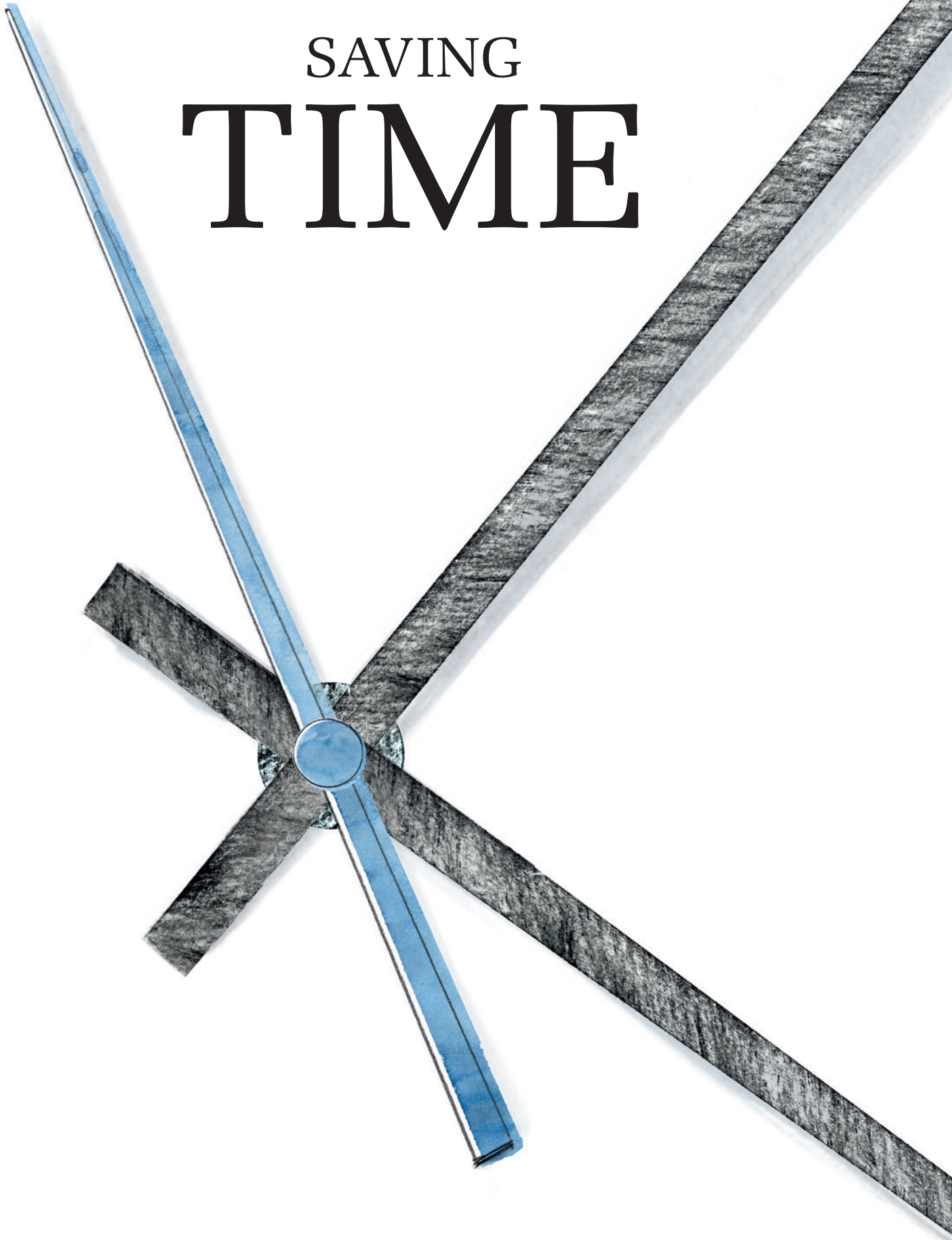
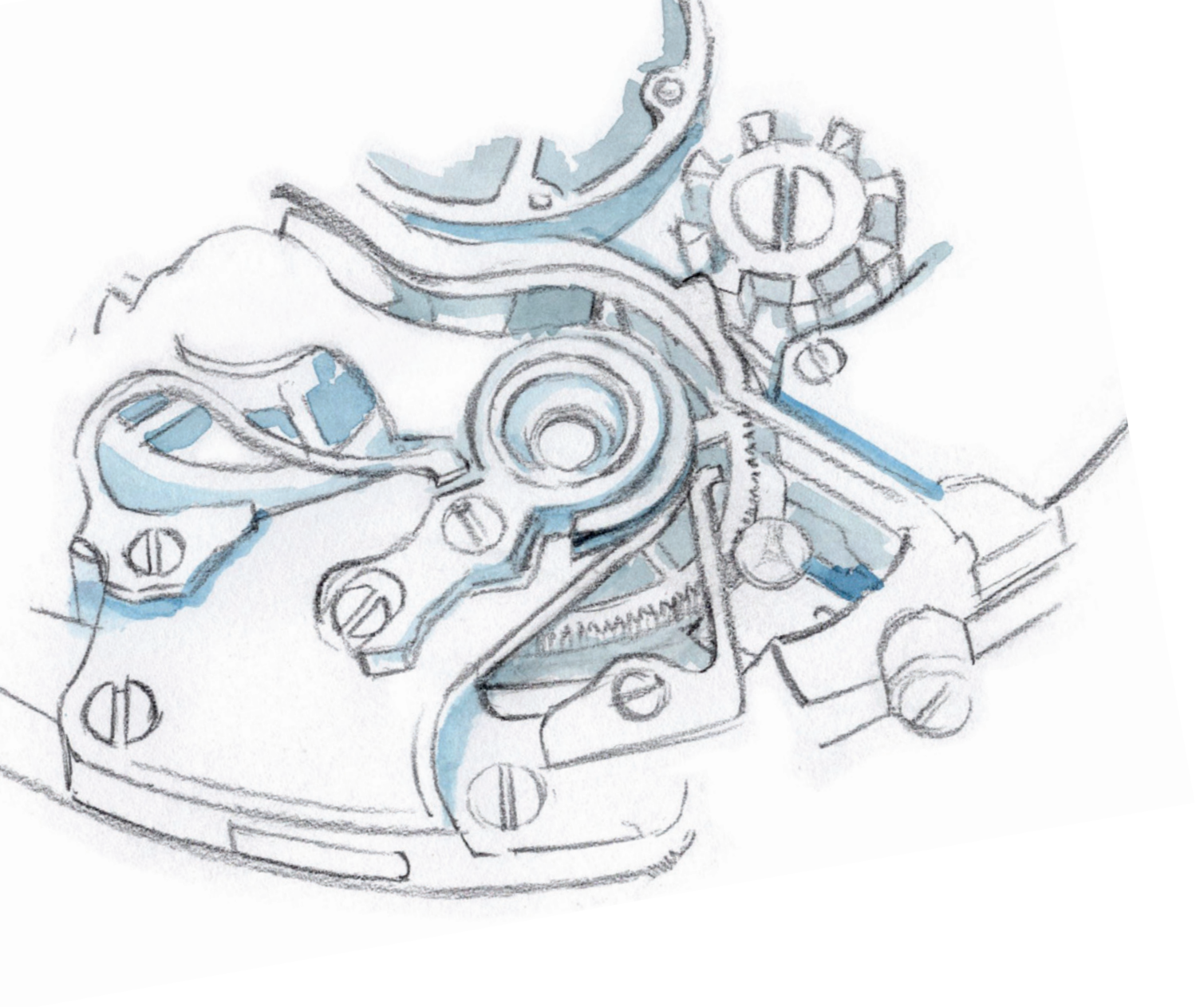


# SAVING TIME



A key benefit that we promise our customers is: **Time!** The ability to respond quickly to changes in the competitive environment is a key competency in today's global economy.



# SAVING TIME

SNP offers its customers the world's first standardized software for automating the assessment and implementation of changes to IT systems. Like precise clockwork, complex IT transformations are implemented with automated business and IT rules while preserving the same quality.

This provides customers with clear qualitative advantages while notably reducing the time and expense involved in transformation projects.



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# Letter from the CEO to the Shareholders

Dear Shareholders,

The 2016 fiscal year was a very successful one for SNP AG – both with respect to the operating business as well as to the strategic development and the safeguarding of sustainable growth.

With three corporate acquisitions, we have successfully advanced SNP AG's internationalization and broadened the range of services for customers. We have expanded our software portfolio, while at the same time establishing distributors in the USA and Southeast Asia. Additional milestones included an investment in a highly innovative software company in Heidelberg, a capital increase of approximately € 30 million and a major project in the US chemical industry as another flagship project. To a certain extent, one may characterize the latest large-scale projects as flagship initiatives because they have enabled SNP AG to raise its public profile to a new level. SNP is always an option for today's global and highly complex transformation projects. This can be seen in requests for proposals and in SNP's inclusion from the preparatory phase of planning. The approximately 300 IT and transformation projects that we have implemented in parallel during the reporting year demonstrate not only that our business model works, but also that it is gaining in importance. In addition, our "Transformation Days" have developed into a

global platform of experts on three continents. In order to position ourselves properly for the future, we are expanding our expert teams worldwide. Today, SNP AG has more than 700 employees, a third of whom are in non-German-speaking countries. For the sake of comparison: At the beginning of 2016, SNP AG had around 400 employees; at the end of 2014, it was still only 280. Notwithstanding the rapid pace of our development, we are not losing sight of a fundamental principle: We want to grow profitably. And we delivered here in 2016: Compared to the previous year, revenue in 2016 increased by 44% to around € 81 million; we were able to grow organically by some 26%. Back in the previous year, we grew organically by 56%. Operating earnings (EBIT) rose by around 50% in the reporting year to € 6.8 million. This is clear proof of the success, attractiveness and uniqueness of the SNP business model.

We enable our customers to navigate digital transformation successfully. Agile IT landscapes are a decisive factor for entrepreneurial success. The ability to respond quickly to changes in the competitive environment is a core competency in today's global economy. Customers increasingly recognize that IT transformation is decisive factor for taking advantage of opportunities.

**For SNP this is clear: Transformation software is becoming an absolutely critical technology for handling ongoing corporate transformation processes!**

Demand is growing for standard software that automates the analysis and implementation of changes to IT systems. The advantages are obvious: Such software provides customers with clear qualitative advantages, while significantly reducing the time and expense involved in transformation projects.

At the core of our work is a cross-industry software standard that supports and promotes change on an ongoing and reliable basis. Our unique approach is providing critical technology for managing ongoing corporate restructuring processes. By virtue of our standardized transformation software, we have gained a major competitive advantage over pure consulting firms.

**One of the key benefits that we promise our customers is: Time!**

The ability to respond quickly to changes in the competitive environment has never been more important in the global economy than it is today. As a provider of software that has a clear technological lead while also spanning industries, SNP AG makes this possible for its customers, and in the process makes a not insignificant contribution to value creation.

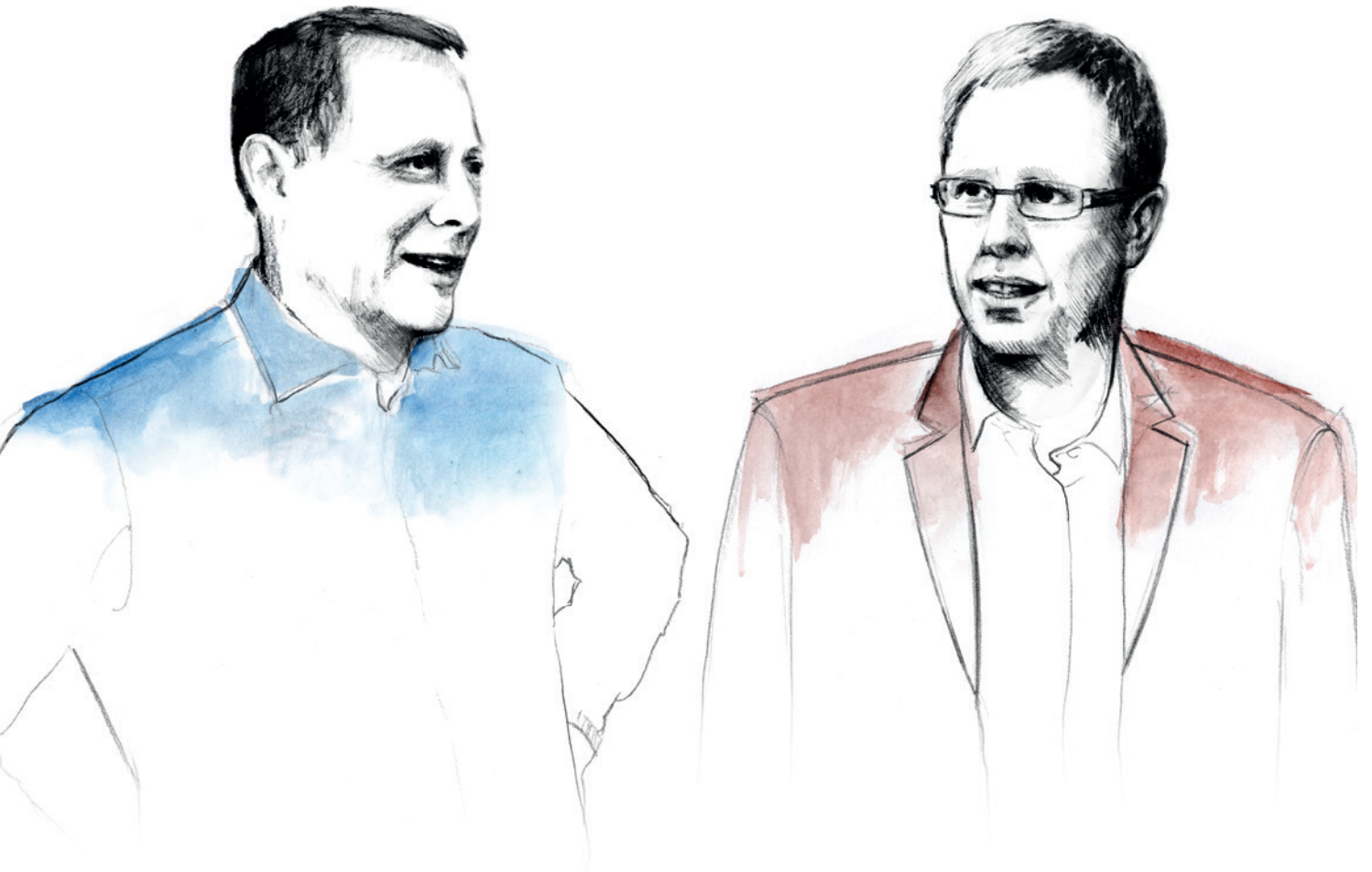
**For SNP this is clear: IT is the decisive catalyst for strategic corporate development!**

However, in many executive suites – both nationally and internationally – IT is all too often viewed as an obstacle. This is frequently very understandable: In many cases, highly heterogeneous IT landscapes that have developed over several years are simply rigid and hostile to change. But for many companies it is also clear: This must change in the coming years. In particular, S/4HANA now offers the opportunity to make IT architectures not only sustainable for the future, but also to have IT itself provide new stimuli for further company developments and new company business models.

In short: SNP AG has a clear strategic focus and remains on track for growth. We are making tremendous progress in increasing our market relevance. Without the tremendous commitment of our highly motivated employees, this operational and strategic progress would not have been possible. I would therefore like to take this opportunity to offer my special thanks to our employees, who, with their commitment to and identification with the company, make daily contributions to SNP's progress.

As for the current 2017 fiscal year, we have set ourselves the goal of further expanding our market position. For the first time, we have set our sights on reaching the revenue threshold of € 96–100 million on an organic





The Management Team: Dr. Andreas Schneider-Neureither, CEO and Henry Göttler, COO

basis. Our strong liquidity provides a buffer for targeted inorganic growth. With our very successful capital increase in a challenging environment, we have almost tripled our equity to € 49 million. And with the issuance of a borrower's note loan for € 40 million at the beginning of the current year, we have access to sufficient resources to forge ahead emphatically with our growth strategy.

Internally, we are focusing on implementing the required organizational and strategic adjustments arising from the growth process. While doing so, we are placing our trust equally in proven and newly formed teams, for our suc-

cess is driven by the people at SNP who do all they can for the customers. In the pages ahead, a number of these people get a chance to speak in order to present their ideas and strategies.

In conclusion, I would like to thank our customers, partners and shareholders for the trust they have placed in us. We will do everything possible to merit this trust.

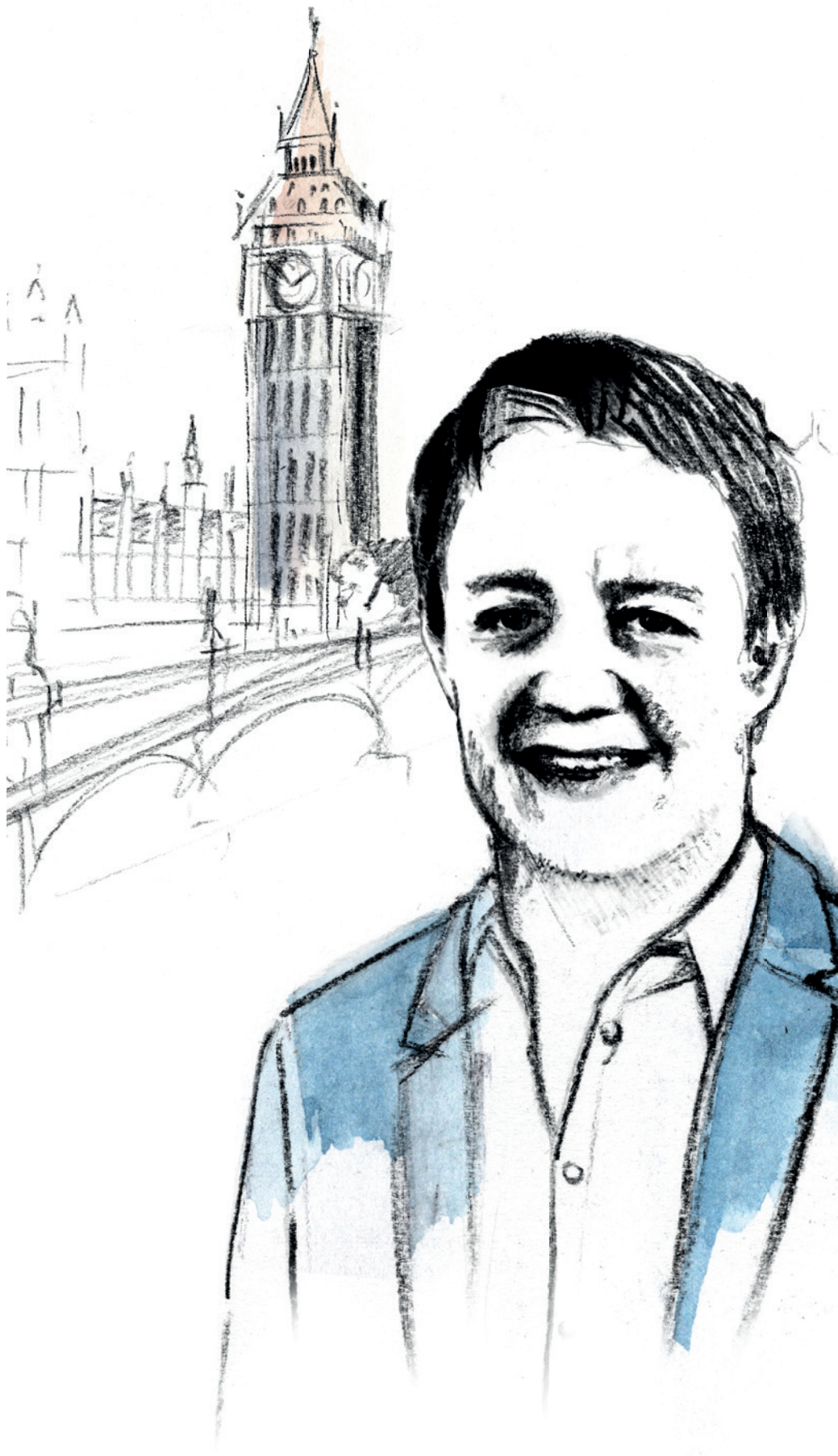
A handwritten signature in blue ink, appearing to read 'ASN', with a stylized flourish at the end.

Dr. Andreas Schneider-Neureither CEO

## Forging ahead with internationalization.

Growth is an important prerequisite for SNP in order to ensure investments and stable prospects for the future. Therefore, we are working continuously on expanding our international presence and continuing to develop our service portfolio for our customers.

This latest acquisition in the U.K. fits perfectly into the SNP portfolio. Harlex Consulting is a SAP partner and consulting firm with a focus on data transformation and data management. Harlex Consulting possesses an impressive customer base and extensive project experience. At the same time, the acquisition expands the SNP Group's presence on the British market. As a result, this collaboration creates the potential for exciting synergy and growth.



# Harlex Joins the SNP Family.

Interview with Ben McGrail, Managing Director of Harlex Consulting

**Mr. McGrail, where do you see the advantages of the business combination with SNP?**

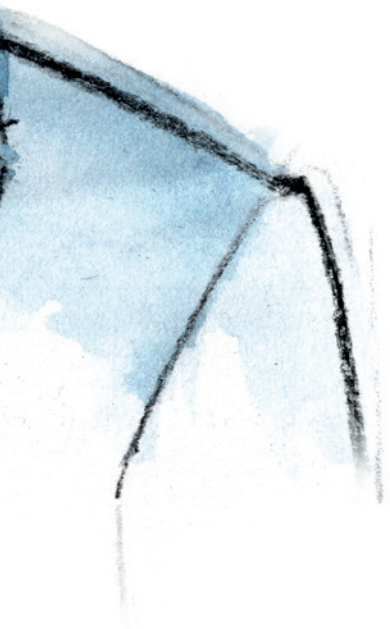
**Ben McGrail:** To put it in a nutshell – our service portfolios are practically a perfect match for each other. SNP will be strengthened by a very experienced team of experts in the area of SAP data migration. In exchange Harlex will be integrating an exciting portfolio of SNP transformation software into our projects. An ideal combination for our customers.

**Harlex Consulting is among the fastest growing private technology companies in the U.K. (Sunday Times Hiscox Tech Track 100, 2016). In which areas do you see the greatest potential for growth?**

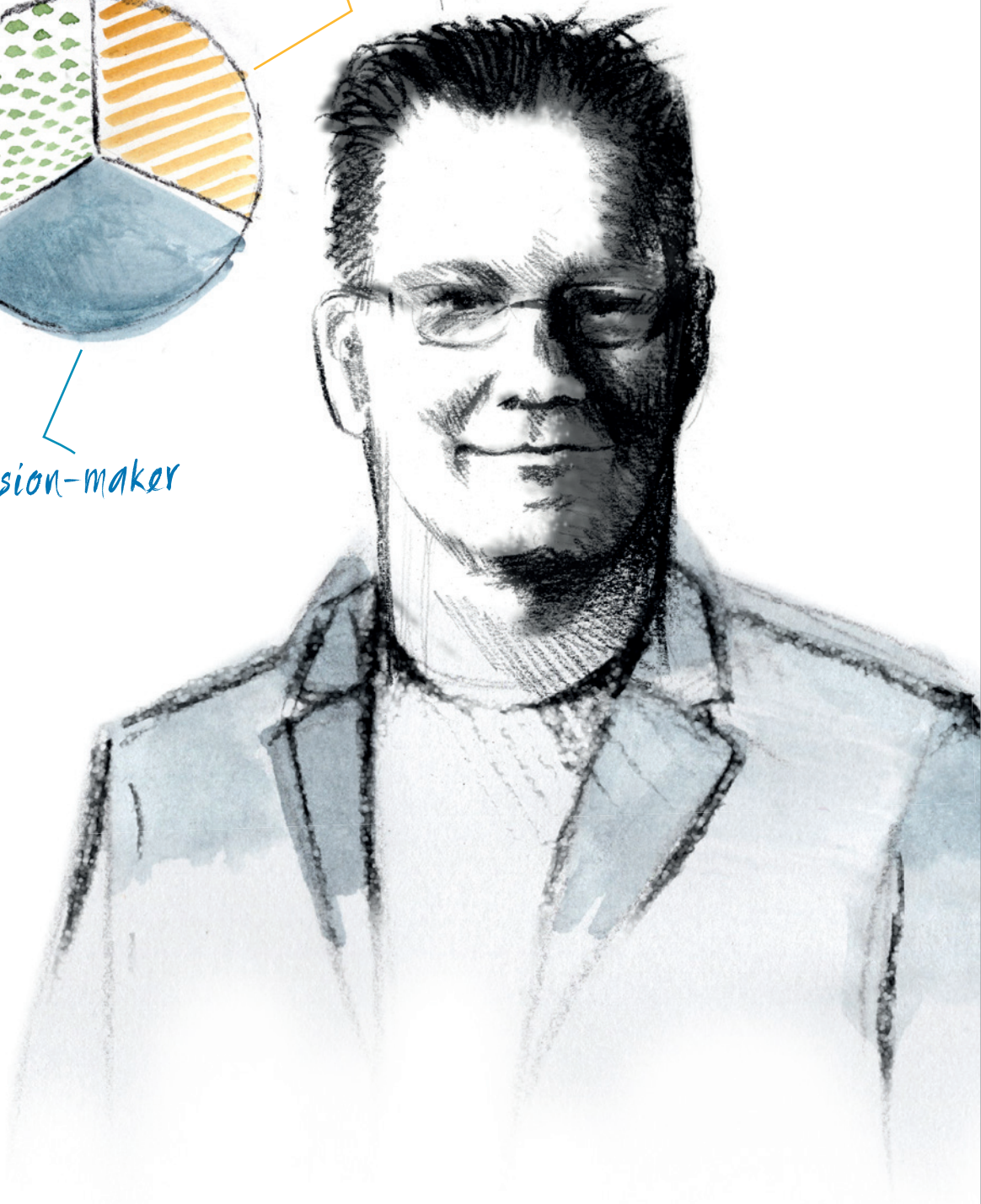
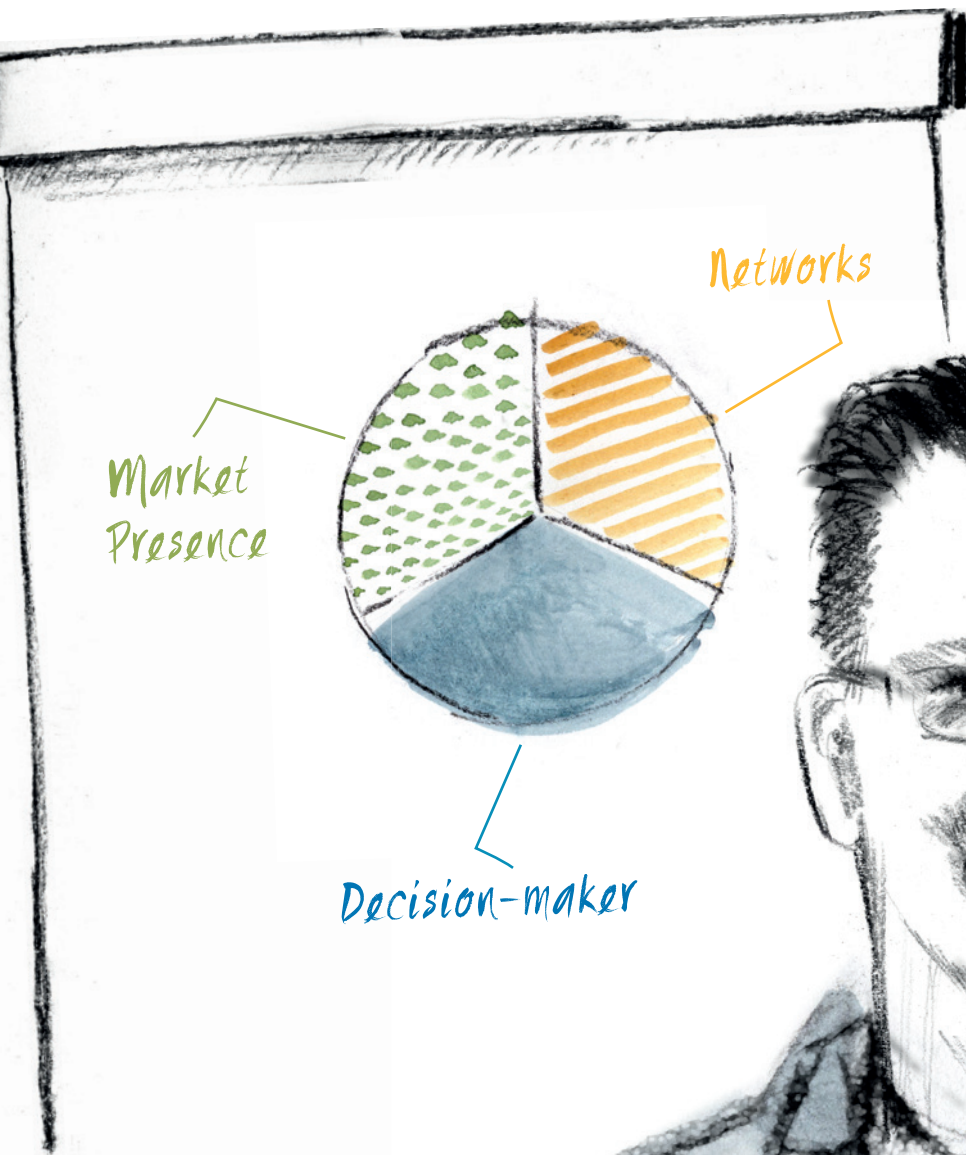
**Ben McGrail:** Our clear focus on corporate IT transformations and a structured project approach make Harlex Consulting an ideal partner for SNP. But SNP is our ideal partner not just because of our synergies. In terms of mindset, expertise and corporate culture, we also match up excellently. All of this is a solid foundation for making the most of the huge untapped transformation market in the U.K.

**You are staying on board yourself. What is your motivation?**

**Ben McGrail:** We are excited by the chance to prove that this acquisition will yield genuine benefits to our clients. Together we offer a much stronger proposition and we have the opportunity to harness great market potential in the area of data transformation – both in the British market and around the globe.







# Awareness at the Highest Decision-making Level.

Interview with Oliver Schwede, Director Strategic Engagements EMEA

**Mr. Schwede, you have a comprehensive overview of IT business, given your experience in the areas of management consulting, business development, presales and key account management. What tasks do you focus on in your work at SNP?**

**Oliver Schwede:** Currently what's most important is to expand SNP's presence in the market further. Networks of customers and partners play an essential role in this, for example, on a regional, industry-specific or issue-driven basis. In this context, developing global sales structures further is another element of comprehensive customer service. In addition, we are working on having customers increasingly perceive us as a strategic partner at the highest decision-making level for IT transformations and the road to S/4HANA.

**How can that succeed?**

**Oliver Schwede:** Our customers need a high level of transparency regarding current systems, processes and interfaces in order to be able to reliably plan IT transformation programs. This information is necessary for M&A activities, reorganizations and the development of road maps toward S/4HANA in order to identify drivers of complexity and to minimize risks. For this purpose, SNP makes tools available that increase the degree of automation and expand upon SAP's range of products and services. Based on factual and transaction data, decision papers can be developed for top management at an early stage.

**What strategy do you use when approaching your customers?**

**Oliver Schwede:** In general, we want to be perceived as a strategic partner for our customers in the implementation of all transformation plans. In particular, complex IT projects are an SNP strength. We have already managed to establish trusting and long-term partnerships with our customers.

**The successful split of Hewlett-Packard is an example of such a complex large-scale project. Here SNP has positioned itself for additional major roles. What companies will you be focusing on in the future?**

**Oliver Schwede:** For a comprehensive sales model, segmenting the overall market further is necessary in order to develop a calibrated system for servicing customers with different requirements and of different sizes. Here we are intensifying our key account strategy for major international customers and further expanding our existing strengths in the upper midmarket segment. In the process, the existing partnership with SAP is, and will remain, a key success factor – last but not least in order to support SAP customers in the migration to S/4HANA.



## **HR – a Decisive Factor for Success.**

The strong growth of the SNP Group in recent years also relies on having an intelligent and forward-looking human resource policy. In order to meet rising demand for SNP products and services in the future, the company needs well-trained and highly motivated professionals. Therefore, it pursues two strategies: First of all, young, qualified employees are trained in in-house training academies, and upon completion they are rapidly integrated into projects.

Second, SNP is expanding its performance range by acquiring specialized SAP consulting firms and rapidly integrating the employees gained in the process into the SNP family. In order to promote this strategy worldwide, SNP has strengthened its human resources department with a new appointment at the top. As the Global HR Director, Bernd Maciejewski is bringing considerable experience and profound expertise to the company. He worked for more than 20 years in human resources at SAP and helped build up its HR structure in the early years of the company.



# SNP Human Resource Development. In Sync With Growth.

Interview with Bernd Maciejewski, Director HR Global

**Mr. Maciejewski, is it difficult for a rapidly growing company like SNP to recruit suitable professionals?**

**Bernd Maciejewski:** Absolutely! It is a big challenge. The competition for IT professionals in the ERP environment has recently become even more intense. Therefore, we are strongly involved in training and promoting our own young talents. And as an employer, SNP certainly has much to offer.

**What exactly does promotion and training at SNP look like?**

**Bernd Maciejewski:** In 2014, we established an SNP training center in Magdeburg. The educational program extends over nine months and is primarily directed at university graduates. So far a total of about 70 participants have completed the program. This year another training center will open in Berlin, and in 2015 we established a training academy in Dallas. Our trainee program already received two awards from Absolventa GmbH, a German job exchange for university graduates and students. This shows that we are proceeding with great care.

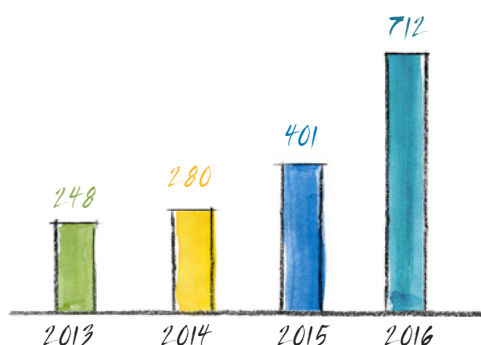
**What else do you do to prepare new employees for the upcoming challenges?**

**Bernd Maciejewski:** All new employees are eligible to participate in extensive training and continuing education. We offer both internal and external training that transmits both specialized knowledge and soft skills. Another important initiative is working together with experienced colleagues in project teams. The team spirit that grows out of these interactions is important to us. We also want everyone to stay physically fit, so we offer discounted memberships in fitness centers and other sports programs.

