



Interim Report Q1 2014

SNP | The Transformation Company



Key Figures as of March 31, 2014 (IFRS)

€ million	Q1-2014	Q1-2013
Backlog (as of 31 March)	11.1	10.2
Revenue	8.0	5.4
- Software	2.5	1.1
- Professional Services	5.5	4.2
EBIT	0.7	-0.8
- Margin (%)	8.8	-15.6
Consolidated net income	0.4	-0.6
Earnings per share (€)*		
- Undiluted	0.10	-0.16
- Diluted	0.10	-0.16
Number of stocks (million)*	3.738	3.738
Equity	14.2	16.5
- Ratio (%)	58.5	76.5
Number of employees (as of 31 March)	252	223
Personnel costs	5.0	4.4

* Adjusted (Explanations can be found on page 6 in the footnotes).

Interim Report Q1 2014 for the period from 1 January to 31 March 2014

SNP enjoys successful start to 2014

- Revenue up 48,5% to € 8.0 million
- Both segments record substantial revenue growth
- Operating result (EBIT) increases to € 0.7 million
- Equity ratio improves to 58.5%
- Group outlook for 2014 confirmed

Heidelberg, 30 April 2014 – In the first quarter of 2014, SNP Schneider-Neureither & Partner AG continued the positive development it enjoyed in the previous months and confirmed its operational turnaround. Revenue increased by 48.5% to € 8.0 million on the back of an upturn in consultancy revenue and tangible success in the sale of software licences (previous year: € 5.4 million). Both segments contributed to this positive development: revenue in the Software segment more than doubled to € 2.5 million (previous year: € 1.1 million), while revenue from consultancy services rose by 29.9%, from € 4.2 million to € 5.5 million. Together with improved utilisation and an operating cash flow of € 1.0 million (previous year: € -0.9 million), this revenue growth led to a clear return to profitability. The operating result (EBIT) amounted to € 0.7 million (previous year: € -0.8 million), while consolidated net income amounted to € 0.4 million (previous year: consolidated net loss of € -0.6 million). This corresponds to an EBIT margin of 8.8% and a net profit margin of 5.2%. The equity ratio also benefited from this development, improving from 57.6% as of 31 December 2013 to 58.5% as of 31 March 2014.

“The first quarter of 2014 has shown that we were right to be confident that the investments in internationalisation, innovation and sales made as part of our long-term strategy would shortly be reflected in our figures. We enjoyed considerable success in our consultancy business and in our software business as well. This is particularly encouraging as it shows that we are back on track. However, we remain cautious and will stay on course with huge commitment and great care,” comments Dr Andreas Schneider-Neureither, CEO of SNP AG, on developments in the first three months of 2014.

Above-average revenue growth in the Software segment

In the first quarter of 2014, SNP AG’s consolidated revenue rose to € 8.0 million on the back of improved utilisation, an increase of around 49% compared with

the first quarter of the previous year (€ 5.4 million). In terms of segment performance, the Professional Services segment, which includes consultancy services in particular, generated revenue of € 5.5 million in the first three months of the current financial year (previous year: € 4.2 million). This represents a year-on-year increase of 29.9% and corresponds to a share of approximately 69% of total revenue. The remaining revenue in the amount of € 2.5 million (previous year: € 1.1 million) was generated in the Software segment (including maintenance), which more than doubled its revenue. This strong growth is due to the tangible success in the sale of software licences and serves to endorse the further implementation of SNP AG’s new sales strategy.

Positive earnings performance

Also in earnings before interest and taxes (EBIT) the positive trend continued: While the operating result in the corresponding prior-year period amounted to € -0.8 million, EBIT in the period under review totalled € 0.7 million as a result of the substantial upturn in consultancy business and the significantly higher level of licence revenue. This turnaround was achieved in spite of continued investment in sales and marketing and increased personnel costs, particularly following the acquisition of GL Associates (GLA). In the period under review, personnel costs increased by € 0.6 million to € 5.0 million, while other operating expenses also rose by € 1.5 million to € 1.8 million.

