Interim Statement I Q1 2017

SNP I The Transformation Company

Key Figures at a glance

Unless otherwise specified in € million	Q1 2017	Q1 2016
Backlog (as of March 31)	**40.8**	**28.7**
Revenue	**21.6**	**18.5**
- Software	2.5	3.0
- Professional Services	19.1	15.5
EBIT	**-2.4**	**1.6**
- Margin (%)	-11.1	8.8
Consolidated net income	**-2.3**	**1.1**
Earnings per share (€)		
- Undiluted	-0.47	0.28
- Diluted	-0.47	0.28
Number of shares (million)	**4.955**	**3.738**
Equity	**46.3**	**18.6**
- Ratio (%)	41.6	37.9
Number of employees (as of March 31)	**722**	**588**
Personnel costs	**14.7**	**10.6**

Business Performance of SNP Schneider-Neureither & Partner AG in the First Quarter of 2017

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 March 31, 2017:

Name of the Company	Headquarters of the Company	Share Ownership in %
SNP Transformations Deutschland GmbH (previously SNP Consulting GmbH)	Thale, Germany	100
SNP Business Landscape Management GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP Applications Singapore Private Limited	Singapore	80
SNP Applications EMEA GmbH	Heidelberg, Germany	100
SNP Applications Americas Inc. [1]	Irving, TX, USA	100
SNP GmbH	Heidelberg, Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG	Steinhausen, Switzerland	100
Schneider Neureither & Partner Iberica, S.L.	Madrid, Spain	100
SNP Transformations Inc. (previously SNP America Inc.)[2]	Jersey City, NJ, USA	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Hartung Consult GmbH	Berlin, Germany	100
Hartung Informational System Co., Ltd.	Shanghai, China	100
SNP Transformations SEA Pte. Ltd. (previously Astrums Consulting (S) Pte. Ltd.) [3]	Singapore	51
SNP Transformations Malaysia Sdn. Bhd. (previously Astrums Consulting SDN. BHD.) [3]	Kuala Lumpur, Malaysia	51
Harlex Management Ltd.	London, Great Britain	100
Harlex Consulting Ltd.	London, Great Britain	100
RSP Reinhard Salaske & Partner Unternehmensberatung GmbH [4]	Wiehl, Germany	100

1 In February 2017, SNP Applications Americas Inc. was founded.
2 In January 2017, SNP Labs Inc. was merged into SNP America Inc. Furthermore, SNP America Inc. was renamed SNP Transformations Inc.
3 In March 2017, Astrums Consulting (S) Pte. Ltd. was renamed SNP Transformations SEA Pte.; Astrums Consulting SDN. BHD. was renamed SNP Transformations Malaysia Sdn. Bhd.
4 In April 2017, RSP GmbH was merged into SNP Transformations Deutschland GmbH retroactively.

Significant Events in the First Quarter of 2017

Legal Restructuring: SNP Transformations Deutschland GmbH

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

According to the legal restructuring, on January 1, 2017, the German business operations of Hartung Consult GmbH were transferred to SNP Transformations Deutschland GmbH via an asset deal. On January 1, 2016, SNP AG acquired 51% of the shares in Hartung Consult GmbH. The remaining shares in Hartung Consult will be acquired on January 1, 2018.

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

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

Legal Restructuring: SNP Transformations Inc.

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

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

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

Founding of SNP Applications Americas Inc.

In February 2017, SNP Applications Americas Inc. was founded in Irving, Texas. The U.S. subsidiary is wholly owned by SNP AG. The company's purpose is the sale of SNP software portfolio products to the U.S. market beyond the SNP Transformation Backbone.

Successful Issuance of a Borrower's Note Loan

In February, SNP Schneider-Neureither & Partner 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 million (total nominal amount of up to € 20 million) was fully redeemed at a price of 103% plus interest accrued by March 27, 2017.

