INTERIM STATEMENT Q1 2019

SNP | The Transformation Company

BUSINESS PERFORMANCE OF SNP SCHNEIDER-NEUREITHER & PARTNER SE IN THE FIRST QUARTER OF 2019

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2019

Planned Change to the Board of Directors

The Board of Directors of SNP Schneider-Neureither & Partner SE decided in March to propose the appointment of Dr. Klaus Christian Kleinfeld and Dr. Karl Benedikt Biesinger as new board members at the next scheduled Annual General Meeting, due to be held on June 6, 2019.

The designated board members have already declared their willingness to assume this office. In addition, the two biggest shareholders have already indicated their support for this appointment, from which we may assume that the proposal will achieve the necessary majority at the Annual General Meeting.

Acceleration of the Internationalization Strategy

A new subsidiary was founded in Australia in the first quarter of 2019. The objective is to be able to better serve the Asia-Pacific region, which is one of the most strategically important markets. With that, the SNP Group is now present in nearly all relevant global markets.

Reorganization in the USA

At the turn of the year 2018-2019, Derek Oats was appointed as the new CEO for the North America region. The major strategic goals in the USA include intensification of the cooperation with important partner companies, expanding the sales team and boosting turnover and earnings.

ASSETS, EARNINGS AND FINANCIAL SITUATION

Sales and Earnings Situation

Following a strong business year in terms of growth in 2018, the SNP Group started the financial year under review with a decline in sales, owing to subdued growth in the months of January and February. At the end of the first quarter of 2019 group sales totaling EUR 28.8 million had been generated; compared with the same period in the previous year this amounts to a decrease of EUR 2.8 million or 8.9% (previous year: EUR 31.6 million). While the first two months of the year under review saw a decline in sales of EUR 2.7 million, the sales development restabilized in March thanks to a significant improvement in incoming orders. SNP only expects to see the most significant effects of this increase in incoming orders, in addition to a healthy pipeline, later on in the financial year. In comparison to the previous year the sales performance was due entirely to organic growth, since SNP did not affect any business acquisitions in the previous financial year.

Sales Breakdown by Region

In the DACH-region (Germany, Austria, Switzerland) the SNP Group achieved external sales in the first quarter of 2019 amounting to EUR 13.0 million (previous year: EUR 15.4 million). This corresponds to a share in total sales of around 45% (previous year: 49%). The increasing proportion of sales made outside of the DACH-region can be attributed to the further success of the internationalization strategy of the SNP Group and the increased significance of international sales.

The Poland region, via SNP Poland, contributed EUR 4.9 million (previous year EUR 4.8 million), i.e. 17%, (previous year: 15%) to the total sales in the first quarter of 2019. The sales contribution of the South America region via SNP Latam (formerly Adepcon) was affected by the difficult economic climate in Argentina and thus amounted to EUR 0.9 million, a decrease of EUR 3.3 million; this corresponds to a share in sales of around 12% (previous year: 13%). In the UK sales amounted to EUR 1.5 million (previous year: EUR 2.0 million); this corresponds to a share in sales of around 5% (previous year 6%). The Asia region contributed to a 5% share in sales amounting to EUR 1.6 million (previous year: EUR 1.5 million).

In the strategically significant North America region, the external sales in the reporting period increased significantly by EUR 0.9 million, or around 24%, to EUR 4.4 million. Measured against total sales, the USA contributed around 15% in the first quarter of 2019 (previous year 11%).

Sales Breakdown by Segment

On the segment side, the **Professional Services area,** which contains in particular the consulting services, contributed EUR 22.5 million in sales in the first quarter of the financial year under review (previous year EUR 25.4 million). This amounts to a share in total sales of 78.3% and a decrease of EUR 2.9 million, i.e. 11.4%, compared to the same period of the previous year.

In the **Cloud and Software area** (including maintenance) sales amounted to EUR 6.2 million (previous year: EUR 6.1 million). This corresponds to a small increase in comparison to the same period of the previous year of around EUR 0.1 million or around 2%. Cloud revenue rose by EUR 0.2 million to EUR 0.6 million. Within the Software area the maintenance revenue remained largely unchanged at EUR 1.9 million. Conversely, at EUR 3.2 million, the licensing revenue saw a EUR 0.5 million decrease in comparison with the same period of the previous year. This decrease can be solely attributed to the decrease in revenue from third-party products.

