting and valuation methods.

The consolidated financial statements comprise GFT Technologies SE and the companies it controls. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Equity attributable to minority shareholders and their share of profit or loss is shown separately in both the statement of financial position and income statement.

Capital is consolidated through application of the purchase method by offsetting the investment carrying amounts with the revalued equity of the subsidiaries at the time of acquisition. In this process, the acquired assets, debts and possible liabilities are stated at their current value at the time of acquisition. Remaining positive differences are reported as goodwill. Negative differences from initial consolidation are eliminated after renewed assessment and recognised in profit or loss. The hidden reserves and encumbrances disclosed are amortised on the basis of the corresponding assets and debts.

The write-ups or depreciation on equity interests in Group companies shown in individual financial statements are cancelled again in the consolidated financial statements.

Group-internal gains and losses, revenue, expenses, and income, as well as receivables and liabilities existing between consolidated companies are eliminated.

Income tax effects have been taken into consideration and deferred taxes are reported in the consolidation processes.

The Italian Sempla Group was consolidated in 2013 according to the anticipated acquisition method. We refer to note 5.3.

Those investments in which GFT Technologies SE holds a significant influence (associated companies) – usually due to an equity holding of between 20% and 50% – are valued in accordance with the equity method. For investments valued in accordance with the equity method, historical costs are increased or reduced annually by the amount of respective equity changes in the GFT Group's stake. For first-time inclusion of investments in accordance with the equity method, differences from first-time consolidation are treated in accordance with the principles of full consolidation. As in the previous year, the shares in associated companies ("Investment in associates reported according to the equity method"), as well as the profit from associated companies recognised on 31 December 2016, concern the shares in eQuadriga Software Private Limited (eQuadriga), Trichy, India, and Parkpocket GmbH, Munich, Germany (see note 2.3).

The balance sheet dates of companies included in the consolidated financial statements correspond to the date of the consolidated financial statements (31 December 2016).

1.5 Foreign currency

Business transactions in foreign currency
Business transactions in foreign currency are translated into the functional currency of the Group companies – where different to the national currency of the Group's home country – at the currency spot rates on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency on the reporting date are translated into the functional currency at the currency spot rates of exchange on the reporting date. Foreign currency gains and losses of monetary items result from the difference between amortised cost in the functional currency at the beginning of the financial year, adjusted for the effective interest rate and payments of the year, and the amortised cost in the foreign currency, translated at the exchange rate at the end of the financial year.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate valid on the date when fair value was assessed. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates on the date of the initial transaction.

Currency translation differences are always recognised in the income statement of the period.

Foreign operations
Assets and liabilities of foreign operations, including goodwill and adjustments to fair value arising on acquisition, are translated into euro at the exchange rate valid on the balance sheet date. Income and expenditure from foreign operations are translated at the exchange rate valid on the date of the respective transaction.

Currency translation differences are recognised in other comprehensive income and disclosed in equity under foreign currency reserves (Foreign currency translations).

If Group companies leave the consolidated group, the applicable currency translation difference is liquidated affecting net income.

1.6 Accounting and valuation methods

Intangible assets and impairment test
Intangible assets acquired for consideration are capitalised at historical costs and – with the exception of goodwill – are subject to depreciation on a straight-line basis over their economic useful life. This particularly involves customer bases that are depreciated over a period of four-and-a-half to ten years; the depreciations start at the purchase date. Impairments are taken into consideration through non-scheduled depreciation. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised which may not exceed amortised cost. No write-ups are recognised in subsequent periods for goodwill already written down.

Goodwill, including goodwill from the capital consolidation is no longer subject to scheduled depreciation. In accordance with IAS 36 goodwill is audited annually for possible impairment. If events or changed circumstances indicating a possible impairment occur, the impairment test has to be performed more frequently.

As part of the impairment test of goodwill in the GFT Group, the residual carrying amounts of individual cash-generating units with their respective recoverable amount, i.e. the higher value from fair value less costs to sell, and value-in-use, are compared.

If the carrying amount of the cash-generating unit is higher than the recoverable amount, there is an impairment loss in the amount of the difference. In the first step, goodwill of the affected strategic unit thus determined is written off in the amount of the impairments and recognised as expense. A possible remaining residual amount is distributed over the other assets of the respective strategic business unit proportionally to the carrying amount up to their fair value less selling costs, their value in use, or at most the entire carrying amount. Value adjustments are shown in the income statement under depreciation.

The cash value of future payments is used as the basis to determine the achievable amount, due to continuous use of the strategic unit and whose disposal is expected at the end of its useful life. The payment forecast is based on the current plans of the GFT Group. The capitalisation rate is determined as a pre-tax rate, with consideration of a risk component.

Although estimates of the useful lives of certain assets, assumptions concerning the economic environment and developments, and estimates of the discounted future cash flows are believed to be appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment losses in the future or – except in the case of goodwill – to reversals of impairment losses.

Research and development costs, internally produced intangible assets

Research costs are registered as an expense in the period they are incurred. Development costs are capitalised as intangible assets provided the capitalisation requirements under IAS 38 are satisfied, and in particular insofar as an economic benefit for the GFT Group is expected to be generated by the intangible asset. If the requirements for capitalisation are not met, development expenditures are registered in the period they are incurred in. The acquisition or production costs of an internally produced intangible asset include all costs that can be directly allocated to the development process and an appropriate share of development-related overhead costs. Borrowing costs which can be directly attributed to the purchase or manufacturing of a qualified, internally produced intangible asset are capitalised as part of the historical or production costs of this asset. Depreciation is charged over three years from the time of completion on a straight-line basis and is based on the regular use of these development costs in the GFT Group.

Property, plant and equipment

Property, plant and equipment are stated at historical costs, reduced by scheduled use-related depreciation and non-scheduled depreciation. Schedule depreciation is applied on a straight-line basis over the useful life, from three to thirty-three years. Repairs and maintenance costs are recognised as expense when they are incurred. Retroactive historical or production costs are capitalised if there is future economic benefit through the costs associated with the tangible asset.

Non-scheduled depreciation on property, plant and equipment is executed in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below the carrying amount. The recoverable amount is the higher value from value in use and fair value, minus selling costs. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised. Please refer to the information on intangible assets and impairment test above for the impairment test procedure.

If property, plant and equipment (or non-current intangible assets) are leased, and if the economic ownership remains with the lessor, the leasing rates are recognised on a straight-line basis as an expense over the term of the leasing relationship (operating lease).

Financial instruments

A financial instrument in a contract that simultaneously leads to the creation of a financial asset at one company and to a financial liability or an equity instrument at another company. Financial instruments recorded as financial assets or financial liabilities are always listed separately. Financial instruments are recorded as soon as the GFT Group becomes the contracting party of the financial instrument. Financial instruments are initially recognised at fair value. Transaction costs directly attributable to the acquisition or the issue are included when determining the asset value if the financial instruments are not measured at fair value through profit or loss. For subsequent valuation, financial instruments are assigned to one of the valuation categories listed in IAS 39.

Financial assets

Financial assets especially include trade receivables, cash and cash equivalents, other receivables and existing loans, securities, specific financial investments and derivative financial assets with positive fair values. Normal purchases and sales of financial assets are shown in the balance sheet on the settlement date.

Financial assets measured at fair value through profit or loss comprise financial assets held for trading purposes, including derivatives, unless they have been designated as hedging instruments. Certain securities existing at the time, which were classified as at fair value through profit or loss in the course of the initial application of the revised IAS 39 in 2005 also fall into this category. Amendments to the fair value of financial assets in this category are recorded as recognised in profit or loss at the time of the increase in value or impairment.

Loans and receivables

are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are valued at amortised cost using the effective interest method. The trade receivables, the financial receivables shown in the other assets and cash and cash equivalents are assigned to this valuation category. Profits and losses are recorded in the consolidated profit or loss if the loans and receivables are written off or depreciated. The interest effects from applying the effective interest method are also recorded as being recognised in profit or loss.

Held-to-maturity financial assets

are non-derivative financial assets with fixed or determinable payments and a fixed maturity date until which they are to be held. They are accounted for at amortised cost using the effective-interest method.

Available-for-sale financial assets
comprise those non-derivative financial assets which have not been assigned to one of the aforementioned categories. These are in particular equity (investment) measured at fair value, and liabilities (securities) not held to maturity. After initial valuation, available-for-sale financial assets are measured at fair value, with the non-realised profits or losses recognised directly in equity in the market assessment reserve. If there are actual references to impairment, or if amendments to the fair value of a debt instrument result from currency fluctuations, these are recognised in profit or loss. When financial assets are retired, the cumulative profits or losses recognised in equity from the valuation are recorded at fair value through profit and loss. If the fair value of unquoted equity instruments cannot be determined with sufficient reliability, the shares are valued at amortised cost (if applicable, minus impairment). Interest received is recognised in profit or loss as interest income using the effective interest method. Dividends are recognised in profit or loss when the legal claim to payment arises.

Financial assets are written off if the contractual rights to cash flows from the financial assets no longer exist or the financial assets are transferred with all the material risks and opportunities.

Impairment of financial assets
The carrying amounts of financial assets which are not measured at fair value through profit or loss are examined on each balance sheet date to establish whether actual references (such as considerable financial difficulties on the part of the debtor, increased risk of insolvency on the part of the debtor, breach of contract, significant changes in the technological environment and the market environment of the debtor) indicate an impairment. In the case of equity instruments, a sustained or significant reduction in the fair value is an actual reference to a potential impairment. The GFT Group carries out an individual assessment of the impairment requirement on a case-by-case basis.

Loans, receivables and held-to-maturity financial assets
The size of the impairments in the case of loans and receivables is the difference between the carrying amount of the assets and the present value of the expected future cash flow (with the exception of future loan defaults not yet suffered) discounting the original effective interest rate of the financial asset. The impairment is recognised in profit or loss. If the impairment sum falls in one of the following audit periods, and this reduction can be actually attributed to a situation occurring after the recognition of the impairment, the previously recognised impairment is reversed through profit or loss. The impairments of loans and receivables (e.g. trade receivables) are mainly recognised in value adjustment accounts. The decision regarding whether a credit risk will be taken into account by means of a value adjustment account or via a direct reduction in the receivable depends on the estimated level of bad debt probability. If receivables are classified as irrecoverable, the corresponding impaired asset is written off.

Available-for-sale financial assets
If an available-for-sale asset is impaired in its value, an amount previously recognised only directly in equity is recognised in the income statement as the sum of the difference between the costs of purchase (minus any repayments or amortisation) and the current fair value, minus any valuation allowances for this financial asset already previously recognised in profit or loss. Reversal of an impairment loss in the case of equity instruments which are classified as available-for-sale is recognised directly in equity. Reversal of an impairment loss in the case of debt instruments is recognised in profit or loss if the increase in the fair value of the instrument can actually be attributed to an occurrence that took place after the impairment was recognised in profit or loss.

Financial liabilities
Financial liabilities include in particular trade payables, liabilities to banks or other lenders, conditional purchase price obligations, specific other liabilities and derivative financial liabilities with negative fair values. Financial liabilities are measured at fair value at the time of their initial recognition.

Financial liabilities measured at amortised cost
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading purposes. Derivatives are classified as being held for trading purposes unless they have been included in hedge accounting as hedging instruments and are effective as such. Profits or losses from financial liabilities which are held for trading purposes are recognised in profit or loss.

Financial liabilities are derecognised if the contractual liabilities have been paid, cancelled or expired.

Other receivables and liabilities as well as borrowing costs
Deferrals, prepayments and other non-financial assets and liabilities are carried at amortised cost. They are reversed on a straight-line basis or as the performance obligation is discharged.

Borrowing costs are recorded as an expense in the period in which they occur, provided that they cannot be directly attributed to the purchase or manufacturing of a qualified asset and are then to be capitalised as part of the historical or production costs of this asset.

Provisions
Provisions for employee benefits are made according to IAS 19. The actuarial valuation of pension provisions is based on the projected unit credit method prescribed in IAS 19. In addition to pensions and acquired entitlements known at the balance sheet date, expected future increases in salaries and pensions are also considered.

Other provisions are formed in accordance with IAS 37 if, relative to third parties, a present liability exists from a past event that in the future probably results in an outflow of resources, and its amount can be reliably estimated. Other provisions are valued in accordance with IAS 37, possibly also in accordance with IAS 19, using the best possible estimate of the expenses that would be required to discharge the present liability as of the balance sheet date. If outflows of funds for a liability are only anticipated after more than one year, then the provisions are stated with the cash value of the foreseeable outflow of funds. Provisions are not offset with retrospective claims.

Revenue and profit recognition
Revenues recognised in the income statement of the GFT Group mainly refer to maintenance, service and fixed-price projects. These are defined as follows:

Revenues from production contracts (mainly client-specific work contracts with the object of developing new customer software) are recognised in accordance with IAS 11, based on the percentage of completion of the business at the end of the reporting period. The percentage of completion is measured on the basis of the performance rendered as of the end of the reporting period as a ratio of the total expected project costs. The expected project costs are checked monthly. Earnings are recognised if the amount of revenue can be reliably estimated, if it is sufficiently probable that the economic benefit will accrue to the GFT Group, if the percentage of completion can be reliably determined at the end of the reporting period, and if the costs incurred for the business, as well as the costs that can be anticipated until it is fully completed, can be reliably determined. Revenues from maintenance contracts refer to services rendered in a certain time period. The term of the maintenance contracts corresponds to the calendar year and revenue is thus recognised in a straight line during the year. Services rendered refer to services in connection with existing systems. Service projects mainly involve the provision of development services for client projects. Cooperation in a project is sold in such cases and no promise of success is given. Revenues are recognised according to the services rendered.

Income taxes
Current income taxes are calculated on the basis of the respective national taxable results of the year and the national tax regulations. In addition, current taxes of the year include adjustment amounts for possible tax payments and rebates due for years not yet assessed and possibly also interest and penalties on tax arrears. The change in deferred tax assets and liabilities is reflected in income taxes. An exception to the aforementioned are changes which are to be recognised directly in equity. Deferred tax assets and liabilities are determined on the basis of temporary differences between financial reporting and the tax basis of assets and liabilities, including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realised or a liability is settled. For this purpose, those tax rates and tax regulations are used which have been enacted or substantively enacted as of the end of the reporting period. Deferred tax assets are recognised to the extent that taxable profit at the level of the relevant tax authority will be available for the utilisation of the deductible temporary differences. The GFT Group recognises a valuation allowance for deferred tax assets when it is unlikely that a sufficient amount of future taxable profit will be available. Tax benefits resulting from uncertain income tax positions are recognised at the best estimate of the tax amount expected to be paid.