As other financial expenses amounted to € 22 thousand in the first quarter of 2014 while other financial income was largely immaterial, the financial result was negative (previous year: € -6 thousand), resulting in earnings before taxes of € 0.7 million (previous year: € -0.8 million). With income taxes amounting to € 0.3 million (previous year: tax income of € 0.3 million), consolidated net income after minority interests for the first quarter of 2014 totalled € 0.5 million (previous year: € -0.6 million). This meant that diluted and basic earnings per share amounted to € 0.10 (previous year, adjusted: € -0.16).

Investment in further growth

SNP AG continued to press ahead with its long-term growth strategy in the first quarter of 2014. In addition to making further investments in sales and marketing as part of its new strategy, SNP AG focused in particular on the expansion of process consultancy activities and the intensification of operations in the USA. With the

acquisition of GLA in the past year, SNP AG further expanded its portfolio of in-house consultancy services and secured long-term access to the world's largest market for IT services. The development of the US market offers major growth opportunities for SNP, particularly with regard to the transformation of SAP and Oracle systems.

This is also underlined by the growth in demand in the period under review. The SNP Group recorded incoming orders of € 8.2 million in the first quarter (up € 3.2 million year-on-year) and an order backlog of € 11.1 million as of 31 March 2014 (up € 0,9 million year-on-year). SNP Transformation Backbone® remains SNP's core product and will be the key driver of growth in revenue and profitability in future thanks to rising licence revenue from both direct and partner sales.

Financial position remains stable

SNP AG generated an operating cash flow of € 1.0 million in the first quarter of 2014 (previous year: € -0.9 million) thanks to the consolidated net income generated in the period and the successful reduction in trade receivables. The cash flow after investing and financing activities amounted to € 0.7 million in the period under review (previous year: € -1.0 million). Cash and cash equivalents rose from € 6.4 million as of 31 December 2013 to € 7.1 million as of 31 March 2014. The increase in retained earnings due to the consolidated net income generated and the simultaneous reduction in liabilities led to an improvement in the equity ratio from 57.6% as of 31 December 2013 to 58.5% as of 31 March 2014. This means that SNP AG's financial position remains extremely solid.

Events after 31 March 2014

In line with its corporate strategy, SNP acquired the remaining 15% of the shares in SNP Austria GmbH in April. The Austrian subsidiary is now wholly owned by the SNP Group.

SNP expands its Executive Board by two to three members and is thereby putting in place the conditions for rigorous pursuit of the targeted growth at management level. Jörg Vierfuß has been appointed as Finance Director with effect from 1 April 2014. The business graduate has many years' experience in the finance sector and has already been serving as CFO of SNP AG since summer 2013. Henry Göttler is to strengthen the Executive Board of SNP AG as COO with effect from 1 July 2014. The educated mathematician will be working primarily to implement the strategy in day-to-day business, applying his experience in areas such as product management and development.

Outlook

The Executive Board of SNP AG expects the recent upward trend to continue in the current financial year, with both consultancy and software revenue set to increase further over the course of the year. The prospect of sustained revenue growth is underlined by the fact that both incoming orders and the order backlog were higher at 31 March 2014 than one year previously. The conclusion of large-volume licence agreements for the use of SNP Transformation Backbone in particular still offers considerable earnings potential. The Executive Board is confirming its forecast of consolidated revenue of around € 30 million and an EBIT margin in the medium single-digit percentage range for the 2014 financial year.

"Our current performance gives us reason for cautious confidence when it comes to the rest of the year. After returning to a positive operating result in the fourth quarter of 2013, this development was reinforced with a further improvement in the first quarter of 2014. This can be attributed to the range of measures implemented in the past year, and serves to strengthen our conviction that we are on the right path. We intend to intensify our efforts further. In addition to improving our profitability and the further internationalisation of our business activities, one of our main objectives is to expand in the areas of process and strategic consultancy," says CFO Jörg Vierfuß, commenting on the outlook.