**Are you confident that your efforts will satisfy the large demand at SNP?**

**Bernd Maciejewski:** Together with our marketing team, we are developing effective HR campaigns and are using all media channels to search for suitable employees. Last but not least, for this reason, we were able to grow during the 2016 fiscal year from about 400 to more than 700 employees – including new employees from inorganic growth. I am firmly convinced that we are well positioned and that we are creating important momentum, above all with the new training centers, to shape sustainable growth at SNP.

*Development of the number of employees*



## **Success Through Automation and Speed.**

Practical experience has proven that the likelihood of success for an M&A project or a company sale increases with the standardization and automation of the necessary IT transformation processes. The CIO is the key interface between business management and technology. It is their responsibility, with the help of the IT department, to ensure that the expected advantages from a purchase or sale are achieved. If the project can be completed quickly and according to a preestablished framework, the buyer and seller increase the odds for a successful conclusion to the transaction.



# IT is a Profit Center.

Interview with Steele Arbeeny, Chief Technical Officer (CTO)

**Mr. Arbeeny, in 2015 worldwide mergers and acquisitions surpassed 6 trillion U.S. dollars in volume. While one company is in the midst of integrating a new acquisition, the original owner is trying to divest it as quickly as possible. What does this imply for the IT departments of companies?**

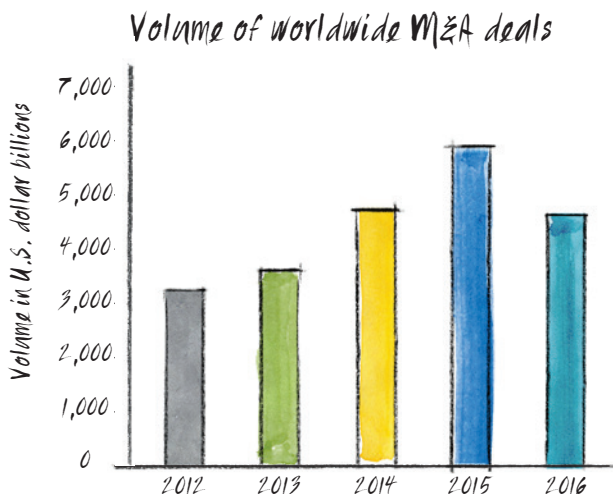
**Steele Arbeeny:** The IT department is primarily responsible for the success of such transactions. As soon as business management has approved the sale, pressure intensifies on the IT departments. Studies have shown that the odds of realizing the expected advantages decline dramatically if the sale has not been concluded within the first 100 days.

**Consequently, as the interface between management and technology, the CIO is decisive for the success of a migration project.**

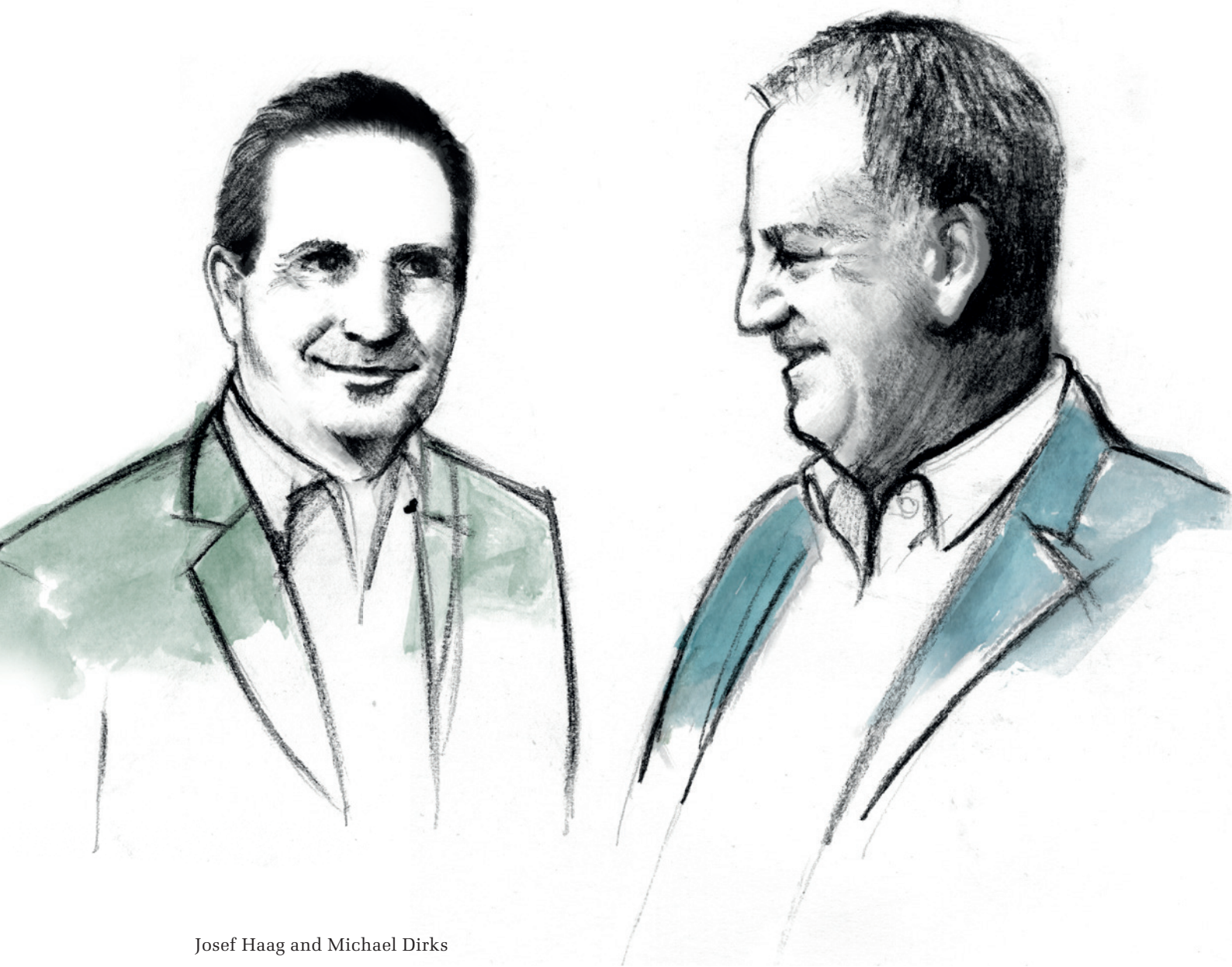
**Steele Arbeeny:** Precisely. And the biggest problems arise when IT managers underestimate the complexity, particularly of data migration. That's why we developed our software – the SNP Transformation Backbone with SAP LT – and a process model specifically for such projects. With this automated approach we reduce risks and offer major advantages, both with respect to cost and adherence to tight deadlines.

**What else should a CIO keep in mind?**

**Steele Arbeeny:** Since change is a recurrent, nearly permanent condition in most companies today, IT transformation projects should not be viewed as a one-time event. A CIO should prioritize having automated processes as well as a network of experts. In order to ensure the success of a digital transformation, the project team should be interdisciplinary and be comprised of experts from all the affected divisions.



*Source: Bureau van Dijk 2017*



Josef Haag and Michael Dirks

## **S/4HANA: more Than a Technology-Driven IT Transformation**

Many companies need to modernize their IT landscape in order to keep pace with new technologies and digitalization and to navigate digital transformation successfully in an IT environment that is rapidly evolving. Data volumes and utilization rates are climbing steadily, and the time frame for modernization efforts is becoming ever tighter.

SNP AG focuses on supporting companies in their digital transformation. Software from SNP makes it possible to integrate distinct and separate IT landscapes and also supports M&A projects and carve-outs. In many highly complex and global projects we have demonstrated how this can be achieved even under the tightest deadlines.

SNP provides intensive support to its customers in the analysis and introductory phases. Our portfolio has all the components needed for supporting customers in S/4HANA projects – from strategy to process consulting and even data migration.



# The Automated Path to S/4HANA.

Interview with Michael Dirks and Josef Haag, both managing directors at SNP Transformations Deutschland

**Managing businesses in real time, developing new business models – according to SAP, the new S/4HANA generation should accomplish all this, in the process promoting digital transformations at companies. How far along are SAP users and partners really?**

**Michael Dirks:** From our projects we know how much potential S/4HANA can offer. If this potential can be realized, the corporate IT staff can make a genuine contribution in terms of adding value. Trailblazers have begun to use the introduction of S/4HANA as a way to strategically develop their business models further. By the way, nearly all these trailblazers are drawing on our transformation software.

**Mr. Haag, what specific additional tasks do companies take on as a result of the new S/4HANA platform?**

**Josef Haag:** Two things should be emphasized. First of all, every SAP customer needs a strategy and a corresponding road map for the conversion to S/4HANA. Of course, the added value must be worked out here, while dependencies on other planned projects also need to be investigated. Second, a high degree of transparency is required regarding the systems, processes and interfaces being used in order to plan the transformation and to establish a solid basis for selecting the appropriate scenario or target platform.

**What is the problem during planning?**

**Josef Haag:** In our experience, it is frequently quite time-consuming to gain a comprehensive overview of the way systems are actually used in complex and evolving landscapes. The interfaces used are usually analyzed manually. The data required is collected through a variety of surveys and represented in an outmoded manner. Variations of processes turn up whose background is known only to a few employees or even external partners.

**What does SNP's approach look like?**

**Michael Dirks:** SNP is an SAP partner that uses SAP solutions for the transition to S/4HANA and has augmented them with its own software tools. During the analytic phase, we automate the collection of data, processes and interfaces in order to gain insights based on the transaction data. They are displayed and documented using interactive cockpits. Then we conduct the actual data migration very efficiently with our experts and tools based on experience from more than 5,000 projects.

**Therefore, we became the main custodian of the transformation-related portfolio, namely SNP Consulting, which combines RSP and Hartung Consult in a new organization – SNP Transformations Deutschland GmbH.**

**Josef Haag:** That's right, our portfolio was distributed over different companies. SNP Transformations Deutschland GmbH now offers all of the components bundled from a single source for comprehensively supporting customers in very complex S/4 projects. While combining our strengths, we also completed the integration of Hartung Consult and RSP into the SNP Group.

# More Time, Less Risk –

IT projects of any kind and transformation projects are often associated with high costs and risks for companies. With the proper analytical tools they can be managed and reduced well in advance. The products of SNP Applications make comprehensive interface management possible, determine fundamental statistical and structural information about SAP application systems and provide realistic and reliable test data. In 2014, the success of



Gerhard Krauss, Managing Director  
SNP Applications DACH

We started in 2006 with the DPM predecessor SNP Data Distillery and then introduced the SNP Dragoman translation software in 2007. In 2014 we had the idea of separating the products from the actual transformation business. The strategy behind this was to pursue product development and direct sales and set up training in a separate company. After the project quickly proved itself in the German-speaking region, we wanted to roll it out internationally.



Steve Allen, Managing Director,  
SNP Applications Singapore

Applications in Asia was the first company that was established in the international market, which happened in 2016. We are currently in the process of building up a partner network and are benefiting from the business relationships of the two companies located in the Asian market: Hartung Consult and Astrum, in which SNP holds majority stakes. This, along with an already well-functioning market concept, helped us achieve initial success, such as selling an SNP DPM license to Daimler in Singapore.



# The Tools of SNP Applications.

SNP Data Provisioning & Masking and SNP Dragoman led to the spin-off of the products to SNP Applications, a subsidiary responsible for the German-speaking region (DACH region, Germany, Austria, Switzerland). In 2016, the SNP Interface Scanner expanded the product portfolio and made it possible to successfully enter the international market the same year. Distributors were established in the EMEA regions and in Asia – and in the USA in 2017.



Achim Westermann, Managing Director,  
SNP Applications EMEA

At the end of 2016, we established Applications EMEA with the aim of creating a partner network outside the German-speaking region and in the countries where SNP did not yet have a presence. Right at the beginning we were able to take advantage of existing contacts in Eastern Europe and South Africa in order to get projects off the ground. The SNP Interface Scanner is a real door opener here. The optimization of the Interface Lifecycle is relevant to nearly every company and the introduction and training expense for this product is minimal.



Ralf Mehnert-Meland, Managing Director,  
SNP Applications Americas

In the USA we are just getting started. The company here was established in early 2017. However, the expansion in this strategically significant market for SNP is already making good progress. We are building a partner network and focusing on the Interface Scanner and DPM products. Particularly important to us are strategic partners like Amazon or Microsoft but also a few smaller partners who can assume control of sales and implementation.

## Key Figures at a Glance

Unless otherwise specified in € million	2016	2015
<b>Backlog (as of 31 December)</b>	<b>39.3</b>	<b>20.0</b>
<b>Revenue</b>	<b>80.7</b>	<b>56.2</b>
- Software	14.0	9.4
- Professional Services	66.6	46.9
<b>EBIT</b>	<b>6.9</b>	<b>4.6</b>
- Margin (%)	8.5	8.1
<b>Consolidated net income</b>	<b>4.2</b>	<b>2.6</b>
<b>Earnings per share (€)</b>		
- Undiluted	0.95	0.69
- Diluted	0.95	0.69
<b>Number of shares (million)</b>	<b>4.977</b>	<b>3.738</b>
<b>Equity</b>	<b>48.6</b>	<b>16.0</b>
- Ratio (%)	54.9	35.4
<b>Number of employees (as of 31 December)</b>	<b>712</b>	<b>401</b>
<b>Personnel costs</b>	<b>47.2</b>	<b>31.2</b>

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# TO THE SHAREHOLDERS



The Supervisory Board of SNP AG (from left to right): Gerhard A. Burkhardt (Deputy Chairman), Dr. Michael Drill (Chairman) and Rainer Zinow.



# Report of the Supervisory Board

Dear Shareholders,

In the 2016 fiscal year, the Supervisory Board has met its obligations according to the law, the articles of association of SNP Schneider-Neureither & Partner AG and its bylaws. It has concerned itself intensively with the current development of the company and its strategic positioning for the coming years. The recommendations of the German Corporate Governance Code (GCGC) were observed with the exception of the points enumerated in the declaration of conformity.

After the company was able to increase its growth dynamic impressively in the 2015 fiscal year, it succeeded with its continued organic and inorganic growth strategy in the 2016 fiscal year. Due to excellent capacity utilization and a sustained outstanding order situation, it was possible to increase Group revenue approximately 44% from the previous year to € 80.7 million. The significantly increased revenue volume, combined with highly profitable projects, led to a renewed improvement in operating earnings. Consequently, it was possible to increase the EBIT margin in the 2016 fiscal year by 0.4 percentage points from the previous year to 8.5%.

The projected annual targets were successfully achieved, and the revenue forecast set at the beginning of the year was even surpassed slightly.

The noticeable increase in revenue and earnings, the significantly improved market position and the stronger name recognition reflect the successful implementation of the SNP AG growth strategy. The very comfortable financial and capital position – last but not least due to a successful capital increase at midyear – underscores the company's sustainable development in the 2016 fiscal year.

The Supervisory Board closely supported business development during the reporting period. The Executive Board and the Supervisory Board routinely consulted with each other concerning the progress of the operating business, the strategic goals and the measures to achieve these goals.

## **Priorities of Oversight and Advisory Activities**

A particular priority of Supervisory Board activities in the past fiscal year was the regular and extensive discussion of revenue, earnings and employment performance at SNP AG, the subsidiaries and the Group. For this purpose, the Supervisory Board was informed in a comprehensive and timely manner about the current condition of the Group as well as about all business that could have major significance for the profitability and liquidity of the Group (cf. Section 90 [1] of the German Stock Corporation Act [AktG]). Corporate planning and strategic development were also discussed regularly.

The Chairman of the Supervisory Board maintained direct and continuous contact with the members of the Executive Board in order to inform himself about current developments and pending decisions. The members of the Supervisory Board were particularly involved in reviewing the annual financial statements, the consolidated financial statements, the management report and the Group management report – all of which were prepared by the Executive Board. Supervisory Board members also offered consultation on the Executive Board's proposal for the appropriation of profit and on the Executive Board's explanatory report on disclosures pursuant to Sections 289 (4) and (5) and Section 315 (4) of the German Commercial Code (HGB).

The Executive Board has always involved the Supervisory Board in corporate decisions of particular strategic significance and discussed them together extensively in order to enable the members of the Supervisory Board to review, discuss and, to the extent required, also approve the decisions. The Executive Board has complied at all times with its obligation to inform the Supervisory Board in a comprehensive and timely manner. In the course of its oversight activities, the Supervisory Board received convincing evidence of the legality and correctness of the Executive Board's management, discussed the organization of the company with the Executive Board and was impressed with the company's performance in the process. Also in the course of its activities, the Supervisory Board oversaw the risk management and compliance structures of SNP AG.

As took place in the previous year, the oversight and advisory activities of the Supervisory Board focused on providing support and guidance to the Executive Board in reviewing acquisition-related issues. Firstly, possible acquisitions and the resulting opportunities and risks were discussed at the meetings in 2016. In addition, the integration process for acquisitions already underway was closely followed and monitored.

The Executive Board regularly submitted to the Supervisory Board all measures and legal transactions requiring the approval of the Supervisory Board. Following thorough review and consultation, the Supervisory Board approved each of the proposed resolutions of the Executive Board as well as the transactions and measures presented for approval.

## Meetings

During the 2016 fiscal year, the Supervisory Board held four meetings at which members were physically in attendance. Beyond these meetings, the members also discussed additional projects of particular significance for SNP Schneider-Neureither & Partner AG via telephone. Additional resolutions were approved by written circular.

The Executive Board also routinely participated in the meetings. In addition, in the meeting on the financial statements the auditor from MOORE STEPHENS TREUHAND KURPFALZ GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft discussed the audit of the annual financial statements and the consolidated financial statements with the Supervisory Board and answered its questions.

The consultations in the Supervisory Board focused on current business development, management and planning, business policy, the risk situation, risk management and corporate strategy and its implementation at the company and its subsidiaries. Since the Supervisory Board is comprised of three members and because committees that are authorized to pass resolutions in place of the full Supervisory Board also must contain three members, the Supervisory Board refrained from establishing committees.

The Supervisory Board meeting on March 10, 2016, discussed and approved the annual financial statements and the consolidated financial statements for the 2015 fiscal year. At this meeting, the Executive Board and the Supervisory Board adopted an updated declaration of conformity following the recommendations and suggestions of the GCGC. Furthermore, the control committee adopted the agenda for the 2015

Annual General Meeting as well as the corresponding proposed resolutions. In addition, the Supervisory Board approved a targeted increase in the company's share capital through the issuance of new shares while granting rights to existing shareholders.

After the successful reelection of the Supervisory Board members at the Annual General Meeting on May 12, 2016, the Supervisory Board again elected Dr. Michael Drill as Chairman of the Board at the subsequent constituent meeting; Mr. Gerhard A. Burkhardt continues to hold the position of Deputy Chairman. Following this, the Supervisory Board and Executive Board discussed the future inorganic growth strategy, current business performance as well as the integration of acquisitions underway.

At the meeting on August 25, the Executive Board and Supervisory Board deliberated on the consolidation of the three subsidiaries RSP Reinhard Salaske & Partner Unternehmensberatung GmbH, Hartung Consult GmbH and SNP Consulting GmbH into SNP Transformations Deutschland GmbH.

The topic of a circular resolution in September was the acquisition of a majority holding in Harlex Management Ltd. In the same month, an extraordinary Supervisory Board meeting was held by telephone, at which the Supervisory Board was presented with the results of the due diligence review; this preceded the circular resolution.

On November 17, the Supervisory Board was presented with the performance of the first nine months of the fiscal year. Subsequently, the budget and business plans for the 2017 fiscal year were discussed and approved. Also discussed was the desire to prematurely pay off the bearer bond issued in 2015 due to improved

refinancing opportunities in the interim; a draft resolution to borrow up to € 30 million was unanimously approved in November.

#### **Compliance with the German Corporate Governance Code (GCGC)**

The Executive Board and Supervisory Board together reviewed the corporate governance policy applied by the company during the 2016 fiscal year and issued an updated version of the declaration of conformity pursuant to Section 161 of the AktG. With a few exceptions, SNP Schneider-Neureither & Partner AG complied with and continues to comply with all recommendations of the Government Commission on the German Corporate Governance Code in the respectively valid version; this should accordingly also be the case in the future. The declaration of conformity is published in the corporate governance report and can be viewed on the company's website.

#### **Composition of the Supervisory Board and the Executive Board**

In the 2016 fiscal year, there were personnel changes in both the Supervisory Board and the Executive Board. Among the members of the Supervisory Board who were reelected by the General Meeting on May 12, 2016, were Dr. Michael Drill, Chairman; Mr. Gerhard A. Burkhardt, Deputy Chairman and Mr. Rainer Zinow. The Executive Board is composed of Dr. Andreas Schneider-Neureither, Chief Executive Officer (CEO); Mr. Henry Göttler, Chief Operating Officer (COO) and Mr. Jörg Vierfuß, Chief Financial Officer (CFO). On January 1, 2017, Mr. Jörg Vierfuss resigned from the Executive Board; he will continue to hold his management position as CFO.

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

The annual financial statements and the consolidated financial statements as of December 31, 2016, as well as the management report and the Group management report, including the accounting records, have been audited by the auditor selected by the Annual General Meeting of the company, MOORE STEPHENS TREUHAND KURPFALZ GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. On March 13, 2017, they were given an unqualified auditor's opinion.

All financial statement-related documents and audit reports were available to all members of the Supervisory Board in a timely manner before the Supervisory Board meeting on the financial statements on March 13, 2017 and were carefully reviewed by them.

These documents were discussed in detail in the presence of the auditor. The auditor informed the Supervisory Board that there were no weaknesses in the internal control system or the risk management system. The Supervisory Board was convinced that the auditor's report complied with legal requirements.

Therefore, the Supervisory Board approved the results of this audit during the Supervisory Board meeting on March 13, 2017. The Supervisory Board has reviewed the annual financial statements and consolidated finan-

cial statements, the management report and Group management report and the Executive Board's proposal for the appropriation of profit.

The statements of the management report and the consolidated management report coincide with the assessments of the Supervisory Board.

In its review of the Executive Board's proposal for the appropriation of profit, the Supervisory Board took into account the financial and investment plans of the company and its liquidity. With respect to the interests of the company and its shareholders, there are no objections to the Executive Board's proposal for the appropriation of profit.

Following the completion of its own examination, the Supervisory Board did not raise any objections to the annual financial statements, the consolidated financial statements, the management report and the Group management report.

Therefore, the Supervisory Board approved and accordingly adopted the annual financial statements and consolidated financial statements of SNP Schneider-Neureither & Partner AG, which were prepared by the Executive Board. Furthermore, it has agreed to the Executive Board's proposal on the appropriation of profit.

**Concluding Remarks**

The outstanding qualification, experience and motivation of the workforce of the SNP Group form the basis for the business growth of recent years. We are certain the same will hold true in the company's successful future.

Therefore, we would like to formally express our gratitude for their exemplary commitment, particularly in the past fiscal year.

Heidelberg, Germany, March 13, 2017

For the Supervisory Board



Dr. Michael Drill, Chairman

# SNP in the Capital Markets

The stock market in 2016 was characterized by nervousness and uncertainty. At the beginning of the year, a poor economic situation in China and oil price performance caused worldwide turbulence in the capital markets. Anxiety about the global economy caused indexes to fall worldwide. The most important German stock market barometer, the DAX, fell in February to 8,753 points. Following a brief recovery phase, the unexpected British “leave” vote regarding the European Union led to a collapse in prices on global exchanges. Lastly, stock markets responded with rising prices at the end of the year to the unexpected election of Trump and the refusal in Italy to undertake constitutional reforms.

The global stock prices were primarily driven by the loose monetary policy of major central banks. To be

sure, the U.S. Federal Reserve continued to tighten the monetary reins this year. It raised the prime rate slightly by 25 basis points and signaled that more steps would be coming. In Japan and the eurozone, however, the central banks continue to pursue a loose monetary policy. In early December, the European Central Bank (ECB) extended its bond-buying program of billions of euros until the end of 2017. As a result of the low interest rate policy, government bonds with good credit ratings are becoming increasingly less attractive, and investors are increasingly opting for shares of companies with attractive business models.

Over the full year, the DAX and MDax increased by 6.9% and 6.8%, respectively. The technology index TecDAX closed the 2016 stock market with a slight loss of 1.0%.

## Key Share Data

ISIN	DE0007203705
Security identification number	720 370
Number of shares	4,976,786
Share capital	4,976,786 €
Class	No-par value bearer shares
Market segment	Prime Standard
Trading exchanges/stock exchanges	Xetra®, Frankfurt, Berlin, Hamburg, München, Stuttgart, Düsseldorf
Ticker symbol	SHF
Bloomberg	SHF:GR
Reuters	SHFG.DE

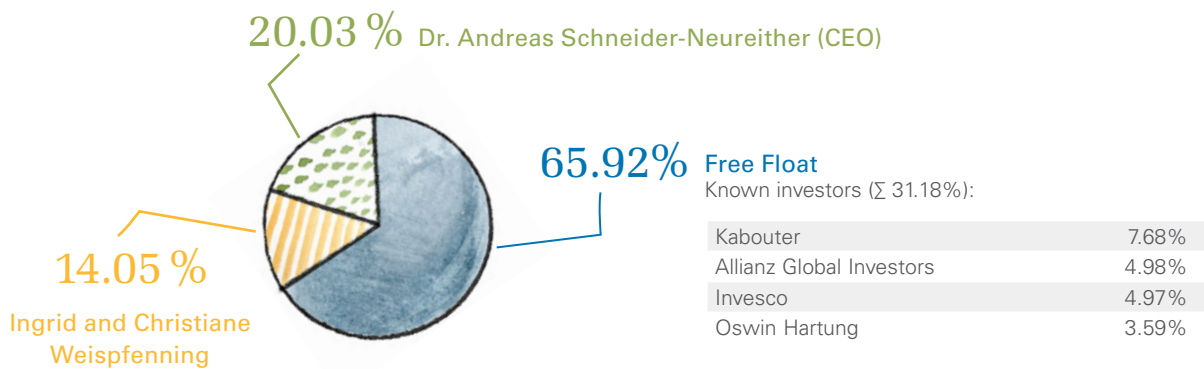
## Share Performance Indicators

		2016	2015
Earnings per share as of 12/31	(in €)	<b>0.95</b>	0.69
Market capitalization as of 12/31	(in € million)	<b>203.30</b>	107.58
Closing price	(in €)	<b>40.85</b>	28.78
High	(in €)	<b>42.30</b>	29.30
Low	(in €)	<b>21.90</b>	12.31



### Shareholder Structure

As at 9 February, 2017



### The SNP Share

Spurred by a price gain of approximately 108% in 2015, the SNP share continued its upward trajectory in 2016; the annual performance amounted to approximately 42%. With a market capitalization of approximately € 203 million, the share exceeded € 200 million, a threshold important to market psychology, at the end of 2016. In just the previous year, it was possible to break through another important threshold, € 100 million.

Trading volume in the share increased significantly again. A monthly average of 10,104 shares per day were traded across various stock exchanges (previous year: 5,043 shares). Daily trading reached a record volume of 67,747 shares at the end of September, shortly after the announcement of the largest order to date in the company's history. In 2015, the daily peak volume was 41,241 shares. In May, a dividend of € 0.34 was distributed; adjusted for the capital increase in 2016, this amounts to € 0.26 per share.

### A Significantly Oversubscribed Capital Increase

Following the initial announcement of general plans for a capital increase in May, the SNP share fell – after an interim high of € 32.50 – below the threshold of € 28. On June 13, 2016, SNP AG published specific parameters for a cash capital increase, as a result of which the share capital of the company increased by € 1,238,726 to a total of € 4,976,786.

In the turbulent phase following the British vote to leave the EU, which coincided with the subscription period for new shares, the SNP share had to endure additional price drops to an interim price of € 26.58. The new shares, which are entitled to dividends in the 2016 fiscal year beginning on January 1, 2016, were ultimately issued at a price of € 25.00 per share. Following the

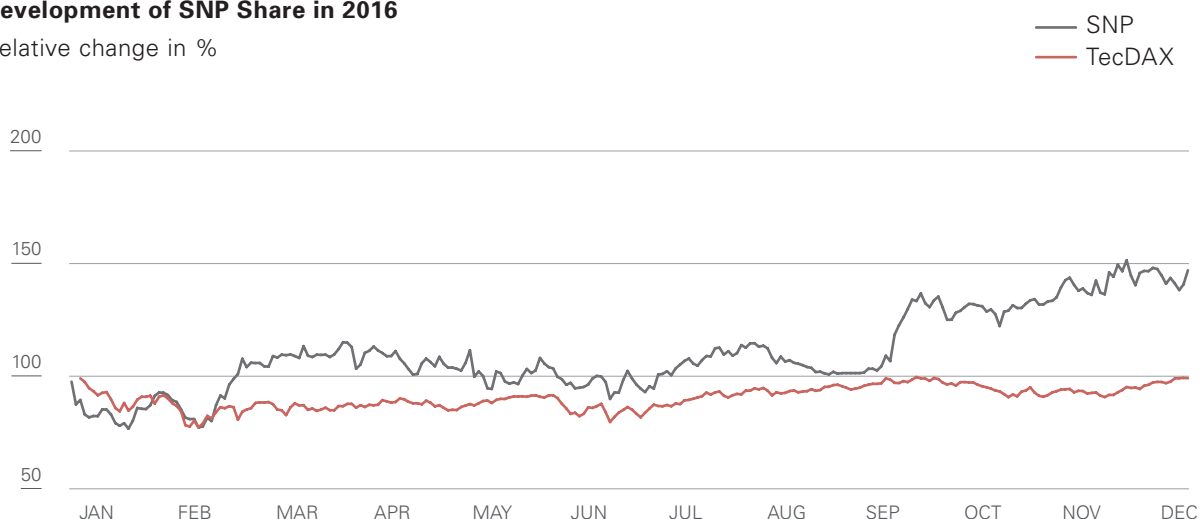
successful placement and issuance of the new shares, the SNP share – driven by positive corporate news – continued its upward course over the remainder of the year. The share price ended the year at € 40.85.

### Parameters of the 2016 Cash Capital Increase

Issued shares	1,238,726 no-par-value shares
Subscription price	€ 25.00
Gross issue proceeds	€ 30.97 million
Subscription period	June 16, 2016, to June 29, 2016
Subscription ratio	3:1 (three subscription rights granted a claim to one new share)
Entry in the German commercial register	July 7, 2016
Issuance	July 11, 2016

### Development of SNP Share in 2016

Relative change in %



Further information on the SNP share can be found at <http://www.snp-ag.com/Investor-Relations/Aktie/>

Further information on investor relations can be found at <http://www.snp-ag.com/Investor-Relations/>

### The SNP bond

On March 9, 2015, SNP Schneider-Neureither & Partner AG issued a bond in the form of a partial bearer bond (ISIN: DE000A14J6N4 / WKN: A14J6N) with an aggregate principal amount of up to € 20.0 million. Effective March 27, 2017, the bearer bond was redeemed prior to maturity. The bond with total amount issued of € 10.0 million (total nominal amount of up to € 20.0 million) will be fully redeemed at a price of 103% plus interest accrued by March 27, 2015.

### Bond Reference Data

ISIN	DE000A14J6N4
Security identification number	A14J6N
Total nominal amount	20,000,000 €
Issue volume	10,000,000 €
Issue date	March 9, 2015
Redemption date	March 27, 2017
Cupon	6.250 %

### Development of SNP Bond in 2016

Relative change in %



# Corporate Governance Report 2016

SNP commits to the regulations contained in the German Corporate Governance Code (GCGC) for good and responsible corporate management. The fundamental principles of this set of regulations are as follows: the close and efficient cooperation of the Executive Board and the Supervisory Board, respect for the interests of shareholders, open corporate communication, proper accounting and auditing of the financial statements, compliance with legal provisions and internal corporate guidelines and the responsible handling of risks.

SNP welcomes the German Corporate Governance Code as a structure that ensures the transparency of the legal environment for corporate management and control in publicly traded German companies. In addition, the regulations presented there correspond to recognized standards for good and responsible corporate management.

## **Declaration of Conformity**

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of a publicly traded corporation must declare annually to what extent they have complied with the recommendations of the German Corporate Governance Code published by the German Federal Ministry of Justice. The Executive Board and Supervisory Board are obligated to disclose and explain any deviations from the recommendations of the German Corporate Governance Code within the declaration of conformity. The declaration of conformity has also been made permanently accessible to the public on the company's website under Investor Relations/Corporate Governance.

## **2016 Declaration of Conformity of SNP Schneider-Neureither & Partner AG Regarding the Recommendations of the "Government Commission on the German Corporate Governance Code" Pursuant to Section 161 of the AktG**

The Executive and Supervisory Boards of SNP Schneider-Neureither & Partner AG hereby declare that since the issuance of the latest declaration of conformity on March 10, 2016, they have complied with and continue to comply with the May 5, 2015 version of the currently applicable recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Federal Ministry of Justice in the official section of the Federal Gazette, with the following exceptions:

### **1. Section 3.8 (3) of the GCGC**

In Section 3.8 (3) of the GCGC, the Code recommends that the liability insurance policies arranged for Supervisory Board members (known as Directors and Officers (D&O) Liability Insurance) should include a deductible. SNP AG holds the view that the commitment and responsibility with which the members of the Supervisory Board perform their duties will not be improved through the agreement to a deductible. Therefore, the existing D&O insurance policies for the members of the Supervisory Board of SNP AG thus far do not provide for a deductible, contrary to Section 3.8 (3) of the GCGC. SNP AG will continue to deviate to this extent from the recommendation in Section 3.8 (3) of the GCGC.

## 2. Sections 5.3.1, 5.3.2 and 5.3.3

Contrary to the recommendations of the Code in Sections 5.3.1, 5.3.2 and 5.3.3, the Supervisory Board has not currently established any committees. The Supervisory Board of the company is comprised of only three members. Due to the unavoidable problem of having the same people serve on committees as on the three-person Supervisory Board, the Supervisory Board of SNP AG has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon.