The calculation of income taxes for the GFT Group and its subsidiaries is based on the valid laws and ordinances of the individual countries. Due to their complexity, the tax items presented in the financial statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realisation of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realisable tax strategies. As future business developments are uncertain and are sometimes beyond the Group's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. At the end of each reporting period, the GFT Group carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Group assesses that the probability of future tax advantages being partially or fully unrealised is more than 50%, the deferred tax assets are impaired.

Discretionary decisions concerning the application of accounting methods

Discretionary decisions are to be made when applying the accounting and valuation methods. This applies in particular to the following items:

Financial assets are to be categorised as "held-to-maturity investments", "loans and receivables", "available-for-sale financial assets", and "financial assets measured at fair value through profit or loss". In the case of "available-for-sale financial assets", it must be decided whether and when an impairment should be recognised in profit or loss. The section "Accounting and valuation methods" includes an explanation of which decisions were taken by the GFT Group with regard to these items.

Management estimates and judgements, estimate uncertainties

In drawing up the consolidated financial statements, assumptions must be made to a certain extent that effect the amount and the presentation of reported assets and liabilities, earnings and expenses, as well as possible liabilities for the reporting period. These assumptions are mainly based on an assessment of the intrinsic value of intangible assets (especially goodwill), the valuation of purchase price obligations from company acquisitions, the determination of the economic useful life for fixed assets, the percentage of completion of customer projects in progress, the collectability of receivables, the accounting and valuation of provisions, and the usability of taxable loss carry-forwards that have resulted in the statement of deferred taxes. Assumptions are made on the basis of the most current information available. Due to developments that deviate from, or are beyond, Management's sphere of influence, actual amounts can vary from the originally expected estimated values. If the actual development deviates from the expected development, then the premises, and if necessary the carrying amounts, of the assets and liabilities concerned are adjusted accordingly. At the time the consolidated financial statements were drawn up there were no significant uncertainties underlying the assumptions, so that from the present perspective there is no reason to assume a significant adjustment to carrying amounts of assets and debts shown in the consolidated financial statements in the following financial year. Further information on the assumptions made in the preparation of these consolidated financial statements are to be found in the explanations of individual financial statement items.

2. Explanations on items of the consolidated balance sheet

2.1 Intangible assets, goodwill

The impairment test and the underlying cash-generating units were adjusted in the course of a change in segment reporting. As a result of the sale of the staffing services division emagine in September 2015 (closing on 30 September 2015), the structure of those corporate components used to make decisions in business affairs has changed. Consequently, the former GFT business division is now divided into the segments *Americas & UK* and *Continental Europe*. In accordance with IAS 36.80 b.), the newly defined cash-generating units may not be larger than a business segment pursuant to IFRS 8.5.

The *Americas & UK* segment comprises companies in the following countries:

- UK
- USA
- Canada
- Brazil
- Costa Rica
- Mexico
- Peru

The *Continental Europe* segment comprises companies in the following countries:

- Germany
- Italy
- Switzerland
- Spain
- Poland

In order to meet the requirements of IAS 36.80 b.), goodwill is divided in future into two groups of cash-generating units (defined as regions pursuant to IAS 36.120 d.) i.) in conjunction with IFRS 8/Management Approach) and subjected to an impairment test.

In the past, goodwill was allocated 100% to the cash-generating unit “GFT-Financial Services” and was divided between the two new groups of cash-generating units on the basis of the relative value-in-use as of 1 January 2016. This was conducted in line with the requirements IAS 36.87 and IDW RS HFA 40 Tz. 79.

Goodwill is no longer subject to scheduled amortisation but is tested once a year for impairment in accordance with IAS 36. The impairment test of goodwill was performed on the basis of the future anticipated cash flow as derived from planning. Planning of revenue and EBT is based on the approved budged for the upcoming 2017 financial year, which was carried forward with defined growth rates for the subsequent four years. Fifth year values were then continued with a growth rate of 1% for the extended future. Cash flows for the cash-generating units *Americas & UK* and *Continental Europe* were discounted with an interest rate of 8.06% and 8.22% (2015: 8.4%/8.4%). The interest rate before taxes for the cash-generating units *Americas & UK* and *Continental Europe* amount to 11.19% and 11.41% (2015: 11.7%/11.7%). The recoverable amount of the cash-generating units was thus determined as value in use. The discount rate of each cash-generating unit is determined specifically. The weighted cost of capital for each unit is calculated using the WACC method. The components comprise the risk-free interest rate, the country-specific market risk premium and the country-specific inflation delta, as well as a beta factor from the peer group to which GFT Technologies SE belongs.

For the cash flow forecasts for cash-generating units *Americas & UK* and *Continental Europe*, management assumes that existing and new client business, based on planning for the financial year 2017, can be increased by 9% and 4% respectively in the years 2018 to 2021 and thereafter at a growth rate of 1%. Assumptions are based on orders already placed, as well as on experience and signals received from the markets.

The carrying amount of total goodwill is assigned to the two groups of cash-generating units as follows:

Carrying amount of goodwill

in € thsd.	31/12/2016	31/12/2015
Cash-generating units		
Americas & UK	37,910	–
Continental Europe	69,164	–
GFT Finance & Insurance	–	109,206
	107,074	**109,206**

As in the previous years, the impairment test in the financial year 2016 did not result in any non-scheduled amortisation of goodwill.

A negative change in free cash flow of 5% or an increase in WACC of 1% as of the end of the reporting period would not have resulted in any impairment of goodwill.

The changes in intangible assets including goodwill were as follows:

Changes in intangible assets

in € thsd.	Goodwill	Software	Customer relationships	Develop-ment costs[1]	Other software and licences	Total
Acquisition or production costs						
Balance as of 1 January 2015	**98,572**	**5,162**	**25,228**	**402**	**10,123**	**139,487**
Additions	0	0	0	303	1,037	1,340
Acquisitions from business combinations	9,627	0	7,848	0	72	17,546
Net translation differences	7,038	0	0	0	−13	7,025
Disposals	6,030	0	0	0	838	6,868
Balance as of 31 December 2015	**109,206**	**5,162**	**33,076**	**705**	**10,381**	**158,530**
Balance as of 1 January 2016	**109,206**	**5,162**	**33,076**	**705**	**10,381**	**158,530**
Additions	0	0	0	330	617	947
Acquisitions from business combinations	4,134	0	3,868	0	15	8,017
Net translation differences	−6,267	−68	−540	0	1,332	−5,543
Disposals	0	0	0	0	115	115
Balance as of 31 December 2016	**107,074**	**5,094**	**36,405**	**1,035**	**12,229**	**161,837**
Accumulated amortisation and impairment losses						
Balance as of 1 January 2015	**0**	**1,634**	**2,976**	**0**	**9,025**	**13,635**
Additions	0	0	0	0	40	40
Amortisation	0	1,333	3,694	193	848	6,069
Net translation differences	0	0	0	0	72	72
Disposals	0	0	0	0	766	766
Balance as of 31 December 2015	**0**	**2,968**	**6,670**	**193**	**9,220**	**19,050**
Balance as of 1 January 2016	**0**	**2,968**	**6,670**	**193**	**9,220**	**19,050**
Additions	0	0	0	0	5	5
Amortisation	0	1,140	4,554	206	945	6,845
Net translation differences	0	56	274	0	−919	−589
Disposals	0	0	0	0	92	92
Balance as of 31 December 2016	**0**	**4,164**	**11,499**	**398**	**9,159**	**25,220**
Carrying amounts						
Balance as of 31 December 2015	**109,206**	**2,194**	**26,406**	**512**	**1,161**	**139,480**
Balance as of 31 December 2016	**107,074**	**930**	**24,906**	**637**	**3,070**	**136,617**

[1] Exclusively self-produced software

The carrying amount of software from business combinations has a residual useful life of 1.5 years. Capitalised development costs are the costs for software products with an estimated useful life of 2.5 to 3.5 years.

The individual goodwill values and main intangible assets are listed in the table below:

Intangible assets in connection with company acquisitions

in € thsd.	Goodwill	Software from business combinations	Customer relationships	Residual useful life (years)	Total
Carrying amounts					
Company acquisition 1	1,016	0	0		1,016
Company acquisition 2	3	0	0		3
Company acquisition 3	13,317	0	0		13,317
Company acquisition 4	3	0	0		3
Company acquisition 5	11,979	0	0		11,979
Company acquisition 6	6,218	0	3	0.3	6,222
Company acquisition 7	23,586	1,645	1,810	2.5	27,041
Company acquisition 8	36,482	481	16,019	6.5	52,983
Company acquisition 9	9,627	0	7,296	4.6	16,922
Balance as of 1 January 2016	**102,230**	**2,127**	**25,128**		**129,485**
Carrying amounts of acquisitions in current financial year					
Company acquisition 10	4,844	0	4,607	6.3	9,451
Amortisation and impairment of current financial year					
Company acquisition 1	0	0	0		0
Company acquisition 2	0	0	0		0
Company acquisition 3	0	0	0		0
Company acquisition 4	0	0	0		0
Company acquisition 5	0	0	0		0
Company acquisition 6	0	0	3		3
Company acquisition 7	0	774	517		1,291
Company acquisition 8	0	422	2,648		3,071
Company acquisition 9	0	0	1,325		1,325
Company acquisition 10	0	0	335		335
Balance as of 31 December 2016	**0**	**1,197**	**4,829**		**6,025**
Carrying amounts					
Balance as of 31 December 2016	**107,074**	**930**	**24,906**		**132,910**

With the exception of goodwill, there are no intangible assets with unlimited useful lives within the GFT Group.

Development of consolidated intangible and tangible assets 2016

	Acquisition or production costs						
in €	As at 01/01/2016	Additions from changes in consoli-dated Group	Additions	Disposals	Reclassifica-tions	Currency changes	As at 31/12/2016
Intangible assets							
Licences, industrial property rights and similar rights	49,323,686.26	3,883,158.29	947,369.64	114,986.66	0.00	723,647.71	54,762,875.24
Goodwill	109,206,156.49	4,134,282.81	0.00	0.00	0.00	−6,266,697.06	107,073,742.24
	158,529,842.75	**8,017,441.10**	**947,369.64**	**114,986.66**	**0.00**	**−5,543,049.35**	**161,836,617.48**
Tangible assets							
Developed land and buildings	11,502,714.19	0.00	165,315.04	0.00	2,072.99	0.00	11,670,102.22
Other equipment, office and factory equipment in use	30,153,474.59	118,968.65	7,480,143.48	2,469,031.57	−2,072.99	−311.80	35,281,170.35
Construction on foreign property	2,817,023.46	0.00	1,649,326.12	0.00	0.00	902.94	4,467,252.52
	44,473,212.23	**118,968.65**	**9,294,784.64**	**2,469,031.57**	**0.00**	**591.14**	**51,418,525.08**
	203,003,054.98	**8,136,409.75**	**10,242,154.28**	**2,584,018.23**	**0.00**	**−5,542,458.21**	**213,255,142.56**

	Depreciation						Book values	
	As at 01/01/2016	Depreciation of the financial year scheduled	Disposals	Reclassifica-tions	Currency changes	As at 31/12/2016	As at 31/12/2016	As at 31/12/2015
	19,050,129.77	6,844,860.25	91,748.84	0.00	−588,623.04	25,219,970.18	29,542,905.07	30,273,556.49
	0.00	0.00	0.00	0.00	0.00	0.00	107,073,742.24	109,206,156.49
	19,050,129.77	**6,844,860.25**	**91,748.84**	**0.00**	**−588,623.04**	**25,219,970.18**	**136,616,647.31**	**139,479,712.98**
	406,826.45	382,882.03	0.00	0.00	0.00	789,708.48	10,880,393.74	11,095,887.74
	16,911,753.02	4,150,059.99	2,517,659.99	0.00	−411,929.50	18,212,629.46	17,068,540.91	13,241,721.57
	666,638.59	538,884.03	0.00	0.00	0.00	1,205,522.62	3,261,729.90	2,150,384.84
	17,985,218.06	**5,071,826.05**	**2,517,659.99**	**0.00**	**−411,929.50**	**20,207,860.55**	**31,210,664.54**	**26,487,994.14**
	37,035,347.83	**11,916,686.30**	**2,609,408.83**	**0.00**	**−1,000,552.54**	**45,427,830.73**	**167,827,311.85**	**165,967,707.12**

Development of consolidated intangible and tangible assets 2015

	Acquisition or production costs							
in €	As at 01/01/2015	Additions from changes in consolidated Group	Additions	Disposals	Disposals from changes in consolidated Group	Reclassifications	Currency changes	As at 31/12/2015
Intangible assets								
Licences, industrial property rights and similar rights	40,915,425.60	7,919,848.27	1,339,824.13	250,908.90	587,503.36	0.00	−12,999.49	49,323,686.26
Goodwill	98,571,580.50	9,626,502.00	0.00	0.00	6,029,790.38	0.00	7,037,864.37	109,206,156.49
	139,487,006.10	**17,546,350.27**	**1,339,824.13**	**250,908.90**	**6,617,293.74**	**0.00**	**7,024,864.88**	**158,529,842.75**
Tangible assets								
Developed land and buildings	7,411,284.76	0.00	4,171,707.50	0.00	0.00	−80,278.07	0.00	11,502,714.19
Other equipment, office and factory equipment in use	24,838,356.50	803,888.17	6,999,917.14	966,496.81	828,621.30	−413,319.25	−280,249.85	30,153,474.59
Construction on foreign property	451,358.80	0.00	1,948,899.30	77,940.31	0.00	493,597.32	1,108.35	2,817,023.46
	32,701,000.06	**803,888.17**	**13,120,523.94**	**1,044,437.12**	**828,621.30**	**0.00**	**−279,141.50**	**44,473,212.23**
	172,188,006.16	**18,350,238.44**	**14,460,348.07**	**1,295,346.02**	**7,445,915.04**	**0.00**	**6,745,723.38**	**203,003,054.98**

2.2 Property, plant and equipment

The development of property, plant and equipment of the GFT Group is presented on pages 94 et seq.

Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation and accumulated impairment losses.

Acquisition or manufacturing costs include expenses directly attributable to the acquisition of the asset. The manufacturing costs of internally produced assets include the following:

- directly allocable material expenses and wages/salaries
- all other directly allocable costs incurred in order to put the asset in a condition which makes it ready for its intended purpose

The assets of the GFT Group do not include any internally produced assets at present. Any gain or loss from the disposal of property, plant and equipment (calculated as the difference between the net sales proceeds and the item's carrying amount) is recognised in profit or loss. The amounts disclosed in the item "Construction on foreign property" refer to leasehold improvements in rented offices. The amounts disclosed in the item "Developed land and buildings" mainly refer to the administration building in Stuttgart. The building is encumbered with a mortgage of €8 million. As in the previous year, non-scheduled depreciation on property, plant and equipment due to impairment was not necessary in the financial year 2016.

	Depreciation								Book values	
	As at 01/01/2015	Additions from changes in consoli-dated Group	Depreciation of the financial year scheduled	Disposals	Disposals from changes in consoli-dated Group	Reclassifica-tions	Currency changes	As at 31/12/2015	As at 31/12/2015	As at 31/12/2014
	13,634,693.17	40,387.59	6,068,824.54	178,411.72	587,680.88	0.00	72,317.07	19,050,129.77	30,273,556.49	27,280,732.43
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	109,206,156.49	98,571,580.50
	13,634,693.17	**40,387.59**	**6,068,824.54**	**178,411.72**	**587,680.88**	**0.00**	**72,317.07**	**19,050,129.77**	**139,479,712.98**	**125,852,312.93**
	114,576.38	0.00	292,656.07	0.00	0.00	−406.00	0.00	406,826.45	11,095,887.74	7,296,708.38
	14,437,915.10	605,869.12	3,730,192.96	864,253.69	662,431.20	406.00	−335,945.26	16,911,753.02	13,241,721.57	10,400,441.40
	368,885.75	0.00	297,105.00	0.00	0.00	0.00	647.84	666,638.59	2,150,384.84	82,473.05
	14,921,377.22	**605,869.12**	**4,319,954.03**	**864,253.69**	**662,431.20**	**406.00**	**−335,297.42**	**17,985,218.06**	**26,487,994.14**	**17,779,622.83**
	28,556,070.39	**646,256.71**	**10,388,778.57**	**1,042,665.41**	**1,250,112.08**	**0.00**	**−262,980.35**	**37,035,347.83**	**165,967,707.12**	**143,631,935.76**

2.3 Financial assets

Securities (category according to IAS 39)

in € thsd.	31/12/2016	31/12/2015
Category according to IAS 39		
Financial assets measured at fair value through profit or loss	0	123
	0	**123**

The securities were sold on 23 December 2016.

Investments at equity
Investments at equity (shares in associated companies), as well as the profit from shares in associated companies recognised on 31 December 2016, concern the shares in eQuadriga, Trichy/India (30.0%) and Parkpocket GmbH, Munich (25.1%).

On 29 February 2008, 70.0% of shares in eQuadriga Software Private Limited (formerly GFT Technologies (India) Private Limited) Trichy, India, were sold. Due to the merely insignificant influence of GFT Technologies SE (at the time GFT AG) on the company since 1 March 2008, the former subsidiary has been carried as an associated company since 1 March 2008. eQuadriga is active mainly in the field of offshore application development and implementation. The balance sheet recognition of shares in eQuadriga Software Private Limited as of 31 December 2016 occurs according to the equity method (as in the previous year). Due to the small size of the company, the effects on the GFT Group are negligible.

The subsidiary GFT Innovations GmbH signed an agreement on 3 August 2015 to acquire a 25.1% stake in the start-up Parkpocket GmbH, Munich. The company is developing an innovative business project that helps people find available parking spaces using an app or via the Internet. Due to the significant influence on the company and its resulting classification as an associated company, it has been carried in the balance sheet since 31 December 2016 using the equity method. As a result of the small scale of Parkpocket GmbH, its impact on the GFT Group is negligible.

As the associated companies eQuadriga Software Private Limited and Parkpocket GmbH prepare their balance sheets using principles similar to those of the GFT Group, thus ensuring generally uniform accounting and measurement polices, no possibly necessary adjustments of the annual financial statements of eQuadriga Software Private Limited and Parkpocket GmbH used for equity recognition were made to bring them in line with the accounting policies of the GFT Group.

Financial information about associated companies

eQuadriga Software Private Limited

in € thsd.	31/12/2016	31/12/2015
Balance sheet disclosures (31 December)		
Non-current assets		
Current assets	62	15
Non-current liabilities		
Current liabilities	62	38
Income statement disclosures (31 December)		
Revenue	214	142
Profit/loss for the year	21	−18
Group's share in profit/loss for the year	7	−6

in € thsd.	2016	2015
Net assets (100%)	0	−22
Group's share in net assets (30%)	0	−7
Goodwill	10	10
At-equity carry amount 31 December	10	3

Parkpocket GmbH

in € thsd.	31/12/2016	31/12/2015
Balance sheet disclosures (31 December)		
Non-current assets	5	8
Current assets	126	351
Non-current liabilities	0	0
Current liabilities	66	51
Income statement disclosures (31 December)		
Revenue	81	39
Profit/loss for the year	−242	−189
Group's share in profit/loss for the year	−60	−47

in € thsd.	2016	2015
Net assets (100%)	6	308
Group's share in net assets (30%)	16	77
Goodwill	344	344
At-equity carry amount 31 December	360	421

eQuadriga reports in accordance with Indian law, Parkpocket according to German law. Due to the low amounts involved, no adjustments were made.

Equity holdings acc. to section 313 (2) HGB

in € thsd.	Share of the capital (in %)	Company equity 31/12/2016 (in € thsd.)	Net income 2016 (in € thsd.)
I. Direct investments			
Domestic			
GFT Innovations GmbH, Stuttgart, Germany[1]	100	782	0
GFT Real Estate GmbH, Stuttgart, Germany [2]	100	364	0
SW34 Gastro GmbH, Stuttgart, Germany[3]	100	533	0
GFT Invest GmbH, Stuttgart, Germany[4, 5]	100	25	0
Foreign			
GFT Schweiz AG, Zurich, Switzerland[8]	100	4,589	2,913
GFT UK Limited, London, UK	100	34,408	9,697
GFT Iberia Holding, S.A.U., Sant Cugat del Vallès, Spain	100	21,847	11,142
GFT Holding Italy S.r.l., Milan, Italy	100	2,531	−391
GFT Technologies (Ireland) Ltd., Dublin, Ireland[6]	100	0	0
eQuadriga Software Private Limited, Trichy, India	30	0	21
II. Indirect investments			
Domestic			
Parkpocket GmbH, Munich, Germany	25.1	66	−242
Foreign			
GFT IT Consulting, S.L., Sant Cugat del Vallès, Spain[7]	100	20,448	16,543
GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil[9]	100	10,345	1,992
GFT USA Inc., New York, USA	100	12,364	765
GFT Appverse, S.L.U., Sant Cugat del Vallès, Spain	100	−17	−3
GFT UK Invest Limited, London, UK	100	0	0
GFT Italia S.r.l., Milan, Italy	80	32,246	6,128
Med-Use S.r.l., Milan, Italy	80	392	27
GFT Financial Limited, London, UK	100	4,020	−4,587
GFT USA Consulting LLC, New York, USA	100	−366	−2,335
GFT Canada Inc., Toronto, Canada	100	−642	−969
Waterline Group Inc., Boston, USA	100	19	0
GFT Poland Sp. Z.o.o., Łódź, Poland	100	3,138	640
GFT Costa Rica S.A., Heredia, Costa Rica	100	1,089	768
Adesis Netlife S.L. Madrid, Spain	100	3,809	2,009
GFT Mexico, S.A. de C.V., Mexico D.F., Mexico[10]	100	848	528
GFT Peru S.A.C., Lima, Peru	100	−57	–55

[1] There is an agreement for the transfer of profits between GFT Innovations GmbH (profit-transferring company) and GFT Technologies SE.
[2] There is an agreement for the transfer of profits between GFT Real Estate GmbH(profit-transferring company) and GFT Technologies SE.
[3] There is an agreement for the transfer of profits between SW34 Gastro GmbH (profit-transferring company) and GFT Technologies SE.
[4] There is an agreement for the transfer of profits between GFT Invest GmbH (profit-transferring company) and GFT Technologies SE.
[5] In a contract dated 14 April 2016, GFT Invest GmbH was founded.
[6] In a contract dated 25 November 2016, GFT Technologies (Ireland) Ltd. was founded.
[7] GFT IT Consulting S.L.U. was renamed as GFT IT Consulting S.L. in February 2016.
[8] GFT Technologies (Schweiz) AG was merged with GFT Schweiz AG on 1 January 2016.
[9] W.G. Systems Ltda. was merged with GFT Brasil Consultoria Informática Ltda. on 1 November 2016.
[10] GFT Mexico Services was merged with GFT Mexico, S.A. de C.V. on 1 December 2016.

2.4 Other assets

Composition of other assets

in € thsd.	31/12/2016	31/12/2015
Other non-current financial assets		
Deposits	763	715
Receivables from employees	15	0
Loans	620	620
Remaining purchase price receivable emagine	0	479
Deferred interest	68	0
Others	100	0
Total non-current assets	**1,566**	**1,814**
Other current financial assets		
Deposits	773	458
Receivables from employees	233	97
Creditors with debit balance	6	137
Deferred interest	0	221
Others	702	309
Total current financial assets	**1,714**	**1,222**
Other current assets		
Accruals	4,595	3,047
Claims for VAT and other tax refunds	370	927
Receivables from social security fund	37	96
Remaining purchase price receivable emagine	479	0
Receivables from emagine GmbH	0	590
Others	457	263
Total other current assets	5,938	4,923
Total current assets	**7,652**	**6,145**
Total	**9,218**	**7,959**

2.5 Inventories

The inventories disclosed mainly comprise raw materials, consumables and operating supplies.

2.6 Income taxes

The item “Income taxes” disclosed in the income statement includes:

Breakdown of income taxes

in € thsd.	2016	2015
Current tax expense	10,210	8,530
Deferred tax income	−1,390	−2,256
Tax expense	**8,820**	**6,274**

In the previous year, the now discontinued business division accounted for €295 thousand of total tax expense.

The current tax expense includes out-of-period current income tax income of €3,186 thousand (2015: €3,157 thousand).

Deferred income taxes

in € thsd.	31/12/2016	31/12/2015
From temporary differences	−1,390	−2,256
From tax loss carry-forwards	0	0
Deferred tax income	**−1,390**	**−2,256**

Actuarial reports on pensions acc. to IAS 19 resulted in deferred taxes of €6 thousand (2015: €211 thousand) which could not be booked through profit or loss. As in the previous year, the change in tax rates did not lead to a decline in deferred tax income. There was also no corrected recognition of deferred tax assets on tax loss carry-forwards in 2016 (2015: €0 thousand).

Income tax claims disclosed in the balance sheet are broken down as follows:

Income tax claims

in € thsd.	2016	2015
Deferred tax assets	4,890	4,323
Long-term current income tax claims	884	799
Short-term current income tax claims	3,225	5,406
Total	**8,999**	**10,528**

Short-term current income tax claims mainly concern a foreign Group subsidiary which can make higher subsequent tax deduction claims following a change in the local tax laws.

Income tax liabilities

in € thsd.	2016	2015
Deferred tax liabilities	5,591	5,902
Current income tax liabilities	2,437	1,829
Total	**8,028**	**7,731**

The tax deferrals and accruals are allocated to individual balance sheet items as follows:

Deferred tax assets

in € thsd.	2016	2015
Intangible assets and property, plant and equipment	5,895	4,992
Receivables and other financial assets	2,398	4,771
Tax loss carry-forwards	2,400	2,400
Provisions for pensions	1,749	1,500
Other provisions	1,399	1,165
Subtotal	**13,841**	**14,828**
Offsetting	−8,951	−10,505
Deferred tax assets	**4,890**	**4,323**

Deferred tax liabilities

in € thsd.	2016	2015
Intangible assets and property, plant and equipment	12,775	11,605
Receivables and other financial assets	186	873
Provisions for pensions	172	142
Other provisions	59	0
Other financial obligations	1,350	3,787
Subtotal	**14,542**	**16,407**
Offsetting	−8,951	−10,505
Deferred tax liabilities	**5,591**	**5,902**

There are loss carry forwards for German Group companies amounting to €9.9 million (2015: €10.4 million) for corporation tax and loss carry forwards for trade tax of €7.5 million (2015: €8.6 million), as well as for foreign Group companies amounting to €9.6 million (2015: €8.1 million), for which no deferred tax assets could be formed as no future settlement is currently expected. Loss carry forwards for which no deferred tax assets could be formed are non-forfeitable.

The deferred tax asset for unused tax losses as of 31 December 2016 refers to GFT Technologies SE. The Managing Directors assume, based on profitability planning, that sufficient taxable results will be available for GFT Technologies SE in future against which unused tax losses – for which deferred tax assets of €2,400 thousand (2015: €2,400 thousand) have been recognised – can be used. This is due mainly to improved operating results and increased Group allocations.

GFT Technologies SE therefore has capitalised deferred tax loss carry forwards to the extent at which their use in the planning horizon appears probable.

The reconciliation between the effective tax rate of the GFT Group and the German tax rate of GFT Technologies SE of 28.0% (2015: 28.0%) concerns the entire company and is presented as follows:

Reconciliation of effective tax rate

in € thsd.	31/12/2016	31/12/2015
Earnings before income taxes	**33,048**	**31,611**
Expected tax expenses at 28% (2015: 28%)	9,253	8,851
Other non tax-deductible expenses and tax-free income	−876	258
Recognition correction on deferred assets and change in tax loss carry-forwards without capitalisation of deferred taxes	3,425	−201
Tax rate differences	−287	−206
Aperiodic effects (income tax for previous years)	−2,931	−2,685
Other tax effects and effects from permanent differences	235	258
Effective tax expense	8,819	6,274
Effective tax rate	26.69%	19.85%

The total amount of temporary differences in connection with shares in subsidiaries and associated companies for which no deferred tax liabilities were carried in the balance sheet amounts to €139,180 thousand (2015: €131,015 thousand).