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

Planned Conversion of SNP AG Into a Stock Corporation Under EU Law (Societas Europaea/SE)

The Annual General Meeting on May 31, 2017, will propose the legal conversion of SNP Schneider-Neureither & Partner AG into a stock corporation under EU law (Societas Europaea/SE). The conversion should further promote the internationalization of the SNP Group. In addition, the conversion into the European legal form of SE speaks to the increasing significance of international business and the heightened international orientation of the SNP Group. The basic corporate structure, the corporate governance of the company and the listing of the share on the previous stock exchanges remain intact.

Proposal to Pay a Dividend of € 0.39 per Share

SNP will continue to maintain a consistent dividend distribution policy in the future. For the 2016 fiscal year, the Supervisory Board and Executive Board intend to propose the payment of a dividend of € 0.39 per share at the Annual General Meeting occurring on May 31, 2017. This would correspond to a dividend increase of approximately 50% from the previous year and a payout ratio of approximately 46%.

Financial Position and Financial Performance

After strong growth in the 2016 fiscal year, the SNP Group started the new 2017 fiscal year with renewed revenue growth. In addition, going back as far as the beginning of the fourth quarter of 2016, there has been a focus on strategically developing the entire corporate group with the aim of securing sustainable growth. In the first quarter, measures for securing sustainable growth were pursued decisively. These measures led to a significant increase in extraordinary one-time expenses. These measures included the following:

- The adjustment of the Group structure in the USA and Germany
- The expansion of another training academy in Germany
- Preparations for the planned legal conversion of SNP AG into a European stock corporation (SE)
- Investment expenses and start-up losses resulting from the intensified international sales strategy with a twin emphasis on the USA and SNP Applications
- The advancing integration of corporate acquisitions in the past two years and the resulting integration expenses
- Expenses related to the issuance of the borrower's note loan
- Legal and consulting expenses related to the inorganic growth strategy of the SNP Group
- Expenses related to the recruitment of experienced employees at the senior level
- Increased research and development expenses to increase the degree of automation, including through the use of artificial intelligence in transformation projects
- Additional extraordinary restructuring expenses

Revenue Situation

Compared to the opening quarter of the previous year, which was already quite good, the company is reporting revenue growth of 16.8% to € 21.6 million (previous year: € 18.5 million) in the first three months of the current fiscal year. Harlex Consulting, which was consolidated for the first time during the reporting period, contributed approximately 8% to revenue growth. Adjusted for this impact, acquisition-adjusted organic revenue increased by approximately 9% over the first quarter of the previous year.

The decisive growth driver for the positive revenue development was the core Transformations business area and the USA region in particular. The Transformations USA subdivision contributed € 4.6 million (previous year: € 1.7 million) to total revenue in the first three months of the fiscal year. The decisive factors responsible for this were a good order situation and the processing of a large order from the chemical sector in the USA. In the other corporate segments, including SNP Applications and SNP Business Landscape Management, revenue growth of € 0.8 million was realized.

Revenue Distribution by Business Segment

On the segment side, the Professional Services division, which primarily includes consulting services, contributed € 19.1 million (previous year: € 15.5 million) to revenue in the first three months of the current fiscal year. This amounts to an increase of 22.9% over the previous year's period. Adjusted for acquisitions, the remaining organic revenue growth was € 2.0 million or approximately 13%.

Revenue of € 2.5 million (previous year: € 3.0 million) came from the area of Software (including maintenance). This corresponds to a decline of 15.2% over the first quarter of 2016.

Within the segment, licensing fees declined by approximately 22% to € 1.7 million (previous year: € 2.2 million) from the comparable quarter of the previous year. However, maintenance fees increased approximately 5% to € 0.8 million (previous year: € 0.7 million).

The SNP Transformation Backbone remained the largest revenue driver in the first three months of the fiscal year. Including maintenance, the product contributed € 1.6 million (previous year: € 1.8 million) to segment revenue. As a result, its share of total software revenue of approximately 62% remained close to the level of the previous year (previous year: 61%).