## 3. Section 5.4.1 (2)

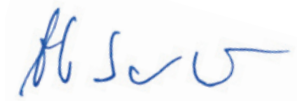
Pursuant to Section 5.4.1 (2) of the Code, the Supervisory Board should state specific goals for its composition, taking into consideration the specific situation of the company's international activities, potential conflicts of interest, a fixed retirement age for Supervisory Board members, a limit to be determined for the length of membership in the Supervisory Board as well as diversity. Contrary to the Code's recommendation, the Supervisory Board has not set any further targets for its composition. The Supervisory Board is comprised of only three members. Given this situation, the Supervisory Board does not see any advantage in being bound by specific targets. Instead, the Supervisory Board should always retain the flexibility of being able to take into account individual circumstances in its proposals to the responsible election bodies and the candidates with the best possible qualifications. In the view of the Supervisory Board, the statement and publication of specific goals and their regular adjustment

also entail a not insignificant effort, which does not appear to be justified in view of the shareholding structure and size of the company and in view of the size of the Supervisory Board.

Heidelberg, Germany, March 13, 2017

SNP Schneider-Neureither & Partner AG

For the Executive Board



Dr. Andreas Schneider-Neureither

For the Supervisory Board



Dr. Michael Drill

## **Management and Control Structure**

As a German corporation, SNP AG is subject to the German stock corporation law and has a dual management and control structure comprised of Executive Board and Supervisory Board. The tasks, competencies and responsibilities of each of these two organs are clearly governed and separated in terms of personnel. The mode of operation, competencies and staffing of the Executive and the Supervisory Boards of SNP AG are discussed in more detail below.

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

The fundamental principle of responsible corporate management and control for SNP AG is ensuring the efficient and trusting cooperation of the Executive and the Supervisory Boards, while accounting for the impartiality and independence of the members. In order to promote the company management's decision-making being independent from the demands and instructions of related third parties, the reporting below discloses those offices held by Supervisory Board and Executive Board members at other companies either on a full-time basis or as members of Supervisory Boards or in similar positions. In addition, no Executive Board or Supervisory Board member held more than three Supervisory Board positions at publicly traded corporations outside the Group. In the 2016 fiscal year, no conflicts of interest appeared that required immediate disclosure to the Supervisory Board. The Supervisory and Executive Boards of SNP AG deliberated on the company's strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in four joint meetings at which members were physically present in the 2016 fiscal year. Furthermore, additional resolutions were adopted through teleconferences and by circular resolution.

## **The Executive Board**

The Executive Board conducts operational management within SNP AG and is held responsible by the Supervisory Board for the implementation of corporate strategy and its results. As a management body, the Executive Board manages the business of the company on its own responsibility with the aim of sustainably creating value for the company. The Executive Board bears responsibility for the management of the entire company and makes fundamental decisions on business policy and strategy in close cooperation with the Supervisory Board. For this reason, the Executive Board informs the Supervisory Board on a regular, timely and comprehensive basis about all issues relevant to the company, particularly regarding business performance, assurance of compliance and entrepreneurial risks. The Supervisory Board sets out these informational and reporting duties of the Executive Board in detail in the bylaws of the Executive Board. Furthermore, the Supervisory Board ensures that the company has an appropriate risk management and control system. In the 2016 fiscal year, the Executive Board of SNP AG was comprised of Dr. Andreas Schneider-Neureither (CEO), Mr. Jörg Vierfuss (CFO) and Mr. Henry Göttler (COO). In its meeting on March 10, 2016, the Supervisory Board resolved to extend the employment contract of Mr. Henry Göttler that was to expire on December 31, 2016, and to appoint him as a member of the Executive Board for an additional three years from January 1, 2017, to December 31, 2019. On December 31, 2016, Mr. Jörg Vierfuss resigned from the Executive Board; he will continue to hold his management position as Chief Financial Officer (CFO) that he has held since mid-2013. The employment contract of Dr. Andreas Schneider-Neureither runs until December 31, 2020.

Members of the SNP AG Executive Board 2016	Tenure from/to	Responsibilities and Departments	Other Appointments
<p><b>Dr. Andreas Schneider-Neureither</b></p> <p>Master's degree in physics Date of birth: October 5, 1964</p>	<p>January 1, 2016 to December 31, 2020</p>	<p><b>CEO</b></p> <p><b>Up to December 31, 2016 responsible for:</b></p> <ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Portfolio &amp; product Strategy</li> <li>• Sales &amp; partner management</li> <li>• Marketing</li> <li>• Investor Relations &amp; Corporate Governance</li> <li>• Strategic and process consulting</li> </ul> <p><b>From January 1, 2017 responsible for:</b></p> <ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Product Management</li> <li>• Marketing</li> <li>• Sales</li> <li>• Investor Relations</li> </ul>	<p>Supervisory Board Casadomus AG, Stuttgart</p> <p>Supervisory Board VHV insurance services GmbH, Hannover</p> <p>Member of the Board of Directors VHV-Gruppe, Hannover</p>
<p><b>Henry Göttler</b></p> <p>MA Date of birth: December 3, 1965</p>	<p>July 1, 2014 to December 31, 2019</p>	<p><b>COO</b></p> <p><b>Up to December 31, 2016 responsible for:</b></p> <ul style="list-style-type: none"> <li>• Product Management</li> <li>• Product Marketing</li> <li>• Pre-Sales</li> <li>• Development</li> <li>• Support</li> <li>• Quality Assurance</li> <li>• Professional Services</li> </ul> <p><b>From January 1, 2017 responsible for:</b></p> <ul style="list-style-type: none"> <li>• Organizational development</li> <li>• Product development</li> <li>• Project implementation</li> <li>• Quality Assurance</li> <li>• Shared Services</li> </ul>	<p>Supervisory Board Smart Commerce SE</p>
<p><b>Jörg Vierfuß</b></p> <p>Master of Business Administration Date of birth: July 5, 1968</p>	<p>April 1, 2014 to December 31, 2016</p>	<p><b>CFO</b></p> <p><b>Up to December 1, 2016 responsible for:</b></p> <ul style="list-style-type: none"> <li>• Finance, Controlling &amp; Accountancy</li> <li>• Purchasing department &amp; Taxes</li> <li>• Human Resources</li> <li>• Legal &amp; Compliance</li> <li>• Administration</li> <li>• IT</li> </ul>	<p>No further appointments</p>



## The Supervisory Board

The task of the Supervisory Board is to advise and oversee the Executive Board in the management of the company. Since important decisions of the company require the approval of the Supervisory Board, it is involved in decisions that are of fundamental significance to the company. The Supervisory Board has established bylaws for its work. The Supervisory Board of SNP AG is comprised of three members. In the nominations of Supervisory Board members, attention is paid to the expertise, skills and topical experience required to perform the task. The current members of the Supervisory Board form a highly competent advisory and control body with demonstrated experts from the financial and software industries. They provide corporate oversight of, and support for, the Executive Board that is as effective as possible on issues of strategic positioning.

In the 2016 fiscal year, the Supervisory Board was comprised of Chairman Dr. Michael Drill, Deputy Chairman Mr. Gerhard A. Burkhardt and Mr. Rainer Zinow. On May 12, 2016, the General Meeting reelected the three Supervisory Board members until the end of the Annual General Meeting that resolves on the discharge for the 2018 fiscal year.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the body externally. The

members of the Supervisory Board of SNP AG are not former members of the Executive Board. An efficiency audit of the Supervisory Board is conducted regularly, most recently at the Supervisory Board meeting in May 2015.

The German Corporate Governance Code recommends that the Supervisory Board establish professionally qualified committees. Due to the unavoidable problem of having the same people serve on committees as on the three-person Supervisory Board, the Supervisory Board of SNP AG has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon. The German Corporate Governance Code recommends in Section 5.4.1 (2) and (3) of the GCGC that the Supervisory Board state specific goals for its composition and publish them along with the status of their implementation in the Corporate Governance Report. The Supervisory Board has established a target for the proportion of women in the body. A more detailed discussion of this is found in the following paragraphs. Otherwise, the Supervisory Board does not comply with the recommendation to state specific goals for its composition and therefore does not publish any report on this subject.

<b>Members of the SNP AG Supervisory Board 2016</b>	<b>Appointed/elected from/to</b>	<b>Memberships on other Supervisory Boards and other similar bodies</b>
<p><b>Dr. Michael R. Drill</b></p> <p>Chairman of the Executive Board Lincoln International AG</p>	<p>Chairman since: June 6, 2014</p> <p>Deputy Chairman from: May 24, 2012 until June 6, 2014</p> <p>First appointed: April 4, 2011</p> <p>Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018</p>	<p>Shareholder Value Beteiligungen AG Supervisory Board member, Germany</p> <p>Lincoln International SAS Supervisory Board member, France</p> <p>Lincoln International LLP Supervisory Board member, England</p>
<p><b>Gerhard A. Burkhardt</b></p> <p>Chairman of the Executive Board Familienheim Rhein-Neckar eG</p>	<p>Deputy Chairman from: June 6, 2014</p> <p>First appointed: May 1, 2013</p> <p>Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018</p>	<p>Casadomus AG Chairman, Germany</p> <p>Haufe-Lexware Real Estate AG Germany</p> <p>GdW Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Germany</p> <p>GWE Gesellschaft für Wohnen im Eigentum AG Germany</p>
<p><b>Rainer Zinow</b></p> <p>Senior Vice President SAP SE</p>	<p>Member of the Supervisory Board</p> <p>First elected: June 6, 2014</p> <p>Term: until Annual shareholders' meeting resolving on the approval of the actions of the Supervisory Board for FY 2018</p>	<p>No further appointments</p>

### **Declaration on the Targets Established for the Proportion of Women in Senior Management**

On May 1, 2015, the law for the equal participation of women and men in management positions in the private and public sectors went into effect. The law requires publicly traded companies not subject to full codetermination, such as SNP AG, to establish targets for the proportion of women in the Supervisory Board, the Executive Board and two management levels below the Executive Board. The German Corporate Governance Code, in its May 5, 2015 version, integrated the new legal requirements under Section 4.1.5 (2), Section 5.1.2 (1) (2) and Section 5.4.1 (2) (2) and (3) into its set of regulations.

The Supervisory Board has set targets of 0% for itself and the Executive Board. The Executive Board has decided upon the same target for the proportion of women at the lower management level. SNP AG welcomes political efforts to ensure diversity and gender equality in the corporate world. However, the management organs of SNP AG hold the view that setting targets higher than 0% conflicts significantly with corporate interests. SNP AG operates in an industry in which the employment of properly trained technical personnel represents a critical success factor. At the same time, the industry is confronted with a lack of candidates who satisfy the requirements. Therefore, SNP AG faces a task that is just as critical to success as it is challenging: obtaining suitable employees in general and managers in particular.

In view of this situation, corporate responsibility rules out making an already difficult task even more difficult by imposing on the company the achievement of rigid quotas for women. Quotas for men should also be rejected for the same reason. Another special argument

against female quotas is that SNP AG primarily employs staff with educational backgrounds in the fields of study of electrical engineering, computer science, computer engineering, information systems, physics and physical engineering. These fields of study traditionally display high to very high proportions of men and correspondingly low proportions of women. Due to this disparity, the additional challenge to acquiring employees associated with female quotas would be characterized as drastic.

### **Share Transactions of the Executive Board and the Supervisory Board**

Pursuant to Section 15a of the German Securities Trading Act (WpHG), the members of the Executive and the Supervisory Boards of SNP AG as well as high-ranking members and closely related individuals ("senior executives") must disclose the acquisition and sale of SNP shares and related financial instruments insofar as the value of the transactions executed during the calendar year exceeds the sum of € 5,000. Given the information reported to SNP AG about stock dealings and transactions, the information was immediately reported according to the requirements of capital market law.

The transactions reported to SNP AG in the past fiscal year were published as required and are retrievable from the website of the company under Investor Relations/Directors' Dealings.

### **Shareholdings of the Executive Board and the Supervisory Board**

Pursuant to Section 6.2 of the GCGC, the ownership of shares in the company or related financial instruments by members of the Executive Board and the Supervisory Board should be reported if direct or indirect ownership exceeds 1% of the shares issued by the company.

Furthermore, total ownership should be reported separately for the Executive Board and the Supervisory Board. As of December 31, 2016, the members of the Executive Board directly or indirectly held a total of approximately 20% (978,613 shares) of the shares issued by the company. Similarly, the members of the Supervisory Board held shares in SNP AG. As of December 31, 2016, they directly or indirectly held a total of approximately 0.4% (19,266 shares) of the shares issued by the company.

Within the framework of the cash capital increase in 2016, the members of the Executive Board, the Supervisory Board and the management acquired new shares in a total amount of approximately € 10.6 million. The gross issue proceeds amounted to approximately € 30.97 million.

No stock option programs or similar securities-oriented incentive systems exist either for the Supervisory Board or the Executive Board. Furthermore, the company does not have any stock option programs and/or similar securities-oriented incentive systems. The table

below provides information about the holdings of own and attributable SNP shares for each member of a body and its change during the 2016 fiscal year.

### Shareholding Premium

At the end of the September 2015, the Executive Board of SNP AG approved a program on behalf of its employees in the form of shareholding premium. The central element of this program was to pay all members of the SNP Group what's known as a shareholding premium of € 1.40 for each SNP share that was acquired beginning on October 1, 2015, and was held for at least twelve months. The aim was to make a further contribution to strengthening the employees' loyalty to the company, while also enabling them to participate in the company's success to an even greater extent. The premium program applied to the acquisition of shares through March 31, 2016. With the exception of the Executive Board and the Supervisory Board, all employees were eligible to participate. Through December 31, 2016, corresponding premiums were paid for 900 shares.

<i>Shares owned by the Executive Board</i>	<b>Number of shares on Dec. 31, 2015</b>	<b>% on Dec. 31, 2015</b>	<b>Number of shares on Dec. 31, 2016</b>	<b>% on Dec. 31, 2016</b>
Dr. Andreas Schneider-Neureither	749,718	20.06	961,500	19.32
Jörg Vierfuß	2,500	0.07	7,900	0.21
Henry Göttler	2,000	0.05	9,213	0.25
<b>Total</b>	<b>754,218</b>	<b>20.18</b>	<b>978,613</b>	<b>19.78</b>
<i>Shares owned by the Supervisory Board</i>	<b>Number of shares on Dec. 31, 2015</b>	<b>% on Dec. 31, 2015</b>	<b>Number of shares on Dec. 31, 2016</b>	<b>% on Dec. 31, 2016</b>
Dr. Michael Drill	11,500	0.31	15,000	0.30
Gerhard A. Burkhardt	3,200	0.09	4,266	0.09
Rainer Zinow	0	0.00	0	0.00
<b>Total</b>	<b>14,700</b>	<b>0.40</b>	<b>19,266</b>	<b>0.39</b>

### **Disclosures on Risk Management**

The business activities of SNP AG are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing responsibly with these risks. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP AG employs effective management and control systems that are combined into a uniform risk management system. A detailed description of risk management is contained in the report on opportunities and risks in the 2015 Group management report. Also to be found there are reports on the accounting-related internal control and risk management system that are required pursuant to the German Accounting Law Modernization Act (BilMoG).

### **Further Information on Corporate Governance at SNP**

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

The SNP consolidated financial statements and interim reports are prepared according to the principles of International Financial Reporting Standards (IFRS), while the annual financial statements of SNP AG are prepared according to the provisions of the German Commercial Code (HGB). The General Meeting on May 12, 2016, elected MOORE STEPHENS TREUHAND KURPFALZ

GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, as the auditor for SNP AG and the SNP Group for the 2016 fiscal year.

We place a high priority on transparency and aspire to provide our shareholders and the public with quick, comprehensive and simultaneous information. Therefore, current developments and important company information is published in a timely manner on our website. Along with detailed explanations of corporate governance at SNP, the website provides additional information on the Executive Board, the Supervisory Board and General Meeting, company reports (annual reports, annual financial statements, management reports and interim reports), a financial calendar with all major dates and publications, ad hoc disclosures and director' dealings.

### **Disclosures on Other Corporate Governance Practices**

SNP AG also voluntarily fulfills the non-mandatory suggestions of the GCGC insofar as they appear expedient and possible for the company to implement. Additional business management practices going above and beyond the legal requirements are contained in internal documentation and are implemented accordingly. They contain the underlying principles and rules governing conduct within the company and the relationship to external partners and the public. The management promotes the implementation of these principles particularly through management training

# Remuneration Report

The remuneration report describes the structure and level of remuneration of the Executive Board and the Supervisory Board. It takes into account the legal requirements and recommendations of the German Corporate Governance Code. It is a component of the annual financial statements and the management reports of the company and the Group.

## **Remuneration of the Executive Board**

The Supervisory Board is responsible for setting Executive Board remuneration according to the German law on the appropriateness of Executive Board remuneration ("VorstAG"). The Supervisory Board routinely advises on and monitors the structure of the remuneration system and its specific form. In particular, criteria for the appropriateness of the remuneration of the Executive Board include the tasks of the respective member of the Executive Board, their personal performance, the overall performance of the Executive Board as well as the economic condition, success and future prospects of the company compared to its peer group.

The total remuneration of the Executive Board members continues to consist of several remuneration components, which are both based on performance and not based on performance. The nonperformance-based parts consist of a fixed base salary, fringe benefits and pension commitments, while the performance-based components are based on the company's business performance.

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

Although in principle all members of the Executive Board are equally entitled to these fringe benefits as a part of remuneration, each Executive Board member is individually responsible for paying taxes on them.

The calculation of variable remuneration is based on the company's business performance, specifically the achieved EBIT, which is defined as net income for the year before interest and taxes in the SNP Group's consolidated statement of financial position. This calculation is made by applying a percentage set by the Supervisory Board to EBIT in each fiscal year. This bonus is capped. If the company's EBIT results in a bonus calculation below a certain lower limit, this leads to a complete loss of the variable bonus for the fiscal year.

With the goal of having sustainable business performance, long-term remuneration components were agreed upon, effective January 1, 2015. They are oriented toward sales, the EBIT margin and the company's share price. Their weighting and target-attainment levels are uniformly defined; the target date was December 31, 2016.

On March 13, 2017, the Supervisory Board set the remuneration of the Executive Board for the 2016 fiscal year.

### Executive Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Executive Board members in the 2016 fiscal year amounted to € 1,577,309.25 (previous year: € 1,034,210.93). The following tables itemize the remuneration of each individual in the Executive Board in the 2016 fiscal year and in the previous year.

Table 1: Remuneration of the Executive Board in 2016 (benefits)

<b>Dr. Andreas Schneider-Neureither</b>				
CEO / joined: December 1, 1994				
In €	<b>2015 Initial value</b>	<b>2016 Initial value</b>	<b>2016 Minimum</b>	<b>2016 Maximum</b>
Fixed remuneration	220,000.00	240,000.00	240,000.00	240,000.00
Variable remuneration	21,467.28	6,942.36	6,942.36	6,942.36
<b>Total</b>	<b>241,467.28</b>	<b>246,942.36</b>	<b>246,942.36</b>	<b>246,942.36</b>
One-year variable remuneration	180,000.00	200,000.00	0.00	400,000.00
Multi-year variable remuneration	-	200,000.00	0.00	300,000.00
<b>Total</b>	<b>180,000.00</b>	<b>400,000.00</b>	<b>0.00</b>	<b>700,000.00</b>
Pension expenses	20,428.71	20,684.16	20,684.16	20,684.16
<b>Total sum</b>	<b>441,895.99</b>	<b>667,626.52</b>	<b>267,626.52</b>	<b>967,626.52</b>

<b>Jörg Vierfuß</b>				
CFO / joined: April 1, 2014				
In €	<b>2015 Initial value</b>	<b>2016 Initial value</b>	<b>2016 Minimum</b>	<b>2016 Maximum</b>
Fixed remuneration	120,000.00	120,000.00	120,000.00	120,000.00
Variable remuneration	18,621.00	18,626.28	18,626.28	18,626.28
<b>Total</b>	<b>138,621.00</b>	<b>138,626.28</b>	<b>138,626.28</b>	<b>138,626.28</b>
One-year variable remuneration	80,000.00	80,000.00	0.00	160,000.00
Multi-year variable remuneration	-	100,000.00	0.00	150,000.00
<b>Total</b>	<b>80,000.00</b>	<b>180,000.00</b>	<b>0.00</b>	<b>310,000.00</b>
Pension expenses	4,408.58	4,594.03	4,594.03	4,594.03
<b>Total sum</b>	<b>223,029.58</b>	<b>323,220.31</b>	<b>143,220.31</b>	<b>453,220.31</b>

<b>Henry Göttler</b>				
COO / joined: July 1, 2014				
In €	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>Initial value</b>	<b>Initial value</b>	<b>Minimum</b>	<b>Maximum</b>
Fixed remuneration	180,000.00	180,000.00	180,000.00	180,000.00
Variable remuneration	22,454.76	22,569.24	22,569.24	22,569.24
<b>Total</b>	<b>202,454.76</b>	<b>202,569.24</b>	<b>202,569.24</b>	<b>202,569.24</b>
One-year variable remuneration	120,000.00	120,000.00	0.00	240,000.00
Multi-year variable remuneration	-	150,000.00	0.00	225,000.00
<b>Total</b>	<b>120,000.00</b>	<b>270,000.00</b>	<b>0.00</b>	<b>465,000.00</b>
Pension expenses	785.72	398.72	398.72	398.72
<b>Total sum</b>	<b>323,240.48</b>	<b>472,967.96</b>	<b>202,967.96</b>	<b>667,967.96</b>

Table 2: Remuneration of the Executive Board in 2016 (allocations)

In €	<b>Dr. A. Schneider-Neureither</b>		<b>Jörg Vierfuß</b>		<b>Henry Göttler</b>	
	CEO from December 1, 1994		CFO from April 1, 2014		COO from July 1, 2014	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Fixed remuneration	240,000.00	220,000.00	120,000.00	120,000.00	180,000.00	180,000.00
Variable remuneration	6,942.36	21,467.28	18,626.28	18,621.00	22,569.24	22,454.76
<b>Total</b>	<b>246,942.36</b>	<b>241,467.28</b>	<b>138,626.28</b>	<b>138,621.00</b>	<b>202,569.24</b>	<b>202,454.76</b>
One-year variable remuneration	219,277.11	201,810.73	88,206.55	89,693.66	132,309.82	134,540.49
Multi-year variable remuneration	232,755.99	-	116,378.00	-	174,566.99	-
<b>Total</b>	<b>452,033.10</b>	<b>201,810.73</b>	<b>204,584.55</b>	<b>89,693.66</b>	<b>306,876.81</b>	<b>134,540.49</b>
Pension expenses	20,684.16	20,428.71	4,594.03	4,408.58	398.72	785.72
<b>Total Sum</b>	<b>719,659.62</b>	<b>463,706.72</b>	<b>347,804.86</b>	<b>232,723.24</b>	<b>509,844.77</b>	<b>337,780.97</b>

In addition to general insurance benefits and pension commitments, the company has arranged Directors and Officers (D&O) liability insurance on behalf of the Executive Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance of the Supervisory

Board members and senior executives. The corresponding D&O insurance of SNP America Inc. similarly grants pro rata coverage for the CEO of SNP AG, who is also Chairman of the Board of SNP America Inc., as well as for the CFO of SNP AG, who is also Vice President for Finance of SNP America Inc. The total amount



of the specified D&O insurance amounts to an annual insurance premium of € 2,951.41. The insurance benefits table contains the pro rata insurance premium paid per person for the period of activity.

The remuneration of the Executive Board is once again disclosed in the 2016 fiscal year in individualized form on the basis of the uniform model tables recommended by the German Corporate Governance Code. The essential feature of these model tables is the separate disclosure of the benefits granted (Table 1) and the actual allocations (Table 2). In terms of benefits, the target figures (payment upon 100% target attainment) and the attainable minimum and maximum figures are also stated.

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

As of December 31, 2016, no loans, credits or advances were granted to any members of the Executive Board. Furthermore, SNP AG did not incur any contingent liabilities on behalf of Executive Board members in the reporting year.

#### **Provisions for Pension Commitments to Members of the Executive Board**

SNP AG has made provisions for the pension commitments to Dr. Andreas Schneider-Neureither and Ms. Petra Neureither (CFO until May 19, 2011) totaling € 256 thousand (previous year: € 201 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

#### **Other Transactions**

Since December 1, 2010, a lease agreement has existed between a member of the Executive Board and SNP AG for office space and parking spaces. Effective September 1, 2014, two separate agreements were concluded for this purpose (office space and parking spaces) at unchanged conditions. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 232 thousand (previous year: € 228 thousand); as of December 31, 2016, there were outstanding liabilities of € 1 thousand. In addition, since September 1, 2014, and November 1, 2014, five lease agreements have existed between a company controlled by a member of the Executive Board and SNP AG for office space and parking spaces. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 150 thousand (previous year: € 157 thousand); as of December 31, 2016, there were outstanding liabilities of € 4 thousand.

#### **Principles of the Remuneration System for the Supervisory Board**

The remuneration of Supervisory Board members is based on their responsibility and scope of activity. Pursuant to Section 6 (20) of the articles of association (valid for the fiscal year 2016), the members of the Supervisory Board are receiving for their activities in the 2016 fiscal year a fixed amount of € 10,000 per fiscal year in addition to the reimbursement of their expenses and an attendance fee of € 1,000 per Supervisory Board meeting. The Chairman receives two times the fixed amount and his Deputy one and a half times the fixed amount. Remuneration does not contain any performance-based components. In addition, the members of the Supervisory Board were covered in the performance of their duties by a Directors and Officers (D&O)

loss and liability insurance policy arranged by the company with maximum coverage of € 6,000,000 for each individual insurance claim and for total insurance claims in the period of insurance coverage. No deductible is arranged.

By resolution of the Annual General Meeting dated May 12, 2016, the remuneration of Supervisory Board members for the 2017 fiscal year for the first time was no longer set by the articles of association but instead approved by the General Meeting pursuant to Section 113 (1) (2) second alternative of the AktG. Accordingly, each Supervisory Board member receives a fixed annual remuneration of € 15,000. The Chairman receives a fixed annual remuneration of € 25,000, while the Deputy Chairman receives a fixed annual remuneration of € 20,000. Furthermore, each Supervisory Board member receives – in addition to the reimbursement of do-

ocumented, required expenses – € 1,000 for each meeting of the Supervisory Board. The company arranges a loss and liability insurance policy to cover the members of the Supervisory Board in the performance of their duties. This policy provides maximum coverage of € 6,000,000 for each individual insurance claim and for total insurance claims in the period of insurance coverage. No deductible is arranged.

#### Supervisory Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Supervisory Board members in the 2016 fiscal year amounted to € 64,055.35 (previous year: € 57,539.41). There were no loan receivables due from the members of the Supervisory Board. The following table shows individual remuneration per Supervisory Board member:

##### *The 2016 Fiscal Year*

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

##### *The 2015 Fiscal Year*

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael Drill	20,000.00	4,000.00	125.50	452.97	24,578.47
Gerhard A. Burkhardt	15,000.00	4,000.00	55.00	45.97	19,507.97
Rainer Zinow	10,000.00	3,000.00	0.00	452.97	13,452.97
<b>Total</b>	<b>45,000.00</b>	<b>11,000.00</b>	<b>180.50</b>	<b>1,358.91</b>	<b>57,539.41</b>

The company has arranged Directors and Officers (D&O) liability insurance on behalf of the Supervisory Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also

includes the D&O insurance of the Executive Board members and senior executives. The table shows the pro rata insurance premium paid per person for the period of activity.



# GROUP MANAGEMENT REPORT

# Group Management Report for fiscal year 2016

## Basic Information on the Group

### Business Model of the SNP Group

#### SNP – The Transformation Company

The SNP Group is a software-related business consulting company specialized in the performance of services in the field of data processing using original software developments in particular in the field of digital transformation management.

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

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

### The Challenge for Modern Companies: IT Agility

Agile and flexible IT landscapes are increasingly becoming a decisive factor for entrepreneurial success. The modernization required of antiquated IT environments is forcing companies to invest in unifying their heterogeneous and complex IT infrastructures. Change is an ongoing management responsibility, and the ability to change is a core competency of successful companies. We see our task as building and sustaining an IT landscape that helps create value. At the core of our work is a cross-industry software standard that supports and promotes change on an ongoing and reliable basis.

### IT Transformations and Their Impact on ERP Systems

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

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

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

### **Catalyst of IT Transformations**

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

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

In the course of a transformation project, large amounts of data must be analyzed and processed. The length of time that a transformation takes may have an impact on a company's success. Critical factors are the seamless integration of legacy data into the new layout and the minimization of system downtimes during the transfor-

mation. In the traditional approach to data transfers, manually processes play an important role, requiring a significant commitment of personnel. We take a different software-based approach that automates significant steps in the transformation process while preserving a company's legacy data. The products and services provided by the SNP Group help companies adapt their IT landscape to changes – quickly and flexibly while saving money and time.

### **The SNP Portfolio**

The portfolio offered by the SNP Group is subdivided into two business segments: Software and Professional Services. The latter segment can be further subdivided into SNP Business Landscape Transformation (SNP BLT) and SNP Business Landscape Management (SNP BLM). However, there is no strict separation between software and services. In some cases, we sell our software and render additional services for our customers. In many other cases, we license our software to customers within the context of a specific project we are implementing.

### **Professional Services Segment**

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



### **The SNP Consulting Approach**

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

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

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

#### **Strategic Consulting**

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

tation by introducing the proposed IT applications and related IT infrastructure.

#### **Process Consulting and Implementation**

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

#### **Data Transformation**

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

In addition, SNP distinguishes transformation projects in business from IT transformations. Business transformations include the following scenarios: mergers and acquisitions, carve-outs, disposals and restructurings. IT transformations include consolidations, alignments and new technologies (Cloud).

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

With Business Landscape Management (SNP BLM), SNP offers a comprehensive consulting concept for service and support processes in SAP and non-SAP system landscapes. SNP BLM structures the implementation of the SAP Solution Manager with standardized consulting, best practices and ready enhancements. It encompasses all activities ranging from a thorough analysis of IT service management processes through the conception and implementation of customized solutions for service and support teams with the SAP Solution Manager.

The SAP Solution Manager supports the implementation, monitoring and development of the complete system landscape of companies, in short application life cycle management (ALM). SNP BLM includes all the functions and modules of application life cycle management in the SAP Solution Manager. In approximately 550 successfully completed projects, SNP specialists have developed a variety of best practices, methods and enhancements to optimize the SAP Solution Manager. SNP software and services cover all areas of application life cycle management – from SAP standard scenarios to complex, customer-specific release management.

The functional scope and complexity of SAP Solution Manager pose challenges to many companies. As a core system, SAP Solution Manager can be individually adapted to specific corporate processes and organizations. The typical changes in organizations, IT service management (ITSM) and ALM processes must be continuously monitored and, if necessary, optimized.

Since 2015, SNP BLM has also focused on SAP architecture and technology consulting at the IT decision-maker level. Among the focal points of strategic consulting are current topics such as cloud architectures, mobility, in-memory and HANA. These are vital topics, particularly in view of the challenges and issues surrounding S/4HANA that many customers are facing. Alongside the established SNP BLM portfolio built around the SAP Solution Manager and IT processes, they provide our customers with an attractive portfolio enhancement.

### **SNP Academy**

SNP's extensive range of training services is directed at customers and partners working with SNP products. SNP offers a broad range of training services for SNP Transformation Backbone with SAP LT, SNP Business Landscape Transformation, SNP Business Landscape Management, SNP Dragoman and on the subject of SAP Solution Manager. These training sessions can be carried out both at the in-house SNP Academy in Heidelberg or at customers' premises around the world.

### **Software Business Segment**

#### **SNP Transformation Backbone with SAP LT – The Integrated Software Solution for Adaption to modified Business and IT Structures**

For secure, cost-effective and speedy transformations, the SNP Group has combined its knowledge and experience from over 5,000 transformation projects in one innovative software technology: With SNP Transformation Backbone, the company has the world's first standardized software on the market for automatically assessing and implementing changes to IT systems. As a

result of continuous improvement of the platform and close collaboration with SAP, SNP Transformation Backbone with SAP LT as a software suite is now used internationally for transformation processes. The software stands out thanks to its practical relevance and supports the agility of companies by means of open standards and a fully integrated project methodology.

**SNP Transformation Backbone with SAP LT**

- reduces the duration and cost of projects, increases project security and guarantees compliance through transparency at all levels of the project;
- allows precise forecasts of the transformation project and detailed planning of the business scenario – with a definite estimate of the costs involved;
- enables IT departments of major companies to carry out ERP transformations themselves.
- supports the transformation from planning to execution;
- minimizes system downtime;
- meets all legal requirements regarding the transformation of accounting-relevant data;
- is certified by two of the world’s largest accounting companies.

SNP Transformation Backbone with SAP LT actively supports all steps of a transformation project – from the ongoing analysis of company data and processes to meticulous planning and rapid implementation. Here, SNP Transformation Backbone with SAP LT is more than just a string of software tools. It rather involves a process, a range of steps that enable results to be planned reliably within the established time and budget framework.

**SNP System Scan – Identifying Transformation needs**

The purpose of the SNP System Scan is to identify fundamental statistical and structural information in the

respective SAP ERP system. The System Scan serves as a basis for the creation of an assessment in order to obtain a complete overview of the customer’s system. The focus here is the use of the system, such as the scope of the organization’s structure, how intensively the system is worked with or the type of module that is used in the system. Several scans of different systems or clients can also be compared. When preparing transformation projects in particular, customers can use the System Scan to make observations on the complexity of a project.

**SNP System Landscape Analysis – Planning the migration strategy**

*SNP System Landscape Analysis* serves to identify the current situation of the SAP system landscape. The analysis can be used to present and assess the differences that exist in the systems. Based on these differences, the complexity of a transformation project can be estimated and expenses can be derived. These analyses should be performed prior to the transformation project.

*SNP Business Process Analysis (BPA)* supports companies in visualizing and analyzing business processes from SAP systems in an automated manner. Based on the results of the analysis, customers have the option of actively intervening in the business processes running in a SAP system and ensuring optimal, process-compliant mapping of the processes in their systems. BPA can be integrated seamlessly in existing SAP environments, has interfaces with SAP Solution Manager and forms the technological basis for accompanying transformation projects in the analysis phase.