Deferred tax assets are netted with deferred tax liabilities if they refer to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the balance sheet, deferred tax assets and liabilities are not broken down into current and non-current. The following table shows the Group's deferred tax assets and liabilities.

Deferred tax assets and liabilities

in € thsd.	31/12/2016	31/12/2015
Deferred tax assets	4,890	4,323
Deferred tax liabilities	−5,591	−5,902
Balance as of 31 December	**−701**	**−1,579**

The development of net deferred tax assets is shown in the following table:

Net deferred tax assets

in € thsd.	31/12/2016	31/12/2015
Balance as of 1 January	4,323	4,002
Addition	567	321
Balance as of 31 December	**4,890**	**4,323**

Including the items recognised in other comprehensive income for pension provisions and amounts from financial investments accounted for using the equity method, the tax expense is broken down as follows:

Deferred tax liabilities

in € thsd.	31/12/2016	31/12/2015
Deferred taxes in the income statement	−1,390	−2,256
Deferred taxes in other comprehensive income	6	221
Total	**−1,384**	**−2,035**

2.7 Trade receivables

Trade receivables result from ongoing business and are all due in the short-term, as in the previous year. Required value adjustments based on the probable risk of default are taken into account with €2,886 thousand (2015: €3,046 thousand). Trade receivables, in accordance with IAS 11, include realised revenue from unfinished projects as of the balance sheet date in the amount of €9,166 thousand (2015: €24,864 thousand) minus prepayments received in the amount of €4,260 thousand (2015: €13,466 thousand). Order revenue recognised in the period from production orders as defined by IAS 11 are not recognised separately by the GFT Group. Revenue of the GFT Group includes revenue of €105,650 thousand (2015: €103,190 thousand) recognised using the percentage of completion method. This was opposed by costs of €96,881 thousand (2015: €93,900 thousand). There was therefore a profit from production orders of €8,769 thousand (2015: €9,290 thousand).

The development of trade receivables is presented below:

Trade receivables

in € thsd.	31/12/2016	31/12/2015
Trade receivables	**115,288**	**86,476**
Revenue recognised from unfinished projects, in accordance with IAS 11	9,166	24,864
less prepayments received	−4,260	−13,466
Value adjustments	−2,886	−3,046
Balance as of 31 December	**117,308**	**94,828**

Revenue recognised in accordance with IAS 11 developed as follows:

Revenue acc. to IAS 11

in € thsd.	31/12/2016	31/12/2015
Revenue recognised using PoC method (IAS 11)	105,650	103,190
Costs incurred	−96,881	−93,900
Profit	**8,769**	**9,290**

Cumulative value adjustments on trade receivables

in € thsd.	31/12/2016	31/12/2015
Balance as of 1 January	**3,046**	2,602
Additions	1,737	769
Drawings	−122	0
Reversals	−1,735	−342
Disposals from changes to consolidated group	0	−160
Exchange rate effects and other effects	−40	177
Balance as of 31 December	**2,886**	**3,046**

2.8 Cash and cash equivalents

Cash and cash equivalents of the total company developed as follows:

Cash and cash equivalents

in € thsd.	31/12/2016	31/12/2015
Short-term bank deposits	62,283	46,973
Cash	7	5
Balance as of 31 December	**62,290**	**46,978**

2.9 Shareholders' equity

Please refer to the separately presented statement of changes in equity for the equity development during the financial years 2016 and 2015.

As of 31 December 2016, share capital in the amount of €26,325,946.00 consisted of 26,325,946 no-par bearer shares (unchanged from the previous year) which all grant equal rights.

The capital reserve includes the amount that was obtained in the issue of shares over the calculated value. Other accumulated profit reserves are amounts that were formed from results in financial year 2016 and in previous financial years.

The changes in equity not affecting results include income and expenses to be recognised in other comprehensive income from currency translation (IAS 21), from the valuation of securities classified as "financial assets available for sale" (IAS 39), from the valuation of pension obligations not affecting results (IAS 19 R) and from the subsequent valuation of the acquisition Sempla S.r.l. (now GFT Italia S.r.l.), Milan, Italy, not affecting results.

The Group's capital management concerns the consolidated equity attributable to the shareholders of the parent company GFT Technologies SE, whose structure and possible uses are largely determined by the capital structure of GFT Technologies SE. As there are no shares of non-controlling interests, the equity attributable to the shareholders of GFT Technologies SE corresponds to total consolidated equity. The aim of capital management is to secure the sustainable provision of equity for the Group under consideration of appropriate dividend payments to the shareholders. GFT is subject to external minimum capital requirements due to covenants in connection with the promissory note loans and syndicated loan. There were no objections from the borrowers. The covenants were met in full. The quantitative statements as to managed capital and the changes compared to the previous year are presented in the consolidated statement of changes in equity of the GFT Group.

In the financial year 2016, a dividend of €0.30 per share was distributed to shareholders, totalling €7,898 thousand (2015: €0.25 per share, totalling €6,581 thousand), from the balance sheet profit of the parent company GFT Technologies SE. It is proposed to distribute a dividend of €0.30 per share to shareholders, totalling €7,898 thousand (2015: €0.30 per share, totalling €7,898 thousand), from the balance sheet profit of GFT Technologies SE as of 31 December 2016.

Authorised capital
As of 31 December 2016, there was unutilised authorised capital in the amount of €10,000,000.00 (2015: €10,000,000.00).

Conditional capital
Conditional capital amounted to €10,000,000.00 as of 31 December 2016 (2015: €10,000,000.00).

2.10 Provisions for pensions

There are several forms of company pension within the GFT Group: employee benefits are provided through defined contribution and defined benefit plans as well as one-off payments on termination of employment. For defined contribution plans, contributions are paid by the Company based on legal or contractual regulations, or on a voluntary basis, to state or private pension insurance institutes. The contributions paid in the financial year 2016 for defined contribution plans to public and private pensions regulatory authority of €22,301 thousand (2015: €19,661 thousand) are included in personnel expenses.

Defined benefit plans in Germany exist due to direct individual commitments to retirement benefits, invalidity benefits, and provisions for dependents for an active manager and a manager who has left the company, as well as for a former Managing Director of a former subsidiary (pension recipient).

The defined benefit plans in Switzerland concern provisioning according to Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG). These plans represent so-called "BVG full insurance solutions". Due to the statutory minimum interest and conversion rate guarantees, these plans represent defined benefit plans in the meaning of IAS 19. For this reason, provisions were formed in the balance sheet for these plans on 31 December 2016 and in the previous year.

“Fully insured" BVG plans refer to those plans for which all actuarial risks, including capital market risks, are borne by an insurance company, at least temporarily. The BVG provisioning of the Swiss subsidiary of GFT Technologies SE comprises 55 active insured parties and no pension recipient as of 31 December 2016 (31 December 2015: 47 active insured parties and no pension recipient).

Severance payments under Italian law (Trattamentodi Fine Rapporto, TFR) are one-off payments due as soon as the employee leaves the company. The size of the severance payment is based on the number of monthly salaries (indexed), whereby one service year entitles the employee to one monthly salary (annual salary divided by 13.5). Under certain circumstances, for example for the purchase of a home or medical care, the employee may receive an advance of up to 70% of the claim. As of the financial year 2007, these payments are to be made to the state social security institute (Istituto Nazionale della Previdenzia Sociale, INPS) or an insurance provider nominated by the employee which is mandatory for companies with more than 50 employees. Below this threshold, transfers are voluntary and are not made by the Italian subsidiary GFT Italia S.r.l.

The obligations under Polish law also refer to severance payments which are required by law via the Polish Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS), whereby they become due on reaching the retirement age or with a decline in health or increased need for medical care. The sum is calculated on the basis of one monthly salary per employee and is disclosed at the discounted rate as of the beginning of employment.

Parameters for determining the actuarial values

	Germany		Switzerland		Italy		Poland	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Probability of fluctuation	–	–	BVG 2015	BVG 2010	10.00%	10.00%	8.70%	9.10%
Pensionable age	63	63	65/64	65/64	67	67	65/60	67
Salary increases (employee/manager)	2.00%	2.00%	2.00%	2.00%	1%+ Inflation	0.5%+ Inflation	3.50%	3.50%
Salary increases (manager)	–	–	–	–	1%+ Inflation	1%+ Inflation	–	–
Pension increases	2.00%	2.00%	0.00%	0.00%	2.63%	2.63%	–	–
Discount rate	1.40%	1.75%	0.80%	0.80%	1.31%	2.03%	3.50%	2.90%
Expected return on plan assets	0.00%	0.00%	0.80%	0.80%	–	–	–	–

Assumptions relative to average fluctuation for the German plans were not necessary due to the small number of people involved. The "2005 RT G Guideline Tables" by Prof Klaus Heubeck (Cologne 2005) were used here as a basis for the computation.

The likelihood of withdrawals and the actuarial assumptions for the Swiss plans are geared to the Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG 2015).

The likelihood of withdrawals in Italy is assessed at 10.0%. The actuarial assumptions for mortality rates are prescribed by surveys of the Italian statistics office (Istituto Nazionale di Statistica, Istat 2004). The actuarial assumptions for disability incidence rates are based on the tables of the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale, INPS).

For Poland, the likelihood of withdrawals is assessed at 8.7%. The actuarial assumptions for mortality rates are prescribed by the Main Statistical Office (Główny Urząd Statystyczny, GUS) (GUS 2015: multiplied by 60%). The actuarial assumptions for disability incidence rates are based on the table of the Polish Social Insurance Institution (ZUS 2008).

The present values of the defined benefit obligations, the fair values of the plan assets and the respective excessive and/or insufficient cover of the current reporting year 2016 and the preceding year can be taken from the following table:

Net asset value of pension obligations

in € thsd.	31/12/2016	31/12/2015
Fair value of plan assets	–4,496	–3,838
Present values of defined benefit obligations	13,186	12,173
Surplus cover (net asset)	**8,690**	**8,335**

Of the present value for rights accrued, €9,423 thousand (2015: €8,532 thousand) refer to pension plans that are financed completely or partially through plan assets, and €3,763 thousand (2015: €3,641 thousand) to pension plans that are not financed by plan assets. The experience adjustments to liabilities in the plans came to €132 thousand in financial year 2016 (2015: €142 thousand); the experience adjustments to the plan assets came to €–8 thousand (2015: €109 thousand).

Pension obligations

in € thsd.	31/12/2016	31/12/2015
Pension obligation as of 1 January	12,173	10,917
Current service cost	992	781
Past service cost	1	0
Interest expense/income	147	160
Restatements	3	579
Contributions to pension plan	372	434
Benefits paid	–983	–1,173
Effects from currency differences	481	475
Pension obligation as of 31 December	**13,186**	**12,173**

Reconciliation of fair value of plan assets

in € thsd.	31/12/2016	31/12/2015
Fair value of plan assets as of 1 January	3,838	3,626
Income from plan assets (without interest income)	32	51
Benefits paid	–383	–464
Contributions by employer	289	230
Contributions by entitled employees	289	230
Effects from currency differences	431	165
Fair value of plan assets as of 31 December	**4,496**	**3,838**

Plan assets concern the BVG provisioning in Switzerland and an amount of €250 thousand in term deposits pledged to the pension recipient ("Plan Assets GFT Technologies SE"). In the following year (2017), employer contributions to the plan assets of €300 thousand and employee contributions of €300 thousand are expected. As in the previous year, the calculation of the obligation and the generally expected return of the plan assets in Switzerland was based on the valid insurance regulations, databases and cash flow disclosures for 2016 of the two Swiss companies. The expected income from plan assets of GFT Technologies SE results from interest and is insignificant. There are no plan assets in Italy and Poland.

Under IAS 19R, companies must classify the fair value of plan assets according to the nature and risks of these assets. The breakdown of plan assets is as follows:

Fair value of plan assets

in € thsd.	31/12/2016	31/12/2015
Cash and cash equivalents	0	0
Mortgages	703	594
Loans	0	0
Bonds	2,655	2,244
Shares	140	368
Alternative investments	483	197
Property	515	435
Fair value of plan assets as of 31 December	**4,496**	**3,838**

The weighted average maturity of the defined benefit obligations is 14.92 years. The major part of plan assets is attributable to pension schemes in Switzerland. The plan assets in Germany amount to €250 thousand (2015: €250 thousand) and are invested as term deposits. There are no plan assets in Italy and Poland. In the next reporting period (2017), plan contributions of €666 thousand are expected throughout the Group.

In order to estimate the amount and uncertainty of future cash flows, a sensitivity analysis was conducted. This illustrates how sensitively the present value of obligations reacts to changes in the discount rate, salary increases and pension increases. Summarised information based on weighted averages was provided for the respective plans in Switzerland.

Sensitivity analysis regarding present value of obligations as of 31 December 2016

	Obligation in € thsd.				Change in %			
	Germany	Switzerland	Italy	Poland	Germany	Switzerland	Italy	Poland
Present value of obligation	1,509	8,941	2,681	54				
Discount rate	1.40%	0.80%	1.31%	3.50%				
Increase of 0.5%	1,408	8,056	2,589	49	−6.73%	−9.89%	−3.43%	−8.21%
Decrease of 0.5%	1,623	9,830	2,779	59	7.51%	9.95%	3.66%	9.31%
Salary increase	2.00%	2.00%	1.00%	3.50%				
Increase of 0.5%	1,513	9,250	2,683	59	0.22%	3.46%	0.08%	10.45%
Decrease of 0.5%	1,506	8,649	2,679	49	−0.22%	−3.25%	−0.06%	−9.38%
Pension increase	2.00%	0.00%	2.63%	–				
Increase of 0.5%	1,548	9,166	2,745	–	2.58%	2.53%	2.40%	–
Decrease of 0.5%	1,472	8,940	2,619	–	−2.45%	0.00%	−2.32%	–

In Switzerland, no pension increase was assumed as there is no mandatory adjustment for inflation. A reduction of 0.5 percentage points would imply a decrease in the pension, which is not legally possible.