The revenue from SNP's own products, which have higher margins, amounted to EUR 4.7 million in the first quarter of 2019 (previous year: EUR 3.9 million). This corresponds to growth of about 20%. In the same period, revenue in the sum of EUR 1.5 million was generated by third-party products (previous year: EUR 2.2 million), corresponding to a decline of about 31%.

For the first time, SNP also reported revenue from software-as-a-service (SaaS); this amounted to EUR 0.5 million in the reporting period. Owing to an increase in transparency, part of the revenue generated by Innoplexia GmbH and ERST GmbH respectively was attributed to the SaaS segment for the first time in 2019, in accordance with IFRS 8.12.

The biggest revenue driver among SNP products in the reporting period continued to be the SNP Transformation Backbone® with SAP LT. This product contributed EUR 2.7 million to the segment sales (previous year: EUR 2.0 million). This corresponds to a share in total Software and Cloud revenue of around 43% (previous year: 35%). Measured against the software revenue from SNP's own software products, this amounts to a share of around 57% (previous year: 53%).

In the reporting period, standard software SNP Data Provisioning and Masking generated sales amounting to EUR 0.6 million (previous year: EUR 1.4 million). The total share in Software and Cloud sales amounts to around 10% (previous year: 25%). Measured against the software sales from SNP's own software products, this amounts to a share of 13% (previous year: 38%).

Order Backlog and Order Entry

As at March 31, 2019, order entry amounted to EUR 38.9 million, around 5% under the reference value from the previous year. By contrast, in the core DACH-region, incoming orders developed positively: EUR 18.2 million in the first quarter of 2019 represented an increase here of around 21% compared to the previous year. As at March 31, 2019, the order backlog amounted to EUR 49.0 million; compared to EUR 56.3 million as at December 31, 2018.

Earnings Situation

The onerous delays of the financial year 2018 with regard to project completion, above all in connection with the transition to SAP S/4HANA, have already had a negative impact on the operating earnings of the first quarter of 2019. This in turn led to lower capacity utilization in the Professional Services area, in addition to lower than anticipated software license sales. However, a better order situation and a consequently higher capacity utilization for the course of the year began to develop in March.

Aside from this, miscellaneous costs in the sum of EUR 0.5 million in connection with restructuring measures had a negative impact on earnings in the first quarter of 2019, in addition to acquisition-related expenses (amortization of intangible assets acquired within the scope of business acquisitions) in the sum of EUR 0.2 million, and foreign currency transaction losses in the sum of EUR 0.1 million.

In the first quarter of 2019, SNP SE realized EBITDA (IFRS) in the sum of EUR -1.3 million (previous year: EUR -1.4 million) as well as EBITDA (non-IFRS, currency-adjusted) in the sum of EUR -0.6 million (previous year: EUR -1,7 million). This corresponds to a slight improvement in EBITDA in contrast to the previous year of EUR 0.2 million (IFRS) and EUR 1.2 million (non-IFRS, currency-adjusted).

Correspondingly, the EBITDA margin (IFRS) amounts to -4.4% (previous year: -4.6%), the EBITDA margin (Non-IFRS, currency-adjusted) amounts to -2.2% (previous year: -5.4%). In the same period, the EBIT (IFRS) amounted to EUR -3.3 million (previous year EUR -2.7 million) and the EBIT (non-IFRS, currency-adjusted) to EUR -2.5 million (previous year: EUR -2.6 million).

The expenses (IFRS) could be reduced in parallel with the sales performance. In comparison with the sales performance, the material expenses and associated services were disproportionately reduced by EUR 0.9 million, or 16.8%, to EUR 4.3 million.

As at March 31, 2019, the number of employees was at 1,272 (previous year: 1,363). This corresponds to a decrease of around 7%, which for the most part can be attributed to the selective restructuring measures of the last twelve months. Personnel costs were consequently reduced by EUR 0.9 million to EUR 20.5 million. The personnel costs for the first quarter of 2019 included restructuring costs in the sum of EUR 0.5 million (previous year: EUR 0.3 million).

Depreciation and amortization increased by EUR 0.8 million to EUR 2.1 million compared with the previous year. This significant increase can be attributed to the first-time application of IFRS 16. SNP implemented the accounting principle IFRS 16 on January 1, 2019, using a modified retrospective approach. Following this, leasing and rental agreements in the form of usage rights in the sum of EUR 14.7 million were capitalized at the beginning of the year for the first time. The resulting amortization costs for the first quarter of 2019 amounted to EUR 0.8 million. In addition, amortization amounting to EUR 0.2 million is attributable to intangible assets capitalized for the first time in connection with the initial consolidation of acquired businesses.