Based on all the analysis results, problems and potential can be found in each process and the corresponding changes and optimisations can be derived. As a result, users have the option of actively intervening in the

business processes running in an SAP system and ensuring optimal, process-compliant mapping of the processes in the systems.

#### **SNP Project Cockpit – Implementing the Transformation**

With the SNP Project Cockpit, users can obtain a consolidated view of the entire transformation process. Comprehensive test, risk management and compliance functions are also included. Users navigate intuitively and purposefully through the individual project phases and employ the appropriate transformation tools in the process. After establishing the overall framework of the project, users can adjust, simulate, implement and validate transformation rules previously fulfilled with the Transformation Cockpit.

#### **SNP Automated Testing**

To allow for a stable system landscape, it must be possible to systematically test changes and their effects on the entire system landscape. With SNP Automated Testing for SAP, SNP has developed a standard software that automates the regression tests of application data and customizing. Potential errors are already identified in an early project phase. As a result, project quality increases with the use of SNP Automated Testing and manual test efforts are significantly reduced at the same time. Developers and consultants in particular benefit from automation as it reveals inconsistencies in the data (master and transaction data) and the related customizing settings at an early stage. Further tests performed by expert users become more efficient and can be completed in a shorter period of time. The automated and transaction-oriented tests are completely performed at application level, i.e. fully independently of the SAP user interface.

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

Meaningful, realistic test data for development, test or training systems are needed for optimal operation of SAP systems, also in transformation processes. These data help to accelerate software development, to automate quality assurance processes and to introduce new business functions successfully.

The standard SNP Data Provisioning and Masking software provides realistic, secure test data. The technology for the migration and secure masking of productive ERP data for tests and training purposes as well as quality assurance allows test data from the productive systems to be copied and made anonymous.

SNP Data Provisioning and Masking helps companies to reduce development and transformation processes significantly, allows more cost-effective test and training scenarios and, at the same time, protects sensitive customer and product data from internal and external abuse – flexibly, rapidly and easily. SNP Data Provisioning and Masking is a component of the SNP Transformation Backbone with SAP LT solution.

#### **SNP Verification**

SNP Verification serves to ensure successful data transformation between two clients after a transformation project. Various verification methods are used to compare the data from selected table and application levels. The results of the verification are automatically documented and archived and are thus suitable for auditing purposes.

#### **SAP Solution Manager – Functional Enhancements**

SAP Solution Manager supports the implementation, monitoring and further development of a company's complete ERP system landscape ("application lifecycle management"). The SNP Business Landscape Manage-

ment (BLM) range of solutions encompasses all application lifecycle management functions and modules in SAP Solution Manager. Based on best practices and around 550 successfully completed projects, the SNP BLM specialists have developed useful add-ons for SAP Solution Manager. These relate to functional enhancements to optimize IT processes, simplify dealing with SAP Solution Manager and make the application more user-friendly. The standardized SNP add-ons for SAP Solution Manager can be integrated in SAP environments without difficulty and are ready for use immediately.

### **SNP Dragoman**

Internationally operating companies must provide their SAP applications in the respective national language – a major challenge, especially if the SAP standards have been enhanced with self-developed software. For international projects, a large number of texts must therefore be transferred into other languages. Manual translations are time-consuming, prone to error and expensive.

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

### **Sales**

SNP relies on direct channels and on its partners for its international sales strategy for software and services.

Direct sales generated € 70.6 million of revenue during the reporting year (previous year: € 47.6 million). This corresponds to a share of total sales of approximately 88% and a year-over-year increase of approximately

48%. Staffing for sales was also augmented again in the past year. Wholesale client sales, which focus on advisory and software solutions for corporate groups that are global players, established intensive relationships with strategic customers. Software sales focus on efficiently selling small to medium-sized software products with a minor service component. Over the past year, staffing was expanded in both sales areas so as to drive up contact frequency with customers and interested parties. As of December 31, 2016, the number of sales employees increased to 62 (previous year: 30).

Revenue of € 10.1 million was generated via the partner channel in the 2016 fiscal year (previous year: € 8.6 million). This corresponds to an increase of approximately 17% from the previous year. As a result, the share of total sales declined by about 15% to about 13%. In the business year 2016, the number of the partner companies was 54, as in the year before.

### **Marketing**

A growing sales organization requires a corresponding number of appointments with potential customers. These leads are generated through digital direct marketing and qualified through telemarketing. Our lead machine was successfully expanded in the American market in the middle of last year. As a result of this system, higher investments in marketing can be directly associated with revenue growth.

<sup>1</sup> All percentage changes are based on exact and non-rounded values.



## Group Structure

The scope of consolidation of financial statements includes, aside from Heidelberg-based SNP Schneider-Neureither & Partner AG (in short "SNP AG"), the following subsidiaries, in which SNP Schneider-

Neureither & Partner AG as the parent company holds the majority of the voting rights directly or indirectly as of December 31, 2016:

Name of the company	Headquarters of the company	Share ownership in %
SNP Transformations Deutschland GmbH (formerly SNP Consulting GmbH) <sup>1</sup>	Thale, Germany	100
RSP Reinhard Salaske & Partner Unternehmensberatung GmbH	Wiehl, Germany	100
SNP Business Landscape Management GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP Applications Singapore Private Limited <sup>2</sup>	Singapore	80
SNP Applications EMEA GmbH <sup>3</sup>	Heidelberg, Germany	100
SNP GmbH (formerly SNP Axxiome GmbH) <sup>4</sup>	Heidelberg (formerly Frankfurt), Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG <sup>5</sup>	Steinhausen, Switzerland	100
Schneider Neureither & Partner Iberica, S.L.	Madrid, Spain	100
SNP America, Inc.	Jersey City, NJ, USA	100
SNP Labs, Inc.	Irving, TX, USA	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Hartung Consult GmbH <sup>6</sup>	Berlin, Germany	100
Hartung Information System Co., Ltd. <sup>6</sup>	Shanghai, China	100
Astrums Consulting (S) Pte. Ltd. <sup>7</sup>	Singapore	51
Astrums Consulting SDN. BHD. <sup>7</sup>	Kuala Lumpur, Malaysia	51
Harlex Management Ltd. <sup>8</sup>	London, UK	100
Harlex Consulting Ltd. <sup>8</sup>	London, UK	100

<sup>1</sup> In December 2016, SNP Consulting GmbH was renamed SNP Transformations Deutschland GmbH.

<sup>2</sup> In September 2016, SNP AG founded SNP Applications Singapore Private Limited.

<sup>3</sup> In November 2016, SNP AG founded SNP Applications EMEA GmbH.

<sup>4</sup> In May 2016, SNP AG acquired the remaining shares in SNP Axxiome GmbH and renamed the company SNP GmbH.

<sup>5</sup> In September 2016, SNP AG founded SNP Resources AG.

<sup>6</sup> In January 2016, SNP AG acquired 51% of the shares in Hartung Consult GmbH through a share deal. Hartung Information System Co. Ltd. is a wholly owned subsidiary of Hartung Consult GmbH. In December 2016, the companies agreed that SNP AG would acquire the remaining 49% of shares at a fixed agreed price legally as of January 1, 2018. From an economic viewpoint, the shares were attributable to SNP AG as of December 31, 2016.

<sup>7</sup> In January 2016, the SNP Group acquired 51% of the shares in Astrums Consulting (S) Pte. Ltd. through a share deal. Astrums Consulting (S) Pte. Ltd. holds 99.9992% of the shares in Astrums Consulting SDN. BHD.

<sup>8</sup> In October 2016, the SNP Group acquired 90% of the shares in Harlex Management Ltd. through a share deal. In addition, the companies agreed that SNP AG would acquire the remaining 10% of shares at a fixed agreed price legally as of January 1, 2018. From an economic viewpoint, the shares were already attributable to SNP AG as of January 1, 2016. Harlex Management Ltd. holds 100% of the shares of Harlex Consulting Ltd.

## **Business Performance and Economic Condition**

### **Significant Events in the 2016 Fiscal Year**

#### **Successful Company Acquisitions**

With economic effect on January 1, 2016, SNP AG acquired 51% of the shares in Berlin-based Hartung Consult GmbH, including its majority-owned subsidiary Hartung Informational Systems Co. Ltd., Shanghai. In December 2016, the companies agreed that SNP AG would acquire the remaining 49% of shares at a fixed agreed price legally as of January 1, 2018.

Also with economic effect on January 1, 2016, the SNP Group acquired 51% of the shares in Singapore-based Astrums Consulting (S) Pte. Ltd., including its majority-owned, Malaysia-based subsidiary Astrums Consulting Sdn. Bhd. The SNP Group will be able to acquire an additional 19% of Astrums Consulting on January 1, 2018, due to a purchase option. On December 22, 2015, both purchase options were agreed upon, and capital markets were notified via an ad-hoc announcement.

#### **Executive Board**

In its meeting on March 10, 2016, the Supervisory Board resolved to extend the employment contract with Mr. Henry Göttler that was to expire on December 31, 2016, and to appoint him a member of the Executive Board for an additional three years for the period from January 1, 2017 to December 31, 2019. On December 31, 2016, Mr. Jörg Vierfuss resigned from the Executive Board; he will continue to hold his management position as Chief Financial Officer (CFO) that he has held since mid-2013. The employment contract of Dr. Andreas Schneider-Neureither runs until December 31, 2020.

#### **Acquisition of a Minority Interest**

Effective April 18, 2016, SNP AG acquired 20% of the shares in Innoplexia GmbH, located in Heidelberg. The objective of the company is the development and sale of IT solutions and related consulting. Innoplexia operates, among other things, a data collection system, which with the help of intelligent analytics collects market-specific information from internet platforms (Google, comparison portals, shopping sites, etc.). The system makes it possible to compile market and competition-related information in the form of customer-specific reports on an up-to-date daily basis.

#### **The 2016 Annual General Meeting**

The Annual General Meeting of SNP AG, which took place in Leimen on May 12, 2016, approved all the points on the agenda by a substantial majority. Among other items, the shareholders followed the proposal of the Executive Board and the Supervisory Board on the appropriation of profit and approved the distribution of a dividend of € 0.34 per share (previous year: € 0.13 per share). This corresponds to a dividend increase of approximately 162% from the previous year and a payout ratio of approximately 49%. The total distribution therefore amounted to € 1.264 million (previous year: € 0.483 million).

#### **Major Order for Transformation Software from a German Industrial Group**

In May, an agreement was concluded for a multiyear collaboration with a globally operating German industrial group. The order has a total volume in the lower single-digit million euro range. The industrial group, which is listed on the DAX exchange, is streamlining its processes and consolidating its data in order to make the most of digitalization opportunities quickly. The goal is efficient IT support for business processes. An essen-

tial prerequisite for this is the implementation of standardized data definitions. This is where the SNP standardized software comes in and ensures the risk-free and efficient transformation of large volumes of data in accordance with new definitions. The partnership underscores SNP AG's high level of performance on global IT projects.

### **Capital Increase**

On June 13, 2016, SNP AG announced a cash capital increase, as a result of which the company's share capital was increased by € 1,238,726.00, divided into 1,238,726 no-par-value shares, to a total of € 4,976,786.00, divided into 4,976,786 shares. The new shares, which were issued at a price of € 25.00 per share, are entitled to dividends in the 2016 fiscal year, beginning on January 1, 2016. The overall interest of investors significantly exceeded the placement volume so that it was not possible to meet all the subscription requests for shares. Through the successful cash capital increase, the company generated gross issue proceeds of € 30.97 million. The capital increase was entered into the German commercial register on July 7, 2016. The new shares were issued on July 11, 2016.

### **Expanded Performance Range**

In July, SNP AG further expanded its performance range for standardized transformation software. The SNP Interface Scanner makes new software available to customers for analyzing the interfaces between SAP systems and their surrounding landscapes. (See the section on innovations in this report.)

### **Strategic Partnership between HUAWEI and SNP**

In July, SNP and HUAWEI agreed to a strategic partnership. Headquartered in Shenzhen, China, HUAWEI is a globally leading provider of solutions in the area of infor-

mation and communication technology. The objective of the strategic alliance is to be able to offer companies engaged in digital transformation a complete range of hardware, software, and implementation and migration consulting from one source. In the future, HUAWEI and SNP will jointly offer a unique range of products and services enabling the quick and efficient use of HANA technology for digital transformation.

### **Founding of a Second Swiss Subsidiary**

In August, SNP Resources AG, which is wholly owned by SNP AG, was founded. The Swiss subsidiary focuses on personnel recruitment for IT consulting services.

### **Major Company Order**

In September, SNP AG was commissioned to combine the SAP system landscapes of two globally known U.S.-based chemical companies, which are currently in the process of merging. The order comes to more than USD 10 million. SNP impressed right from the project preparation phase with its strong software-supported analytical method, which enabled optimum project planning and minimized project risk.

### **Intensification of the International Sales Strategy in the Area of SNP Applications**

At the end of 2014, SNP Applications GmbH was founded. The subsidiary combines the software products SNP Data Provisioning and Masking (DPM), SNP Dragoman and SNP Interface Scanner in an independently operating unit. Accordingly, specialized employees from the areas of telesales, telemarketing, development and support were integrated into the company; the geographic sales focus is on the DACH region (Germany, Austria and Switzerland).

As a result of the overall internationalization strategy and the successful revenue and earnings development of SNP Applications GmbH, the SNP Group has set itself the goal of expanding the applications approach to other international markets. For this purpose, Singapore-based SNP Applications Singapore Private Limited was founded. SNP AG owns 80% of the subsidiary. In February 2017, the applications strategy was expanded to the U.S. market. SNP Applications Americas, Inc., which is based in Irving, Texas was founded for this purpose.

### **Successful Company Acquisition**

With legal and economic effect as of October 1, 2016, SNP AG acquired 90% of the shares in Harlex Management Ltd, headquartered in London, including the wholly owned subsidiary Harlex Consulting Ltd., London. SNP AG will acquire the remaining 10% in Harlex Management (hereinafter referred to as "Harlex Consulting") as of October 1, 2018. The purchase contract was signed on September 30, 2016, and the capital markets were notified.

### **Agreement**

On October 21, 2016, SNP AG concluded an agreement according to which it has acquired the remaining 25.1% of the shares in RSP Reinhard Salaske & Partner Unternehmensberatung GmbH with economic and material effect as of December 31, 2016.

### **Key Performance Indicators**

Various financial performance indicators are used internally in order to monitor that the SNP Group's business performance is in line with the corporate strategy. These include segment revenue, the order backlog and utilization (in the Professional Services segment). Prof-

itably increasing sales is also particularly important for SNP as a growth-oriented company. Accordingly, all activities for increasing sales are also measured in terms of profitability, and particularly in terms of the potential for a long-term increase in earnings before interest and taxes (EBIT) and the EBIT margin.

## **Economic Report**

### **Macroeconomic Environment**

The global economy was weak in 2016, but growth has recently experienced a slight uptick. After losing significant momentum in the winter, six months in 2015–16, the global economy noticeably accelerated by midyear. The growth rate of 0.9% in the third quarter was actually the highest in two and a half years. A key factor here was the upward trend in production in the United States. In addition, the situation in the emerging countries also improved. The Chinese economy expanded much more strongly once more in the second half of the year around the summer, and the pace of the decline in production in Russia slowed noticeably.

Nevertheless, for the full year of 2016, growth in global output of only 3.1% is expected, according to the Kiel Institute of the World Economy (IfW). This is once again somewhat less than in the already weak previous year, and would count as the smallest increase since the crisis year of 2009.

Although the overall economy in the emerging countries expanded more strongly recently, major problems remain in individual countries: recessions persisted in Brazil, Argentina and Venezuela. In Turkey the gross domestic product (GDP) contracted by 1.8% year over year due to greater political uncertainty and the corresponding decline in tourism. By contrast, the GDP in China grew more strongly again, thanks to an expan-

sionary economic policy. Similarly, the expansion in the emerging countries of Southeast Asia continued at a generally higher level.

At the end of 2016, the global economy faces an uncertain environment. For example, the impact of the change in the presidency of the United States is difficult to assess. Donald Trump's election program lacks specificity and consistency with respect to economic policy for the most part. So far the Brexit vote of June 2016 has had less short-term impact than expected. However, the long-term uncertainty is significant.

Despite the unstable international environment, the German economy remains on an expansionary course. It continues to be characterized by solid and steady growth. The real GDP (adjusted for price changes) is 1.9% higher on average in 2016 year over year, according to initial calculations of the German Federal Statistical Office. A long-term view indicates that economic growth in 2016 was even a half a percentage point higher than the average of 1.4% in the past ten years.

In particular, the willingness to invest can be cited as a growth engine that is increasingly gaining in importance. Especially in the construction sector, which continues to operate at full capacity, recent order backlogs in residential construction are higher than they've been for 16 years. Nevertheless, the economic sentiment deteriorated at the beginning of 2017, according to the Ifo Institute for Economic Research. In January the Ifo Business Climate Index fell unexpectedly by 1.2 points to 109.8 points. However, this surprisingly pessimistic market sentiment followed the highest level in nearly three years in December 2016.

The IfW expects growth rates of 1.7% for the GDP in 2017 and 2.0% for 2018. According to available fore-

casts, global output will grow by 3.1% in 2016, 3.5% in 2017 and 3.6% in 2018.

### **Industry-Related Environment**

According to a December 2016 study by the European IT Observatory (EITO), global sales for information and communication technology (ICT) grew by 2.1% in 2016 to € 3.1 trillion. Information technology is cited as the strongest growth driver with sales continuing to rise, particularly in the software area.

According to experts, the global telecommunication market will continue to grow – as it did in 2015 and, according to preliminary calculations, also did in 2016. The growth drivers here are primarily services. Yet in 2016 the year-over-year increase in telecom infrastructure sales of 0.9% was rather meager following double-digit growth rates in previous years. A growth rate of more than 2% is expected for the current year 2017.

If one compares international markets in the ICT sector, India leads the field in growth rates – as it did in the previous year. However, sales are growing much more slowly compared with the previous year (4.7% in 2016; 11.9% in 2015).

With an increase of 3.2%, the USA current occupies second place in the global ranking, which means it is growing more quickly than China for the first time in years. Above all, the software services business performed above average (+ 9%), and experts are forecasting growth rates of more than 7% for this sector in the coming years, according to EITO. As a result, it is playing a leading role for the performance of the overall US ICT market. With a growth rate of 1.0%, Germany achieved 11th place in the EITO ranking.

Based on current ICT market figures (as of October 2016), the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) is assuming sales for the German ICT market that will surpass the threshold of € 160 billion by the end of the year (+ 1.7% year over year). As of the end of 2016, the ICT sector employs 1,030,000 people, making it the second largest industrial employer in Germany, right behind mechanical engineering.

As in previous years, the growth driver of the sector in 2016 was information technology, which grew by 3.6% to € 84 billion.

With an increase of 6.2% to € 21.6 billion, the business of software providers in particular is growing at an above-average rate. Sales of IT services, which strongly reflect orders from the digitalization of companies, recorded an increase of 2.7% to € 38.2 billion.

According to the latest BITKOM economic survey from January 2017, there is a high level of confidence in the ICT sector for all of 2017. Two-thirds of companies want to hire personnel. However, this confidence differs in strength within the sector. For example, about eight out of ten companies anticipate rising sales in the areas of software (85%) and IT services (83%), whereas only 5% or 9%, respectively, anticipate lower sales. Two-thirds of IT hardware manufacturers (65%) expect higher sales, while every sixth company (17%) expects them to decline. Some 62% of communications technology producers assume higher sales, whereas 14% predict lower sales.

According to the online trade journal Funkschau, among the most important trends in the ICT sector in 2017 are IT security, mobility & cloud, the digital transformation

of companies, the internet of things, virtual and augmented reality, and hybrid technologies.

### **Target Achievement**

The revenue and earnings performance in the 2016 fiscal year in part exceeded expectations set at the beginning of the year due to the very good order situation over the course of the entire year. It was possible to surpass the revenue target (€ 72–78 million) provided with the publication of preliminary figures in January 2016. In the 2016 fiscal year, SNP AG generated total sales of € 80.7 million. It was possible to achieve the operating earnings forecast (8–10% EBIT margin). Upon completion of the 2016 fiscal year, the EBIT margin was 8.5% and as such within the target range communicated in the published 2015 Annual Report.

### **Financial, Earnings and Net Asset Position**

In the 2016 fiscal year, SNP generated Group revenue of € 80.7 million. Compared to the previous year, this corresponds to an increase in revenue of 43.6% (previous year: € 56.2 million). Decisive factors were acquisition-related revenue increases as well as the sustained very good order situation and very good capacity utilization throughout the year given a significantly higher order backlog.

In the DACH region in 2016 (Germany, Austria and Switzerland), € 55.3 million in sales was generated, which amounts to approximately 69% of total revenue. In the previous year, the DACH region contributed € 42.4 million or approximately 75% of total revenue. The lower percentage of revenue can be connected to the SNP Group's successful internationalization strategy.



In particular, revenue grew significantly in the USA during the reporting period. In 2016, revenue of € 13.1 million was achieved in the U.S. market. This corresponds to an increase of € 2.6 million or approximately 25% year over year. As measured by total revenue, the North America region contributed 16% of revenue in 2016. The factors principally responsible for this were the excellent order situation as well as the winning of a large order from the chemical sector in the USA (for this, see “Significant Events in the 2016 Fiscal Year” in this report). The Asia region contributed € 7.1 million to revenue. This corresponds to approximately 9% of total revenue.

Both SNP business segments participated in this positive revenue and business performance. The very good order situation over the entire year, combined with an increase in projects and project scopes, led to 42.0% higher revenue of € 66.6 million (previous year: € 46.9 million) in the Professional Services consulting business segment. In the Software business segment, which includes licensing and maintenance fees, revenue rose 48.9% to € 14.0 million in the same period (previous year: € 9.4 million). Growth in licensing sales in the Software segment was well above average. SNP generated revenue from software licensing of € 12.0 million in the 2016 fiscal year. This represents an increase of 61.1% from the previous year (previous year: € 7.4 million).

The initial consolidation of several companies – two Astrums Consulting companies, the two Hartung Consult companies (consolidation complete as of January 1) and Harlex Consulting (as of October 1) – all had a material impact on revenue growth in the 2016 financial statements. In sum, the five companies accounted for

€ 10.0 million of the revenue increase of € 24.5 million). Adjusted for this acquisition effect, operating revenue growth was accordingly € 14.5 million or approximately 26%.

Notwithstanding additional investments in growth as well as costs related to the acquisition of the majority of the shares in Hartung Consult and Astrums Consulting at the beginning of 2016 and Harlex Consulting in the second half of 2016, earnings before interest, taxes, depreciation and amortization (EBITDA) improved from € 5.8 million to € 8.5 million). In the same period, operating earnings (EBIT) rose to € 6.9 million (previous year: € 4.6 million). These figures coincided with an EBITDA margin of 10.6% and an EBIT margin of 8.5%.

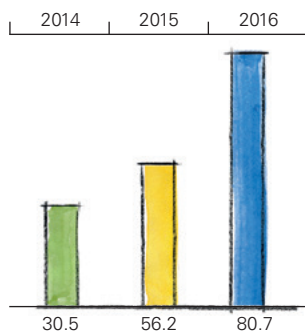
This consistently encouraging performance illustrates the success of the organic and inorganic growth strategy, which above all results in an improved perception in the market for corporate transformations and greater value creation for the customer. Today the SNP Group is a provider of comprehensive end-to-end solutions, which cover the entire value chain in the transformation market.

### Revenue Performance

In the 2016 fiscal year, SNP generated Group revenue of € 80.7 million (previous year: € 56.2 million). This represents a revenue increase of 43.5% year over year. Decisive factors were acquisition-related revenue increases as well as the sustained very good order situation and very good capacity utilization throughout the year given a significantly higher order backlog. Viewed regionally, revenue in the North America region rose particularly strongly in the second half of the year.

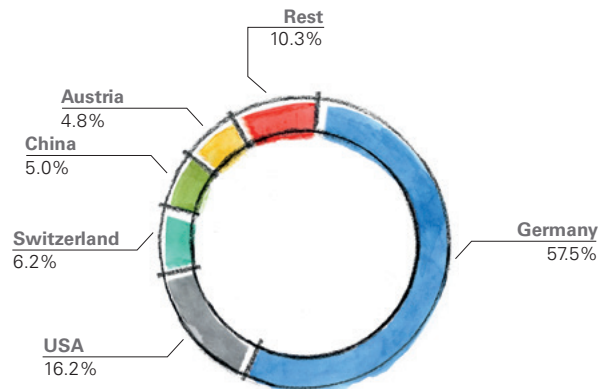
### Revenue Performance

€ million



### Revenue Performance by Region

As at 31 December 2016



The companies that were consolidated for the first time during the reporting period (Astrums Consulting, Hartung Consult and Harlex Consulting) contributed revenue growth of € 10.0 million. As a result, year-over-year organic revenue growth, adjusted for acquisitions, totaled € 14.5 million, an increase of approximately 26%.

On the segment side, the Professional Services segment, which primarily includes consulting services, contributed € 66.6 million (previous year: € 46.9 million) to revenue during the reporting period. This amounts to an increase of 42.0% year over year. Adjusted for acquisitions, the remaining growth amounted to 22%.

In the 2016 fiscal year, revenue of € 14.0 million (previous year: € 9.4 million) came from the area of Software (including maintenance). This corresponds to an increase of approximately 50% from the previous year. Within the segment, licensing fees in particular increased significantly by € 4.6 million to € 12.0 million. This corresponds to an increase in licensing fees of 61.2% year over year. Maintenance fees of € 2.1 million in the 2016 fiscal year were slightly above the level of the previous year (previous year: € 1.9 million). This corresponds to an increase in maintenance fees of 10.5% year over year.

The SNP Transformation Backbone with SAP LT remained the largest revenue driver in the Software in the 2016 fiscal year. Including maintenance, the product contributed € 9.5 million (previous year: € 6.2 million) to the segment's revenue. As a result, its share of total software revenue was approximately 68% (previous year: 66%). The standard software SNP Data Provisioning and Masking, the second largest product in terms of sales in the Software segment, accounted for revenue of € 2.8 million (previous year: € 1.2 million) in the

reporting year. The SAP translation software SNP Dragoman generated € 0.6 million (previous year: € 0.5 million) of software revenue, including maintenance, in the reporting period.

The total share of revenue from Software increased from 16.7% in the previous year to 17.4% in the 2016 fiscal year.

### Earnings Position

The significantly higher revenue volume, combined with highly profitable projects, led to a slightly above-average increase in earnings. Despite continuous investments in growth, earnings before interest, taxes, depreciation and amortization (EBITDA) increased in the 2016 fiscal year to € 8.5 million (previous year: € 5.8 million). This represents an increase in EBITDA of 46.0% year over year and an EBITDA margin of 10.6% (previous year: 10.4%). In the same period, earnings before interest and taxes (EBIT) amounted to € 6.9 million (previous year: € 4.6 million). This represents an increase in EBIT of 49.8% from the previous year and an EBIT margin of 8.5% (previous year: 8.1%).

The positive earnings performance overcame ongoing investments in organic and inorganic growth. For example, personnel expenses were up the 2016 fiscal year by € 16.0 million to € 47.2 million. Of this amount, € 6.9 million was attributable to the companies that underwent initial consolidation. The € 1.8 million increase in cost of materials to € 8.6 million resulted from new acquisitions in 2016, with € 2.2 million coming directly from these new companies. Other operating expenses increased as a result of expanding the operating business, although at a below-average rate, by € 4.2 million to € 17.8 million, of which € 2.2 million was attributable

**Overview Consolidated Income Statement**

€ million	2016	2015	Δ in %
<b>Revenue</b>	<b>80.7</b>	<b>56.2</b>	<b>43.2</b>
Professional Services	66.6	46.9	42.1
Licenses	12.0	7.4	61.1
Maintenance	2.1	1.9	6.9
Other operating income	1.2	1.2	-4.6
Cost of material	-8.3	-6.8	21.8
Personnel costs	-47.2	-31.2	51.0
Other operating expenses	-17.8	-13.6	30.4
Other taxes	-0.1	-0.1	79.6
<b>EBITDA</b>	<b>8.5</b>	<b>5.8</b>	<b>46.0</b>
<b>EBIT</b>	<b>6.9</b>	<b>4.6</b>	<b>49.8</b>
<b>Net financial income</b>	<b>-1.1</b>	<b>-0.8</b>	<b>35.8</b>
<b>EBT</b>	<b>5.7</b>	<b>3.7</b>	<b>52.9</b>
Income taxes	-1.5	-1.2	26.9
<b>Consolidated net income</b>	<b>4.2</b>	<b>2.6</b>	<b>65.0</b>

to initially consolidated companies. Other operating income remained largely unchanged at € 1.2 million. Other operating income is primarily comprised of exchange rate effects and the reversal of provisions for personnel costs.

Other financial expenses of € 1.3 million were offset during the reporting period by other financial income of € 0.2 million. The net financial result of € -1.1 million (previous year: € -0.8 million) was negative, resulting in earnings before taxes (EBT) of € 5.7 million (previous year: € 3.7 million). Income taxes of € 1.5 million (previous year: € 1.2 million) led to net income of € 4.2 million in the 2016 fiscal year after coming in at € 2.6 million in the previous year. This corresponds to a net margin of 5.2% (previous year: 4.5%). Based on the weighted average number of shares, earnings per share amounted to € 0.95 (previous year: € 0.69).

**Dividend Proposal**

The Annual General Meeting of SNP AG, which took place in Leimen on May 12, 2016, approved all the points on the agenda by a substantial majority. Among other items, the shareholders followed the proposal of the Executive Board and the Supervisory Board on the appropriation of profit and approved the distribution of a dividend of € 0.34 per share. In the previous year, the dividend amounted to € 0.13. The total distribution therefore amounted to € 1.3 million (previous year: € 0.5 million).

As a dividend-paying company in accordance with the German Commercial Code (HGB), SNP reported net income for the 2016 fiscal year of € 3.3 million (previous year: € 0.7 million).

In view of the positive performance in the 2016 fiscal year, the Executive Board and the Supervisory Board will propose at the General Meeting being held on May 31, 2017, that a dividend of € 0.39 per share be distributed for the 2016 fiscal year (previous year: € 0.34 per share; adjusted for the increased number of shares after the capital increase in 2016: € 0.26).

**Order Entry and Order Backlog**

The order entry as of December 31, 2016, totaled € 95.5 million, approximately 61% above the comparable amount in the previous year of € 59.2 million. Order backlog as of December 31, 2016, amounted to € 39.3 million. This represents an increase of approximately 97% from the comparable amount of € 20.0 million in the previous year.

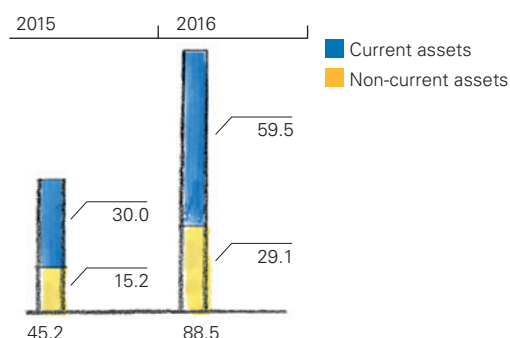
**Net Asset Position**

As of December 31, 2016, at € 88.5 million, total assets increased significantly by € 43.3 million from December 31, 2015. This primarily reflects the majority acquisitions of Hartung Consult, Astrums Consulting and Harlex Consulting as well as a capital increase.

Current assets rose by € 29.5 million to € 59.5 million. In the process, cash and cash equivalents increased by € 18.1 million to € 31.9 million, which was decisively attributable to the cash inflow from the capital increase. At the same time, trade receivables climbed by € 10.8 million to € 26.3 million. The higher trade receivables resulted from additional receivables of the initially consolidated Hartung Consult, Astrums Consulting and Harlex Consulting (€ 3.0 million) as well as from generally higher business volumes.

## Assets

€ million



Noncurrent assets increased during the reporting period from € 15.2 million as of December 31, 2015, to € 29.1 million as of December 31, 2016. Primarily responsible for the rise was the increase in recognized goodwill from € 10.2 million to € 21.6 million as a result of the acquisitions of a majority of the shares in Hartung Consult, Astrums Consulting and Harlex Consulting. In addition, property, plant and equipment increased by € 1.2 million to € 3.2 million as a result of growth related to investments in furniture and office equipment, while intangible assets increased by € 1.1 million to € 2.6 million as a result of the purchase of software licenses and the capitalization of noncompete clauses related to the initial consolidation of the acquired companies.

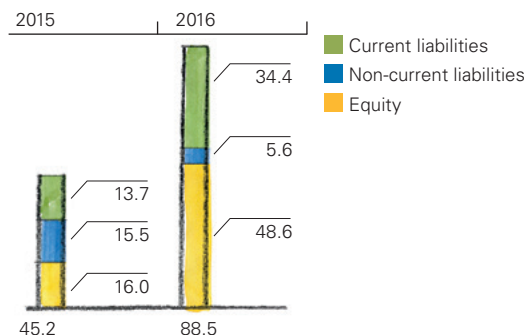
On the equity and liabilities side, current liabilities rose by € 20.7 million to € 34.4 million. The rise was primarily attributable an € 9.9 million increase in other current liabilities, bringing it to a total of € 18.1 million, as well as the reclassification of the corporate bond from non-current liabilities to current liabilities.

The increase of € 9.9 million in other current liabilities resulted primarily from liabilities related to the acquisition of the majority of the shares in Harlex Consulting as well as higher personnel-related liabilities. In addition, liabilities related to the acquisition of the remaining shares in RSP and liabilities from warranty retentions related to the acquisition of a majority of the shares in the companies Hartung Consult and Astrums Consulting are disclosed under other current liabilities (previous year: other noncurrent liabilities). Higher other current liabilities of € 1.3 million resulted from the initial consolidation of the companies Hartung Consult, Astrums Consulting and Harlex Consulting.

The corporate bond with a nominal value of € 10.0 million was redeemed prior to maturity effective March 27, 2017. The full redemption of the bond occurred at a

## Equity and Liabilities

€ million



price of 103% plus interest accruing until March 27, 2017. In the statement of financial position from December 31, 2016, the bond was disclosed with a redemption rate of 103%, plus interest accruing until the end of the reporting period of € 0.4 million. In the previous year, the bond, excluding current interest claims, was disclosed under noncurrent liabilities.