2.11 Other provisions

Development of other provisions

in € thsd.	Balance as of 01/01/2016	Consump-tion	Reversals	Additions	Disposals from changes to consolidated group	Balance as of 31/12/2016
Employee commissions/bonuses/anniversaries/ severance payments	23,800	21,718	639	19,288	0	20,731
Holiday obligations	5,732	4,548	0	6,098	0	7,282
Contributions to professional associations	77	77	0	81	0	81
Provisions for personnel expenses	**29,609**	**26,343**	**639**	**25,467**	**0**	**28,094**
Outstanding purchase invoices	7,077	5,728	131	6,855	0	8,073
Credits notes still to be issued	2,056	1	2,000	47	0	102
Warranty	106	33	0	38	0	111
Impending losses from projects	129	129	0	1	0	1
Other	3,738	2,837	513	1,786	0	2,174
Total	**42,715**	**35,071**	**3,283**	**34,194**	**0**	**38,555**

Provisions for personnel expenses include an amount of €7,282 thousand (2015: €5,732 thousand) for holiday obligations. This refers exclusively to holiday rights not taken by the end of the year. Employee commissions/bonuses, anniversaries and severance payments comprise an amount of €963 thousand (2015: €455 thousand) for short-term provisions which will mostly be paid out by the end of March 2017. Outstanding purchase invoices refer to missing purchase invoices for freelancers. The cash outflow is expected by the end of March 2017.

The interest expense from the discounting of provisions for anniversary obligations amounted to €17 thousand in the financial year 2016 (2015: €22 thousand).

Due to the maturity profile, i.e. the expected settlement date for outflows of economic benefit, other provisions are shown in the statement of financial position as follows:

Maturity profile of other provisions

in € thsd.	31/12/2016	31/12/2015
Long-term provisions		
Anniversaries	448	455
Bonuses	515	0
Other	527	290
Total long-term other provisions	**1,490**	**745**
Short-term other provisions	**37,065**	**41,970**
Total other provisions	**38,555**	**42,715**

Anniversaries have a maturity profile of one to thirty years. Other provisions have a maturity profile of one to five years.

2.12 Liabilities

Remaining term and collateral

in € thsd.	Remaining term: up to 1 year	Remaining term: more than 5 years	Total 31/12/2016	Thereof secured through liens and similar rights	Nature and form of the collateral
Trade payables	12,517 (2015: 11,371)	0 (2015: 0)	12,517 (2015: 11,371)		
Deferred tax liabilities	0 (2015: 0)	0 (2015: 0)	5,592 (2015: 5,902)		
Financial liabilities	19,636 (2015: 620)	6,170 (2015: 6,138)	104,343 (2015: 83,437)	8,000	Mortgage
Current income tax liabilities	2,437 (2015: 1,829)	0 (2015: 0)	2,437 (2015: 1,829)		
Other financial liabilities	1,913 (2015: 4,288)	0 (2015: 0)	1,913 (2015: 4,288)	631	Collateral
Liabilities from purchase price obligations and dividends	0 (2015: 0)	0 (2015: 0)	32,844 (2015: 13,936)		
Other liabilities	41,967 (2015: 30,551)	0 (2015: 0)	41,967 (2015: 30,551)		
	78,470 (2015: 48,659)	**6,170 (2015: 6,138)**	**201,613 (2015: 151,314)**		

There are trade payables to associated companies of €0 thousand (2015: €3 thousand).

2.13 Other liabilities

Composition of other liabilities

in € thsd.	31/12/2016	31/12/2015
Other non-current financial liabilities		
Liabilities from purchase price obligations and dividends	**32,844**	13,936
Other current financial liabilities		
Liabilities to employees	1,322	2,089
Debtors with credit balances	591	2,198
Total	**1,913**	**4,287**
Other current liabilities		
Deferred income	13,413	10,523
Wage tax, VAT, and other tax liabilities	9,028	8,627
Liabilities from social security contributions	5,636	4,003
Advance payments on orders	10,584	3,726
Corporation tax liabilities	1,771	1,173
Others	1,535	2,499
Total	**41,967**	**30,551**
Total other liabilities	**76,724**	**48,774**

3. Explanations on items of the consolidated income statement

3.1 Other operating income

Overview of other operating income

in € thsd.	2016	2015
Other income from the CeBIT fair appearance of Code_n	0	1,393
Benefits in kind – employee private motor vehicle use	206	188
Income from the lowering of value adjustments and intakes on receivables written off	1,735	353
Social insurance rebates	52	86
Income from exchange rate differences	1,546	1,011
Out-of-period income	3	21
Income from the sale of non-current and current assets	74	0
Insurance recoveries	0	4
Reversals of provisions	174	92
Other	2,467	289
Continued operations	**6,257**	**3,437**
Discontinued operations	**0**	**418**
Entire company	**6,257**	**3,855**

Other operating income of the continued operation which is attributable to another financial year amounted to €1,986 thousand (2015: €466 thousand). It comprises income from the lowering of value adjustments (€1,735 thousand; 2015: €353 thousand), the reversal of provisions (€174 thousand; 2015: €92 thousand), the sale of non-current and current assets (€74 thousand; 2015: €0 thousand), as well as other out-of-period income (€3 thousand; 2015: €21 thousand).

3.2 Costs of purchased services

The cost of purchased services for the entire company comprises expenses for services rendered by freelancers (consultants, software developers) and subcontractors of €59,848 thousand (2015: €115,400 thousand). In the previous year, the continued operation accounted for €62,485 thousand and the discontinued operation for €52,915 thousand of total services purchased.

3.3 Personnel expenses

Personnel expenses include expenses for the GFT Group's own personnel. In the reporting period, these amounted to €254,661 thousand for the entire company (2015: €223,842 thousand). For the expenses for retirement pensions we refer to note 2.10. In the previous year, the continued operation accounted for €215,447 thousand and the discontinued operation for €8,395 thousand of total personnel expenses.

3.4 Depreciation and amortisation

As in the previous year, depreciation and amortisation of non-current intangible assets and property, plant and equipment in the financial year 2016 does not include any write-downs on goodwill due to impairment. Depreciation and amortisation amounted to €11,917 thousand (2015: €10,389 thousand). The year-on-year increase resulted from the business combination in 2016 and the related revaluation of intangible assets (software, client base), as well as increased depreciation of property, plant and equipment due to the rise in capital expenditure. In the previous year, the continued operation accounted for €10,329 thousand and the discontinued operation for €60 thousand of total depreciation and amortisation.

3.5 Other operating expenses

Composition of other operating expenses

in € thsd.	31/12/2016	31/12/2015
Operating expenses	17,759	14,428
Distribution expenses	21,517	20,569
Administrative expenses	21,426	13,183
Currency losses	3,520	1,831
Taxes not dependent on income	1,305	781
Expenses in connection with the acquisition of companies	120	283
Value adjustments and uncollectable receivables	1,737	776
Out-of-period expenses	0	35
Contract penalties, warranties	62	500
Other operating expenses	97	2,038
Continued operations	**67,543**	**54,424**
Discontinued operations	**0**	**6,725**
Entire company	**67,543**	**61,149**

3.6 Research and development expenses

In the financial year 2016, research and development costs of €7.42 million were expensed (2015: €3.62 million). The GFT Group only discloses expenses for the development of new technologies and processes in this item.

Development costs of €0.33 million were capitalised by GFT Italia S.r.l. in 2016 (2015: €0.30 million). These capitalised expenses are not included in the aforementioned expense. They refer to self-used project management software for processing external projects.

3.7 Interest income, interest expenses

Interest result

in € thsd.	31/12/2016	31/12/2015
Other interest and similar income		
Interest on bank balances	**61**	**42**
Interest from securities	0	3
Other interest income	155	147
Continued operations	**216**	**192**
Discontinued operations	**0**	**0**
Entire company	**216**	**192**
Interest and similar expenses		
Interest on financial liabilities	−1,807	−1,707
Other interest expenses	−155	−188
Continued operations	**−1,962**	**−1,895**
Discontinued operations	**–**	**−93**
Entire company	**−1,962**	**−1,988**
Interest result of continued operations	**−1,746**	**−1,703**
Interest result of discontinued operations	**–**	**−93**
Interest result of entire company	**−1,746**	**−1,796**

4. Explanations on items of the consolidated cash flow statement

Cash flow from operating activities is calculated using the indirect method. The additional information as per IAS 7 is indicated as follows: The financial fund on which the statement of cash flows is based comprises cash and cash equivalents and is reconciled with the balance sheet items of the same name as follows:

Cash and cash equivalents

in € thsd.	31/12/2016	31/12/2015
Cash	7	5
Short-term cash deposits with banks	62,283	46,973
Balance as of 31 December	**62,290**	**46,978**

Disclosures on the purchase of subsidiaries and other legal entities

in € thsd.	Purchase price	Share of cash in the purchase price (in %)	Cash acquired	Other assets acquired	Liabilities assumed
Acquisition of companies	8,363	82	192	8,567	396
thereof					
Non-current assets				8,130	
Current assets				437	
Non-current liabilities					249
Current liabilities					147

5. Other disclosures

5.1 Additional information on the consolidated statement of comprehensive income

Distribution of income tax amounts among components of other comprehensive income

	2016			2015		
in €	Amount before tax	Income taxes	Amount after tax	Amount before tax	Income taxes	Amount after tax
Components never reclassified to the income statement, actuarial gains/losses	–42,912.51	6,015.16	–36,897.35	–822,939.42	221,261.62	–601,677.80
	–42,912.51	**6,015.16**	**–36,897.35**	**–822,939.42**	**221,261.62**	**–601,677.80**
Exchange differences on translating foreign operations	–6,463,154.79	0.00	–6,463,154.79	7,330,548.01	0.00	7,330,548.01
	–6,506,070.30	**6,015.16**	**–6,500,052.14**	**6,507,608.59**	**221,261.62**	**6,728,870.21**

5.2 Segment reporting

The segment reporting of GFT Technologies SE (GFT) was changed with effect from 1 January 2016. As a result of the sale of the staffing services division emagine with effect from 30 September 2015, the structure of those corporate components used to make decisions in business affairs has changed. Consequently, the former GFT business division is now divided into the segments *Americas & UK* and *Continental Europe*. The prior-year figures have been adjusted accordingly.

The *Americas & UK* segment comprises companies in the following countries:

- UK
- USA
- Canada
- Brazil
- Costa Rica
- Mexico
- Peru

The *Continental Europe* segment comprises companies in the following countries:

- Germany
- Italy
- Switzerland
- Spain
- Poland

Segment reporting complies with the accounting principles specified in IFRS 8 and is based on the internal controlling and reporting of the GFT Group.

The type of services and products with which the reporting segments generate their income are all activities in conjunction with IT solutions (services and projects). Internal controlling and reporting within the GFT Group, and thus the segment reporting, is based on the principles of IFRS accounting, as applied in the consolidated financial statements. The GFT Group measures the success of its segments on the basis of the segment performance indicator EBT (earnings before taxes), amongst others. Segment revenues and segment results also include transactions between business segments. Transactions between segments are conducted at market prices and on an arm's-length basis.

The Managing Directors and the Administrative Board do not receive regular information on segment assets, segment liabilities or the capital expenditure of each segment. Assets and liabilities are disclosed in the consolidated balance sheet. Please refer to page 114 et seq. for further details on individual items of the business segments. Disclosures concerning revenue from external clients for each group of comparable products and services are also included.

Reconciliation of segment figures

in € million	2016	2015
Total segment revenue	502.92	517.23
Elimination of inter-segment revenue	–82.98	–76.91
Occasionally occurring revenue	2.62	0.05
Group revenue	**422.56**	**440.36**
Total segment results (EBT)	34.69	35.22
Non-attributed expenses/income of Group HQ	0.28	–1.02
Other	–1.92	–2.59
Group result before taxes	**33.05**	**31.61**

The reconciliation discloses items which per definition are not components of the segments. In addition, non-attributed items of Group HQ, e.g. from centrally managed issues, or revenue which only occasionally occurs for company activities, are also contained. The reconciliation also contains disclosures in connection with the trade fair appearance of CODE_n. Business transactions between the segments are also eliminated in the reconciliation.

Revenue and non-current intangible and tangible assets by country

	Revenue from sales to external clients[1]		Non-current intangible and tangible assets	
in € thsd.	2016	2015	2016	2015
UK	138,833	171,803	54,650	63,043
Italy	56,102	54,328	27,527	28,671
Spain	78,050	48,468	22,486	22,826
Germany	51,988	71,053	43,151	42,871
USA	55,178	37,119	6,418	6,182
Switzerland	11,409	10,736	121	130
Brazil	18,776	7,306	10,791	953
France	0	29,443	0	0
Poland	0	0	1,553	1,122
Other foreign countries	12,223	10,107	1,130	169
emagine (discontinued)	0	–66,856		
Total	**422,559**	**373,507**	**167,827**	**165,967**

[1] According to client location

Clients accounting for over 10% of revenue

	Revenue		Segments in which this revenue is generated	
in € million	2016	2015	2016	2015
Client 1	185.09	172.79	*Americas & UK, Continental Europe*	GFT, emagine

As in the previous year, revenue was generated from the provision of services.

Information on Operating Segments
Segment report for the period from 1 January to 31 December 2016

	GFT			
	Americas & UK		*Continental Europe*	
in € thsd.	2016	2015	2016	2015
External sales	219,414	210,783	200,522	162,679
Inter-segment sales	4,984	1,171	77,999	75,364
Total revenues	**224,398**	**211,954**	**278,521**	**238,044**
Scheduled depreciaton and amortisation	–5,177	–4,626	–5,855	–5,022
Significant non-cash income/expenditure other than depreciation	1,775	–83	–16	–20
Interest income	374	431	548	124
Interest expenses	–1,881	–1,939	–1,083	–762
Share of net profits of associated companies reported according to the equity method	0	0	0	0
Segment result (EBT)	**9,432**	**16,075**	**25,261**	**20,056**

[1] Sold business division

5.3 Business combinations during the financial year 2016

Compared to the consolidated financial statements as of 31 December 2015, the following changes have resulted for the consolidated group:

In an agreement dated 12 April 2016, GFT Brasil Consultoria Informatica Ltda., São Paulo, Brazil, acquired 100% of shares in the Brazilian IT service provider W.G. Systems Ltda., São Paulo, Brazil, for a purchase price of €6.85 million. The agreement contains an earn-out component which depends on reaching certain revenue targets between €0 and €1.84 million.