The standard software SNP Data Provisioning and Masking, the second largest product in terms of sales in the Software business segment, generated revenue of € 0.3 million (previous year: € 0.6 million) during the reporting period. This corresponds to a revenue decline of approximately 52% from the first quarter of the previous year. Its percentage share of total software revenue declined to 13% (previous year: 22%).

SNP Dragoman, the third-strongest product in the SNP software division, accounted for a 28% decline in revenue from the previous year's quarter to € 0.2 million (previous year: € 0.2 million).

Order Backlog and Order Entry

The order backlog as of March 31, 2017, was € 40.8 million; over the comparable previous year's figure of € 28.7 million; this corresponds to an increase of approximately 42%. The order entry as of March 31, 2017, totaled € 24.4 million, approximately 7% below the comparable amount in the previous year of € 26.2 million. The slight decline in incoming orders is due to the fact that incoming orders that were planned for the first quarter of 2017 had already been generated in the fourth quarter of 2016 and are now being offset by the high order backlog.

Earnings Position

The performance of operating earnings in the first three months was primarily affected by extraordinary one-time expenses as well as investments in growth in the low-single-digit million euro range. Adjusted for these one-time expenses and exchange rate effects, the EBITDA margin of the corporate group came to around +4% in the first quarter, which tends to be weaker, and the EBIT margin to around +1%.

Unadjusted, the SNP Group is recording negative earnings before interest, taxes, depreciation and amortization (EBITDA) of € -1.8 million in the first three months of the fiscal year (previous year: € 1.9 million); operating earnings (EBIT) amounted to € -2.4 million in the same period (previous year: € 1.6 million). These figures coincide with an EBITDA margin of -8.4% (previous year: 10.5%) and an EBIT margin of -11.1% (previous year: 8.8%).

Notwithstanding the extraordinary one-time expenses and investments in growth, the overall operating growth performance of the SNP Group remains stable. The adjusted EBITDA of the corporate group is in the positive low-single-digit million euro range. For this reason, and because of the continually very high order backlog, the Executive Board is maintaining its revenue and earnings forecast for the entire 2017 fiscal year that was published in the 2016 Annual Report.

In sum, strategic investments in growth and restructuring are leading to higher personnel costs as well as to an increase in other operating expenses: As a result, the personnel costs increased during the reporting period by € 4.1 million to € 14.7 million. Of this amount, € 0.6 million were attributable to Harlex Consulting, which underwent initial consolidation. Other operating expenses increased by € 2.5 million to € 6.7 million, of which € 0.2 million related to Harlex Consulting. Other operating income remained virtually unchanged at € 0.2 million.

Since other financial expenses of € 0.6 million were offset by only immaterial other financial income, net financial costs of € -0.6 million (previous year: € -0.2 million) were incurred, resulting in a loss before taxes of € -3.0 million (previous year: € 1.4 million). With income tax income of € 0.6 million (previous year provision: € 0.4 million), the quarter recorded a net loss of € -2.3 million in the first three months of the 2017 fiscal year after € 1.1 million in the previous year's period. This corresponds to a net margin of -10.7% (previous year: 5.2%). Accordingly, diluted and basic earnings per share amounted to € -0.47 (previous year: € 0.28).

Net Assets

Total assets increased to € 111.3 million, a shift of € 22.7 million compared to December 31, 2016. This primarily reflects additional borrowing caused by the issuance of a borrower's note loan (cf. "Significant Events in the First Quarter of 2017").

Current assets rose by € 21.5 million to € 81.0 million. The € 22.0 million increase is primarily attributable to the increase in cash and cash equivalents due to borrowing. Trade receivables and other current assets decreased by € 0.5 million to € 26.8 million.

Noncurrent assets increased during the reporting period from € 29.1 million as of December 31, 2016, to € 30.3 million as of March 31, 2017. The increase in deferred taxes was mostly responsible for the increase.