Heidelberg, 30 April 2014

The Executive Board



Dr Andreas Schneider-Neureither

Jörg Vierfuß

Consolidated Balance Sheet as at 31 March 2014

Assets			
€ k	31.03.2014	31.12.2013	31.03.2013
Current assets			
Cash and cash equivalents	7,060	6,355	9,156
Trade receivables	8,190	8,688	6,071
Current tax assets	666	685	1,466
Other current assets	566	417	762
	16,482	16,145	17,455
Non-current assets			
Goodwill	4,100	4,099	2,068
Intangible assets	1,014	1,094	229
Property, plant and equipment	1,116	1,070	1,340
Participations accounted for in accordance with the equity	0	0	0
Other non-current assets	85	85	34
Non-current tax assets	9	10	12
Deferred taxes	1,431	1,401	387
	7,755	7,759	4,070
	24,237	23,904	21,525
Equity and liabilities			
€ k	31.03.2014	31.12.2013	31.03.2013
Current liabilities			
Liabilities due to banks	600	600	0
Trade payables	898	1,076	667
Provisions	92	62	64
Tax liabilities	454	405	607
Other current liabilities	3,739	3,661	3,071
	5,783	5,804	4,409
Non-current liabilities			
Liabilities due to banks	2,100	2,250	0
Provisions for pensions	566	555	487
Deferred taxes	155	83	164
Other non-current liabilities	1,450	1,450	0
	4,271	4,338	651
Equity			
Subscribed capital	3,738	3,738	1,246
Capital reserves	7,189	7,189	7,189
Retained earnings	3,389	3,010	8,212
Other reserves	20	18	22
Treasury shares	-415	-415	-415
Equity attributable to shareholders	13,921	13,540	16,254
Non-controlling interests	262	222	211
	14,183	13,762	16,465
	24,237	23,904	21,525

Consolidated Income Statement

for the period from 1 January to 31 March 2014

€ k	Q1-2014	Q1-2013
Revenue	8,002	5,390
Professional Services	5,516	4,247
Licences	2,101	907
Maintenance	385	236
Other operating income	56	93
Cost of materials	-295	-250
Personnel costs	-5,021	-4,437
Other operating expenses	-1,825	-1,451
Other taxes	-7	-5
EBITDA	910	-660
Depreciation and impairments on intangible assets and property, plant and equipment	-205	-181
EBIT	705	-841
Income from participations accounted for in accordance with the equity method	0	0
Other financial income	0	0
Other financial expenses	-22	-6
Net financial income	-22	-6
EBT	683	-847
Income taxes	-266	284
Consolidated net income/loss	417	-563
Of which:		
Profit attributable to non-controlling shareholders	-40	23
Profit attributable to shareholders of Schneider-Neureither & Partner AG	377	-586
Earnings per share*	€	€
- Undiluted	0.10	-0.16
- Diluted	0.10	-0.16
Weighted average number of shares*	in thousands	in thousands
- Undiluted	3,716	3,717
- Diluted	3,716	3,717

* The average number of shares and the earnings per share of previous periods was adjusted due to the capital increase from company funds. The weighted average number of shares contains the weighted average effect from the acquisition of treasury shares in the course of the first quarter 2013. In the first quarter of 2014, no treasury shares were acquired.

Consolidated Cash Flow Statement for the period from 1 January to 31 March 2014

€ k	Q1-2014	Q1-2013
Profit after tax	417	-563
Depreciation	205	181
Change in provisions for pensions	11	11
Other non-cash income/expenses	39	-66
Change in trade receivables, other current assets, other non-current assets	369	-136
Changes in trade payables, other provisions, tax liabilities, other current liabilities	-20	-371
Cash flow from operating activities (1)	1,021	-944
Payments for investments in property, plant and equipment	-167	-68
Payments for investments in intangible assets	-5	-4
Payments for investments in at-equity participations	0	0
Payments for the acquisition of business operations	0	0
Proceeds from disposal of tangible fixed assets	6	56
Cash flow used in investing activities (2)	-166	-16
Dividend payments	0	0
Dividend payments to non-controlling shareholders	0	0
Proceeds for the issue of new shares	0	0
Payments for the purchase of own shares	0	-36
Proceeds from loans	0	0
Payments on loans received	-150	0
Cash flow used in financing activities (3)	-150	-36
Cash change in cash and cash equivalents (1) + (2) + (3)	705	-996
Cash and cash equivalents at the beginning of the fiscal year	6,355	10,152
Cash and cash equivalents at 31 March	7,060	9,156
Composition of cash and cash equivalents:		
Cash and cash equivalents	7,060	9,156
Cash and cash equivalents at 31 March	7,060	9,156