Other operating expenses increased by EUR 1.3 million to EUR 5.9 million, of which EUR 0.9 million can be attributed to the first-time application of IFRS 16. After adjusting for this effect, cost savings in the sum of EUR 0.4 million were achieved.

Other operating income underwent a slight reduction of EUR 0.1 million to EUR 0.8 million. For the most part, this reduction can be attributed to decreased exchange rate gains.

Since in the reporting period the other financial expenses in the sum of EUR 0.2 million were only countered by insignificant other financial earnings, the income from financing was negative, amounting to EUR -0.2 million (previous year: EUR -0.3 million), resulting in an income before taxes in the sum of EUR -3.5 million (previous year: EUR -2.9 million). In the case of earnings from taxes on income, amounting to EUR 0.7 million (previous year: EUR 0.6 million), as with the previous year, the first quarter of 2019 saw a net loss for the period in the sum of EUR -2.8 million (previous year: EUR -2.3 million). This corresponds to a net margin of -9.9% (previous year: -7.4%). The earnings per share, both diluted and undiluted, amounted to EUR -0.43 (previous year: EUR -0.41).

Asset Situation

Compared with December 31, 2018, the total assets have increased by EUR 4.9 million to EUR 156.7 million. Here the values of current and non-current assets have moved in opposing directions. While current assets were reduced by EUR 9.9 million to EUR 66.3 million, the non-current assets increased by EUR 14.9 million.

The decrease in current assets is largely attributable to the reduction in liquid assets by EUR 7.7 million in addition to the reduction in trade receivables and other receivables, including contract assets, by EUR 3.0 million.

The decrease in liquid assets in addition to the negative earnings can primarily be attributed to the payment of current liabilities to employees and the repayment of purchase price liabilities.

The significant increase in non-current assets can predominantly be attributed to the first-time application of IFRS 16. Following this, leasing and rental agreements in the form of usage rights in the sum of EUR 14.7 million were capitalized on January 1, 2019, for the first time. In addition to this, at the end of the first quarter of 2019 came a down payment in the sum of EUR 1.0 million for a new rented usage right, intended for capitalization. After amortization in the first quarter of 2019, there remains an amount capitalized for usage rights and down payments on usage rights in the sum of EUR 14.8 million.

Financial Situation

On the liabilities side, current liabilities increased from EUR 36.2 million as at December 31, 2018, to EUR 37.8 million as at March 31, 2019. The change is largely attributable to the increase in financial liabilities by EUR 5.2 million to EUR 10.5 million. Contrary effects can be observed within the financial liabilities. As such, the liabilities from promissory notes increased by EUR 5.0 million as a consequence of reclassification from non-current to current liabilities. A similar increase was prompted by the first-time application of IFRS 16, whereby the current leasing liabilities increased by EUR 3.3 million. In contrast, there was a decrease in purchase price liabilities for acquisitions in the sum of EUR 2.9 million resulting from purchase price repayments. The other non-financial liabilities were reduced in particular through the payment of employee-related obligations by EUR 2.2 million to EUR 13.8 million.

Compared with December 31, 2018, the non-current liabilities increased by EUR 5.5 million to EUR 51.6 million. This increase is largely a result of the increase in financial liabilities by EUR 5.6 million to EUR 48.3 million. Opposing effects led to this change. As a result of the first-time application of IFRS 16, SNP reported an increase in non-current leasing liabilities in the sum of EUR 10.5 million. This is in contrast to a reclassification of liabilities for promissory notes in the sum of EUR 5.0 million from non-current financial liabilities to current financial liabilities. The remaining non-current assets in connection with promissory notes amount to EUR 34.7 million.

The equity of the group decreased in the first quarter of 2019 from EUR 69.4 million to EUR 67.3 million. The subscribed capital, capital reserves and treasury stock remained unchanged. Retained earnings decreased to EUR 4.8 million due to a net loss for the period under review amounting to EUR 2.8 million. The other equity components increased to EUR -3.8 million thanks to a change in the currency translation difference of EUR 0.7 million. The reduction in capital coupled with the simultaneous increase in the total assets to EUR 156.7 million as at March 31, 2019, resulted in a slight decrease in the equity ratio from 45.7% to 42.9%.

The negative operative cash flow in the sum of EUR -4.4 million (previous year: EUR -4.7 million) in the first quarter of 2019 can primarily be attributed to the negative annual result (EUR -2.9 million) as well as a reduction in trade payables and other liabilities in the sum of EUR 5.1 million. Amortization and depreciation (EUR 2.1 million) in addition to the reduction in trade receivables, and other current and non-current assets (EUR 2.2 million), had a contrasting impact.