Current liabilities to banks of € 2.1 million are exactly at the level of the previous year. Trade payables increased by € 0.8 million to € 3.1 million, primarily reflecting the initially consolidated companies Hartung Consult, Astrums Consulting and Harlex Consulting as well as generally higher business volumes.

Noncurrent liabilities declined from € 15.5 million as of December 31, 2015, by € 9.9 million to € 5.6 million as of December 31, 2016. The reduction was primarily attributable to the reclassification of the corporate bond to other current liabilities (previous year: € 9.8 million).

In addition, bank loans were partially repaid, while shares were simultaneously reclassified from noncurrent to current liabilities. As a result, noncurrent liabilities to banks declined by € 2.1 million to € 0.4 million.

The equity of the company increased to € 48.6 million as of December 31, 2016 (as of December 31, 2015: € 16.0 million). Through the issuance of 1,239 million no-par-value shares in July 2016, subscribed capital increased to € 4.977 million. The capital reserves increased accordingly from € 7.2 million to € 36.3 million. Other components of equity declined by € 0.3 million, reflecting the revaluation of defined-benefit obligations recognized directly in equity. Retained earnings increased by € 1.4 million to € 6.9 million; they increased as a result of the net income generated for the year (€ 4.2 million) minus the dividend payment (€ -1.3 million). At the same time, other retained earnings declined

by € 1.4 million as a result of the initial consolidation of Harlex Consulting and Hartung Consult and by another € 0.1 million due to the annual profit applicable to minority shareholders. Noncontrolling interests increased by € 1.1 million as a result of the minority shares in Astrums Consulting. Due to the increase in equity combined with a simultaneous increase in total assets to € 88.5 million as of December 31, 2016 (December 31, 2015: € 45.2 million), the equity ratio improved from 35.4% to 54.9%.

### Financial Position

In the 2016 fiscal year, SNP generated positive operating cash flow of € 0.6 million (previous year: € 1.2 million). In the process, the net income generated for the year of € 2.5 million and the noncash amortization and depreciation of € 1.7 million were offset by increases in receivables (€ 8.2 million) and payables (€ 2.3 million). The higher receivables and payables were attributable in part to the expansion of business volumes and in part to effects arising from the initial consolidation of the companies Hartung Consult, Astrums Consulting and Harlex Consulting.

The cash flow from investing activities of € -9.4 million (previous year: € -5.0 million) was caused primarily by payments for the acquisition of the business operations of the companies Hartung Consult, Astrums Consulting and Harlex Consulting (€ 5.5 million) and for the acquisition of the minority interest in Innoplexia GmbH (€ 0.4 million) as well as investments in property, plant and equipment (€ 2.1 million) and intangible assets (€ 1.4 million).

This was offset by a positive cash flow from financing activities of € 26.8 million (previous year: € 11.9 million), which was primarily attributable to net proceeds of

€ 30.1 million from the capital increase in July 2016. Offsetting this were loan repayments of € 2.1 million and dividend payments of € 1.3 million.

Overall cash flow during the reporting period totaled € 18.1 million (previous year: € 13.8 million). Taking into account the changes presented here, the level of cash and cash equivalents increased to € 31.9 million as of December 31, 2016. As of December 31, 2015, cash and cash equivalents amounted to € 13.8 million. As a result, the overall financial positioning of the SNP Group remains quite solid.

The Executive Board anticipates that in 2017 the company will be able to cover all payment obligations from normal business activities with cash inflows from ongoing business operations. Existing cash and cash equivalents are sufficient to cover possible fluctuations in liquidity in individual months.

### Nonfinancial Performance Indicators

#### Employees

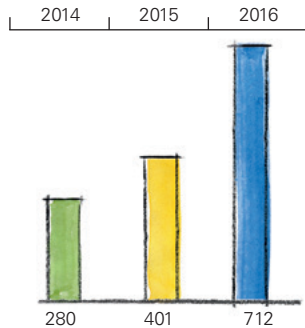
##### Training the Next Generation:

##### Combining Theoretical Study and Practice

Qualified and motivated employees contribute significantly to the success of SNP. Since the competition for qualified IT specialists particularly in the ERP environment continues unabated, SNP is actively engaged in the training and advancement of its own young talent.

The SNP training center was established in 2014 and is located in Magdeburg. The training program lasts for nine months and is primarily directed at university graduates. The four-month academy covers important theoretical foundations to prepare graduates as well as possible for the demanding requirements at SNP.

### Employees at Year End



In 2015, an American training academy was established in Dallas. Young American professionals are trained according to the SNP training model proven to be successful in Germany. The goal is to be increasingly able to implement American projects in the USA. IN 2017, another training center was opened in Berlin due to the city’s attractiveness as a location to do business.

In 2016, three training programs were conducted in Germany. A total of 35 trainees participated in these training programs. Altogether in the first three years, six training programs, in which a total of 71 graduates participated, were conducted.

In 2016, the training program received another award from Absolventa GmbH, a job exchange for students, graduates and young professionals. The award recognizes trainee programs that promote careers and provide equal chances. The award shows that SNP is committed to high-quality trainee programs and the corresponding training structure.

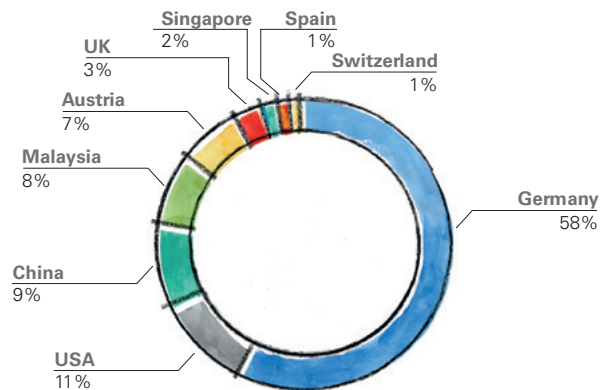
In addition, the company enables all employees to participate in comprehensive training and continuing education programs. The programs have internal and external training components that impart both technical and soft skills. In addition, SNP promotes a variety of sports-related and healthy activities.

#### Significant Increase in Personnel

During the reporting period, the number of employees increased from 401 as of December 31, 2015, to 712 as of December 31, 2016. The significant increase in the number of employees was primarily attributable to the majority acquisitions of Hartung Consult and Astrums Consulting, which added a total of about 180 employees as of January 1, 2016. The majority acquisition of Harlex Consulting on October 1, 2016, added 24 more employees.

### Employees by Region

As at 31 December 2016



In addition, new employee hires were made during the reporting period in order to manage the good operational order situation and to build up and expand targeted resources for further corporate development. Accordingly, nominal personnel expenses increased 51.3% year over year to € 47.2 million (previous year: € 31.2 million). The personnel expense ratio (personnel expenses relative to revenue) declined by 67.3% in the previous year to 55.5%.

Included among employees were three members of the Executive Board (previous year: three), 17 managing directors (previous year: 10) and 60 trainees, students and interns (previous year: 38). There were no employees in partial early retirement in the 2016 fiscal year (previous year: 0). The average number of employees during the reporting period, excluding the aforementioned group of individuals, was 605 (previous year: 336 employees).

#### Increasing Internationalization

As a result of the internationalization strategy, the share of the employees not in Germany increased significantly. As of December 31, 2015, the SNP Group had 84 employees working in foreign subsidiaries, representing 21% of the total workforce. As of December 31, 2016, the number of employees working in foreign subsidiaries had risen to 298. Accordingly, the percentage of the total workforce increased during the year from 21% to 42%.

In the Southeast Asian economic zone (Malaysia, Singapore and China), the SNP Group has 138 employees (as of December 31, 2016), representing a share of 19%. In Germany, the number of employees increased from 317 as of December 31, 2015, to 414 as of December 31, 2016. However, their percentage of the total workforce declined from 79% to 58%.



## Innovations

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

The company demonstrated its ability to innovate with the market launch of the core product SNP Transformation Backbone. This is the first standard software for IT transformations available worldwide. To satisfy increasing technological and economic change in corporate landscapes, the company is constantly working on offering its customers solutions for their transformation projects that are even more efficient in terms of cost and time. Continual investments are made in software extensions to add further application functionality and to target additional markets. This is also reflected in the close collaboration with SAP to bring the SNP Transformation Backbone with SAP LT to the market. With this expansion, SNP will be able to cover highly standardized end-to-end scenarios in its software and service portfolio. As a result of its collaboration with SAP, SNP has intimate knowledge of the latest developments in transformation software. This will decisively strengthen SNP's position as an innovation leader for business and IT transformations.

The research and development strategy has been to actively pursue new product ideas, enhancements and solutions. By integrating research and development (R&D) with sales, the company has been able so far to promptly detect changes in the market and to develop market-driven and market-relevant product innovations. R&D costs in proportion to revenue amounted to 13.6% in the 2016 fiscal year (previous year: 12.7%).

## SNP Transformation Cloud

The SNP Transformation Cloud ensures a new kind of transparency in transformation projects. In order to offer customers a solid foundation for quick decisions in transformation processes, SNP has moved the presentation of essential information about transformation projects to the cloud. Specifically, the SNP Transformation Cloud significantly increases transparency regarding the condition of IT systems and automatically detects hidden performance potential or obstacles to transformation without any additional effort.

Key figures and reports on the status of IT systems as well as information on ongoing transformation projects can be retrieved automatically through the cloud. The information is collected in the corresponding IT landscape and loaded into the individual, highly secure Transformation Cloud environment. Subsequently, this information is easily accessible from anywhere as documentation or an analysis assessment. As a result, potential improvements can be recognized more quickly. In addition, anonymous comparisons with other IT system landscapes indicate opportunities for optimizing structures, data and customization.

## Technology-Driven Transformation Projects

Changes in our technological foundations are a key driver of corporate transformations.

One example of this kind of technology-driven transformation is the changeover of companies to SAP S/4HANA as a pioneering ERP system. SNP has devoted a lot of energy to understanding the data and process transformation to SAP S/4HANA. SNP intends to develop appropriate migration solutions and strategies for the corporate transformation market and to decisively shape this market.



The conversion from internal corporate data centers to cloud-based solutions requires migrating data to the cloud. SNP has developed a solution for this process, and it has already been successfully implemented in initial projects for major customers like Kellogg's.

#### **Development of the Package Manager**

Installation and maintenance processes for technology developments are one of the big challenges in SAP landscapes. The well-received product SNP Package Manager simplifies the installation process and maintenance of SNP products. The Package Manager makes it possible to fully and automatically update the complete system landscape. The necessary software packages are delivered to the customer directly and conveniently through the package administration.

#### **Artificial Intelligence**

SNP has started to explore the potential use of artificial intelligence in the area of data transformation projects. The objective is to achieve a significantly higher degree of automation by using artificial intelligence in transformation projects.

#### **Innovation Partnership with Innoplexia GmbH**

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

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

#### **Expanded Software Portfolio:**

##### **The SNP Interface Scanner**

In July 2016, SNP AG further expanded its performance range for standardized transformation software. The SNP Interface Scanner makes new software available to customers for analyzing the interfaces between SAP systems and their surrounding landscapes. The SNP Interface Scanner provides a database and infrastructure for visually representing the systems involved and their connections. In addition, the new solution enables companies to continuously document the interfaces in use, for example for an SAP audit. This offers advantages to users administering SAP systems.

#### **Social Commitment**

SNP has a long-term, deep commitment to the people and region at the company's location in Heidelberg. As an active member of society, the company positively shapes the economic and social environment and promotes in particular the younger generation's education and enthusiasm in the area of technology. By means of initiatives, donations, sponsorships and other forms of support, the company promotes social interaction, thereby creating added value for companies and society.

### Disclosures Related to Takeover Law

Disclosures related to takeover law as required by Section 315 (4) of the German Commercial Code (HGB) are presented below:

**Composition of Issued Share Capital:** As of December 31, 2016, the share capital of SNP Schneider-Neureither & Partner AG amounted to € 4,976,786, consisting of 4,976,786 ordinary shares in the form of no-par-value shares with a nominal share of capital of € 1.00 per share. Each share entitles the holder to one vote.

**Restrictions on Voting Rights or the Transfer of Shares:** No restrictions affecting the exercise of voting rights or the transfer of shares are known. All shares have the same voting rights and entitlements to dividends. This does not apply to shares held by the company, which grant the company no such rights. As of December 31, 2016, holdings of treasury shares totaled 21,882 shares.

**Direct or Indirect Investments Exceeding 10% of Capital:** The following companies and persons have more than 10% of total voting rights as a result of their shares:

Pursuant to Section 160 (1) (8) of the German Stock Corporation Act (AktG), the company is required to make the following disclosures regarding investments:

- Dr. Andreas Schneider-Neureither: 20.03% (as of February 8, 2017).

0.88% of the voting rights are directly attributable to Dr. Schneider-Neureither pursuant to Section 21 of the German Securities Trading Act (WpHG). 19.15% of the

voting rights are indirectly attributable to Dr. Schneider-Neureither pursuant to Section 22 of the WpHG. These voting rights are held via the following entities, which are controlled by Dr. Schneider-Neureither and whose share of voting rights in SNP Schneider-Neureither & Partner AG amounts to 3% or more:

- Schneider-Neureither GmbH
- SN Verwaltungs GmbH & Co. KG
- SN Holding GmbH
- SN Assets GmbH

- Dr. Andreas Schneider-Neureither: 19.32% 19.32% (as of December 31, 2016).

0.88% of the voting rights are directly attributable to Dr. Schneider-Neureither pursuant to Section 21 of the WpHG. 18.44% of the voting rights are indirectly attributable to Dr. Schneider-Neureither pursuant to Section 22 of the WpHG. These voting rights are held via the following entities, which are controlled by Dr. Schneider-Neureither and whose share of voting rights in SNP Schneider-Neureither & Partner AG amounts to 3% or more:

- Schneider-Neureither GmbH
- SN Verwaltungs GmbH & Co. KG
- SN Holding GmbH
- SN Assets GmbH

**Holders of Shares With Special Rights Conferring Powers of Control:** No shares have been issued with special rights conferring powers of control.

**Rights to Control Voting Rights in Employee Investments in Capital:** There are no rights to control voting rights.

**Appointment and Dismissal of Executive Board**

**Members:** The appointment and dismissal of members of the Executive Board is based on Sections 84, 85 of the AktG as well as Section 5 of the articles of association in the version dated June 30, 2016. Pursuant to Section 5 of the articles of association, the Executive Board is comprised of one or several individuals. The Supervisory Board determines the number of Executive Board members. Even if share capital amounts to more than € 3 million, the Supervisory Board may resolve that the Executive Board be made up of only one person.

**Amendments to the Articles of Association:** According to Section 179 of the AktG in conjunction with Section 6 of the articles of association in the version dated June 30, 2016, amendments to the articles of association require a resolution of the General Meeting with at least a 75% majority of share capital represented during the resolution. Pursuant to Section 6 of the articles of association, the Supervisory Board is authorized to adopt amendments and additions to the articles of association that are only formal in nature and do not entail any substantive changes.

**Acquisition and Buyback of Treasury Shares:** On May 12, 2016, the General Meeting authorized the company to acquire for the coming five years treasury shares up to a total of 10% of the outstanding share capital at the time of the resolution. As of December 31, 2016, the company held 21,882 treasury shares.

**Authorized Capital:** The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company by May 20, 2020, up to a total of € 630,304 against cash or in-kind contributions through the issuance of new no-par-value ordinary shares. Subscribed capital had an original amount of up to € 1,869,030 and was partially utilized in the past fiscal year. As a result, share capital in-

creased by € 1,238,726 or 1,238,726 no-par-value ordinary shares with a nominal share of share capital of € 1.00 per share to a total of € 4,976,786 consisting of 4,976,786 shares.

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

**Contingent Capital:** Contingent capital amounted to € 1,869,030 as of the end of the reporting period. The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash contributions and subject to conversion obligations that were issued or guaranteed until May 20, 2020, by the company by virtue of the authorization of the Executive Board and the resolution of the General Meeting on May 21, 2015, exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose.

**Key Agreements Subject to Change of Control Following a Takeover Bid:** No agreements have been

reached that provide certain rights to a contractual partner in the event of any change in shareholders, partners or owners of the company.

**Compensation Agreements in the Event of a Take-over Bid:** No compensation agreements have been reached with either Executive Board members or employees in the event of a takeover bid.

## Risks, Opportunities and Forecast Report

### Risk Management and Risk Report

In its business activities, the SNP Group is subject to a variety of risks that are inseparably linked to its entrepreneurial activity. SNP employs effective management and control systems to identify risks at an early stage, to evaluate them and to deal with them systematically. They are combined into a uniform risk management system, which is presented below. Risks refer to the possibility of events occurring with unfavorable consequences for SNP's economic situation. All risks are systematically identified, evaluated and monitored. Risks are normally balanced out by appropriate opportunities. However, the risk management system does not address the opportunities. During the reporting period, there were no material changes in the risk management system compared to the previous year.

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

SNP strives for sustainable growth and a steady increase in the value of the company. This strategy is reflected in its risk policy. The basis of risk management is the monitoring and evaluation of financial, economic and market-related risks. IT-supported risk management, in which both qualitative and quantitative meth-

ods are applied at all levels of the Group, is a vital component of the planning and execution of its business strategy. The risk scope of consolidation is identical to the Group's scope of consolidation. It also includes acquisitions made in 2016: Hartung Consult GmbH, As-trums Consulting (S) Pte. Ltd. and Harlex Management Ltd., including their subsidiaries. The constant refinement of the risk management system is an important step that allows the company to respond promptly to changing conditions that may directly or indirectly affect the net assets, financial and earnings position of SNP AG. Crucial projects are continuously monitored regarding their feasibility and profitability.

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

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

The risk management system for significant risks threatening the company's survival is integrated into the SNP Group's value-oriented management and planning system. It is an important component of the overall planning, controlling and reporting process in all relevant legal entities, business fields and core functions. Its purpose is to systematically identify, evaluate, monitor and document all significant risks threatening the company's survival. The Executive Board establishes guidelines for risk management. These guidelines serve as the basis for risk management by the risk management officer. The risk management officer ensures that the specialized departments identify risks proactively

and promptly, evaluate them both quantitatively and qualitatively and develop suitable measures to avoid or compensate for risks. Using a systematic risk inventory, the employees responsible revise and reassess the risks at least once per fiscal year. In addition to routine reporting, there is an internal reporting requirement for risks that may occur unexpectedly. Each risk is assigned to a risk group. When providing notifications and reassessments of risks, the amount of the loss and probability of occurrence must be indicated in accordance with guideline provisions. The task of the employees responsible is to develop, and if necessary introduce, measures corresponding to the evaluation of risks that are suited to avoid, reduce or protect against these risks. Significant risks and countermeasures that have been introduced are monitored regularly during the year. The Executive Board and the Supervisory Board are regularly informed about material identified risks.

#### **Internal Control and Risk Management System Regarding Accounting**

The internal control and risk management system regarding the accounting process is designed to ensure the correctness and effectiveness of accounting and financial reporting. The system, which is continuously being refined, is an integral component of the accounting and financial reporting processes in all relevant legal entities and core functions.

The system contains policies and procedures as well as prevention and detection checks. Among other things, it is regularly checked whether Group-wide accounting and evaluation principles are continuously updated and followed, internal Group transactions are fully recorded and properly eliminated, significant accounting issues subject to mandatory disclosure arising from agreements are identified and properly depicted, processes

are in place ensuring the completeness of financial reporting, processes are in place to enforce the separation of functions and the double-check principle during the preparation of financial statements, and rules exist governing authorization and access to relevant IT accounting systems.

The effectiveness of the internal control and risk management system in terms of the accounting process is systematically evaluated. Routine tests are conducted on a random basis in order to assess the effectiveness of controls. They establish the basis for a self-assessment as to whether controls are appropriately designed and effective. The Executive Board and the Supervisory Board are regularly informed about significant weaknesses in the control system as well as the effectiveness of the controls in place. However, the internal control and risk management system for the accounting process cannot absolutely guarantee the avoidance of any accounting inaccuracies.

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

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

#### **Risk Report**

During the reporting period, there were no significant changes in risks relative to the previous year. In particular, no significant risks arose that might endanger the company's existence in terms of their probability of

occurrence and potential damage caused. Adequate measures have been taken to avoid or compensate for risks.

### **Market and Economic Risks**

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

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

In addition, over the course of the year SNP is subject to the typical business cycles for the IT sector. This usually means a very strong demand in the fourth quarter. Since the company's capacities, particularly in Professional Services, are largely fixed over the entire year in order to accommodate expected peak demand, heightened risk exists here if short-term changes in investment behavior should occur. SNP tries to reduce these risks by employing freelancers. Compared to the previous year, the use of external service providers and cost of materials increased by 21.7% to € 8.3 million.

Similarly, it cannot be ruled out that in the Software division that scheduled software sales may fall through over the short term or purchase decisions by customers be postponed, influencing the company's target

achievement. SNP tries to reduce this risk through greater diversification of software products and stronger marketing of all software products. As a result, it was possible to increase software revenue in the current fiscal year by 49.9% to € 14.0 million. In 2016, the share of the main product, SNP Transformation Backbone with SAP LT, was 68% (previous year: 66%).

### **Risks of Technology Development**

With its portfolio of products and services, SNP offers specific solutions for the transformation of ERP landscapes. Therefore, it focuses on a niche market. The possibility exists that another provider may offer better or less expensive solutions so that SNP loses market share or is driven from the market entirely. SNP counters this risk by developing new products and by continuously refining and improving existing products. In 2016, research and development costs as a percentage of revenue were 13.7% (previous year: 12.7%). Given the complexity of SNP products and processes, the company has managed to achieve an innovation lead until now that generally limits the possibility of imitation.

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

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

### **Operational Risks**

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

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

### **Risks of Dependence on SAP SE**

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

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

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

### **Growth Risks**

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

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

### **Personnel Risks**

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

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



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

Moreover, SNP has increasingly begun to train young professionals in customized training programs. As of December 31, 2016, SNP employed 60 students and trainees (previous year: 45). This number should be increased significantly in the coming years.

However, insuring against overall personnel risk is possible only to a limited extent.

### **Insurance Risks**

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

### **Legal Risks**

Legal risks primarily involve matters of company law, commercial and trademark law, contract law, product liability law, capital market law and cases of changes to relevant existing laws and their interpretations. A violation of an existing provision may occur as a result of ignorance or negligence. SNP uses external service providers and experts to minimize most of these risks. Legal disputes can lead to significant costs and damage to the company's image even if the company's legal position is vindicated. As of December 31, 2016, significant legal risks from lawsuits and third-party claims did not exist.

### **Sales Risks**

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

Marketing via third parties also carries the general risk that the relevant products are not sold with the commitment that SNP expects. Another risk is that distributors may terminate partnerships against the wishes of SNP. This could lead to medium-term substitution problems and to significantly higher sales expenses. SNP attempts to reduce this risk by strengthening its in-house sales team, selecting partners carefully and offering attractive sales terms.

As of December 31, 2016, the number of sales employees increased to 62 (December 31, 2015: 30). The number of partner companies remained unchanged at 54.

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

In fiscal year 2016 no customer (last year: one) generated revenue of more than 10% of total revenue. In 2016, the largest customer generated total revenue of € 6.4 million (previous year: € 7.0 million), while the second-largest customer produced € 5.3 million (previous year: € 4.0 million) and the third-largest customer produced € 3.7 million (previous year: € 2.0 million) of revenue. The management regards dependence on individual customers as relatively low.

## Financial Risks

### ■ Credit Risk (Default Risk)

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

### ■ Liquidity Risk

SNP has a large amount of cash and cash equivalents, which are exclusively euro-denominated investments in term deposits, overnight money or similar conservative products with maturities of up to 90 days. Consequently, the interest rate risk associated with such financial investments is negligible. Given the low rate of interest accruing to the specified forms of investment, SNP is exposed to the risk of a loss in purchasing power from the liquid funds it is holding in case of a concurrently high rate of price inflation (inflation rate). The default risk posed by business partners, with whom SNP has made deposits or concluded derivative financial contracts, is minimized by ongoing credit checks of the relevant institutions. Derivative contracts were not concluded in the 2016 fiscal year. SNP will be able to service the bank loan taken out to finance the acquisition in the USA at the respectively agreed upon maturity dates.

### ■ Currency Risk

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. Most of the Group's revenue stems from the

eurozone. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions involve fluctuations in currency exchange rates. They result in particular from fluctuations in the US dollar and the Swiss franc. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, relate primarily to the absolute amount of the key figures reported in euro. Due to its limited scope of activities outside the eurozone until the end of the 2016 fiscal year, SNP regards the risk as manageable, but it nevertheless examines the need for adequate hedging measures on an ongoing basis.

## Risk Report Summary

Overall risks are limited and calculable. Based on available information, in the view of the Executive Board there are currently and in the foreseeable future no significant individual risks whose occurrence would presumably endanger the existence of the Group or a significant Group company.

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

No risks endangering the survival of the company occurred during the 2016 fiscal year.

## Forecast Report

### Opportunity Management

SNP operates in a dynamic market environment in which new opportunities are constantly emerging. Identifying, correctly assessing and taking advantage of these opportunities is a key factor for the sustainable

growth and long-term success of the SNP Group. Potential opportunities may be either internal or external in nature. SNP does not have any special opportunity management system. The Executive Board analyzes opportunities on a regular basis, which results in the company's strategic focus and corresponding operational measures. However, the opportunities that present themselves are always associated with risks. The task of risk management is to assess these risks and to reduce them as much as possible. SNP fundamentally strives for a balance between opportunities and risks.

The most significant opportunities for SNP are described below. However, this list covers only part of the available opportunities. Furthermore, the assessment of opportunities is subject to continuous changes as the company, the market for transformation services and the technology environment are constantly evolving. At the same time, these developments can lead to new opportunities.

#### ■ **Strengthening Sales Further**

SNP relies on direct channels and on its partners for its international sales strategy for software and services. The sales organization was further diversified and expanded in terms of staffing in the past year. Wholesale client sales, which focus on advisory and software solutions for corporate groups that are global players, established intensive relationships with strategic customers. The application companies increasingly manage software sales focusing on small- to medium-sized SNP software products with a minor service component. Over the past year, staffing was expanded in both sales areas so as to drive up contact frequency with customers and interested parties.

In the future, wholesale client sales and other software sales will be coordinated even more effectively.

The aim is to further strengthen high-margin and more scalable software sales. In addition, collaboration between the sales organizations of SNP AG, Hartung Consult, Astrums Consulting and Harlex Consulting should be established and expanded in order to make the most of cross-selling potential among the companies and to coordinate sales strategies in an optimal manner.

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

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

The commissioning of an order volume well in excess of USD 5 million in 2015 by the U.S. computer and IT group Hewlett-Packard and another major order from the U.S. chemical industry in 2016 testify to the company's rising reputation in the market. Through the successful implementation of the major project with Hewlett-Packard, it was possible to demonstrate the high degree of effectiveness of SNP software and massively improve its reputation in the U.S. IT market. The visible advantages of the software-based transformation approach ultimately enabled SNP to land the largest order in its history. In September 2016, two globally significant U.S.-based chemical companies, which are currently in the midst of merging, commissioned SNP AG to combine the two companies' SAP system landscapes.

The U.S. subsidiary SNP Applications Americas, Inc. was founded in 2017 for the purpose of expanding the applications strategy to the U.S. market.

■ **Intensifying the International Sales Strategy in the Area of SNP Applications**

As a result of the overall internationalization strategy and the successful revenue and earnings development of SNP Applications DACH GmbH, the SNP Group set itself the goal of expanding the applications strategy to other international markets. In September 2016, Singapore-based SNP Applications Singapore Private Limited was founded for this purpose. SNP AG owns 80% of the subsidiary, whose geographic sales focus is the Southeast Asian economic zone. In February 2017, the applications strategy was expanded to the U.S. market. SNP Applications Americas Inc., which is based in Irving, Texas was founded for this purpose. Accordingly, its geographic sales focus is on the U.S. economic zone (regarding this see "Subsequent Events" in this report).

By the end of 2014, SNP Applications DACH GmbH was founded in order to intensify the sale of the SNP software portfolio beyond the SNP Transformation Backbone with SAP LT in the DACH (Germany, Austria and Switzerland) region. For this purpose, the German subsidiary combines the software products SNP Data Provisioning and Masking (DPM), SNP Dragoman and SNP Interface Scanner in an independently operating unit. Accordingly, specialized employees from the areas of telesales, telemarketing, development and support were integrated into the company.

■ **Expanding the Solution Portfolio and Creating Opportunities by Changing the System Environment of SAP SE**

Innovation leadership in the area of transformation software and the steady expansion of the solution portfolio harbor significant growth opportunities for SNP. Through the continuous refinement of methodology and software, SNP can transform business processes independently of the ERP system (any to any). As a highly innovative company, SNP can re-

spond rapidly to changes in the area of SAP® ERP systems through extensions to the existing software so that it can take advantage of the opportunities arising, for example, from the launch of SAP S/4HANA. For more information, see the section on innovations in this report.

■ **Integrating Acquired Companies Further**

With its investment in RSP at the beginning of 2015, the SNP Group was able to expand its strategy and process-oriented consulting range, while simultaneously significantly extending the value chain in the market for corporate transformations.

At the beginning of 2016, the SNP Group succeeded in taking a step toward Asia by acquiring majority interests in two companies with more than two decades of project experience in Malaysia, Singapore and China. Hartung Consult advises and supports globally oriented companies with international projects involving SAP introduction and harmonization. Astrums Consulting is a consulting and service company operating in the product and service environment of various ERP systems. Through both majority interests, the SNP Group has expanded its performance range for international customers, while gaining deeper access to the rapidly growing Asian markets. By intensifying its internationalization strategy, SNP will implement additional future projects directly in Asia.

In October 2016, an additional majority interest followed in Great Britain (regarding this see the section "Business Performance and Economic Condition" in this report). Harlex Consulting is a consulting firm with a clear focus on the implementation of IT data migration projects in SAP environments. Against this backdrop, the London-based company is an ideal partner to strengthen the SNP Group's presence in the British market. In addition, in accordance with its

inorganic growth strategy, SNP is gaining access to a highly trained team of experts in the field of SAP data migration. Harlex Consulting also possesses an attractive customer base and extensive project experience. The cooperation promises significant potential synergies and sales through partnering in sales activities and project implementation.

By expanding the range of its consulting services to include fundamental strategic components, SNP will increase value creation for its customers and therefore achieve a higher share in the respective projects and generate higher sales and earnings from these projects.

#### ■ Improving the Reputation of the SNP Brand

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

#### ■ Developing the SNP Software Portfolio

The basis and driver of growth at SNP AG is the company's own software portfolio. Our highly innovative and unique product range already provides our customers with a vital contribution to value creation. In the process, we enable our customers to navigate digital transformation successfully and to take advantage of market opportunities. The strategic goal is to turn SNP into the industry standard for software-based IT transformation in order to reliably support and promote permanent change in companies. The focus will be on the technological development of SNP software products in 2017, as well.

#### ■ Growing Through Acquisitions

New acquisitions give rise to additional opportunities for SNP to augment its strategic range of products and solutions, to penetrate new sales markets, to gain technical expertise and to expand capacity. In the past, SNP has successfully taken over several companies, which now are helping improve its market penetration. Monitoring the market for potential target companies – primarily in the area of software – remains one of the Executive Board's ongoing responsibilities.

#### Forecast

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

The performance of the SNP Group is largely independent of the performance of the overall economy since SNP is generally less affected by a potential economic downturn as a result of its positioning as a specialized provider of standardized ERP transformations. This is due to the fact that companies also need to adjust their IT landscapes during periods of economic weakness in order to remain competitive.

As in previous years, it is assumed that in the current fiscal year revenue will not be evenly distributed over the quarters and that the second half of the year should be much stronger. Based on organic growth of up to 20%, the Executive Board expects Group revenue of between € 96 million and € 100 million in the 2017 fiscal year.

The Executive Board is pursuing the principle goal of consistent revenue growth for the SNP Group, in strict accordance with a structural increase in profitability. Furthermore, the Executive Board also aims to further improve market penetration via additional acquisitions and to tap into new sales markets. Independent from the required organic and inorganic growth investments, the profitability of the SNP Group is subject to an enormous range of fluctuation: with organic revenue growth of 10% to 15%, the Executive Board predicts an EBIT margin of between 9% and 11% for the 2017 fiscal year and forecasts profitability of between 7% and 12% for higher overall growth (organic and inorganic).

To finance further growth and to refinance the SNP AG has taken the following steps in the first quarter of the year 2017:

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

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


#### **Early Redemption of the Bond**

Effective March 27, 2017, the bearer bond (ISIN: DE000A14J6N4 / WKN: A14J6N) was redeemed early. In accordance with the bond conditions, the notice of redemption was published in the German Federal Gazette and on the company's website. The bond with total amount issued of € 10.0 million (total nominal amount of up to € 20.0 million) will be fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

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

Heidelberg, Germany, March 13, 2017

The Executive Board



Dr. Andreas Schneider-Neureither



Henry Göttler

## 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 net assets, financial position and results of operations of the Group, and the management report of the Group 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.

Heidelberg, Germany, March 13, 2017

The Executive Board

A handwritten signature in blue ink, appearing to read 'ASN', with a long horizontal flourish extending to the right.

Dr. Andreas Schneider-Neureither

A handwritten signature in blue ink, appearing to read 'H. Göttler', with several vertical strokes at the end.