Founded in 2000, W.G. Systems Ltda., São Paulo, Brazil, ran its business under the trade-mark Habber Tec Brazil and specialises in the implementation and ongoing support of business process management (BPM), big data, analytics and mobile solutions. Similar to GFT Technologies SE, the company has a substantial footprint in the financial services industry. With over 100 employees, the company generated revenues of €5.50 million in its financial year 2015, with earnings before interest, taxes, depreciation and amortisation (EBITDA) of €1.44 million and pre-tax earnings (EBT) of €0.88 million.

The main motivation for the acquisition was to strengthen the position of the GFT Group as an IT service provider for the financial services industry and to expand its portfolio of services by adding high-quality consulting expertise in the Brazilian market.

Further reasons included:

a) Access to new clients in the field of major financial institutes and insurance companies

b) Expansion of portfolio with regard to BPM and mobile solutions, especially digital applications for the lending business and digital banking

c) Expected synergies between GFT and W.G. Systems Ltda. for the joint tapping of customers in the Brazilian market

d) Positioning of selected expertise of W.G. Systems Ltda. among Brazilian clients of the GFT Group

e) The high level of skill and motivation of employees at W.G. Systems Ltda.

	emagine[1]		Total		Reconciliation		GFT Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	0	66,856	419,936	440,318	2,623	45	422,559	440,363
	0	375	82,983	76,910	–82,983	–76,910	0	0
	0	**67,231**	**502,919**	**517,228**	**–80,360**	**–76,865**	**422,559**	**440,363**
	0	–60	–11,032	–9,708	–885	–680	–11,917	–10,388
	0	–2,949	1,760	–3,052	–4,035	–327	–2,276	–3,379
	0	2	922	557	–706	–365	216	192
	0	–95	–2,964	–2,796	1,002	808	–1,962	–1,988
	0	0	0	0	–54	–30	–54	–30
	0	**–914**	**34,693**	**35,217**	**–1,645**	**–3,606**	**33,048**	**31,611**

The goodwill resulting from the purchase amounts to €4.13 million, which not only reflects the considerable synergy effects and cross-selling effects, but also the expected growth in the portfolio of the GFT Group. Goodwill is not tax deductible. The transaction costs for the acquisition amount to €0.12 million and were recognised in profit or loss as other operating expenses.

The amounts of acquired assets and assumed liabilities at the time of acquisition are shown below:

Acquired assets and assumed liabilities

in € million	At time of acquisition
Goodwill	4.13
Intangible assets	3.88
Office and factory equipment	0.12
Trade receivables	0.38
Other assets	0.05
Cash and cash equivalents	0.19
Total assets	**8.76**
Other provisions	0.25
Other liabilities	0.15
Total liabilities	**0.40**

The acquired receivables refer to trade receivables. The fair value of acquired receivables amounts to €0.38 million, and the gross amount is €0.38 million. Adjusted receivables as of the purchase date amount to €0.00 million. No defaults on receivables are expected. Moreover, no contingent liabilities were recognised pursuant to IFRS 3.23. Since the date of acquisition (12 April 2016), W.G. Systems Ltda. has generated third-party sales of €6.52 million and contributed €1.00 million to the consolidated operating result (EBT) as of 31 December 2016. If the acquisition had already taken place on 1 January 2016, third-party sales of €7.58 million and an earnings contribution of approx. €1.11 million would have been generated.

The conditional consideration due to the former shareholders of W.G. Systems Ltda., Brazil, is between €0 and €1.84 million and contingent on the achievement of revenue targets in the years 2016 and 2017. It developed as follows:

Carrying amount of the conditional consideration due to former shareholders of W.G. Systems Ltda.

in € million	2016
Carrying amount as of 12 April	1.51
Currency effects	0.28
Interest effects	0.02
Payment	0.00
Carrying amount as of 31 December	**1.81**

The carrying amount of the variable purchase price liability due to former shareholders of Sempla S.r.l. as of 31 December 2016 changed as follows:

Carrying amount of the conditional consideration due to former shareholders of GFT Italia S.r.l (formerly Sempla S.r.l.)

in € million	2016
Carrying amount as of 1 January	11.83
Adjustment to the expected value	15.10
Interest effects	0.56
Payment	0
Carrying amount as of 31 December	**27.49**

The variable purchase price liability depends on the future earnings of GFT Italia S.r.l. Average earnings before interest, taxes, depreciation and amortisation in the years 2015, 2016 and 2017 are the main factor for calculating the variable purchase price liability. The above figures were based on net income for 2015 and 2016 and the budget for 2017. The prior-year assumptions were easily exceeded. This was due in part to the company's very high capacity utilisation. The maximum amount of the payment is not capped and the estimated range of payments from this agreement is between €22,900 thousand and €29,400 thousand.

A change in the calculation basis of 5% as at the end of the reporting period would have increased or decreased the value of the variable purchase price liability as follows.

Sensitivity of the variable purchase price liability

in € thsd.	31/12/2016
EBITDA	
+5%	2,615
−5%	−2,615

A review of fair value of the variable purchase price liability at the end of the reporting period resulted in an adjustment of interest and an adjustment of the expected value. This was mainly due to very high capacity utilisation in the fourth quarter of 2016. The disclosure of the current expected value corresponds to the results for 2015 – 2016, including the increased budget for 2017. By exercising the option to apply the anticipated acquisition method, the transaction is already treated as an acquisition of all outstanding shares in GFT Italia S.r.l. as of 3 July 2013 (closing). As a result, only the contractually dividend is treated as a dividend to minority shareholders.

5.4 Earnings per share

Earnings per share of the GFT Group acc. to IAS 33

in €	31/12/2016	31/12/2015
Basic earnings per share	0.92	0.96
Profit for the period considered	24,228,682.18	25,336,329.60
Number of ordinary shares considered	26,325,946	26,325,946
Diluted earnings per share	0.92	0.96
Profit for the period considered	24,228,682.18	25,336,329.60
Number of ordinary shares considered	26,325,946	26,325,946

in €	31/12/2016	31/12/2015
Basic earnings per share from continued operations	0.92	1.01
Profit for the period considered	24,228,682.18	26,545,246.93
Number of ordinary shares considered	26,325,946	26,325,946
Basic earnings per share from continued operations	0.92	1.01
Profit for the period considered	24,228,682.18	26,545,246.93
Number of ordinary shares considered	26,325,946	26,325,946

Conditional capital may potentially dilute undiluted earnings in future. It was not included in the calculation of undiluted earnings per share in the financial years 2016 and 2015 as the conditional capital was not exercised.

5.5 Reporting on financial instruments

Information on financial instruments according to categories
The table on pages 120 et seq shows the carrying amounts and the fair value of the individual financial assets and liabilities for each individual class of financial instruments, and transfers them to the corresponding balance sheet items.

The fair value of a financial instrument is the price at which a party would take on the rights and/or obligations from this financial instrument from an independent, contractually-willing other party. In the case of financial instruments to be accounted for at fair value, the latter is determined on the basis of market prices. If no market prices are available, a valuation is carried out using typical valuation methods based on instrument-specific market parameters.

The fair value of loans and receivables and of original liabilities is determined as the present value of future cash inflows or outflows, discounted at a current interest rate at the end of the reporting period, taking into account the respective due date of the asset items or the residual term of the liability. Owing to the mainly short maturity term of trade payables and receivables, other receivables and liabilities and cash and cash equivalents, the carrying amounts at the end of the reporting period do not vary significantly from the fair values.

Financial instruments stated in the balance sheet at fair value can be classified according to the following hierarchy which reflects to which extent the fair value is observable:

> Level 1: measurement at fair value on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2: measurement at fair value using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
>
> Level 3: measurement at fair value based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of Level 3 were measured using the following valuation model:

The valuation model takes into account the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is calculated taking account of the possible scenarios of predicted EBITDA, the amount to be paid in each of these scenarios, and the probability of each of these scenarios.

The main non-observable input factors include the expected development of revenue and earnings.

The relationship between material, non-observable input factors and measurement at fair value is as follows:

The estimated fair value would increase (decrease) if revenue and earnings increase (decrease) relative to the expected value.

Quantitative disclosures for financial instruments stated in the balance sheet at fair value are included in the table on pages 120 et seq.

Disclosures regarding all profits and losses from financial instruments measured at fair value recognised in net income are provided in the table below.

Net profits (+) or losses (−) from financial instruments

in € thsd.	31/12/2016	31/12/2015
Net profits/losses from financial assets measured at fair value through profit or loss	1,579	−698
Net profits/losses from the disposal of available-for-sale financial assets	0	0
Profit/loss directly recognised in other comprehensive income (market assessment reserve)	0	0
Amount reclassified from equity (market assessment reserve) to the income statement	0	0
Net profits/losses from loans and receivables	**−2**	**−426**
Expenses from impairment	−1,737	−769
Income from reversals of impairment loss	1,735	343
Derecognition	0	0
Net profits/losses from currency translation	−130	0
Net profits/losses from financial liabilities valued at amortised cost	**0**	**0**

The net profits or losses from financial assets and liabilities measured at fair value through profit or loss also include interest expenses and income from these financial instruments in addition to earnings from changes in market value. Results from market assessment changes are included in the income statement in the items “Other operating income/expenses” and “Write-downs on securities”. Interest income and expenses from financial assets and liabilities measured at fair value through profit or loss are included in the financial result of the income statement.

The net profits or losses arising from loans and receivables, and from financial liabilities which are valued at amortised cost, mainly contain earnings from impairment, reversal of an impairment loss and write-offs which are shown in other operating income or expenses.

The total interest income and expenses for financial assets and financial liabilities which are not classified as measured at fair value through profit or loss are as follows:

Total interest income and expenses

in € thsd.	31/12/2016	31/12/2015
Total interest income (entire company)	216	189
Total interest expense (entire company)	−1,808	−1,800

For a statement of impairment loss on trade receivables, please refer to “The development of valuation allowance” in note 2.7. In the case of other financial assets, impairment losses of €0 thousand were recognised in profit and loss (2015: €0 thousand). In the reporting period, as in the previous year, no impairments on investments or on securities in the "available for sale" category were recognised in profit or loss.

General information on risks arising from financial instruments

The GFT Group is exposed to various risks in connection with financial instruments, which are detailed below. The risk report within the combined management report (note 3) also contains statements on the risks arising from financial instruments which we hereby refer to.

The GFT Group has issued internal guidelines which concern risk controlling processes and thus contain a clear separation of functions with regard to the operative financial activities, their handling, bookkeeping and the controlling of the financial instruments. The guidelines which form the basis for the Group’s risk management processes are aimed at identifying and analysing the risks on a Group-wide basis. In addition, they are aimed at the appropriate limitation and control of risks and their supervision.

Credit risk

The credit risk is the risk of a financial loss arising because a contracting party fails to meet its contractual payment obligations. The credit risk includes both the direct credit risk and the risk of deterioration in creditworthiness.

The liquid funds are mainly composed of cash and cash equivalents. The Group is exposed to losses from credit risks in connection with the in-vestment of cash and cash equivalents if banks and issuers of securities do not meet their obligations. When investing cash and cash equivalents, the banks and issuers of securities are selected with care. The maximum risk exposure from cash and cash equivalents corresponds to the carrying amounts of these assets.

There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

The maximum risk exposure of securities and current assets corresponds to the carrying amount of these assets.

The trade receivables result from sales activities of the Group. The credit risk includes the credit risk of customers; customer receivables are not hedged as a rule. The GFT Group controls credit risks from trade receivables on the basis of internal guidelines. In order to safeguard against credit risk, creditworthiness checks are carried out by clients. Processes also exist for regular monitoring, especially of default-endangered receivables. Valuation allowances are carried out for the risk inherent in trade receivables if required. The maximum risk exposure from trade receivables corresponds to the carrying amount of these receivables.

Carrying amounts of trade receivables

in € million	31/12/2016	31/12/2015
Neither overdue nor value-adjusted receivables	77.0	86.2
Overdue receivables which have not been value adjusted		
Less than 90 days	36.8	2.3
90 to 180 days	3.1	0.8
180 to 360 days	0.7	0.4
More than 360 days	–0.2	0
Value-adjusted receivables	2.8	5.1
Carrying amount	**117.3**	**94.8**

There are receivables, which are neither overdue nor value-adjusted, amounting to €77.0 million due from customers with very good credit ratings.

The maximum risk exposure of receivables from construction contracts corresponds to the carrying amount of these assets. There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

The maximum credit risk exposure of the financial assets shown in other non-current and current assets corresponds to the carrying amount of these instruments; the GFT Group is only exposed to a minimal credit risk from other assets. There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

There are no significant financial assets which are overdue but not value-adjusted in any other the above mentioned classes.

Concentration of credit risk

in € million	31/12/2016	31/12/2015
Carrying amount	117.3	94.8
Concentration according to customers		
Receivables from five biggest customers	49.6	28.8
Receivables from rest of customers	67.7	66.0
Concentration according to regions[1]		
Germany	15.7	3.2
Europe (outside Germany)	65.8	82.3
Rest of the world	35.8	9.3

[1] According to client location

Information on financial instruments according to class

in € thsd.	Measurement category acc. to IAS 39	31/12/2016 Not measured at fair value Carrying amount	Fair value	Measured at fair value Carrying amount	Fair value Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial assets								
Loans and receivables								
Receivables from goods and services rendered	LaR	112,402	112,402					112,402
Amounts due from customers for production work	LaR	4,906	4,906					4,906
Cash and cash equivalents	LaR	62,290	62,290					62,290
Other long-term financial assets[5]	LaR	1,484	1,484					1,484
Other short-term financial assets	LaR	1,714	1,714					1,714
Total		**182,796**	**182,796**					**182,796**
Measured at fair value through profit or loss								
Dividend-bearing securities	AfS	0		0	0			0
Interest rate cap[5, 7]	n.a.	0		68		68		68
Total		**0**	**0**					**68**
Financial liabilities								
Other financial liabilities								
Trade payables	FLAC	12,517	12,517					12,517
Other short-term financial liabilities	FLAC	1,913	1,913					1,913
Other long-term financial liabilities[4]	FLAC	4,671	4,671					4,671
Financial liabilities	FLAC	104,343	105,334					104,343
Financial liabilities from subsequent purchase price payments[4, 6]	FvtPL			32,844			32,844	32,844
Total		**123,444**	**124,435**	**32,844**	**0**	**0**	**32,844**	**156,288**
Thereof aggregated acc. to the measurement categories of IAS 39:								
Loans and receivables (LaR)		182,796	182,796					182,796
Available-for-sale financial assets (AfS)								0
Financial liabilities measured at amortised cost (FLAC)		123,444	124,435					123,444
Financial liabilities at fair value through profit or loss (FvtPL)				32,844			32,844	32,844

1 Fair values were measured on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.
2 Fair values were measured on the basis of inputs other than quoted prices included within level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
3 Fair values were measured on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).
4 Other long-term financial liabilities and financial liabilities from subsequent purchase price payments form together total other long-term financial liabilities acc. to balance sheet disclosure.
5 Other long-term financial assets and the interest cap form together other financial assets acc. to balance sheet disclosure.
6 The carrying amount of financial liabilities from subsequent purchase price payments was adjusted. No reclassification was made.
7 The interest rate cap was designated as a hedging instrument with regard to its intrinsic value within the context of hedge accounting, while its fair value is separate.