The negative cash flow from investment activities in the sum of EUR -3.2 million (previous year: EUR -4.6 million) is largely attributable to payments of purchase price installments in connection with business acquisitions from previous years (EUR 3.0 million) as well as investments in tangible fixed assets (EUR 0.3 million).

There were modest cash outflows from financing activities in the sum of EUR 0.02 million (previous year: EUR 0.2 million).

The impact of changes to the exchange rate on cash in hand and cash at bank amounted to EUR -0.1 million (previous year: EUR -0.1 million).

The total cash flow for the reporting period amounted to EUR -7.7 million (previous year: EUR -9.6 million). Taking into consideration the changes presented here, the liquid assets decreased to EUR 32.3 million as at March 31, 2019. As at December 31, 2018, the liquid assets stood at EUR 40.0 million. Overall, the SNP Group continues to be in a very sound financial position.

Employees

As at March 31, 2019, the number of employees in the SNP Group was reduced to 1,272; as at December 31, 2018, the number of employees stood at 1,286. Among those employed were 2 managing directors (as at December 31, 2018: 2), 20 directors (as at December 31, 2018: 20) in addition to 33 trainees, university students, school students and interns (as at December 31, 2017: 27). On average, SNP employed 1,225 employees during the reporting period, excluding the categories of persons already mentioned (previous year: 1,289).

Forecast Unchanged

As in previous years, it is prudent to assume that in this year also the revenue will not be evenly distributed across all quarters and as such a considerably stronger performance can be expected for the second half of the year. In total, the management continues to expect group sales of between EUR 145 million and EUR 150 million for the 2019 financial year and is anticipating an operative EBIT margin (IFRS) in the low to mid single digit percentage range. In accordance with group planning, expected sales correspond to around 26% for the Software segment and around 74% for the Professional Services segment. While the EBIT margin continues to be seen as balanced, discounting non-segment related expenses in the Professional Services segment, the management expects a EBIT margin for the Software segment in the low to mid two-digit percentage range. Aside from acquisition-related expenses (amortization of intangible assets acquired in previous years within the scope of business acquisitions) in the sum of EUR 1.0 million and the restructuring expenses already incurred in the sum of EUR 0.5 million, the current budget planning for the 2019 financial year does not anticipate any significant operating expenses in accordance with non-IFRS KPIs. The anticipated IFRS and non-IFRS EBIT margins for the 2019 financial year differ by around 1%.

The SNP Group remains firmly committed to its overarching medium-term goal of a structural increase in profitability.

Heidelberg, April 29, 2019

Managing Directors

Dr. Andreas Schneider-Neureither

Dr. Uwe Schwellbach

CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2019

ASSETS

In € thousand	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Current assets			
Cash and cash equivalents	32,287	39,974	24,264
Other current assets	913	1,520	324
Trade receivables and other receivables	24,437	26,938	32,008
Contract asset values	4,339	4,881	4,467
Inventories	371	371	371
Other non-financial assets	3,527	2,125	2,030
Tax receivables	380	386	304
	66,254	**76,195**	**63,768**
Non-current assets			
Goodwill	54,098	53,733	56,074
Intangible assets	7,503	7,980	10,310
Property, plant and equipment	20,518	6,066	5,870
Other financial assets	698	711	827
Investments accounted for under the equity method	0	0	0
Trade receivables and other receivables	240	409	270
Other non-financial assets	32	35	74
Deferred taxes	7,369	6,636	2,514
	90,457	**75,571**	**75,939**
	156,712	**151,766**	**139,707**

EQUITY AND LIABILITIES

In € thousand	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Current liabilities			
Trade payables and other liabilities	7,708	8,959	7,256
Contract liabilities	5,076	4,580	2,720
Tax liabilities	485	915	428
Financial liabilities	10,540	5,353	7,393
Other non-financial liabilities	13,807	16,002	13,502
Provisions	189	399	106
Deferred income	0	0	1,531
	37,805	**36,208**	**32,936**
Non-current liabilities			
Trade payables and other liabilities	272	273	580
Contract liabilities	0	5	0
Financial liabilities	48,344	42,794	49,471
Provisions for pensions	2,086	2,062	1,555
Deferred taxes	917	1.015	1.406
Deferred income	0	0	18
	51,619	**46,149**	**53,030**
Equity			
Subscribed capital	6,602	6,602	5,474
Capital reserve	59,968	59,968	54,260
Retained earnings	4,793	7,604	-4,079
Other components of the equity	-3,783	-4,495	-1,714
Treasury shares	-415	-415	-415
Equity attributable to shareholders	**67,166**	**69,265**	**53,526**
Non-controlling interests	122	143	215
	67,287	**69,409**	**53,741**
	156,712	**151,766**	**139,707**