Henry Göttler





# CONSOLIDATES FINANCIAL STATEMENT

# Consolidated Financial Statement

## Consolidated Balance Sheet

as of 31 December 2016

<b>Assets</b>			
In €	Notes	2016	2015
<b>Current assets</b>			
Cash and cash equivalents	11.	31,914,247.64	13,769,161.99
Trade receivables	12.	26,324,765.67	15,497,636.65
Tax receivables	18.	363,217.58	142,467.50
Other current assets	13.	876,223.89	587,793.05
		<b>59,478,454.78</b>	<b>29,996,059.19</b>
<b>Non-current assets</b>			
Goodwill		21,563,226.63	10,161,875.47
Intangible assets	14.	2,615,839.57	1,513,312.70
Property, plant and equipment	15.	3,160,586.66	1,998,513.21
Participations accounted for under the equity method	16.	421,850.98	22,355.14
Other non-current assets		291,199.29	204,419.40
Tax receivables	18.	-	4,588.13
Deferred taxes	34.	1,001,365.17	1,338,314.96
		<b>29,054,068.30</b>	<b>15,243,379.01</b>
		<b>88,532,523.08</b>	<b>45,239,438.20</b>
<b>Equity and Liabilities</b>			
In €	Notes	2016	2015
<b>Current liabilities</b>			
Corporate bond	8./ 20.	10,699,149.95	501,736.08
Liabilities to banks		2,100,000.00	2,100,000.00
Trade payables	12.	3,082,980.45	2,310,718.71
Provisions	17.	98,009.00	120,000.00
Tax liabilities	18.	234,859.61	416,690.91
Other current liabilities	19.	18,167,404.64	8,253,730.75
		<b>34,382,403.65</b>	<b>13,702,876.45</b>
<b>Non-current liabilities</b>			
Corporate bond	8./ 20.	-	9,810,941.30
Liabilities to banks		434,147.29	2,532,610.26
Provisions for pensions	21.	1,518,551.00	1,234,009.00
Deferred taxes	34.	59,395.98	13,028.90
Other non-current liabilities		3,563,445.54	1,922,070.00
		<b>5,575,539.81</b>	<b>15,512,659.46</b>
<b>Equity</b>			
Subscribed capital	22.	4,976,786.00	3,738,060.00
Capital reserves	24.	36,331,446.56	7,189,482.76
Retained earnings	24.	6,913,341.27	5,497,097.46
Other components of the equity		-296,252.83	13,912.26
Treasury shares	23.	-414,650.19	-414,650.19
<b>Equity attributable to shareholder</b>		<b>47,510,670.81</b>	<b>16,023,902.29</b>
Non-controlling interests	25.	1,063,908.81	0.00
		<b>48,574,579.62</b>	<b>16,023,902.29</b>
		<b>88,532,523.08</b>	<b>45,239,438.20</b>

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

## Consolidated Income Statement

for the period from 1 January to 31 December 2016

In €	Notes	2016	2015
<b>Revenue</b>		<b>80,685,261.23</b>	<b>56,236,203.16</b>
Professional Services	28.	66,640,120.09	46,868,314.34
Licenses		11,982,350.05	7,437,286.62
Maintenance		2,062,791.09	1,930,602.20
Other operating income	29.	1,227,905.89	1,224,807.58
Cost of material	30.	-8,276,195.63	-6,792,586.22
Personnel costs	31.	-47,207,185.63	-31,208,100.60
Other operating expenses	32.	-17,810,886.84	-13,567,583.95
Other taxes		-94,944.70	-52,876.56
<b>EBITDA</b>		<b>8,523,954.32</b>	<b>5,839,863.41</b>
Depreciation and impairments on intangible assets and property, plant and equipment		-1,667,105.49	-1,262,147.07
<b>EBIT</b>		<b>6,856,848.83</b>	<b>4,577,716.34</b>
Income from participations accounted for under the equity method		8,180.38	-2,645.86
Other financial income		158,715.31	22,032.41
Other financial expenses		-1,295,317.64	-850,168.39
<b>Net financial income</b>		<b>-1,128,421.95</b>	<b>-830,781.84</b>
<b>EBT</b>		<b>5,728,426.88</b>	<b>3,746,934.50</b>
Income taxes	34.	-1,517,436.27	-1,195,421.77
<b>Consolidated net income</b>		<b>4,210,990.61</b>	<b>2,551,512.73</b>
Thereof:			
Profit attributable to non-controlling shareholders		146,707.17	0.00
Profit attributable to shareholders of SNP Schneider-Neureither & Partner AG		4,064,283.44	2,551,512.73
<b>Earnings per share</b>	9.	<b>€</b>	<b>€</b>
- Undiluted		0.95	0.69
- Diluted		0.95	0.69
<b>Weighted average number of shares</b>			
- Undiluted		4,297,691	3,716,000
- Diluted		4,297,691	3,716,000

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

## Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2016

In €	2016	2015
<b>Net income for the period</b>	<b>4,210,990.61</b>	<b>2,551,512.73</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation differences	-172,351.13	150,641.13
Deferred taxes on differences from currency conversion	-	0.00
	<b>-172,351.13</b>	<b>150,641.13</b>
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of defined benefit pension plans	-233,791.00	-121,552.00
Deferred taxes on remeasurements of defined benefit pension plans	63,711.25	36,184.50
	<b>-170,079.75</b>	<b>-85,367.50</b>
<b>Income and expenses directly recognized in equity</b>	<b>-342,430.88</b>	<b>65,273.63</b>
<b>Total comprehensive income</b>	<b>3,868,559.73</b>	<b>2,616,786.36</b>
Profit attributable to non-controlling interests	114,441.38	0.00
<b>Profit attributable to shareholders of SNP Schneider-Neureither &amp; Partner AG in total comprehensive income</b>	<b>3,754,118.35</b>	<b>2,616,786.36</b>

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

## Consolidated Cash Flow Statement

for the period from 1 January to 31 December 2016

In €	2016	2015
<b>Profit after tax</b>	<b>4,210,990.61</b>	<b>2,551,512.73</b>
Depreciation	1,667,105.49	1,262,147.07
Change in provisions for pensions	186,599.16	176,779.07
Other non-cash income/expenses	515,681.61	331,416.50
Change in trade receivables, other current assets, other non-current assets	-8,276,435.36	-1,939,912.77
Changes in trade payables, other provisions, tax liabilities, other current liabilities	2,342,234.06	-1,224,097.41
<b>Cash flow from operating activities (1)</b>	<b>646,175.57</b>	<b>1,157,845.19</b>
Payments for investments in property, plant and equipment	-2,063,362.75	-1,307,355.01
Payments for investments in intangible assets	-1,439,980.76	-539,787.06
Payments for investments in at-equity participations	-401,191.00	-25,000.00
Payments for the acquisition of business operations	-5,514,578.02	-3,202,665.05
Proceeds from disposal of tangible fixed assets	52,159.00	68,497.07
Payments for the acquisition of consolidated companies and other business units	-7,318.98	0.00
<b>Cash flow from investing activities (2)</b>	<b>-9,374,272.51</b>	<b>-5,006,310.05</b>
Dividend payments	-1,263,500.52	-483,103.14
Dividend payments to non-controlling shareholders	0.00	0.00
Proceeds from capital increase	30,128,921.15	0.00
Proceeds from the issue of corporate bonds	0.00	10,000,000.00
Proceeds from loans	0.00	4,500,000.00
Payments on loans received	-2,100,000.00	-2,100,000.00
<b>Cash flow from financing activities (3)</b>	<b>26,765,420.63</b>	<b>11,916,896.86</b>
Effects of exchange rate changes and bank balances (4)	107,761.96	19,855.64
<b>Cash change in cash and cash equivalents (1)+(2)+(3)+(4)</b>	<b>18,145,085.65</b>	<b>8,088,287.64</b>
Cash and cash equivalents at the beginning of the fiscal year	13,769,161.99	5,680,874.35
<b>Cash and cash equivalents at 31 December</b>	<b>31,914,247.64</b>	<b>13,769,161.99</b>
<b>Composition of cash and cash equivalents</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	31,914,247.74	13,769,161.99
<b>Cash and cash equivalents at 31 December</b>	<b>31,914,247.74</b>	<b>13,769,161.99</b>

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

## Consolidated Statement of Changes in Equity

for the period from 1 January 2015 to 31 December 2016

In €	Subscribed Capital	Capital reserve	Retained earnings
<b>As of Jan. 1, 2015</b>	<b>3,738,060.00</b>	<b>7,189,482.76</b>	<b>3,428,687.87</b>
Acquisition of minority interests			
Dividend payment			-483,103.14
Total comprehensive income			2,551,512.73
<b>As of Dec. 31, 2015</b>	<b>3,738,060.00</b>	<b>7,189,482.76</b>	<b>5,497,097.46</b>
Dividend payment			-1,263,500.52
Capital increase	<b>1,238,726.00</b>	29,141,963.80	
Change consolidation group			
Total comprehensive income			4,064,283.44
Minority acquisition			-1,384,540.11
<b>As of Dec. 31, 2016</b>	<b>4,976,786.00</b>	<b>36,331,446.56</b>	<b>6,913,340.27</b>

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



<b>Other components of equity</b>						
<b>Currency conversion</b>	<b>Revaluation of performance-oriented obligations</b>	<b>Other components</b>	<b>Treasury shares</b>	<b>Shareholders of SNP AG attributable capital</b>	<b>Non-controlling shares</b>	<b>Total equity</b>
<b>119,763.43</b>	<b>-171,124.80</b>	<b>-51,361.37</b>	<b>-414,650.19</b>	<b>13,890,219.07</b>	<b>0.00</b>	<b>13,890,219.07</b>
				-483,103.14		-483,103.14
150,641.13	-85,367.50	65,273.63		2,616,786.36		2,616,786.36
<b>270,404.56</b>	<b>-256,492.30</b>	<b>13,912.26</b>	<b>-414,650.19</b>	<b>16,023,902.29</b>	<b>-</b>	<b>16,023,902.29</b>
				-1,263,500.52		-1,263,500.52
				30,380,689.80		30,380,689.80
				-	1,524,928.32	1,524,928.32
-140,085.34	-170,079.75	-310,165.09		3,754,118.35	114,441.38	3,868,559.73
				-1,384,540.11	-575,459.89	-1,960,000.00
<b>130,319.22</b>	<b>-426,572.05</b>	<b>-296,252.83</b>	<b>-414,650.19</b>	<b>47,510,669.81</b>	<b>1,063,909.81</b>	<b>48,574,579.62</b>

## Changes in Consolidated Fixed Assets

for the period from 1 January to 31 December 2016

In €	Acquisition-/ production costs 01.01.2016	Currency differences	Additions	Disposals	Reclassifica- tions	Acquisition-/ production costs 31.12.2016
<b>I. Intangible fixed assets</b>						
1. Concessions, industrial property rights and similar rights and licenses to such rights and values	3,681,841.97	53,254.30	1,352,875.79	393,800.40	-5,564.58	5,476,207.88
2. Goodwill	10,161,875.47	145,592.67	0,00	11,255,758.49	0.00	21,563,226.63
	<b>13,843,717.44</b>	<b>198,846.97</b>	<b>1,352,875.79</b>	<b>11,649,558.89</b>	<b>-5,564.58</b>	<b>27,039,434.51</b>
<b>II. Property, plant and equipment</b>						
1. Land, rights equivalent to property and buildings on third-party land	302,014.24	1,541.61	55,204.37	24,401.45	0.00	383,161.67
2. Other equipment, office and factory equipment	4,443,713.20	20,370.90	2,008,113.58	115,559.96	-350,330.27	6,237,427.37
	<b>4,745,727.44</b>	<b>21,912.51</b>	<b>2,063,317.95</b>	<b>139,961.41</b>	<b>-350,330.27</b>	<b>6,620,589.04</b>
<b>Total fixed assets</b>	<b>18,589,444.88</b>	<b>220,759.48</b>	<b>3,416,193.74</b>	<b>11,789,520.30</b>	<b>-355,894.85</b>	<b>33,660,023.55</b>

## Changes in Consolidated Fixed Assets

for the period from 1 January to 31 December 2015

In €	Acquisition-/ production costs 01.01.2015	Currency differences	Additions	Additions from company acquisitions	Disposals	Acquisition-/ production costs 31.12.2015
<b>I. Intangible fixed assets</b>						
1. Concessions, industrial property rights and similar rights and licenses to such rights and values	2,789,152.64	167,010.77	530,297.56	195,976.00	-595.00	3,681,841.97
2. Goodwill	3,980,121.27	220,289.84	0.00	5,961,464.37	0.00	10,161,875.48
	<b>6,769,273.91</b>	<b>387,300.61</b>	<b>530,297.56</b>	<b>6,157,440.37</b>	<b>-595.00</b>	<b>13,843,717.45</b>
<b>II. Property, plant and equipment</b>						
1. Land, rights equivalent to property and buildings on third-party land	70,732.29	95.26	63,925.69	167,261.00	0.00	302,014.24
2. Other equipment, office and factory equipment	3,489,990.21	27,067.27	1,243,429.32	65,761.27	-382,534.87	4,443,713.20
	<b>3,560,722.50</b>	<b>27,162.53</b>	<b>1,307,355.01</b>	<b>233,022.27</b>	<b>-382,534.87</b>	<b>4,745,727.44</b>
<b>Total fixed assets</b>	<b>10,329,996.41</b>	<b>414,463.14</b>	<b>1,837,652.57</b>	<b>6,390,462.64</b>	<b>-383,129.87</b>	<b>18,589,444.89</b>

	Depreciation and impairments cumulated 01.01.2016	Currency differences	Additions	Disposals	Depreciation and impairments cumulated 31.12.2016	Book value 31.12.2016	Book value 31.12.2015
	2,168,529.27	40,641.23	656,761.89	-5,564.08	2,860,368.31	2,615,839.57	1,513,312.70
	0.00				0.00	21,563,226.63	10,161,875.47
	<b>2,168,529.27</b>	<b>40,641.23</b>	<b>656,761.89</b>	<b>-5,564.08</b>	<b>2,860,368.31</b>	<b>24,179,066.20</b>	<b>11,675,188.17</b>
	35,265.91	33.67	18,137.60	0.00	53,437.18	329,724.49	266,748.33
	2,711,948.32	5,412.56	992,206.00	-303,001.68	3,406,565.20	2,830,862.17	1,731,764.88
	<b>2,747,214.23</b>	<b>5,446.23</b>	<b>1,010,343.60</b>	<b>-303,001.68</b>	<b>3,460,002.38</b>	<b>3,160,586.66</b>	<b>1,998,513.21</b>
	<b>4,915,743.50</b>	<b>46,087.46</b>	<b>1,667,105.49</b>	<b>-308,565.76</b>	<b>6,320,370.69</b>	<b>27,339,652.86</b>	<b>13,673,701.38</b>

	Depreciation and impairments cumulated 01.01.2015	Currency differences	Additions	Disposals	Depreciation and impairments cumulated 31.12.2015	Book value 31.12.2015	Book value 31.12.2014
	1,579,605.05	50,590.73	538,928.00	-594.50	2,168,529.28	1,513,312.69	1,209,547.59
	0.00	0.00	0.00	0.00	0.00	10,161,875.48	3,980,121.27
	<b>1,579,605.05</b>	<b>50,590.73</b>	<b>538,928.00</b>	<b>-594.50</b>	<b>2,168,529.28</b>	<b>11,675,188.17</b>	<b>5,189,668.86</b>
	22,926.29	1.05	12,338.57	0.00	35,265.91	266,748.33	47,806.00
	2,307,138.02	5,864.77	710,880.50	-311,934.97	2,711,948.32	1,731,764.88	1,182,852.19
	<b>2,330,064.31</b>	<b>5,865.82</b>	<b>723,219.07</b>	<b>-311,934.97</b>	<b>2,747,214.23</b>	<b>1,998,513.21</b>	<b>1,230,658.19</b>
	<b>3,909,669.36</b>	<b>56,456.55</b>	<b>1,262,147.07</b>	<b>-312,529.47</b>	<b>4,915,743.51</b>	<b>13,673,701.38</b>	<b>6,420,327.05</b>



NOTES TO THE  
CONSOLIDATED FINANCIAL  
STATEMENT

# Notes to the Consolidated Financial Statement

for the fiscal year ended December 31, 2016

## 1. Basic Information on the Company

SNP Schneider-Neureither & Partner AG arose through a transformation from SNP Schneider-Neureither & Partner GmbH with a subsequent change in name. The transformation into a German stock corporation (AG) was entered into the commercial register on December 28, 1998. The company is based in Heidelberg, Germany. The company is entered into the commercial register of the Mannheim District Court under HRB 335155.

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

SNP Schneider-Neureither & Partner AG is a software-oriented business consulting firm that specializes in the delivery of services in the area of data processing, whereby proprietary software developments are used, particularly in the area of digital transformation management. SNP enables companies to successfully navigate the rapidly changing digital environment and seize their opportunities on the market with a highly flexible IT infrastructure. The solutions and software from SNP provide support for M&A projects and carve outs, allow for the integration of previously divergent IT landscapes and promote expansion into new markets outside of the domestic space. With SNP Transformation Backbone, the company has the world's first standardized software on the market for automatically assessing and implementing changes to IT systems. Today, the SNP Transformation Backbone with the SAP LT software suite offers customers clear quality advantages, while significantly reducing the time and expense for transformation projects.

The consolidated financial statements of SNP Schneider-Neureither & Partner AG, Heidelberg, for the fiscal year ended December 31, 2016 were approved for publication by resolution of the Executive Board on March 13, 2017 after consultation with the Supervisory Board.

## 2. General Information

The consolidated financial statements of SNP Schneider-Neureither & Partner AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) and Section 315a (1) of German Commercial Code (HGB).

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

The consolidated financial statements were prepared in euros (€), the functional currency of the parent company. Unless otherwise stated, all amounts in the notes to the consolidated financial statements are provided in thousands of euros (€ thousand).

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

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

Presented below are the key standards, interpretations and amendments that have been published since 2016 or whose early application has been possible since then:

Standard/Interpretation	Description	Effective date
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018

IFRS 9 introduces a consistent approach to the classification and measurement of financial assets. The standard is based on the cash flow properties and the business model used to manage these assets. Furthermore, it provides for a new model of impairment that is based on expected credit losses. IFRS 9 also includes new regulations for the application of hedge accounting in order to improve the presentation of the risk management activities of a company, particularly with regard to the management of non-financial risks. The initial application of IFRS 9 is not expected to have any material impact on the financial position and financial performance of SNP AG.

Analysis of the impact of IFRS 15 has not yet been concluded. Based on current knowledge of the scope, timing of execution and composition of customer orders/contracts, no material impact is expected.

The standard that was endorsed in 2016, but whose application is not yet mandatory, will not be applied early.

The following table provides information on the current status of developments on major standards / interpretations that have not yet been ratified by the European Commission:

Description	Endorsed by the EU	Planned, initial and mandatory application of
<b>New standard</b>		
IFRS 16 Leasing	No	2019
<b>Amendments to existing standards</b>		
Clarification of IFRS 15, Revenue from Contracts with Customers	No	2018
Amendments to IAS 7, Disclosure Initiative	No	2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	No	2017
Amendments to IAS 40, Transfers of Investment Properties	No	2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions	No	2018
Annual Improvements to IFRS (2014 – 2016 Cycle)	No	2017/2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	No	2018
Amendments to IFRS 4, Application of IFRS 9 with IFRS 4	No	2018

According to IFRS 15, the transfer of promised goods or services to the customer should be depicted as revenue in the amount corresponding to the consideration that the company expects to receive in exchange for these goods or services. Revenue is recognized if the customer obtains control over the goods or services. Furthermore, IFRS 15 includes provisions for the disclosure of surpluses or payment obligations that exist at the contractual level. These are assets or liabilities from customer contracts that arise depending on the ratio of the service rendered by the company to the payment made by the customer. In addition, the standard requires the disclosure of a range of quantitative and qualitative information in order to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. IFRS 15 replaces IFRS 11 Construction Contracts and IAS 18 Revenue as well as the related interpretations. At SNP AG, the impact could particularly involve the amount and timing of revenue recognition.

The changes resulting from IFRS 16 primarily involve the lessee. According to IFRS 16, all leases and associated contractual rights and obligations are to be recognized in the statement of financial position of the lessee. As a result (viewed in isolation), there is an increase in total assets in the statement of financial position and therefore a decrease in the equity ratio, while EBIT in the income statement tends to be positively affected.

SNP Schneider-Neureither & Partner AG is examining the future impact of other enumerated standards, amendments and interpretations on the consolidated financial statements. It is currently assumed that they will not have a material impact on the Group's financial position and financial performance.



### 3. Scope of Consolidation

Name of the company	Headquarters of the company	Share ownership in %
SNP Transformations Deutschland GmbH (formerly SNP Consulting GmbH) <sup>1</sup>	Thale, Germany	100
RSP Reinhard Salaske & Partner Unternehmensberatung GmbH	Wiehl, Germany	100
SNP Business Landscape Management GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP Applications Singapore Private Limited <sup>2</sup>	Singapore	80
SNP Applications EMEA GmbH <sup>3</sup>	Heidelberg, Germany	100
SNP GmbH (formerly SNP Axxiome GmbH) <sup>4</sup>	Heidelberg (formerly Frankfurt), Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG <sup>5</sup>	Steinhausen, Switzerland	100
Schneider Neureither & Partner Iberica, S.L.	Madrid, Spain	100
SNP America, Inc.	Jersey City, NJ, USA	100
SNP Labs, Inc.	Irving, TX, USA	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Hartung Consult GmbH <sup>6</sup>	Berlin, Germany	100
Hartung Informational System Co., Ltd. <sup>6</sup>	Shanghai, China	100
Astrums Consulting (S) Pte. Ltd. <sup>7</sup>	Singapore	51
Astrums Consulting SDN. BHD. <sup>7</sup>	Kuala Lumpur, Malaysia	51
Harlex Management Ltd. <sup>8</sup>	London, UK	100
Harlex Consulting Ltd. <sup>8</sup>	London, UK	100

<sup>1</sup> In December 2016, SNP Consulting GmbH was renamed SNP Transformations Deutschland GmbH.

<sup>2</sup> In September 2016, SNP AG founded SNP Applications Singapore Private Limited.

<sup>3</sup> In November 2016, SNP AG founded SNP Applications EMEA GmbH.

<sup>4</sup> In May 2016, SNP AG acquired the remaining shares in SNP Axxiome GmbH and renamed the company SNP GmbH.

<sup>5</sup> In September 2016, SNP AG founded SNP Resources AG.

<sup>6</sup> In January 2016, SNP AG acquired 51% of the shares in Hartung Consult GmbH through a share deal. Hartung Informational System Co. Ltd. is a wholly owned subsidiary of Hartung Consult GmbH. In December 2016, the companies agreed that SNP AG would acquire the remaining 49% of shares at a fixed agreed price legally as of January 1, 2018. From an economic viewpoint, the shares were attributable to SNP AG as of December 31, 2016.

<sup>7</sup> In January 2016, the SNP Group acquired 51% of the shares in Astrums Consulting (S) Pte. Ltd. through a share deal. Astrums Consulting (S) Pte. Ltd. holds 99.9992% of the shares in Astrums Consulting SDN. BHD.

<sup>8</sup> In October 2016, the SNP Group acquired 90% of the shares in Harlex Management Ltd. through a share deal. In addition, the companies agreed that SNP AG would acquire the remaining 10% of shares at a fixed agreed price legally as of January 1, 2018. From an economic viewpoint, the shares were already attributable to SNP AG as of January 1, 2016. Harlex Management Ltd. holds 100% of the shares of Harlex Consulting Ltd.

For the following companies included in the consolidated financial statements the exemption provisions by Section 264 (3) of the German Commercial Code (HGB) are used.

- SNP Transformations Deutschland GmbH (formerly SNP Consulting GmbH), Heidelberg
- SNP Applications DACH GmbH (formerly SNP Applications GmbH), Heidelberg
- SNP Business Landscape Management GmbH, Heidelberg

### 4. Principles of Consolidation

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

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

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

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

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

### **Associates**

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

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

The income statement includes the Group's share of the associate's profit or loss for the period. The Group records its share of the changes shown directly in the equity of the associate and presents it in the statement of changes in equity, as required. Unrealized gains and

losses from transactions between the Group and the associate are eliminated in relation to the investment in the associate.

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

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

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

### **5. Foreign Currency Translation**

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

The functional currency of SNP (Schweiz) AG is the Swiss franc, the US dollar for SNP America, Inc. and SNP Labs, Inc. and the South African rand for SNP Schneider-Neureither & Partner ZA (Pty) Limited. The assets and liabilities of these subsidiaries are translated into the reporting currency of SNP Schneider-Neureither & Partner AG at the closing rate on the reporting

date. Income and expenses are translated at the weighted average exchange rate during the fiscal year. The resulting differences are recognized as a separate component of equity under "Other equity effects not recognized in profit and loss." Exchange rates performed as follows compared to the previous year:

Country	Currency	Closing rates	Average rates			
			2016	2015		
Switzerland	CHF	1€	1.0739	1.0835	1.0902	1.0679
USA	USD	1€	1.0541	1.0887	1.1067	1.1095
South Africa	ZAR	1€	14.4570	16.9530	16.2772	14.1723
China	CNY	1€	7.3202		7.3496	
Singapore	SGD	1€	1.5324		1.5278	
Malaysia	MYR	1€	4.7287		4.5842	
United Kingdom	GBP	1€	0.8562		0.9673	

## 6. Use of Estimates

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

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

### Impairments of Non-Financial Assets

On each reporting date, the Group determines whether there are indications of an impairment of non-financial assets, particularly goodwill. Goodwill is reviewed at least once a year and whenever there is sufficient evidence of impairment. In order to estimate the value in use, management must estimate the expected future cash flows of the cash-generating unit and select an appropriate discount rate.

## Pensions and Other Post-Employment Benefits

The expense of defined benefit plans and other post-employment benefits is determined by using actuarial calculations. The actuarial measurement occurs, among other things, on the basis of assumptions and discount rates, the expected return on plan assets, future wage and salary increases, mortality rates, employee turnover and future pension increases. Given the long-term orientation of these plans, such estimates are subject to significant uncertainties.

### Project Measurement

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

## 7. Key Accounting Policies

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

### Cash and cash equivalents

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

### Receivables and Other Assets

Receivables and other assets are measured at amortized cost, taking into account appropriate deductions for all discernible individual risks.

Trade receivables and other assets are unsecured and therefore are subject to default risk. In the past, the company has had to accept defaults by individual customers or groups of customers that were immaterial for the presentation of its net assets, financial and earnings position.

### Goodwill

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

For the purpose of impairment testing, the goodwill acquired from a merger must be assigned, from the acquisition date, to cash-generating units of the Group expected to benefit from merger-related synergies. This applies regardless of whether other Group assets

or liabilities have already been assigned to these units. Each unit to which goodwill has been assigned represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

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

Goodwill of € 21,563 thousand (previous year: € 10,162 thousand) was assigned to the Professional Services segment for the purpose of impairment testing.

The Professional Services segment represents the smallest cash-generating unit in the Group for which goodwill is monitored as part of internal management.

The impairment test is based on the value in use, which is determined by discounting the planned cash flows resulting from the continuation of the individual units. Cash flow planning is based on the current operating results and a three-year business plan. Cash flows in subsequent years are updated using a constant growth rate of 0.50% (previous year: 0.50%). These cash flow forecasts are discounted to the value in use at a pretax rate of 8.4% (previous year: 8.5%). Business planning takes into account both current information and historical developments. No impairment losses were required either in the reporting year or the previous year.

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

- EBIT margin
- Discount rate
- Growth rate

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

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

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

In reporting year 2016, there were positive translation effects with regard to goodwill of € 146 thousand (previous year: € 220 thousand) in accordance with IAS 21.

### **Intangible assets**

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

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

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

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

There are currently no intangible assets with indefinite useful lives.

### **Research and Development Costs**

In accordance with IAS 38, research costs are recognized as expenses, while development costs are capitalized if other criteria are met. If it is not clearly possible to distinguish between the research and development phases of an internal project, all of the expenses associated with this project should be treated as research expenses. In the 2016 fiscal year, research and development expenses totaling € 11,038 thousand (previous year: € 7,169 thousand) were recognized as expenses since a clear distinction between the research and development phases was not possible. This corresponds to 13.7% of revenue (previous year: 12.7%).

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

Property, plant and equipment are measured at acquisition or production costs, less scheduled depreciation and impairments. Borrowing costs are recognized as expenses unless they are capitalized as part of the acquisition or production costs of a qualifying asset. Property, plant and equipment essentially comprise office equipment, vehicles and computers and are depreciated on a straight-line basis over an economic useful life of 3–13 years.

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

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

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

### Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

Customary market purchases and sales of financial assets are accounted for as of the trade date, i.e. the date on which the company entered into a commitment to purchase the asset. Customary market purchases or sales of financial assets are those which require the delivery of assets within a period prescribed by market rules or conventions.

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

**Financial assets at fair value through profit and loss** include financial assets held for trading and financial assets that upon initial recognition are classified as measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of being sold in the near future. Derivatives, including em-

bedded derivatives recognized separately, are also classified as held for trading, with the exception of any derivatives which are a financial guarantee or have been designated as a hedging instrument and are effective as such. Gains or losses on financial assets held for trading are recognized through profit or loss. The Group has not assigned any financial instruments to this category under the fair value option.

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

### Financial Assets Available for Sale

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

### Assets Recognized at Amortized Cost

On every reporting date for financial statements, the carrying amounts of financial assets not measured at fair value through profit or loss are checked for substantial, objective evidence of impairment. If objective evidence exists that an impairment has occurred with loans and receivables recognized at amortized cost, the amount of the loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognized through profit or loss.

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

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

If, in the case of trade receivables, objective evidence (such as the probability of insolvency or significant financial difficulties on the part of the borrower) exists that not all amounts due will be received according to the originally agreed terms, an impairment is recognized using an allowance account. Impairment losses are derecognized when they are classified as irrecoverable. The decision as to whether a default risk is taken into account using an allowance account or through a direct reduction of the receivable depends on the reliability of the assessment of the risk situation.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as other liabilities.

**Financial liabilities at fair value through profit and loss** include financial liabilities held for trading and financial liabilities that upon initial recognition are classified as measured at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading, with the exception of any derivatives which are a financial guarantee or have been designated as a hedging instrument and are effective as

such. Gains or losses on financial liabilities held for trading are recognized through profit or loss. The Group has not assigned any financial instruments to this category under the fair value option.

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

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

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

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

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

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



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

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

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

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

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

### Shareholding Premium

At the end of the September 2015, the Executive Board of SNP AG approved a program in the form of a shareholding premium. The central element of this program was to pay all members of the SNP Group what's known as a shareholding premium of € 1.40 for each SNP share that was acquired beginning on October 1, 2015, and was held for at least twelve months. By doing so, the aim was to make a further contribution to strengthening the employees' loyalty to the company, while also enabling them to participate in the company's success to an even greater extent. The premium program applied to the acquisition of shares through March 31, 2016. With the exception of the Executive Board and the Supervisory Board, all employees were eligible to participate.

The overall impact on the consolidated financial statements is insignificant.

No stock option programs or similar securities-oriented incentive systems exist either for the Supervisory Board or the Executive Board. The company does not have any further stock option programs.

### Provisions for Pensions

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

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

### Treasury Shares

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

On February 21, 2013, SNP Schneider-Neureither & Partner AG bought back a total of 7,294 treasury shares. Following the allocation of bonus shares (capital increase from company funds resolved by the General Meeting on May 16, 2013), the number of treasury shares currently held is 21,882. The acquisition cost of € 414,650.19 has been disclosed as a negative item in equity in accordance with IAS 32.33. There were no changes in the 2014–2016 fiscal years.

### Other Provisions

A provision is recognized when the Group has a current (legal or constructive) obligation arising from a past event for which an outflow of resources embodying economic benefits to settle the obligation is probable and a reliable estimate of the amount of the obligation is possible. The provision formed for the expense is disclosed in the income statement after deducting any highly probable reimbursement. If the interest effect is material, the provisions are discounted. In case of a discount, the increase in provisions over time is recognized as interest expense.

### Liabilities

After their initial recognition, non-current liabilities are subsequently measured at amortized cost using the effective interest method.

### Taxes

#### Current Tax Assets and Tax Liabilities

Current tax assets and tax liabilities for both the current period and previous periods are measured in the amount of an expected refund from the tax authorities or payment to the tax authorities. The calculation of the amount is based on the tax rates and tax laws in effect or that have been announced as of the reporting date.

#### Deferred Taxes

In accordance with IAS 12 "Income Taxes," deferred taxes are recognized for all temporary differences between the carrying amounts in the consolidated statement of financial position and the tax valuations of assets and liabilities (liability method) and tax loss carryforwards. Deferred tax assets for accounting and measurement differences and for tax loss carryforwards have been recognized only to the extent that it can be assumed with sufficient probability that these differences will lead to the recognition of a corresponding benefit in the future. Deferred tax assets and liabilities are not discounted.

Write-downs on the carrying amount of deferred tax assets are performed only if it is unlikely that expected benefits from deferred taxes will be realized. The esti-

mate made here can be subject to change over time, resulting in an adjustment of write-downs in subsequent periods.

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

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

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and they relate to the income taxes of the same taxable entity assessed by the same tax authority.

### Leases

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

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

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

At the end of December 2014, SNP Schneider-Neureither & Partner AG acquired software license rights that were resold at the same time in a sale-and-leaseback transaction. They were resold for the same amount so that neither a gain nor loss resulted from the transaction. The lease is classified as an operating lease. The resulting future payment obligations are discussed below under note 37, "Contingent liabilities and other financial obligations." At the end of 2014, the transaction resulted in receivables and liabilities of € 2.5 million each, which were disclosed under trade receivables or trade payables. The receivables and payables were settled in the 2015 fiscal year.

### Revenue Recognition

Revenue is recognized when it is probable that the Group will receive the economic benefit and amount of revenue can be reliably determined.

In accordance with IAS 18 "Revenue," sales are recognized when services are rendered.

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

Software revenue is recognized immediately provided that no significant modifications or other adjustments to the software are required as part of the sale. By default, software carries an unlimited license. Maintenance agreements are usually concluded separately. If maintenance fees are prepaid for several years, revenues are deferred on a pro rata basis.

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

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

## 8. Acquisitions / Business Combinations

### Acquisitions / Business Combinations in 2015

In January 2015, SNP AG acquired 74.9% of the shares in RSP Reinhard Salaske & Partner Unternehmensberatung GmbH (RSP GmbH) through a share deal. SNP AG will acquire the remaining 25.1% of the shares with economic effect as of January 1, 2018. From the Group accounting perspective, 100% of the shares are attributable to SNP AG as of January 1, 2015. RSP GmbH advises and supports cross-industry companies in SAP implementation projects and in the optimization of business processes using suitable IT systems and applications. With the investment, SNP AG has expanded its strategy and process-oriented range of consulting services, while at the same time significantly extending the value chain in the market for corporate transformations.

The acquisition took economic effect on January 1, 2015; at this time, the business operations were incorporated into the 2015 consolidated financial statements. The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the equity method. The goodwill of € 5,961 thousand resulting from the acquisition includes the value of expected synergies. The goodwill from the acquisition is attributed to the Professional Services business segment.