	31/12/2015						
	Not measured at fair value		Measured at fair value				Total
	Carrying amount	Fair value	Carrying amount	Fair value			
				Level 1[1]	Level 2[2]	Level 3[3]	
	83,429	83,429					83,429
	11,399	11,399					11,399
	46,978	46,978					46,978
	1,593	1,593					1,593
	1,222	1,222					1,222
	144,621	**144,621**					**144,621**
			123	123			123
			221		221		221
							344
	11,371	11,371					11,371
	4,287	4,287					4,287
	2,108	2,108					2,108
	83,437	83,437					83,437
			11,828		11,828		11,828
	101,203	**101,203**	**11,828**	**0**	**11,828**	**0**	**113,031**
	144,621	144,621					144,621
							0
		101,203					101,203
			11,828			0	0

Liquidity risk
The liquidity risk describes the risk that a company cannot adequately meet its financial obligations.

The GFT Group mainly generates funds from its operating business and external financing. The funds are mainly used to finance working capital and investments. All companies are included in the liquidity management by means of a central treasury system. Liquidity surpluses and demands can thus be controlled according to the needs of the entire Group, as well as individual companies in the Group.

Composition of financial liabilities

in € thsd.	Carrying amount 31/12/2016	Cash flows up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	104,343	37	5,284	14,315	83,383	6,170
Trade payables	12,517	10,580	1,823	49	65	
Other financial liabilities	1,913	1,913				
Financial liabilities from dividends and purchase price payments	32,844				32,844	
	151,617	**12,530**	**7,107**	**14,364**	**116,292**	**6,170**

in € thsd.	Carrying amount 31/12/2015	Cash flows up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	83,437	9	167	444	76,679	6,138
Trade payables	11,371	8,080	3,131	160		
Other financial liabilities	4,287	2,138		1,776	373	
Financial liabilities from dividends and purchase price payments	13,936				13,936	
	113,031	**10,227**	**3,298**	**2,380**	**90,988**	**6,138**

The liquidity kept in reserve, the credit lines and the ongoing operative cash flow give the GFT Group sufficient flexibility to cover the Group's refinancing needs. There is a concentration of risk regarding cash outflows in the period one year to five years after the balance sheet date. The cash outflow is mainly due to expiring bank loans. The total amount of outgoing liquidity during this period amounts to €116.29 million. The amount is calculated on the basis of liquidity management. The promissory note loan agreements signed on 27 November 2013 totalling €25.00 million, the syndicated loan agreement of 21 July 2015 totalling €80.00 million and a bilateral credit facility agreement signed on 1 February 2016 and raised again on 21 October 2016 totalling €10.00 million include various covenants. Non-compliance with these covenants may lead to the premature maturity of the loan. These loan covenants were met at all times. Interest rate risks of bank liabilities with variable interest rates are hedged by the GFT Group with an interest cap of €40.00 million and a cash flow hedge.

Structure of interest hedge derivative

Interest cap	€40,000 thousand
Term	5 years
Upper interest limit	1.00%
Reference interest rate	Euribor – 3 months

The hedged item refers to cash flows for interest payments based on the Euribor – 3 months – rate from a floating-rate loan of €40.00 million (syndicated loan). The hedged risk is designated as the negative cash flow in the form of changes in interest payments due to an increase in the Euribor – 3 months – interest rate beyond the strike of the interest rate cap set at 1.00%. In accordance with IAS 39.74 (a), the hedging instrument is designated as the interest rate cap in the amount of change in its intrinsic value, the change in fair value of €–153 thousand (2015: €–149 thousand) is not considered in the measurement of effectiveness and recognised directly through profit or loss. The market value of the interest cap as of 31 December 2016 amounts to €68 thousand.

Market value of the interest cap

	Nominal		Market value	
in € thsd.	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Interest cap	40,000	40,000	68	221

The valuation is carried out by the participating financial institutions on the basis of market data on the measurement date and using generally accepted valuation models.

A change in interest rates of 100 base points (bp) as of the reporting date would have increased or decreased equity and profit or loss by the following amounts:

Sensitivity of cash flows

	Through profit and loss		Through equity	
in € thsd.	Increase 100 Bp	Decrease 100 Bp	Increase 100 Bp	Decrease 100 Bp
Interest cap 31 December 2015	183	–129	270	0
Interest cap 31 December 2016	158	–39	0	0

As of the reporting date, there is no ineffectiveness as the intrinsic value of the derivative amounts to €0 thousand (2015: €0 thousand).

Market risk
In terms of market risk, risk means that the fair value or future cash flows of a financial instrument fluctuate due to the changes in market prices. Market risk includes the three risk types: exchange rate risk, interest risk and other price risks (e.g. share price risks). Market risks may have a negative impact on the Group's financial position and profit or loss. The GFT Group controls and monitors market risks mainly via its operative business and financing activities and, if it is appropriate and meaningful in individual cases, by using derivative financial instruments. The Group regularly assesses these risks by following changes in economic key indicators and market information.

The GFT Group is also exposed to exchange rate risks due to its international alignment. Exchange rate risks occur in the case of financial instruments which are denominated in a foreign currency, i.e. a different currency to the functional currency in which they are valued. Financial instruments in functional currency and non-monetary items do not include any exchange rate risk.

The exchange rate risk of the GFT Group arising from its operative business is very low for the following reasons:

- The revenue of the GFT Group is generated mostly in euro (2016 approx. 68%; 2015 approx. 67%), which is the functional currency of the invoicing company. In addition to customers in the euro zone, this also applies to sales with customers in the UK, Brazil and the USA.
- Sales through customers in Switzerland (corresponding to about 3% of total revenue; 2015: 3%) are normally invoiced in Swiss francs, which is the functional currency of the Swiss national company, and so no exchange rate risk is incurred.
- Revenue from clients in the UK (corresponding to about 36% of total revenue; 2015: 43%) are invoiced in UK pounds (19%, 2015: 23%) and euro (17%, 2015: 20%). The functional currency of GFT UK Limited is euro, the functional currency of GFT Financial Limited is UK pounds.
- Revenue from clients in the USA (corresponding to about 10% of total revenue; 2015: 10%) was invoiced in US dollars (5%; 2015: 4%), which is the functional currency of one of the US national companies, and euro (5%; 2015: 6%). As a result, there is only a marginal exchange rate risk.
- Sales through customers in Brazil (corresponding to about 4% of total revenue; 2015: 2%) are invoiced in Brazilian real, which is the functional currency of the Brazilian national company, and so no exchange rate risk is incurred.
- Revenue from clients in Mexico (corresponding to about 2% of total revenue) is invoiced in Mexican peso, which is the functional currency of the Mexican companies. As a result, no exchange rate risk is incurred.

The purchases of the GFT Group (mainly outside services, staff) are also conducted almost exclusively in the functional currency of the procuring company (in practice largely in euro).

Effects may arise from currency conversion within the scope of consolidation from translating the balance sheets and income statements of subsidiaries whose functional currency is not the euro. These include companies with the currencies UK pound, US dollar, Swiss franc, Brazilian real, Polish zloty, Canadian dollar, Mexican peso, Costa Rican colon and Peruvian sol. These currency conversion effects decreased by €6,462 thousand as of 31 December 2016. The development in financial year 2016 was mainly the result of the trend of the UK pound. The risk for the GFT Group is that on deconsolidation of Group companies, the applicable currency translation difference is liquidated through profit or loss.

There are no currencies that pose a significant risk to the Group. In the financial year 2016, there was only exchange rate hedging for certain periods between the UK pound and the Polish zloty using derivative instruments. Only structured synthetic exchange rate transactions were used to hedge internal Group payments in Polish zloty between GFT Financial Ltd. and GFT Poland Sp. z.o.o.

Interest risk
Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the market interest rate. As regards financial assets, the GFT Group does not see any risk from interest rate changes in the case of the largely short-term due and non-interest-bearing trade receivables or the other financial assets. In the case of cash and cash equivalents there is a risk that a lower market interest rate will lead to lower interest income; a fall in the market interest rate by one percentage point would in this case lead to a fall in interest income of €40 thousand. The securities with a partially variable rate of interest (liabilities) are subject to an interest risk that is reflected in both the fair value and the size of the interest income. Original financial liabilities with a variable rate of interest and without hedging amount to €41,000 thousand. An increase in the interest rate of one percentage point would raise the interest expense by €410 thousand. Hedging the interest risk was not necessary until 2016 and was also not carried out. For the non-revolving tranche of the syndicated loan drawn in 2015 amounting to €40,000 thousand, the interest risk was hedged in the form of an interest rate cap using interest options. The maximum interest rate risk compared to the interest rate at the end of the reporting period is 1% and would lead to an increase in interest expenses of €400 thousand. As the GFT Group does not hold any shares in listed companies and other financial instruments are also not dependent on share prices or share price indexes, there is no share price risk.

5.6 Other financial obligations

Future leasing obligations

in € thsd.	31/12/2016	31/12/2015
Obligations from temporary rental, leasing and licensing contracts at nominal value		
due in the following year	7,268	5,820
due in 2 to 4 years	16,724	14,629
due in 5 or more years (excluding obligations unlimited in time)	17,528	15,594
	41,520	**36,043**
Annual obligations from open-ended rental contracts	2,039	457

Payments under operating leases that are expensed in the reporting period total €8,130 thousand (2015: €9,284 thousand). All lease agreements of the GFT Group qualify as operating leases from a commercial point of view, so that leased objects are attributed to the lessor, not the GFT Group, the lessee. Leases primarily relate to business premises, as well as vehicles and office equipment. Lease agreements for buildings are generally concluded for a fixed lease period and had remaining terms of up to 15 years as of 31 December 2016. Operating leases for vehicles and office equipment have terms of between three and seven years. Agreements usually terminate automatically at the end of the term of the agreement. Order commitments for intangible assets as of 31 December 2015 amount to €0 thousand (2015: €0 thousand). As of 31 December 2016, order commitments for intangible assets amount to €0 thousand (2015: €0 thousand). Order commitments for property, plant and equipment amount to €92 thousand (2015: €338 thousand).

5.7 Relationships with affiliated companies and persons

Executive bodies

Affiliated persons from the shareholder group that held shares in the Company prior to the IPO in June of 1999 are Ulrich Dietz, the Chairman of the Managing Directors, as well as Maria Dietz, member of the Supervisory Board. Ulrich Dietz and Maria Dietz have informed the company that they held 29.9% and 9.7% of voting rights in GFT Technologies SE, respectively, as of 1 April 2002. As of 31 December 2016, Ulrich Dietz holds 26.3% (2015: 26.2%) and Maria Dietz 9.7% (2015: 9.7%) of GFT shares. There were no other relationships or transactions above and beyond the existing employment relationships with the individuals mentioned above (as of 23 June 2015 there is no employment relationship with Maria Dietz) during the financial year 2016 as well as during the financial year 2015.

In 2016, an amount €17,000 (2015: €60,000) was incurred for legal and consultancy services provided by the law firm Hennerkes, Kirchdörfer & Lorz, of whom Professor Dr Andreas Wiedemann (member of the Administrative Board) is a partner. As of 31 December 2016, trade payables contain liabilities due to the law firm Hennerkes, Kirchdörfer & Lorz of €0 thousand (2015: €0 thousand).

There were no other business relationships with members of the Administrative Board. No other benefits or payments were granted to members of the Administrative Board for personally rendered services, in particular consultancy and referral services.

Remuneration of the Administrative Board

No Administrative Board members were granted loans or advances by the company or any affiliated company.

The compensation amount expensed for the members of the Administrative Board breaks down as follows:

Administrative Board compensation

in € thsd.	31/12/2016	31/12/2015
Fixed compensation component	1,268	1,203
Short-term variable compensation component	744	1,183
Long-term variable compensation component	420	497
Total	**2,432**	**2,883**

The prior-year figure also includes the Executive Board which existed until the company's conversion to an SE.

Total compensation for the Managing Directors of the Administrative Board in the financial year 2016 amounted to €2,217 thousand (2015: €2,859 thousand).

Total compensation for the Administrative Board without the Managing Directors in the financial year 2016 amounted to €215 thousand. Total compensation for the members of the Administrative Board in the financial year 2015 amounted to €65 thousand, while total compensation for the Administrative Board without the Managing Directors in the previous year amounted to €24 thousand.

Regarding the composition of related parties of the Managing Directors and Administrative Board, we refer to the following section on "Executive bodies of the parent company", and with regard to their detailed remuneration, we refer to the remuneration report contained in the combined management report.

Associated companies

Since 1 March 2008, eQuadriga Software Private Limited, Trichy/India, (formerly GFT Technologies (India) Private Limited), is a related company of the GFT Group (associated company since 1 March 2008, previously fully consolidated). Relations to eQuadriga Software Private Limited have existed since 1 March 2008, primarily within the context of service procurements (above all procurement of IT consulting and programming services). In the financial year 2016, services procured from eQuadriga Software Private Limited amounted to a total of €5 thousand (2015: €38 thousand); the services were invoiced at customary market conditions. As of 31 December 2016, trade payables include liabilities due to eQuadriga Software Private Limited of €0 thousand (2015: €3 thousand).