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

In € thousand	Q1 2019	Q1 2018
Revenue	**28,757**	**31,553**
Professional Services	**22,531**	**25,441**
Cloud	611	424
Licenses	3,169	3,697
Software-as-a-service	515	0
Software support	1,931	1,991
Cloud and Licenses	**6,226**	**6,112**
Other operating income	720	833
Cost of material	-4,271	-5,135
Personnel costs	-20,494	-21,363
Other operating expenses	-5,890	-7,183
Impairments on trade receivables and contract assets	-3	0
Other taxes	-74	-118
EBITDA	**-1,255**	**-1,413**
Depreciation and impairments on intangible assets and property, plant and equipment	-2,052	-1,208
EBIT	**-3,307**	**-2,621**
Income from investments accounted for using the equity method	0	0
Other financial income	9	23
Other financial expenses	-249	-310
Net financial income	**-240**	**-287**
EBT	**-3,547**	**-2,908**
Income taxes	709	582
Consolidated net loss / income	**-2,838**	**-2,326**
Thereof:		
Profit attributable to non-controlling shareholders	-26	-61
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE	-2,812	-2,265
Earnings per share	**€**	**€**
- Undiluted	-0.43	-0.41
- Diluted	-0.43	-0.41
Weighted average number of shares	**in thousand**	**in thousand**
- Undiluted	6,602	5,474
- Diluted	6,602	5,474

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

In € thousand	Q1 2019	Q1 2018
Profit after tax	**-2,838**	**-2,326**
Depreciation	2,052	1,208
Change in provisions for pensions	24	24
Other non-cash income/expenses	-769	-904
Changes in trade receivables, contract assets, other current assets, other non-current assets	2,238	4,692
Changes in trade payables, contract liabilities, other provisions, tax liabilities, other current liabilities	-5,103	-7,417
Cash flow from operating activities (1)	**-4,396**	**-4,723**
Payments for investments in property, plant and equipment	-322	-1.351
Payments for investments in intangible assets	-7	-95
Proceeds from disposals of tangible fixed assets	113	67
Payments for the acquisition of consolidated companies and other business units	-2,990	-3,222
Cash flow from investing activities (2)	**-3,206**	**-4,601**
Dividend payments	0	0
Proceeds from capital increase	0	0
Proceeds from loans	23	0
Payments on loans	0	-150
Cash flow from financing activities (3)	**23**	**-150**
Changes in cash and cash equivalents due to foreign exchange rates (4)	-108	-139
Cash change in cash and cash equivalents (1)+(2)+(3)+(4)	**-7,687**	**-9,613**
Cash and cash equivalents at the beginning of the fiscal year	39,974	33,877
Cash and cash equivalents as of March 31	**32,287**	**24,264**
Composition of cash and cash equivalents:		
Cash and cash equivalents	32,287	24,264
Cash and cash equivalents as of March 31	**32,287**	**24,264**

SEGMENT REPORTING

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

In € thousand	PROFESSIONAL SERVICES	CLOUD AND SOFTWARE	TOTAL
EBIT of the business segments			
Q1 2019	-2,471	801	-1,670
Margin	-11.0%	12.9%	-5.8%
Q1 2018	-1,561	792	-770
Margin	-6.0%	13.9%	-2.4%
External revenue			
Q1 2019	22,531	6,226	28,757
Q1 2018	25,865	5,688	31,553

RECONCILIATION

In € thousand	**Q1 2019**	**Q1 2018**
Result		
Total reportable segment	-1,670	-770
Expenses not allocated to the segments	-1,637	-1,852
EBIT	**-3,307**	**-2,621**

FINANCIAL CALENDER

June 6, 2019	Annual General Meeting 2019
August 2, 2019	Publication of Half Year Figures 2019
October 31, 2019	Publication of the Interim Statement for Quarter III

All dates are provisional only.
The current financial calendar can be sonsulted at:
www.snpgroup.com/eng/Investor-Relations/Financial-calendar.

CONTACT

Do you have questions or need more information? We are at your disposal:

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This Interim Statement is also available in German. The legally binding document is the original German version, which shall prevail in any case of doubt.