### Transferred consideration

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

	in € thousand
Cash and cash equivalents	4,494
Second purchase price installment	1,382
Contingent consideration	1,817
<b>Total transferred consideration</b>	<b>7,693</b>

### Expenses Associated with the Business Combination

The Group incurred business combination-related expenses of € 284 thousand for legal and consulting fees. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

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

	in € thousand
Intangible assets	186
Property, plant and equipment	233
Cash and cash equivalents	1,291
Trade receivables	1,938
Other assets	280
Trade payables	-599
Other liabilities	-1,267
Provisions for pensions	-330
<b>Total identifiable acquired net assets</b>	<b>1,732</b>

Trade receivables include outstanding contractual receivables for which no credit risk existed at the time the consolidated financial statements were prepared and therefore no impairment loss was recognized.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	7,693
Fair value of identifiable net assets	-1,732
<b>Goodwill at the time of acquisition</b>	<b>5,961</b>

At the time of initial consolidation, the purchase price for the acquisition of RSP GmbH is divided into a fixed price and a variable portion (contingent consideration). The fixed price was partially due on the acquisition date and partially at the initially intended time of acquisition of the remaining 25.1% of the shares by SNP AG on January 1, 2018. In December 2016, SNP moved forward the acquisition of the remaining 25.1%, taking economic effect December 31, 2016. The amount of the contingent consideration was originally determined by key figures that were contractually agreed upon and defined over a period of 36 months after the acquisition date. At the time of acquisition, the Group recognized a variable component amounting to € 1,817 thousand, which corresponds to its fair value at the time of acquisition.

At the beginning of the fourth quarter of 2015, the contingent consideration was changed into a fixed amount of € 1,469 thousand, taking into account the development of contractually agreed upon key figures as well as conversations between both parties. Of this amount, € 500 thousand was paid during the 2015 fiscal year. The remaining amounts will be paid according to contractual arrangements over the course of the next two years. In 2015, the amount resulting from the change into a fixed amount was disclosed under other income. The disclosure of remaining liabilities occurs under other noncurrent or current liabilities.

The consideration of € 4,494 thousand represents the initial fixed portion of the purchase price, which was completely paid in the first quarter of 2015 and thus represented a cash outflow. No equity instruments were issued for the acquisition of shares. A cash inflow of € 1,291 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 3,203 thousand.

### Fair Values Still Measured Provisionally at the Time of Initial Consolidation

Cash and cash equivalents, receivables, deferred items (assets, equity and liabilities) and liabilities were provisionally measured on the basis of contractual agreements at the beginning of 2015. The valuations were continually monitored in view of information and facts that become known after the date of acquisition and adjusted according to contractual arrangements. If new information about facts and circumstances had come to light within a year from the date of acquisition that had existed at the time of acquisition and would have led to corrections to the aforementioned amounts or to additional provisions, accounting for the company acquisition would have been adjusted. As of the end of the measurement period on December 31, 2015, no changes were made.

The contractually agreed upon noncompete clause and the order backlog as of December 31, 2014, were classified as substantial and capitalized as intangible assets. The noncompete clause was recognized at a fair value of € 110 thousand. The noncompete clause is to be amortized over a period of three years beginning at the time of acquisition of the remaining shares. The order backlog was assigned a value of € 60 thousand. The order backlog was amortized using the percentage-of-completion method during the 2015 fiscal year.

### Acquisitions / Business Combinations in 2016

In January 2016, SNP AG acquired through a share deal under civil law 51% of the shares in Berlin-based Hartung Consult GmbH, including its wholly owned subsidiary Hartung Informational System Co. Ltd., located in Shanghai, China. Furthermore, it was initially agreed that SNP AG would receive an option to acquire the remaining 49% of shares at a fixed agreed price legally as of January 1, 2018. In December 2016, this option was converted into an obligation of SNP AG. Therefore, from the Group accounting perspective, 100% of the shares are attributable to SNP AG as of December 31, 2016. Hartung Consult advises and supports globally oriented companies with the introduction and harmonization of transnational IT processes and procedures in the SAP product and service environment. As of December 31, 2016, the company, which has operated in the market for 27 years, employed 83 workers worldwide.

Also in January 2016, the SNP Group acquired through a share deal under civil law 51% of the shares in Singapore-based Astrums Consulting (S) Pte. Ltd., including its 99.9992% subsidiary Astrums Consulting SDN. BHD., located in Kuala Lumpur, Malaysia. Furthermore, it was initially agreed that SNP AG would receive an option to acquire an additional 19% of shares at a fixed agreed price legally as of January 1, 2018. Astrums is a rapidly growing consulting and service company operating in the product and service environment of various ERP systems. Among its core competencies are SAP-based implementation projects, including process analyses, conception and implementation as well as maintenance and support. As of December 31, 2016, the company employed 73 workers in Singapore and Malaysia.

The acquisitions took economic effect on January 1, 2016; at this time, the business operations were incorporated into the 2016 consolidated financial statements. The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the equity method. The goodwill of € 4,700 thousand resulting from the acquisitions includes the value of expected synergies. The goodwill from the acquisitions is attributed to the Professional Services business segment.

### Transferred consideration

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

in € thousand	Hartung	Astrums	Gesamt
Cash and cash equivalents	1,440	3,000	4,440
Contingent consideration	600	1,300	1,900
Total transferred consideration	<b>2,040</b>	<b>4,300</b>	<b>6,340</b>

### Expenses Associated with the Business Combination

The Group incurred business combination-related expenses of € 99 thousand for legal and consulting fees. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

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

in € thousand	Hartung	Astrums	Gesamt
Intangible assets	28	26	54
Property, plant and equipment	62	78	140
Cash and cash equivalents	1,151	1,193	2,344
Trade receivables	919	875	1,794
Other assets	117	37	153
Trade payables	-280	-4	-284
Other liabilities	-795	-144	-939
Provisions for pensions	-98	0	-98
Total identifiable acquired net assets	<b>1,104</b>	<b>2,061</b>	<b>3,165</b>
Of which attributable to SNP AG (51%)			<b>1,640</b>
Of which attributable to noncontrolling interests			<b>1,525</b>

Trade receivables include outstanding contractual receivables for which no credit risk existed at the time the consolidated financial statements were prepared and therefore no impairment loss was recognized.

## Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	6,340
Fair value of the identifiable net assets (to the extent that they are attributable to SNP AG)	-1,640
<b>Goodwill at the time of acquisition</b>	<b>4,700</b>

As of the time of initial consolidation, the purchase price for the acquisition of Hartung Consult GmbH consists of both a fixed price and an amount whose payment depends on reaching contractually agreed upon key figures (contingent consideration). It is partially due on the acquisition date and partially due after adoption of the consolidated financial statements for Hartung Germany and Hartung China for 2016. This amount is disclosed under other liabilities.

As of the time of initial consolidation, the purchase price for the acquisition of Astrums Consulting (S) Pte. consists of both a fixed price and an amount whose payment depends on reaching contractually agreed upon key figures (contingent consideration). It is partially due on the acquisition date and partially due after adoption of the consolidated financial statements for Astrums Singapore and Astrums Malaysia for 2016. This amount is disclosed under other liabilities.

The consideration of € 4,440 thousand represents the initial fixed portion of the purchase price, which was completely paid in the first quarter of 2016 and thus represented a cash outflow. No equity instruments were issued for the acquisition of shares. A cash inflow of € 2,344 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 2,096 thousand.

The amount of the contingent consideration was determined by key figures that were contractually agreed upon and defined over a period of one year after the acquisition date. At the time of acquisition, the Group fully took into account the liability from the contingent consideration; this corresponds to its fair value on the date of the midyear financial statements on June 30, 2016.

## Fair Values Still Measured Provisionally at the Time of Initial Consolidation

Cash and cash equivalents, receivables, deferred items (assets, equity and liabilities) and liabilities were provisionally measured on the basis of contractual agreements. The valuations are continually monitored in view of information and facts that become known after the date of acquisition and adjusted according to contractual arrangements. If new information about facts and circumstances come to light within a year from the date of acquisition that had existed at the time of acquisition and would have led to corrections to the aforementioned amounts or to additional provisions, accounting for the company acquisition would be adjusted.

Noncompete clauses agreed upon with the seller were classified as substantial and capitalized separately. The noncompete clause was recognized at a fair value of € 53 thousand.

With the binding agreement in December 2016 to acquire 49% of the shares at a fixed agreed purchase price, SNP AG boosted its investment to 100%. The purchase price amounted to € 1,960 thousand. The transaction was depicted as a transaction between shareholders without effect on the previous consolidation. This led to the derecognition of the nominally resulting share of noncontrolling interests of € 575 thousand at the time of the agreement. The difference from the purchase price of € 1,385 thousand led to a reduction in retained earnings. The transaction is presented separately in the consolidated statement of changes in equity.

Effective April 18, 2016, SNP AG acquired 20% of the shares in Innoplexia GmbH, located in Heidelberg. The objective of the company is the development and sale of IT solutions and related consulting. Innoplexia operates, among other things, a data collection system, which, with the help of intelligent analytics, collects market-specific information from internet platforms (Google, comparison portals, shopping sites, etc.). The system makes it possible to compile market and competition-related information in the form of customer-specific reports on an up-to-date daily basis.

Effective May 4, 2016, SNP AG acquired the remaining shares of the joint venture SNP Axxiome GmbH. At that point the company was renamed SNP GmbH. The com-



pany, which was founded in February 2015 and previously was accounted for using the equity method, will now be recorded within the scope of consolidation of the SNP Group. The purchase price of the remaining shares amounted to € 22 thousand. The investment is classified as immaterial. An outflow of funds of € 19 thousand (purchase price ./. Acquired liquid funds) was associated with the transaction.

In October 2016, the SNP Group acquired 90% of the shares of Harlex Management Ltd., including the wholly owned subsidiary Harlex Consulting Ltd., headquartered in London, United Kingdom. Harlex Management Ltd. holds 100% of the shares of Harlex Consulting Ltd. In addition, it was agreed to acquire the remaining 10% of the shares at a fixed agreed price legally as of October 1, 2018. From the Group accounting perspective, 100% of the shares are attributable to SNP AG as of October 1, 2016. At this time, business operations were incorporated into the 2016 consolidated financial statements. Harlex Consulting is a consulting firm with a clear focus on the implementation of IT data migration projects in SAP environments.

The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the equity method. The goodwill of € 6,556 thousand resulting from the acquisitions includes the value of expected synergies. The goodwill from the acquisitions is attributed to the Professional Services business segment.

	in € thousand
Cash and cash equivalents	5,006
Second purchase price installment	1,913
Third purchase price installment	765
Warranty retention	1,350
<b>Total transferred consideration</b>	<b>9,034</b>

The purchase price for the acquisition of Harlex Management Ltd. at the time of initial consolidation depends on agreed-upon key figures. Accordingly, at the time of initial consolidation an amount of € 5,006 thousand was paid and in the first quarter of 2017 an amount of € 1,913 thousand was paid. These amounts as well as the third purchase price installment and the warranty retention are disclosed in other liabilities.

The consideration of € 5,006 thousand represents the initial fixed portion of the purchase price, which was completely paid in October 2016 and thus represented

a cash outflow. No equity instruments were issued for the acquisition of shares. A cash inflow of € 1,587 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 3,419 thousand.

### Expenses Associated with the Business Combination

The Group incurred business combination-related expenses of € 30 thousand for legal and consulting expenses. These expenses are disclosed in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

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

	in € thousand
Noncompete clause	330
Cash and cash equivalents	1,587
Trade receivables	874
Other assets	87
Corporate income tax receivable	336
Trade payables	-358
Provisions	-86
Other liabilities	-227
Deferred tax liabilities	-66
<b>Total identifiable acquired net assets</b>	<b>2,478</b>

Trade receivables include outstanding contractual receivables for which no credit risk existed at the time the consolidated financial statements were prepared and therefore no impairment loss was recognized.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

	in € thousand
Transferred consideration	9,034
Fair value of identifiable net assets	-2,478
<b>Goodwill at the time of acquisition</b>	<b>6,556</b>



### Fair Values Still Measured Provisionally at the Time of Initial Consolidation

Cash and cash equivalents, receivables, deferred items (assets and equity & liabilities) and liabilities were provisionally measured on the basis of contractual agreements. The valuations are continually monitored in view of information and facts that become known after the date of acquisition and adjusted according to contractual arrangements. If new information about facts and circumstances come to light within a year from the date of acquisition that had existed at the time of acquisition and would have led to corrections to the aforementioned amounts or to additional provisions, accounting for the company acquisition would be adjusted.

Noncompete clauses agreed upon with the seller were classified as substantial and capitalized separately. The noncompete clause was recognized at a fair value of € 330 thousand.

### Issuance of a Corporate Bond

In March 2015, SNP AG successfully placed a € 10.0 million corporate bond. The corporate bond is divided into 10,000 partial bonds with a nominal value of € 1,000.00 per partial bond. The partial bonds have a term of five years and carry a coupon rate of 6.25% annually.

As of the issuance date, the corporate bond was recognized in the statement of financial position, less the brokerage commission and plus deferred interest, at € 10,699 thousand.

At the end of December 2016, the market value of the corporate bond is 103% (fair value).

## 9. Earnings per share

		2016	2015
<b>Earnings attributable to SNP AG shareholders</b>	<b>€</b>	<b>4,064,283.44</b>	<b>2,551,512.73</b>
Weighted average number of shares (basic)	Shares	4,297,691	3,716,178
Weighted average number of shares (diluted)	Shares	4,297,691	3,716,178
Basic earnings per share	€/share	0.95	0.69
Diluted earnings per share	€/share	0.95	0.69

## 10. Segment Reporting

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

in € thousand	<b>Professional Services</b>	<b>Software</b>	<b>Total</b>
<b>Segment result</b>			
2016	6,003	3,090	9,093
Margin	9.0%	22.0%	11.3%
2015	4,936	2,290	7,226
Margin	5.1%	23.1%	9.7%
<b>External revenue</b>			
2016	66,640	14,045	80,685
2015	46,868	9,368	56,236
<b>Depreciation included in the segment result</b>			
2016	982	685	1,667
2015	807	455	1,262
<b>Segment assets</b>			
31.12.2016	81,420	5,749	87,169
31.12.2015	39,819	3,940	43,759
<b>Segment investments</b>			
31.12.2016	14,604	1,024	15,628
31.12.2015	7,789	463	8,252

in € thousand	<b>2016</b>	<b>2015</b>
<b>Reconciliation</b>		
<b>Net earnings</b>		
Total reportable segments	9,093	7,226
Non-segment-related expenses	-2,894	-2,916
Non-segment-related amounts		
- Other operating income	753	321
- Other taxes	-95	-53
<b>EBIT</b>	<b>6,857</b>	<b>4,578</b>
<b>Assets</b>		
Total reportable segments	87,169	43,759
Assets not allocated to the segments	1,364	1,480
<b>Group assets</b>	<b>88,533</b>	<b>45,239</b>
<b>Assets not allocated to the segments</b>		
- Deferred tax assets	1,001	1,338
- Income tax claims	363	142
<b>Total</b>	<b>1,364</b>	<b>1,480</b>

## Reporting by region

Regions	Revenue (external)		Noncurrent assets		Investments	
	2016	2015	2016	2015	2016	2015
in € thousand						
Germany	46,413	33,627	23,664	10,061	14,600	7,821
USA	13,052	10,485	3,164	3,222	219	110
Switzerland	5,018	4,746	107	85	45	64
China	4,042	0				
Austria	3,841	4,043	635	300	526	230
United Kingdom	0	1,665	0	0	0	0
South Africa	0	61	0	1	0	0
Spain	0	0	20	27	0	25
Others	8,319	1,609	172	0	238	0
<b>Total</b>	<b>80,685</b>	<b>56,236</b>	<b>27,762</b>	<b>13,696</b>	<b>15,628</b>	<b>8,252</b>

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

The business segment essentially includes developing and marketing the self-developed software solution for ERP Transformations, called the SNP Transformation Backbone, and expanding it to include SAP LT, the translation software SNP Dragoman; and the SNP Data Provisioning and Masking software, a solution for the migration and secure masking of productive ERP data for tests, training and quality assurance.

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

Segment data is determined from financial controlling data and is based on IFRS figures. For the internal management of the company, key figures based on earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are used.

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

In the 2016 fiscal year no customer (last year: one) generated revenue of less than 10% of total revenue. In 2016, the largest customer generated total revenue of € 6,406 thousand (previous year: € 6,973 thousand), while the second-largest customer produced € 5,259 thousand (previous year: € 4,037 thousand), and the third-largest customer produced € 3,677 thousand (previous year: € 1,953 thousand) of revenue. This revenue involves the Professional Services and Software segments.

## Notes to the Consolidated Statement of Financial Position

### 11. Cash and Cash Equivalents

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

### 12. Trade Receivables/Trade Payables

Trade receivables are comprised as follows:

in € thousand	12/31/2016	12/31/2015
Trade receivables	21,350	12,102
Receivables from fixed-price projects (POC method)	5,080	3,462
	<b>26,430</b>	<b>15,564</b>
Impairment losses	-105	-66
	<b>26,325</b>	<b>15,498</b>

Trade receivables are noninterest bearing and are reported at amortized cost.

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

in € thousand	12/31/2016	12/31/2015
Costs incurred plus profit or loss from projects not yet invoiced	9,699	6,301
Minus interim invoices	4,738	3,163
	<b>4,961</b>	<b>3,138</b>
of which receivables from fixed-price projects	5,080	3,462
of which payables from fixed-price projects	119	324

Progress of impairments on receivables:

in € thousand	2016	2015
As of January 1	66	97
Addition from business combinations	0	16
Addition	39	11
Utilization	0	-49
Reversal	0	-9
<b>As of December 31</b>	<b>105</b>	<b>66</b>

Trade payables are comprised as follows:

in € thousand	12/31/2016	12/31/2015
Trade payables	2,964	1,987
Payables from fixed-price projects (POC method)	119	324
	<b>3,083</b>	<b>2,311</b>

### 13. Other Assets

Other current assets essentially include prepaid expenses of € 621 thousand (previous year: € 443 thousand), creditors with debit balances of € 26 thousand (previous year: € 3 thousand), receivables from employees of € 31 thousand (previous year: € 26 thousand), value added tax (VAT) receivables of € 23 thousand (previous year: € 52 thousand), input tax that is not yet deductible of € 30 thousand (previous year: € 31 thousand), short-term security deposits of € 42 thousand (previous year: € 0 thousand), bank guarantee of € 76 thousand (€ 0 thousand) and other receivables of € 27 thousand (previous year: € 32 thousand). Non-current assets essentially include rent deposits of € 292 thousand (previous year: € 204 thousand).

### 14. Intangible Assets

The progress of individual items of intangible assets is presented in the analysis of changes in fixed assets for the 2016 fiscal year and for the previous year.

There are no restrictions on ownership or disposal.

### 15. Property, Plant and Equipment

The progress of individual items of property, plant and equipment is presented in the analysis of changes in fixed assets for the 2016 fiscal year and for the previous year.

There are no restrictions on ownership or disposal.

### 16. Investments Accounted for Using the Equity Method

In the 2012 fiscal year, an equity investment of 24% of the share capital of Composite Design Transformation GmbH was acquired. In the 2012 fiscal year, the value

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

No further risks are associated with the investment. From the Group's perspective, the entire investment is classified as immaterial.

In February 2015, SNP AG and Axxiome Deutschland GmbH agreed to a strategic partnership for IT projects in the banking and insurance sector. On February 6, 2015, both companies established a joint venture, SNP Axxiome GmbH, headquartered in Frankfurt. SNP AG holds 50% of the shares of the joint venture. In May 2016, SNP AG acquired the remaining shares in SNP Axxiome GmbH and renamed the company SNP GmbH.

In April 2016, SNP AG acquired 20% of the shares in Innoplexia GmbH, located in Heidelberg. The objective of the company is the development and sale of IT solutions and related consulting. Innoplexia operates, among other things, a data collection system that collects market-specific information from internet platforms (Google, comparison portals, shopping sites, etc.) with the help of intelligent analytics. The system makes it possible to compile market and competition-related information in the form of customer-specific reports on an up-to-date daily basis.

The figures are presented below:

	in € thousand
Net carrying amount	422
Group's share of the profit	8
Group's share of comprehensive income	8

## 17. Provisions

in € thousand	As of 1/1/16	Additions from company acquisitions	Utilization	Reversal	Addition	As of 12/31/16
Warranty risks	70	0	0	17	0	53
Archiving costs	45	0	0	0	0	45
Legal costs	5	0	0	5	0	0
<b>Total</b>	<b>120</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>98</b>

## 18. Tax Assets and Tax Liabilities

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

## 19. Other Liabilities

Other **current** liabilities break down as follows:

in € thousand	2016	2015
Payment obligations, acquisitions, shares	6,842	490
Staff payables (vacation, bonus and other)	6,829	4,577
Payroll and other taxes	2,166	1,122
Settlement payment	1,021	310
Social security cost	227	120
Annual financial statement cost	126	111
Employers' liability insurance association contributions	125	81
Commissions	42	42
Other	789	483
<b>Total</b>	<b>18,167</b>	<b>8,254</b>

Other **noncurrent** liabilities involve the remaining payment obligations from the acquisition of Harlex Management Inc. and Hartung Consult GmbH.

## 20. Corporate Bond

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

The bond took into account expenses directly related to the transaction using the effective interest method.

Interest is paid annually every March.

The separate interest obligations were disclosed at the end of the 2016 fiscal year under current liabilities. The additional 3% accruing above the face value as a result of early redemption were also disclosed as interest obligations at the end of the fiscal year under current liabilities.

## 21. Provisions for Pensions

Pension provisions are comprised of provisions for severance payments at SNP Austria GmbH, which by law must be established for employees in Austria, and com-

mitments made to one of the members of the Executive Board and to the Chief Financial Officer of the parent who left in 2011. In addition, due to the acquisition of RSP GmbH, its pension provisions were also assumed. Pension payments are currently being made only at RSP GmbH.

In the 2006 fiscal year, a reinsurance policy was arranged to cover future payment obligations to both beneficiaries at SNP AG. The reinsurance policy was pledged on behalf of the beneficiaries. There is also a reinsurance policy at RSP GmbH that is pledged on behalf on the beneficiaries.

The consolidated financial statements include the following amounts from defined benefit plans for post-employment benefits:

in € thousand	2016	2015
<b>Defined benefit obligation (DBO)</b>	<b>1,664</b>	<b>1,364</b>
Fair value of plan assets	145	130
Net carrying amount of defined benefit plans	1,519	1,234

The cost for defined benefit plans breaks down as follows:

in € thousand	2016	2015
<b>Current service cost</b>	<b>50</b>	<b>46</b>
Net interest cost*	29	23
<b>Expenses for defined benefit plans recognized in the consolidated income statement</b>	<b>79</b>	<b>69</b>
Actuarial gains (-)/ losses	234	121
Loss on plan assets (not including interest income)	2	4
<b>Remeasurement of defined benefit plans recognized in the consolidated statement of comprehensive income</b>	<b>236</b>	<b>125</b>
<b>Cost for defined benefit plans</b>	<b>316</b>	<b>194</b>

\* Disclosed in the income statement under "interest expenses".

The following table presents the development of the DBO in detail:

in € thousand	2016	2015
<b>DBO at the beginning of the fiscal year</b>	<b>1,364</b>	<b>797</b>
Current service cost	50	46
Interest expense	32	27
<b>Remeasurement</b>		
• Actuarial gains (-) / losses due to changes in demographic assumptions	0	0
• Actuarial gains (-) / losses due to changes in financial assumptions	234	121
Benefit payments	-16	-13
Additions from company acquisitions	0	386
<b>DBO at the end of the fiscal year</b>	<b>1,664</b>	<b>1,364</b>

The following table shows the detailed reconciliation of changes in the fair value of plan assets:

in € thousand	2016	2015
<b>Fair value of plan assets at the beginning of the fiscal year</b>	<b>130</b>	<b>71</b>
Interest income	2	4
<b>Remeasurement</b>		
• Gains (+)/ losses (-) from plan assets without amounts contained in net interest expense and income	-2	-4
Employer contributions	15	15
Additions from company acquisitions	0	44
<b>Fair value of plan assets at the end of the fiscal year</b>	<b>145</b>	<b>130</b>

in € thousand	2016	2015
<b>Discount rate</b>	1.6%	2,3%
Salary trends	0% to 3,0%	0% to 3,0%
<b>Pension trends</b>	0% to 3,0%	0% to 3,0%
Average employee turnover *)	0%	0%

\*) Depending on years of service.

The underlying benefits are not linked to the performance of medical costs. Therefore, the impact of expected changes in medical costs was not considered.

The calculation is based on actuarial studies prepared annually taking into account biometric data.

### Sensitivity Analysis:

A change in the fundamental assumptions above, with other assumptions remaining unchanged, would have increased or reduced the DBO as of December 31, 2016, as follows:

Basic assumption in € thousand	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% change)	-203 (-234)	324 (272)
Future pension trend (1% change)	82 (105)	-68 (-93)
Future income trend (1% change)	120 (103)	-108 (-91)
Future mortality (-10%)	31 (28)	-

As of December 31, 2016, the weighted average term of the defined benefit obligations was approximately 18 years (previous year: 18 years).

The employer contributions to plan assets expected for 2017 and the subsequent nine years amount to € 18 thousand per year.

The benefit payments expected in the next few years involve provisions for severance payments for employees of SNP Austria GmbH and pension payments for employees of RSP GmbH. The actual payments depend on other criteria being fulfilled. An average annual payment of € 123 thousand is expected for the next ten years.

## 22. Subscribed Capital

As of December 31, 2016, the share capital of the company amounted to € 4,976,786.00 (previous year: € 3,738,060.00) and was comprised of 4,976,786 (previous year: 3,738,060) ordinary no-par-value shares of SNP Schneider-Neureither & Partner AG, each with a nominal value of € 1.00. In July 2016, subscribed capital was increased through a cash capital increase from € 3,738,060, divided into 3,738,060 ordinary bearer shares, by € 1,238,726 or 1,238,726 shares, making partial use of authorized capital, to a total of € 4,976,786, divided into 4,976,786 shares. The new shares, which were issued at a price of € 25.00 per share, are entitled to dividends in the 2016 fiscal year, beginning on January 1, 2016.

## 23. Authorized Capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of



the company by May 20, 2020, up to a total of € 630,304 against cash or in-kind contributions through the issuance of new no-par-value ordinary shares. Subscribed capital had an original amount of up to € 1,869,030 and was partially utilized in the past fiscal year. As a result, share capital increased by € 1,238,726 or 1,238,726 no-par-value ordinary shares with a nominal share of share capital of € 1.00 per share to a total of € 4,976,786 consisting of 4,976,786 shares.

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

### **Contingent Capital**

Contingent capital amounted to € 1,869,030 as of the end of the reporting period. The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash contributions and subject to conversion obligations that were issued or guaranteed until May 20, 2020, by the company by virtue of the authorization of the Executive Board and the resolution of the General Meeting on May 21, 2015, exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose. No use was made of this in the 2016 fiscal year.

### **Treasury Shares**

On May 20, 2010, the General Meeting authorized the company to acquire treasury shares up to a total of 10% of the existing share capital at the time of the resolution.

In August 2011, the Executive Board resolved to initiate a share buyback program for up to 4,000 shares initially, representing approximately 0.35% of the company's share capital at the time. As part of this buyback program, a total of 3,472 shares were acquired at a price of € 210,398 in the 2011 fiscal year, plus a total of 528 shares at a price of € 35,894 in January 2012.

In February 2012, the Executive Board resolved to continue the share buyback program and acquire up to 4,000 more of the company's no-par-value shares on the stock exchange, corresponding to an additional 0.35% of the company's share capital at the time. In the 2012 fiscal year, a total of 2,551 additional shares were acquired at a price of € 133,133.22. In the 2013 fiscal year, 743 additional shares were purchased at a price of € 35,224.97. The share buyback program ended in February 2013 with 7,294 shares acquired.

The acquisition cost of € 414,650.19 for the total of 7,294 shares has been disclosed as a negative item in equity in accordance with IAS 32.33. Following the allocation of bonus shares (capital increase from company funds resolved by the General Meeting on May 16, 2013), the number of treasury shares currently held is 21,882.

Subscribed capital is shown net of the nominal amount of treasury shares in accordance with Section 272 1(a) of the HGB.

The security identification number for the shares is 720 370, ISIN: DE0007203705.

## **24. Retained Earnings and Capital Reserves**

Please see the consolidated statement of changes in equity for changes in retained earnings.

The capital reserves increased to € 36,331,446.56 (previous year: € 7,189,482.76). The increase resulted from the issuance of 1,238,726 new no-par-value shares with a nominal share of share capital of € 1.00 per share. The issue price was € 25.00. As a result, subscribed capital per issued share increased by € 1.00, while capital reserves increased by the excess amount of € 29,141,963.80.

## 25. Noncontrolling Interests

The item involves 49% minority interests in the current fiscal year of the majority-acquired subsidiaries Astrums Consulting (S) Pte. Ltd. and Astrums Consulting SDN BHD (subsequently collectively referred to as the Astrums Group), which were consolidated for the first time in 2016.

There are also 20% minority interests in SNP Applications Singapore Private Limited, which was included in the consolidated financial statements for the first time in 2016. The company is in the process of building up its operational activities and in terms of materiality is of negligible significance.

Therefore, the following disclosures relate to the Astrums Group. The disclosures involve information prior to the elimination performed among other companies of the Group.

	in € thousand
Revenue	3,472
Profit	187
Profit attributable to noncontrolling interests	92
Other comprehensive income	-19
Comprehensive income	168
Comprehensive income attributable to noncontrolling interests	76
Current assets	2,311
Noncurrent assets	115
Current liabilities	224
Noncurrent liabilities	0
Net assets	2,202
Net assets attributable to noncontrolling interests	1,079
Cash flow from operating activities	178
Cash flow from investing activities	-64
Cash flow from financing activities	0
Net increase in cash and cash equivalents	144
Dividends paid during the year to noncontrolling interests	0

The total comprehensive income of noncontrolling interests in SNP Applications Singapore Private Limited amounts to € -22 thousand of net earnings and € -16 thousand of total comprehensive income.

The Hartung Group, in which the investment was boosted to 100% in December 2016, contributed to net earnings and total comprehensive income, as accruing to noncontrolling interests, € 76 thousand and € 54 thousand, respectively. The associated minority shares were derecognized at the end of 2016.

## 26. Financial Instruments

### Objectives and Methods of Financial Risk Management

The Group is primarily financed through its operating cash flow. In addition, borrowed capital (bank loans, bond) is used for equity investments. Furthermore, there are financial liabilities that contribute to the financing of operating business activities in the form of trade payables and obligations to employees. They are offset by various financial assets, such as trade receivables and cash and cash equivalents that result directly from business activities.

The management monitors and manages the Group's financing and capital structure on an ongoing basis. For this it uses parameters such as "debt-to-equity ration" and the "equity ratio." The Group can adjust dividend payments to shareholders in order to maintain or adjust its capital structure. As of December 31, 2016, and December 31, 2015, no changes were made to the objectives, policies or procedures for monitoring financing and managing the capital structure.

There was no trading with derivatives in the 2016 and 2015 fiscal years.

The possible risks arising from financial instruments included interest rate-related cash flow risks as well as liquidity, foreign currency and credit risks. The Group monitors these risks on an ongoing basis and compares individual risks to total risk exposure in order to determine risk concentrations. If necessary, management decides on strategies and procedures to manage individual types of risks, as presented below.

### Credit Risk

The Group enters into transactions with creditworthy third parties. All customers wishing to conduct business with the company on a credit basis are subject to a credit check. In addition, the receivables portfolio is continuously monitored so that the Group is not exposed to any significant default risks. No credit is granted without prior review and approval according to the current regulations put in place by the Executive Board. The Group has no significant risk concentrations.

For receivables and other financial assets of the Group, the maximum credit risk in case of default by a counterparty corresponds to the carrying amount of these instruments.

The following table shows the credit and default risk of financial assets according to gross carrying amounts:

in € thousand	Neither past due nor impaired	Past due and not impaired	Impaired	December 31, 2016
Noncurrent financial and other assets	291	0	0	291
Trade receivables	23,791	2,534	0	26,325
Other assets	197	0	0	197
<b>Total</b>	<b>24,279</b>	<b>2,534</b>	<b>0</b>	<b>26,813</b>

in € thousand	Neither past due nor impaired	Past due and not impaired	Impaired	December 31, 2015
Noncurrent financial and other assets	204	0	0	204
Trade receivables	12,698	2,800	0	15,498
Other assets	52	0	0	52
<b>Total</b>	<b>12,954</b>	<b>2,800</b>	<b>0</b>	<b>15,754</b>

The following overview shows the extent to which financial assets that are not impaired are overdue:

in € thousand	Up to 30 days	31 to 60 days	More than 60 days	December 31, 2016
Trade receivables not impaired	1,562	339	633	2,534

in € thousand	Up to 30 days	31 to 60 days	More than 60 days	December 31, 2015
Trade receivables not impaired	1,107	743	950	2,800

At the time the consolidated financial statements were prepared, the trade receivables either had been paid or primarily involved customers with top credit ratings.

### Liquidity Risk

The Group monitors the risk of a possible liquidity squeeze through ongoing cash flow planning and monitoring. As of December 31, 2016, cash flows from the Group's financial liabilities had the following maturity dates:

As of December 31, 2016 in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Corporate bond	10,699	0	0	0	10,699
Liabilities to banks	2,100	434	0	0	2,534
Trade payables	3,083	0	0	0	3,083
Other liabilities (contractual obligations)	7,672	3,563	0	0	11,235
<b>Total</b>	<b>23,554</b>	<b>3,997</b>	<b>0</b>	<b>0</b>	<b>27,551</b>

<b>As of December 31, 2015</b> in € thousand	<b>Up to 1 year</b>	<b>1 to 2 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Financial liabilities	625	625	11,875	0	13,125
Trade payables	2,230	2,150	455	0	4,835
Verbindlichkeiten aus Lieferungen und Leistungen	2,311	0	0	0	2,311
Other liabilities (contractual obligations)	6,621	479	1,443	0	8,543
<b>Total</b>	<b>11,787</b>	<b>3,254</b>	<b>13,773</b>	<b>0</b>	<b>28,814</b>

Financial liabilities that can be repaid at any time are assigned to the earliest possible time period.