Parkpocket GmbH has been a related company of the GFT Group since 3 August 2015. There was no exchange of services between the GFT Group and Parkpocket GmbH in the financial year 2016.

5.8 Executive bodies of the parent company

Administrative Board

Dr Paul Lerbinger

- Chairman of the Administrative Board
- Former CEO of HSH Nordbank AG, Hamburg, Germany

External mandates:
MainFirst Bank Aktiengesellschaft, Frankfurt/Main, Germany (Member of the Supervisory Board), until 23 March 2016
Minimax Management GmbH, Bad Oldesloe, Germany (Member of the Supervisory Board), since 12 April 2016

Ulrich Dietz

- Deputy Chairman of the Administrative Board
- Chairman of the Managing Directors, Chief Executive Officer (CEO)
- Responsible for the corporate functions Strategy, Marketing, Communication, Investor Relations and Internal IT

External mandates:
Deutsche Bank AG, Stuttgart, Germany (Advisory Committee)
Unternehmerbeirat Baden-Württemberg International, Germany (chair)

Dr-Ing Andreas Bereczky

- Member of the Administrative Board
- Production Director Zweites Deutsches Fernsehen, Mainz, Germany

External mandate:
Software AG, Darmstadt, Germany (Chairman of the Supervisory Board)

Maria Dietz

- Member of the Administrative Board
- Former Head of Procurement of the GFT Group

Marika Lulay

- Member of the Administrative Board
- Managing Director, Chief Operating Officer (COO)
- Responsible for the *Americas & UK* and *Continental Europe*

External mandate:
Wüstenrot & Württembergische AG, Stuttgart, Germany (Member of the Supervisory Board), since 9 June 2016

Dr Jochen Ruetz

- Member of the Administrative Board
- Managing Director, Chief Financial Officer (CFO)
- Responsible for the corporate functions Finance, Controlling, Human Resources, Internal Audit, Legal Affairs, Procurement

External mandate:
G. Elsinghorst Handelsgesellschaft mbH, Bocholt, Germany (Member of the Supervisory Board)

Prof Dr Andreas Wiedemann

- Member of the Administrative Board
- Partner of the law firm Hennerkes, Kirchdörfer & Lorz, Stuttgart, Germany

External mandates:
Jowat SE, Detmold (Chairman of the Supervisory Board)
Bree Collection GmbH, Isernhagen (Deputy Chairman of the Advisory Committee)
C. Josef Lamy GmbH, Heidelberg (Deputy Chairman of the Advisory Committee)
Franz Schneider Brakel GmbH & Co. KG, Brakel (Deputy Chairman of the Advisory Committee)
equinet Bank AG, Frankfurt (Chairman of the Supervisory Board)
Büchi Erbenholding AG, Flawil, Switzerland (President of the Administrative Board), since 22 December 2016
KU Kreatives Unternehmertum gGmbH, Munich, Germany (Chairman of the Advisory Committee), since 29 January 2016

Managing Directors

Ulrich Dietz

- Deputy Chairman of the Administrative Board
- Chairman of the Managing Directors, CEO
- Responsible for the corporate functions Strategy, Marketing, Communication, Investor Relations and Internal IT

External mandates:
Deutsche Bank AG, Stuttgart, Germany (Advisory Committee)
Unternehmerbeirat Baden-Württemberg International, Germany (chair)

Marika Lulay

- Member of the Administrative Board
- Managing Director, COO
- Responsible for the *Americas & UK* and *Continental Europe*

External mandate:
Wüstenrot & Württembergische AG, Stuttgart, Germany (Member of the Supervisory Board), since 9 June 2016

Dr Jochen Ruetz

- Member of the Administrative Board
- Managing Director, CFO
- Responsible for the corporate functions Finance, Controlling, Human Resources, Internal Audit, Legal Affairs, Procurement

External mandate:
G. Elsinghorst Handelsgesellschaft mbH, Bocholt, Germany (Member of the Supervisory Board)

5.9 Employees

In the 2016 financial year there were 4,562 employees on average, compared to 3,737 in the previous year (additional disclosure acc. to section 315a HGB).

Employees by country

	31/12/2016	31/12/2015
Germany	**328**	**274**
Brazil	687	372
UK	240	223
Switzerland	50	42
Spain	1,902	1,698
Italy	540	464
USA	74	74
Canada	11	11
Costa Rica	87	45
Poland	533	450
Mexico	110	84
Average number of employees	**4,562**	**3,737**

The number of employees at year-end amounted to 5,031 (2015: 4,050).

5.10 Auditing fees

Auditing fees

in € thsd.	31/12/2016	31/12/2015
Auditing of financial statements	230.8	237.0
thereof for previous years	65.6	36.2
Other certification services	30.6	43.8
Tax consulting services	129.7	228.3
Other services	12.2	10.1
Balance as of 31 December	**403.3**	**519.2**

5.11 Use of simplified preparation and disclosure option

On inclusion in the consolidated financial statements of GFT Technologies SE, Stuttgart, use was made of the exemption from disclosure obligations in accordance with section 264 (3) HGB for the following companies:

- GFT Innovations GmbH, Stuttgart
- GFT Real Estate GmbH, Stuttgart
- SW34 Gastro GmbH, Stuttgart
- GFT Invest GmbH, Stuttgart

5.12 Disclosures pursuant to section 160 (1) no. 8 of the German Stock Corporation Act (AktG)

Pursuant to section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), each shareholder who reaches, exceeds or falls below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75% of the voting rights of a listed company must inform the company and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) without delay, but at the latest within four trading days. Pursuant to section 21 (1) a WpHG, any person entitled to 3% or more of the voting rights in the company at the time of the share's initial admission to trading in an organised market must submit a corresponding notification.

As of 31 December 2016, GFT Technologies SE was notified of the following shareholdings pursuant to section 21 WpHG:

In accordance with section 21(1) WpHG, **FIL Limited, Hamilton, Bermuda,** informed us on 21 April 2016 that its share of voting rights in GFT Technologies SE exceeded the 3% threshold on 19 April 2016 and on this day amounted to 3.04% (this corresponds to 799,084 of a total of 26,325,946 voting rights). Of this total, 3.04% (799,084 voting rights) are attributable to FIL Limited according to section 22 WpHG.

In accordance with section 21(1) WpHG, **Fidelity Funds SICAV, Luxembourg, Luxembourg**, informed us on 21 April 2016 that its share of voting rights in GFT Technologies SE exceeded the 3% threshold on 19 April 2016 and on this day amounted to 3.04% (this corresponds to 799,084 of a total of 26,325,946 voting rights).

In accordance with section 21 (1) WpHG, **Dr Markus Kerber, Germany**, notified us on 24 June 2015 that his share of voting rights in GFT Technologies Aktiengesellschaft (now: GFT Technologies SE) fell below the 5% threshold on 22 June 2015 and reached 4.99998% (this corresponds to 1,316,293 of a total of 26,325,946 voting rights) on this day. Of this total, 0.00618% (1,629 voting rights) are attributable to Dr Markus Kerber according to section 22 (1) sentence 1 no. 6 WpHG.

In accordance with section 41 (2) sentence 1 WpHG, **Ulrich Dietz, Germany**, notified us on 3 April 2002 that 29.94% of the voting rights in GFT Technologies AG (now: GFT Technologies SE) are imputable to him as of 1 April 2002.

In accordance with section 41 (2) sentence 1 WpHG, **Maria Dietz**, Germany, notified us on 3 April 2002 that 9.67% of the voting rights in GFT Technologies AG (now: GFT Technologies SE) are imputable to her as of 1 April 2002.

All notifications received by GFT Technologies SE pursuant to section 21 WpHG are also available on the company's website and the website of EQS Group AG (www.dgap.de).

5.13 Issuance of Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 AktG

(Additional disclosure acc. to 315a HGB)

On 5 December 2016, the Administrative Board issued the updated Declaration of Compliance pursuant to section 161 AktG. As of 6 December 2016, it has been permanently available on the company's website.

http://www.gft.com/int/en/index/company/investor-relations/corporate-governance/declaration-of-compliance/

Stuttgart, 22 March 2017

GFT Technologies SE
The Managing Directors

Ulrich Dietz	**Marika Lulay**	**Dr Jochen Ruetz**
CEO	COO	CFO

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report – which is combined with the management report of GFT Technologies SE – includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 22 March 2017

GFT Technologies SE
The Managing Directors

Ulrich Dietz
CEO

Marika Lulay
COO

Dr Jochen Ruetz
CFO

Auditor's Report

We have audited the consolidated financial statements prepared by the GFT Technologies SE, Stuttgart, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and notes, together with the combined management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB (Handelsgesetzbuch »German Commercial Code«) are the responsibility of the parent company's Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, complies with the legal provisions, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 22 March 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schwebler	**Bauer**
Auditor	Auditor

Annual Financial Statements of GFT Technologies SE (HGB) – Extract

The complete Annual Financial Statements of GFT Technologies SE (HGB) are available at http://www.gft.com/de/de/index/unternehmen/investor-relations/finanznachrichten/finanzberichte/ (German language).

Balance Sheet according to HGB

as at 31 December 2016, GFT Technologies SE

Assets

in €	31/12/2016	31/12/2015
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,001,996.00	892,243.00
II. Property, plant and equipment		
1. Other equipment, furniture and fixtures	3,926,788.29	2,990,180.02
2. Prepayments	0.00	458,709.05
	3,926,788.29	**3,448,889.07**
III. Financial assets		
1. Shares in affiliated companies	37,625,832.03	38,578,366.53
2. Loans to affiliated companies	66,659,206.18	66,174,059.40
3. Equity investments	86,697.86	86,697.86
4. Securities classified as fixed assets	0.00	123,059.81
	104,371,736.07	**104,962,183.60**
	109,300,520.36	**109,303,315.67**
B. Current assets		
I. Inventories		
Work in process	3,605,593.18	13,837,425.08
II. Receivables and other current assets		
1. Trade receivables	18,067,179.41	5,842,766.21
2. Receivables from affiliated companies	40,571,188.25	30,208,883.82
3. Other assets	997,770.44	2,293,027.27
	59,636,138.10	**38,344,677.30**
III. Cash on hand, cash balances	**13,638,314.05**	**7,766,050.26**
	76,880,045.33	**59,948,152.64**
C. Deferred tax assets	**2,689,766.07**	**1,833,557.45**
	188,870,331.76	**171,085,025.76**

Equity and liabilities

in €	31/12/2016	31/12/2015
A. Equity		
I. Subscribed capital	**26,325,946.00**	**26,325,946.00**
Conditional capital €10,000,000.00 (2015: €10,000,000.00)		
II. Capital reserve	**2,745,042.36**	**2,745,042.36**
III. Retained earnings		
Other retained earnings	22,149,591.97	22,149,591.97
IV. Net retained profit	**10,226,480.52**	**9,781,757.80**
	61,447,060.85	**61,002,338.13**
B. Provisions		
1. Provisions for pensions	825,489.00	829,872.00
2. Other provisions	9,548,215.45	11,317,741.93
	10,373,704.45	**12,147,613.93**
C. Liabilities		
1. Liabilities to banks	97,000,000.00	75,000,000.00
2. Prepayments received on account of orders	5,247,397.53	13,033,131.94
3. Trade payables	2,756,536.12	2,739,455.52
4. Liabilities to affiliated companies	10,762,916.22	5,860,360.98
5. Liabilities to participations	0.00	3,000.00
6. Other liabilities	1,282,716.59	1,299,125.26
	117,049,566.46	**97,935,073.70**
	188,870,331.76	**171,085,025.76**

Income statement according to HGB

for the period from 1 January to 31 December 2016, GFT Technologies SE

in €	2016	2015
1. Revenue	83,633,229.95	39,263,777.90
2. Decrease (2015: increase) in finished goods and work in process	−10,231,831.90	4,652,490.77
3. Other operating income	6,838,414.13	24,433,466.80
4. Total performance	**80,239,812.18**	**68,349,735.47**
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	0.00	21.37
b) Cost of purchased services	32,165,894.64	22,750,127.06
	32,165,894.64	**22,750,148.43**
6. Personnel expenses		
a) Salaries and wages	24,539,478.28	25,064,698.16
b) Social security, pension and other benefit costs	3,260,741.54	3,160,332.21
	27,800,219.82	**28,225,030.37**
7. Amortization and depreciation of intangible assets and property, plant and equipment	1,107,459.27	875,195.64
8. Other operating expenses	19,205,646.96	20,408,050.56
9. Expenses (2015: income) from profit and loss transfer agreements	−1,865,065.27	192,322.49
10. Income from tax allocations of subsidiaries	0.00	87,548.30
11. Income from equity investments	10,645,732.38	8,295,991.58
12. Income from other securities and loans classified as fixed financial assets	1,639,612.64	1,918,150.89
13. Other interest and similar income	624,454.96	415,357.70
14. Write-downs of financial assets and securities classified as current assets	986,734.99	0.00
15. Interest and similar expenses	1,666,978.10	1,574,677.75
16. Financial result	8,391,021.62	9,334,693.21
17. Profit before taxes	**8,351,613.11**	**5,426,003.68**
18. Taxes on income	0.00	4,086.91
19. Profit after taxes	**8,351,613.11**	**5,421,916.77**
20. Other taxes	9,106.59	6,335.74
21. Net income for the year	**8,342,506.52**	**5,415,581.03**
22. Profit brought forward from previous year	1,883,974.00	4,366,176.77
23. Net retained profit	**10,226,480.52**	**9,781,757.80**

Financial Calendar 2017

11 May 2017	31 May 2017	10 August 2017	9 November 2017
Quarterly Statement as of 31 March 2017	Annual General Meeting	Interim Financial Report as of 30 June 2017	Quarterly Statement as of 30 September 2017

Service

Further information

Write to us or call us if you have any questions. Our Investor Relations team will be happy to answer them for you. Or visit our website at www.gft.com/ir. There you can find further information on our company and the GFT Technologies SE share.

The Annual Report 2016 is also available in German. The online versions of the German and English Reports are available on www.gft.com/ir.

Contact

GFT Technologies SE
Investor Relations
Jutta Stolp
Schelmenwasenstr. 34
70567 Stuttgart
Germany

T +49 711 62042-591
F +49 711 62042-301

ir@gft.com

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