Consolidated Statement of Changes in Equity for the period from 1 January 2012 to 31 March 2014

€ k	Subscribed capital	Capital reserve	Retained earnings
As of 01.01.2012 before adjustment	1,133	2,295	8,982
Adjustment due to IAS 19R			
As of 01.01.2012 after adjustment	1,133	2,295	8,982
Capital increase	113	4.894	
Acquisition of treasury shares			
Dividend payment			-1,973
Total comprehensive income			1,791
As of 31.12.2012*	1,246	7,189	8,800
Capital increase from company funds	2,492		-2,492
Acquisition of treasury shares			
Dividend payment			-892
Total comprehensive income			-2,405
As of 31.12.2013	3,738	7,189	3,011
Capital increase from company funds			
Acquisition of treasury shares			
Dividend payment			
Total comprehensive income			377
As of 31.03.2014	3,738	7,189	3,388

* The prior year reporting was adjusted due to the effects of the application of IAS 19R.

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 March 2014

€ k	Q1-2014	Q1-2013
Net income for the period	417	-563
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	4	-19
Deferred taxes on differences from currency conversion	0	0
	4	-19
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	0	0
Deferred taxes on remeasurements of defined benefit pension plans	0	0
	0	0
Income and expenses directly recognised in equity	4	-19
Total comprehensive income	421	-582
Profit attributable to non-controlling interests	40	23
Profit attributable to shareholders of SNP Schneider-Neureither & Partner AG in total comprehensive income	381	-605

Other components of equity

Currency conversion	Revaluation of performance-oriented obligations	Other components of equity Total	Treasury shares	Shareholders of SNP AG attributable capital	Non-controlling shares	Total equity
9	0	9	-210	12,209	136	12,345
	43	43		43	8	51
9	43	52	-210	12,252	144	12,396
				5,007		5,007
			-169	-169		-169
				-1,973	-75	-2,048
32	-124	-92		1,699	112	1,811
41	-81	-40	-379	16,816	181	16,997
				0		
			-36	-36		-36
				-892	-45	-937
51	6	57		-2,348	86	-2,262
92	-75	17	-415	13,540	222	13,762
4		4		381	40	421
96	-75	21	-415	13,921	262	14,183

Segment Reporting

for the period from 1 January to 31 March 2014

€ k	Professionals		Total
	Services	Software	
Segment result			
Q1-2014	623	819	1,442
Margin	11.3%	33.0%	18.0%
Q1-2013			
Q1-2013	-493	86	-407
Margin	-11.6%	7.5%	-7.6%
External revenue			
Q1-2014	5,516	2,486	8,002
Q1-2013	4,247	1,143	5,390
Depreciation included in the segment result			
Q1-2014	152	53	205
Q1-2013	145	36	181
Segment assets			
31.03.14	18,252	3,880	22,132
31.03.13	17,860	1,797	19,657
Segment investments			
31.03.14	155	16	171
31.03.13	59	11	70

Reconciliation		
€ k	Q1-2014	Q1-2013
Net earnings		
Total reportable segments	1,442	-407
Non-segment-related expenses	-787	-522
Non-segment-related amounts		
- Other operating income	56	93
- Other taxes	-6	-5
EBIT	705	-841
Assets		
Total reportable segments	22,132	19,657
Assets not allocated to the segments	2,105	1,868
Group assets	24,237	21,525
Assets not allocated to the segments		
- Deferred tax assets	1,430	387
- Income tax claims	675	1,481
Total	2,105	1,868



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