## Market Price Risk

### Interest rate risk management

The Group is primarily financed in part through its operating cash flow. In order to finance organic and inorganic growth, SNP has also borrowed interest-bearing capital in the form of two bank loans and a corporate bond. The bank loans have a fixed basic interest rate and a variable interest rate based on Euribor. Therefore, changes in market interest rates can lead to higher interest expense. Management continuously monitors the performance of market interest rates and the necessity of taking appropriate hedging measures.

### Currency risk management

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. Most of the Group's revenue stems from the eurozone. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions involve fluctuations in currency exchange rates. They result in particular from fluctuations in the U.S. dollar and the Swiss franc. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, rela-

te primarily to the absolute amount of the key figures reported in euro. Management continuously monitors the performance of exchange rates and the necessity of appropriate hedging measures.

As part of the presentation of market risks, IFRS 7 also requires disclosures about how hypothetical changes in risk variables affect the prices of financial instruments. Stock exchange prices are a particular concern as risk variables. As of December 31, 2016, and December 31, 2015, the Group held no financial instruments with related share price risks.

### Currency Risk

The Group companies conduct their operating business in the respective functional currency so that the corresponding foreign exchange risk is regarded as minimal. Currency risks result primarily from internal financing activities between the parent and foreign subsidiaries.

Sensitivity to earnings before taxes for a 1% increase/decrease in the exchange rate is presented as follows:

in € thousand	The euro loses in comparison to the currency	The euro gains in comparison to the currency
US \$	124	-121
ZAR	7	-7

## Fair Value

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements:

### Financial Instruments Measured at Amortized Cost:

in € thousand	Carrying amount		Fair value	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Loans and receivables</b>				
Cash and cash equivalents	26,325	15,498	26,325	15,498
Other financial assets	21,244	13,769	21,244	13,769
Other financial assets	197	52	197	52
<b>Total</b>	<b>47,766</b>	<b>29,319</b>	<b>47,766</b>	<b>29,319</b>
<b>Financial liabilities measured at amortized cost</b>				
Corporate bond	10,699	10,313	10,625	10,800
Financial liabilities	2,534	4,633	2,534	4,633
Trade payables	3,083	2,311	3,083	2,311
Other financial liabilities	14,543	6,621	14,543	6,621
<b>Total</b>	<b>30,859</b>	<b>23,878</b>	<b>30,785</b>	<b>24,365</b>

Financial liabilities involve variable rate bank loans.

### Net Results by Measurement Category

in € thousand	Loans and receivables	
	2016	2015
Impairment losses/Reversals	50	-8
Without effect on profit or loss	0	0
With effect on profit or loss	50	-8

The following is also to be mentioned:

- Interest on short-term bank loans of € 96 thousand (previous year: € 180 thousand) is recognized with effect on profit or loss.
- Interest expense from the corporate bond (financial liability at amortized cost) of € 1,011 thousand (previous year: € 502 thousand) is recognized with effect on profit or loss.

### 27. Capital Management

The Group pursues the goal of safeguarding its long-term corporate survival and preserving the interests of shareholders, employees and all others who read the financial statements.

The management of the capital structure is based on changes in the macroeconomic environment and risks from the assets being held.

The Group's strategy is directed toward the continuous and sustainable increase in the company's value.

The Group's capital is equal to its recognized equity. On December 31, 2016, the equity ratio was 54.9% (previous year: 35.4%).

## Notes to the Income Statement

### 28. Fixed-Price Projects – POC (Percentage of Completion) Projects

Revenue relating to fixed-price projects that were not yet completed as of December 31, 2016, amounted to € 5,381 thousand (previous year: € 4,755 thousand) and equals the costs incurred plus the pro rata realizable profit.

Revenue from construction projects for the 2016 fiscal year totaled € 80.7 million (previous year: € 46.7 million).

### 29. Other Operating Income

Other operating income breaks down as follows:

in € thousand	2016	2015
Exchange rate differences	687	578
Work performed and capitalized	171	0
Earn-out reversal	0	356
Impairment reversal	97	9
Reversal of provisions and derecognition of liabilities	69	123
Insurance compensation	63	31
Proceeds from the disposal of assets	8	9
Commission income	0	8
Discount income	2	4
Übrige	131	107
<b>Total</b>	<b>1,228</b>	<b>1,225</b>

### 30. Cost of Materials

This relates almost exclusively to costs for the purchase of third-party consultants to implement projects (costs of purchased services).

### 31. Personnel Costs

Personnel costs include costs for defined contribution pension plans of € 293 thousand (previous year: € 280 thousand), not including insurance contributions to statutory pension plans. Contributions to statutory pension plans amounted to € 2,984 thousand (previous year: € 1,893 thousand).

Personnel costs include severance payments of € 91 thousand (previous year: € 79 thousand).

The average number of employees in the Group changed as follows:

	2016	2015
Full-time	605	336

### 32. Other Operating Expenses

Other operating expenses break down as follows:

in € thousand	2016	2015
Travel costs	3,882	2,129
Rent, leases	2,800	2,104
Advertising, representation	2,616	1,525
Vehicles	2,099	1,913
Legal and consulting costs	1,997	1,604
Occupancy costs, energy	1,089	1,004
Other personnel costs	1,038	561
Communications	742	547
Insurance policies, contributions	291	236
Commissions	188	0
Foreign exchange losses	163	324
Losses on receivables, specific impairment losses	108	12
Settlement payment	0	901
Other	798	708
<b>Total</b>	<b>17,811</b>	<b>13,568</b>

### 33. Net Financial Income

Net financial income primarily includes interest expense and interest income as well as impairment losses on borrowings not qualifying as “net investments.”

### 34. Income taxes

Current and deferred income taxes break down as follows:

in € thousand	2016	2015
<b>Current taxes</b>		
Domestic	391	187
Foreign	435	605
	<b>826</b>	<b>792</b>
<b>Deferred Taxes</b>		
Domestic	938	447
Foreign	-247	-44
	691	403
<b>Total</b>	<b>1,517</b>	<b>1,195</b>

In the fiscal year, the income tax rate in Germany was 30.0% (previous year: 30.0%).

The deferred taxes recognized directly in equity under other components of equity can be seen in the statement of comprehensive income and are presented below:

in € thousand	2016		
	Before taxes	Taxes	After taxes
<b>Remeasurement of defined benefit obligations</b>	-234	64	-170
	2015		
	-121	36	-85

## Tax Reconciliation

Income taxes are derived from earnings before taxes as follows:

In T€	2016	2015
Earnings before taxes, after other taxes	5,728	3,747
Theoretical tax rate *)	30.0%	30.0%
Theoretical tax expense	1,709	1,124
<b>Changes in theoretical tax expense due to</b>		
- differences in domestic and foreign tax rates	-141	-267
- taxes not relating to the period under review	-2	3
- nondeductible operating expenses	60	406
- ineligible deferred tax assets on loss carryforwards	256	4
- tax-exempt income	-306	0
- other effects	-60	-75
<b>Actual income taxes</b>	<b>1,517</b>	<b>1,195</b>

\*) Calculated on the basis of domestic income tax rates.

Deferred tax assets and deferred tax liabilities from temporary differences between the carrying amounts and the tax valuations of assets and liabilities are presented in the table below:

in € thousand	12/31/2016	12/31/2015
<b>Deferred tax liabilities</b>		
Intangible assets	-61	-20
Receivables	-375	-378
Noncurrent liabilities	-344	-58
<b>Total deferred tax liabilities</b>	<b>-780</b>	<b>-456</b>
<b>Deferred tax assets</b>		
Intangible assets	513	611
Loss carryforward	668	954
Pension obligations	475	216
Other liabilities	66	0
<b>Total deferred tax assets</b>	<b>1,722</b>	<b>1,781</b>
<b>Carrying amount after offsetting</b>		
Deferred tax liabilities	-59	-13
Deferred tax assets	1,001	1,338

The capitalization of deferred taxes on tax loss carryforwards in the 2016 fiscal year continues to relate to the parent. In the 2016 fiscal year, it was possible to partially utilize these loss carryforwards. Plans assume positive taxable income in subsequent years; among other things, the conclusion of another profit and loss transfer agreement with a subsidiary should contribute to this. Therefore, it is expected that the tax loss carryforwards will be further reduced in the coming years.

As of December 31, 2016, there were foreign tax loss carryforwards of approximately € 3.0 million (previous year: € 3.3 million), for which no deferred tax assets were recognized since the requirements according to IAS 12 had not been met as of the end of the reporting period. The following time limits apply to the use of foreign tax loss carryforwards:

- Approximately € 1.5 million by 2033
- Approximately € 1.5 million by 2034.

## Notes to the Statement of Cash Flows

### 35. Interest and Income Tax Payments

Cash flow from operating items includes the following items: interest paid of € 96 thousand (previous year: € 180 thousand), interest received of € 149 thousand (previous year: € 13 thousand), income taxes paid of € 412 thousand (previous year: € 554 thousand) and income taxes received of € 0 thousand (previous year: € 1,019 thousand).

## Other Disclosures

### 36. Members of the Board

The members of the Executive Board of the company are:

Members of the SNP AG Executive Board 2016	Tenure from/to	Responsibilities and Departments	Other Appointments
<b>Dr. Andreas Schneider-Neureither</b> Master's degree in physics Date of birth: October 5, 1964	January 1, 2016 to December 31, 2020	<b>CEO</b> <b>Up to December 31, 2016 responsible for:</b> <ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Portfolio &amp; product Strategy</li> <li>• Sales &amp; partner management</li> <li>• Marketing</li> <li>• Investor Relations &amp; Corporate Governance</li> <li>• Strategic and process consulting</li> </ul> <b>From January 1, 2017 responsible for:</b> <ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Product Management</li> <li>• Marketing</li> <li>• Sales</li> <li>• Investor Relations</li> </ul>	Supervisory Board Casadomus AG, Stuttgart  Supervisory Board VHV insurance services GmbH, Hannover  Member of the Board of Directors VHV-Gruppe, Hannover
<b>Henry Göttler</b> MA Date of birth: December 3, 1965	July 1, 2014 to December 31, 2019	<b>COO</b> <b>Up to December 31, 2016 responsible for:</b> <ul style="list-style-type: none"> <li>• Product Management</li> <li>• Product Marketing</li> <li>• Pre-Sales</li> <li>• Development</li> <li>• Support</li> <li>• Quality Assurance</li> <li>• Professional Services</li> </ul> <b>From January 1, 2017 responsible for:</b> <ul style="list-style-type: none"> <li>• Organizational development</li> <li>• Product development</li> <li>• Project implementation</li> <li>• Quality Assurance</li> <li>• Shared Services</li> </ul>	Supervisory Board Smart Commerce SE
<b>Jörg Vierfuß</b> Master of Business Administration Date of birth: July 5, 1968	April 1, 2014 to December 31, 2016	<b>CFO</b> <b>Up to December 1, 2016 responsible for:</b> <ul style="list-style-type: none"> <li>• Finance, Controlling &amp; Accountancy</li> <li>• Purchasing department &amp; Taxes</li> <li>• Human Resources</li> <li>• Legal &amp; Compliance</li> <li>• Administration</li> <li>• IT</li> </ul>	No further appointments



### 37. Members of the Supervisory Board

Members of the SNP AG Supervisory Board 2016	Appointed/elected from/to	Memberships on other Supervisory Boards and other similar bodies
<b>Dr. Michael R. Drill</b>  Chairman of the Executive Board Lincoln International AG	Chairman since: June 6, 2014  Deputy Chairman from: May 24, 2012 until June 6, 2014  First appointed: April 4, 2011  Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018	Shareholder Value Beteiligungen AG Supervisory Board member, Germany  Lincoln International SAS Supervisory Board member, France  Lincoln International LLP Supervisory Board member, England
<b>Gerhard A. Burkhardt</b>  Chairman of the Executive Board Familienheim Rhein-Neckar eG	Deputy Chairman from: June 6, 2014  First appointed: May 1, 2013  Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018	Casadomus AG Chairman, Germany  Haufe-Lexware Real Estate AG Germany  GdW Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Germany  GWE Gesellschaft für Wohnen im Eigentum AG Germany
<b>Rainer Zinow</b>  Senior Vice President SAP SE	Member of the Supervisory Board  First elected: June 6, 2014  Term: until Annual shareholders' meeting resolving on the approval of the actions of the Supervisory Board for FY 2018	No further appointments

### 38. Related Party Transactions and Disclosures

According to IAS 24 "Related Party Disclosures," transactions with persons or companies that may be influenced by the reporting company or could influence the company must be disclosed unless they have not already been included as a consolidated company in the consolidated financial statements.

### Executive Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Executive Board members in the 2016 fiscal year amounted to € 1,577,309.25 (previous year: € 1,034,210.93). The following tables itemize the remuneration of each individual in the Executive Board in the 2016 fiscal year and in the previous year.

Table 1: Remuneration of the Executive Board in 2016 (benefits)

<b>Dr. Andreas Schneider-Neureither</b>				
CEO / joined: December 1, 1994				
In €	<b>2015 Initial value</b>	<b>2016 Initial value</b>	<b>2016 Minimum</b>	<b>2016 Maximum</b>
Fixed remuneration	220,000.00	240,000.00	240,000.00	240,000.00
Variable remuneration	21,467.28	6,942.36	6,942.36	6,942.36
<b>Total</b>	<b>241,467.28</b>	<b>246,942.36</b>	<b>246,942.36</b>	<b>246,942.36</b>
One-year variable remuneration	180,000.00	200,000.00	0.00	400,000.00
Multi-year variable remuneration	-	200,000.00	0.00	300,000.00
<b>Total</b>	<b>180,000.00</b>	<b>400,000.00</b>	<b>0.00</b>	<b>700,000.00</b>
Pension expenses	20,428.71	20,684.16	20,684.16	20,684.16
<b>Total sum</b>	<b>441,895.99</b>	<b>667,626.52</b>	<b>267,626.52</b>	<b>967,626.52</b>

<b>Jörg Vierfuß</b>				
CFO / joined: April 1, 2014				
In €	<b>2015 Initial value</b>	<b>2016 Initial value</b>	<b>2016 Minimum</b>	<b>2016 Maximum</b>
Fixed remuneration	120,000.00	120,000.00	120,000.00	120,000.00
Variable remuneration	18,621.00	18,626.28	18,626.28	18,626.28
<b>Total</b>	<b>138,621.00</b>	<b>138,626.28</b>	<b>138,626.28</b>	<b>138,626.28</b>
One-year variable remuneration	80,000.00	80,000.00	0.00	160,000.00
Multi-year variable remuneration	-	100,000.00	0.00	150,000.00
<b>Total</b>	<b>80,000.00</b>	<b>180,000.00</b>	<b>0.00</b>	<b>310,000.00</b>
Pension expenses	4,408.58	4,594.03	4,594.03	4,594.03
<b>Total sum</b>	<b>223,029.58</b>	<b>323,220.31</b>	<b>143,220.31</b>	<b>453,220.31</b>

<b>Henry Göttler</b>				
COO / joined: July 1, 2014				
In €	<b>2015 Initial value</b>	<b>2016 Initial value</b>	<b>2016 Minimum</b>	<b>2016 Maximum</b>
Fixed remuneration	180,000.00	180,000.00	180,000.00	180,000.00
Variable remuneration	22,454.76	22,569.24	22,569.24	22,569.24
<b>Total</b>	<b>202,454.76</b>	<b>202,569.24</b>	<b>202,569.24</b>	<b>202,569.24</b>
One-year variable remuneration	120,000.00	120,000.00	0.00	240,000.00
Multi-year variable remuneration	-	150,000.00	0.00	225,000.00
<b>Total</b>	<b>120,000.00</b>	<b>270,000.00</b>	<b>0.00</b>	<b>465,000.00</b>
Pension expenses	785.72	398.72	398.72	398.72
<b>Total sum</b>	<b>323,240.48</b>	<b>472,967.96</b>	<b>202,967.96</b>	<b>667,967.96</b>

Table 2: Remuneration of the Executive Board in 2016 (allocations)

In €	<b>Dr. A. Schneider-Neureither</b>		<b>Jörg Vierfuß</b>		<b>Henry Göttler</b>	
	CEO from December 1, 1994		CFO from April 1, 2014		COO from July 1, 2014	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Fixed remuneration	240,000.00	220,000.00	120,000.00	120,000.00	180,000.00	180,000.00
Variable remuneration	6,942.36	21,467.28	18,626.28	18,621.00	22,569.24	22,454.76
<b>Total</b>	<b>246,942.36</b>	<b>241,467.28</b>	<b>138,626.28</b>	<b>138,621.00</b>	<b>202,569.24</b>	<b>202,454.76</b>
One-year variable remuneration	219,277.11	201,810.73	88,206.55	89,693.66	132,309.82	134,540.49
Multi-year variable remuneration	232,755.99	-	116,378.00	-	174,566.99	-
<b>Total</b>	<b>452,033.10</b>	<b>201,810.73</b>	<b>204,584.55</b>	<b>89,693.66</b>	<b>306,876.81</b>	<b>134,540.49</b>
Pension expenses	20,684.16	20,428.71	4,594.03	4,408.58	398.72	785.72
<b>Total Sum</b>	<b>719,659.62</b>	<b>463,706.72</b>	<b>347,804.86</b>	<b>232,723.24</b>	<b>509,844.77</b>	<b>337,780.97</b>

In addition to general insurance benefits and pension commitments, the company has arranged Directors and Officers (D&O) liability insurance on behalf of the Executive Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance of the Supervisory Board members and senior executives. The corresponding D&O insurance of SNP America Inc. similarly grants pro rata coverage for the CEO of SNP AG, who is also Chairman of the Board of SNP America Inc., as well as for the CFO of SNP AG, who is also Vice President for Finance of SNP America Inc. The total amount of the specified D&O insurance amounts to an annual insurance premium of € 2,951.41. The insurance benefits table contains the pro rata insurance premium paid per person for the period of activity.

The remuneration of the Executive Board is once again disclosed in the 2016 fiscal year in individualized form on the basis of the uniform model tables recommended by the German Corporate Governance Code. The essential feature of these model tables is the separate disclosure of the benefits granted (Table 1) and the actual allocations (Table 2). In terms of benefits, the target figures (payment upon 100% target attainment) and the attainable minimum and maximum figures are also stated.

#### Advances or Loans to Executive Board Members or Contingent Liabilities Incurred on Behalf of These Persons

As of December 31, 2016, no loans, credits or advances were granted to any members of the Executive Board. Furthermore, SNP AG did not incur any contingent liabilities on behalf of Executive Board members in the reporting year.

#### Provisions for Pension Commitments to Members of the Executive Board

SNP AG has made provisions for the pension commitments to Dr. Andreas Schneider-Neureither and Ms. Petra Neureither (CFO until May 19, 2011) totaling € 256 thousand (previous year: € 201 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

#### Other Transactions

Since December 1, 2010, a lease agreement has existed between a member of the Executive Board and SNP AG for office space and parking spaces. Effective September 1, 2014, two separate agreements were concluded for this purpose (office space and parking spaces) at unchanged conditions. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 232 thousand (previous year: € 228 thousand); as of December 31, 2016, there were outstanding liabilities of € 1 thousand. In addition, since September 1, 2014, and November 1, 2014, five lease agreements have existed between a company controlled by a member of the Executive Board and SNP AG for office space and parking spaces. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 150 thousand (previous year: € 157 thousand); as of December 31, 2016, there were outstanding liabilities of € 4 thousand.

#### Supervisory Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Supervisory Board members in the 2016 fiscal year amounted to € 64,055.35 (previous year: € 57,539.41). There were no loan receivables due from the members of the Supervisory Board. The following table shows individual remuneration per Supervisory Board member:

*The 2016 Fiscal Year*

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

*The 2015 Fiscal Year*

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael Drill	20,000.00	4,000.00	125.50	452.97	24,578.47
Gerhard A. Burkhardt	15,000.00	4,000.00	55.00	45.97	19,507.97
Rainer Zinow	10,000.00	3,000.00	0.00	452.97	13,452.97
<b>Total</b>	<b>45,000.00</b>	<b>11,000.00</b>	<b>180.50</b>	<b>1,358.91</b>	<b>57,539.41</b>

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

### 39. Contingent Liabilities and Other Financial Obligations

Obligations from rental and lease agreements essentially comprise rental agreements for office space and lease agreements for intangible assets and cars. The following payments from noncancelable rental and lease agreements are due in the coming fiscal years:

in € thousand	2016	2015
Within one year	4,119	2,747
Between one and five years	6,314	5,111
After five years	953	1,484
	<b>11,386</b>	<b>9,342</b>

### 40. Dividends Paid and Proposed

A dividend for 2015 of € 1,263,500.52 was approved and distributed (previous year: € 483,103.14) during the fiscal year. The dividend amounted to € 0.34 per share (adjusted for the increased number of shares after the capital increase in 2016: € 0.26); previous year: € 0.13 per share (adjusted for the increased number of shares after the capital increase in 2016: € 0.10).

On May 31, 2017, the General Meeting will propose for approval a dividend for the 2016 fiscal year of € 1,932,412.56 or € 0.39 per share. The dividend is not recognized as a liability in the consolidated financial statements as of December 31, 2016.

### Disclosures in Accordance with Section 315 (4) of the HGB

As of December 31, 2016, the share capital of SNP Schneider-Neureither & Partner AG amounted to € 4,976,786, consisting of 4,976,786 ordinary shares in the form of no-par-value shares with a nominal share of capital of € 1.00 per share. Each share entitles the holder to one vote. Accordingly, the following disclosures according to the German Securities Trading Act (WpHG) regarding the number of voting rights apply to the share capital on the respective date.

WpHG disclosures on investments in capital exceeding 3%, 5%, 10%, 15% and 20% of the voting rights:

#### ■ Dr. Andreas Schneider-Neureither:

20.03% of the total voting rights  
(according to disclosures on February 8, 2017)

0.88% of the voting rights are attributable to Dr. Schneider-Neureither pursuant to Section 22 (1) (1) No. 6 of the WpHG. 19.15% of the voting rights are attributable to Dr. Schneider-Neureither pursuant to Section 22 (1) (1) No. 1 of the WpHG. These voting rights are held via the following entities, which are controlled by Dr. Schneider-Neureither and whose share of voting rights in SNP Schneider-Neureither & Partner AG amounts to 3% or more:

- Schneider-Neureither GmbH
- SN Verwaltungs GmbH & Co. KG
- SN Holding GmbH
- SN Assets GmbH

19.32% of the total voting rights  
(according to disclosures on December 31, 2016)

0.88% of the voting rights are attributable to Dr. Schneider-Neureither pursuant to Section 22 (1) (1) No. 6 of the WpHG. 18.44% of the voting rights are attributable to Dr. Schneider-Neureither pursuant to Section 22 (1) (1) No. 1 of the WpHG. These voting rights are held via the following entities, which are controlled by Dr. Schneider-Neureither and whose share of voting rights in SNP Schneider-Neureither & Partner AG amounts to 3% or more:

- Schneider-Neureither GmbH
- SN Verwaltungs GmbH & Co. KG
- SN Holding GmbH
- SN Assets GmbH

■ **Ms. Ingrid Weispenning:**

9.09% of the total voting rights  
(according to disclosures on March 2, 2016)

1.52 % of the voting rights are attributable to Ms. Weispenning pursuant to Section 22 (1) (1) No. 1 of the WpHG.

■ **Ms. Christiane Weispenning:**

4.96 % of the total voting rights  
(according to disclosures on June 17, 2016)

0.86 % of the voting rights are attributable to Ms. Weispenning pursuant to Section 22 (1) (1) No. 1 of the WpHG

■ **Kabouter**

7.68 % of the total voting rights  
(according to disclosures on February 11, 2015)

Kabouter Management LLC, Chicago, Illinois, United States of America, informed us on February 11, 2015, in accordance with Section 21 (1) of the WpHG that its share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had exceeded the threshold of 5% of the voting rights on February 9, 2015, and amounted to 7.68% (or 287,224 voting rights) on this date. 7.68% of the voting rights (or 287,224 voting rights) are attributable to the company in accordance with Section 22 (1) (1) No. 6 of the WpHG.

The attributed voting rights are held by the following shareholders whose share in the voting rights of SNP Schneider-Neureither & Partner AG amounts to 3% or more: Kabouter Fund I QP LLC.

Mr. Peter Zaldivar, United States of America, informed us on February 11, 2015, in accordance with Section 21 (1) of the WpHG that his share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had exceeded the threshold of 5% on February 9, 2015, amounting to 7.68% (or 287,224 voting rights) on this date. 7.68% of the voting rights (or 287,224 voting rights) are attributable to Mr. Zaldivar in accordance with Section 22 (1) (1) No. 6 of the WpHG in conjunction with sentence 2 of the WpHG. The attributed voting rights are held by the following shareholders whose share in the voting rights of SNP Schneider-Neureither & Partner AG amounts to 3% or more: Kabouter Fund I QP LLC.

The Kabouter Fund I QP LLC, Chicago, Illinois, United States of America, informed us on February 11, 2015, in accordance with Section 21 (1) of the WpHG that its share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had exceeded the threshold of 3% on February 9, 2015, amounting to 3.87% (or 144,544 voting rights) on this date.

The Kabouter Fund II LLC, Chicago, Illinois, United States of America, informed us on July 10, 2015, in accordance with Section 21 (1) of the WpHG that its share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had exceeded the threshold of 3% on June 4, 2015, amounting to 3.05% (or 114,139 voting rights) on this date.

■ **Invesco Ltd**

4.97 % of the total voting rights  
(according to disclosures on November 23, 2016)

Invesco Limited, Hamilton, Bermuda, informed us in accordance with Section 26 (1) of the WpHG that its share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had fallen below the thresholds of 5% on November 16, 2016, amounting to 4.97% (or 247,212 voting rights) on this date.

4.97 % of the voting rights (or 247,212 voting rights) are attributable to the company in accordance with Section 22 (1) (1) No. 6 of the WpHG in conjunction with sentence 2 of the WpHG.

■ **Allianz Global Investors**

4.98 % of the total voting rights  
(according to disclosures on February 1, 2016)

The Allianz Global Investors GmbH informed us in accordance with Section 26 (1) of the WpHG that its share in the voting rights of SNP Schneider-Neureither & Partner AG, Heidelberg, Germany, had fallen below the thresholds of 5% on January 26, 2016, amounting to 4.98% (or 186,166 voting rights) on this date.

4.98 % of the voting rights (or 186,166 voting rights) are attributable to the company in accordance with Section 22 (1) (1) No. 6 of the WpHG.

■ **Oswin Hartung**

3.59 % of the total voting rights  
(according to disclosures on July 22, 2016)

3.59 % of the voting rights (or 178,571 voting rights) are attributable Mr. Hartung in accordance with Section 22 (1) (1) No. 6 of the WpHG.

## Other Disclosures in Accordance with Section 315a of the HGB

### 41. Auditing and Consulting Fees

In the fiscal year, fees for the auditor for the consolidated financial statements amounted to € 62 thousand (previous year: € 60 thousand), for tax advisory services € 98 thousand (previous year: € 7 thousand) and for other consulting services € 47 thousand (previous year: € 17 thousand).

### 42. Corporate Governance

The Executive Board and the Supervisory Board have issued a declaration on the German Corporate Governance Code. This has been made available on the company's website at [www.snp-ag.de](http://www.snp-ag.de).

Heidelberg, Germany, March 13, 2017

The Executive Board



Dr. Andreas Schneider-Neureither



Henry Göttler

## Auditor's Report

We have audited the consolidated financial statements prepared by SNP Schneider-Neureither & Partner AG, Heidelberg, for the fiscal year from January 1 to December 31, 2016. The statements consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements and the Group management report. The legal representatives of the company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law in accordance with Section 315a (1) of the German Commercial Code (HGB). Our task is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements, as promulgated by the Institute of Public Auditors in Germany (IDW). Accordingly, the audit is to be planned and implemented in such a way that inaccuracies and violations that have a material impact on the view of the financial position and financial performance presented by the consolidated financial statements in accordance with the principles of proper accounting and by the Group management report can be detected with sufficient certainty. The determination of audit procedures takes into account knowledge about the Group's business activities and the economic and legal environment as well as expectations about possible errors. In the course of the audit, spot checks are used to evaluate the effectiveness of the accounting-related internal control system as well as evidence for the disclosures in the consolidated financial statements and the Group management report. The audit encompasses an opinion on the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the applied accounting and consolidation principles, significant estimates made by the legal representatives as well as an assessment of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a sufficient basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of the audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law in accordance with Section 315a (1) of the HGB, and they convey a view of the Group's financial position and financial performance that reflects actual circumstances. The Group management report is consistent with the consolidated financial statements, complies with legal provisions, conveys as a whole an accurate view of the condition of the Group and accurately presents the opportunities and risks of future development.

Mannheim, March 13, 2017

MOORE STEPHENS TREUHAND KURPFALZ GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dr. Matthias Ritzl  
German public auditor

Stefan Hamsch  
German public auditor

## Annual Financial Statements

SNP Schneider-Neureither & Partner AG, Heidelberg

### Balance Sheet (HGB) as at 31 December 2016

ASSETS	€	2016 €	2015 €k
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights and similar rights and values such as licenses to such rights and values	599,620.00		508
2. Advance payments on intangible assets	290,527.81		0
		890,147.81	508
<b>II. Fixed assets</b>			
1. Land, rights equivalent to property and buildings including buildings on third-party land	66,361.00		55
2. Other equipment, office and factory equipment	1,029,534.00		645
3. Advance payments on property, plant and equipment	30,000.00		0
		1,125,895.00	700
<b>III. Financial assets</b>			
1. Shares in affiliated companies	29,564,256.20		16,169
2. Loans in affiliated companies	5,586,136.68		4,832
3. Participations	402,993.33		25
		35,553,386.21	21,026
<b>B. Current assets</b>			
<b>I. Inventories</b>			
1. Work in progress	3,899,075.20		2,763
2. Goods	371,250.00		371
		4,270,325.20	3,134
<b>II. Receivables and other assets</b>			
1. Trade receivables	6,527,298.02		2,979
2. Receivables from affiliated companies	13,956,372.60		6,590
3. Other assets	268,157.46		218
		20,751,828.08	9,787
<b>III. Cash reserves and bank balances</b>		15,545,110.84	1,863
<b>C. Deferred items</b>		340,222.30	267
		<b>78,476,915.44</b>	<b>37,284</b>
LIABILITIES	€	2016 €	2015 €k
<b>A. Equity</b>			
<b>I. Subscribed capital</b>			
1. Own shares	4,976,786.00		3,738
	-21,882.00		-22
		4,954,904.00	3,716
<b>II. Capital reserves</b>		37,181,383.30	7,452
<b>III. Revenue reserves</b>			
1. Statutory reserves	19,100.00		19
2. Other reserves	52,888.55		53
		71,988.55	72
<b>VI. Retained earnings</b>		4,323,345.16	2,290
<b>B. Provisions</b>			
1. Provisions for pensions and similar obligations	95,898.44		99
2. Tax provisions	81,700.00		0
3. Other provisions	2,872,341.64		2,456
		3,049,940.08	2,555
<b>C. Liabilities</b>			
1. Corporate bond	10,801,736.14		10,502
2. Liabilities to credit institutions	2,550,000.00		4,650
3. Payments received on orders	2,862,646.70		1,916
4. Liabilities for goods and services	1,130,021.33		682
5. Liabilities to affiliated companies			
6. Other liabilities	711,004.02		421
	10,213,115.49		2,990
		28,268,523.68	21,160
<b>D. Deferred items</b>		626,830.67	40
		<b>78,476,915.44</b>	<b>37,284</b>



SNP Schneider-Neureither &amp; Partner AG, Heidelberg

## Profit and Loss Account (HGB) from 1 January to 31 December 2016

€	2016 €	2015 €k
<b>1. Sales revenue</b>	<b>26,063,354.49</b>	<b>21,884</b>
<b>2. Increase in inventories of finished and unfinished goods</b>	1,135,922.86	2,021
<b>3. Other capitalized internal Services</b>	46,670.93	0
<b>4. Other operating income</b>		
- Of which expenses from foreign currency conversion € 427,846.21 (€k 210)	942,746.14	3,072
<b>5. Material costs</b>		
Costs for purchased goods	14,000,151.38	12,171
<b>6. Personnel costs</b>		
a) Wages and salaries 9,312,603.75		8,612
b) Social security and expenses for pensions and related employee benefits		
- Of which expenses for pensions € 111,617.06 (€k 119)	1,339,487.03	1,210
<b>7. Depreciation</b>		
a) Of intangible assets and fixed assets	599,292.57	404
<b>8. Other operating expenses</b>		
- Of which expenses from foreign currency conversion € 85,858.91 (€k 167)	7,121,805.64	7,601
<b>9. Income from participations</b>		
- Of which from affiliated companies € 1,382,862.43 (€k 600)	1,382,863.43	600
<b>10. Income from other securities and financial assets</b>		
- Of which from affiliated companies € 235,472.51 (€k 173)	235,472.51	173
<b>11. Other interest and similar income</b>		
- Of which from affiliated companies € 321,911.00 (€k 165)	392,126.50	172
<b>12. Received profits due to a profit transfer agreement</b>	6,709,280.88	3,613
<b>13. Interest and similar expenses</b>		
- Of which from affiliated companies € 1,000.00 (€k 7)	1,043,004.39	763
<b>14. Taxes on income</b>	168,715.02	15
<b>15. Profit/loss from ordinary activities</b>	<b>3,323,377.96</b>	<b>758</b>
<b>16. Other taxes</b>	26,074.00	23
<b>17. Net income</b>	<b>3,297,303.96</b>	<b>735</b>
<b>18. Profit carried forward from previous year</b>	1,026,041.20	1,555
<b>19. Retained earnings</b>	<b>4,323,345.16</b>	<b>2,290</b>

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## Financial Calendar

30. March 2017	Publication on Annual Report 2016
28. April 2017	Publication of the Interim Statement for Quarter I
31. May 2017	Annual General Meeting 2017
28. July 2017	Publication of Half Year Figures
27. October 2017	Publication of the Interim Statement for Quarter III
November 2017	German Equity Forum 2016

All dates are provisional only.

The current financial calendar can be consulted at: [www.snp-ag.com/eng/Investor-Relations/Financial-calendar](http://www.snp-ag.com/eng/Investor-Relations/Financial-calendar).

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This Annual Report is also available in German. The legally binding document is the original German version, which shall prevail in any case of doubt.



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