Financial Position

Current liabilities decreased during the reporting period from € 34.4 million as of December 31, 2016, to € 20.0 million as of March 31, 2017. The change was caused primarily by the decline in bond-related liabilities as a result of the bond's early termination and repayment in March 2017. At the same time, other current liabilities declined by € 3.7 million to € 14.4 million, primarily as a result of the utilization of personnel provisions and the payment of purchase price installments in connection with M&A transactions.

By contrast, noncurrent liabilities increased in the first three months of 2017 by € 39.8 million and amounted to € 44.9 million as of March 31, 2017 (as of December 31, 2016: € 5.6 million). The increase was primarily attributable to an € 39.2 million increase in noncurrent liabilities to banks to a total of € 39.6 million, as a result of the issuance of the borrower's note loan.

The equity of the company declined in the first three months of 2017 from € 48.6 million to € 46.3 million. Subscribed capital, capital reserves and treasury shares remain unchanged. Retained earnings declined by € 2.2 million as a result of the loss for the reported period. Due to the decrease in equity combined with a simultaneous increase in total equity and liabilities to € 111.3 million as of March 31, 2017 (December 31, 2016: € 88.5 million), the equity ratio declined from 54.9% to 41.6%.

Aside from the loss for reported period, the negative operating cash flow of € -6.3 million (previous year: € -1.7 million) in the first three months of 2017 can essentially be traced back to the reduction in other liabilities (including the utilization of personnel provisions) that still existed as of December 31, 2016.

The negative cash flow from investing activities of € -0.8 million (previous year: € -2.4 million) was caused primarily by payments for investments in property, plant and equipment of € 0.6 million and for intangible assets of € 0.3 million.

Positive cash flow from financing activities of € 29.1 million (previous year: negative cash flow: € 0.5 million) resulted from the assumption of the borrower's note loan (€ 39.6 million). This was offset by the redemption of the bond and the repayment of loans in the amount of € 10.5 million.

Overall cash flow during the reporting period totaled € 22.0 million (previous year: € -4.6 million). Taking into account the changes presented here, the level of cash and cash equivalents rose to € 53.9 million as of March 31, 2017. As of December 31, 2016, cash and cash equivalents amounted to € 31.9 million. Overall, SNP AG remains very solidly positioned financially.

Employees

As of March 31, 2017, the number of employees of the SNP Group increased to 722; as of December 31, 2016, they totaled 712 employees.

The employees included 2 members of the Executive Board (as of December 31, 2016: 3), 16 managing directors (as of December 31, 2016: 17) and 51 students and trainees (as of December 31, 2016: 60). The average number of employees during the reporting period was 690.

Forecast Report

The performance of operating earnings in the first three months was primarily affected by extraordinary one-time expenses as well as investments in growth in the low-single-digit million euro range. Adjusted for these one-time expenses and exchange rate effects, the EBITDA margin of the corporate group came to around +4% in the first quarter, which tenders to be weaker, and the EBIT margin to around +1%. Notwithstanding the extraordinary one-time expenses and investments in growth, the overall operating growth performance of the SNP Group remains stable. For this reason, and because of the continually very high order backlog, the Executive Board is maintaining its revenue and earnings forecast for the entire 2017 fiscal year that was published in the 2016 Annual Report.

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).

Heidelberg, April 27, 2017

The Board

Dr. Andreas Schneider-Neureither

Henry Göttler

Consolidated Balance Sheet

as of 31 March 2017

ASSETS

€ k	03/31/2017	12/31/2016	03/31/2016
Current assets			
Cash and cash equivalents	53,886	31,914	9,150
Trade receivables	24,897	26,325	18,935
Current tax assets	365	363	150
Other current assets	1,854	876	982
	81,002	**59,478**	**29,217**
Non-current assets			
Goodwill	21,532	21,563	14,769
Intangible assets	2,619	2,616	1,414
Property, plant and equipment	3,387	3,161	2,236
Participations accounted for in accordance with the equity method	422	422	36
Other non-current assets	366	291	275
Non-current tax assets	0	0	5
Deferred taxes	1,949	1,001	1,095
	30,275	**29,054**	**19,830**
	111,277	**88,533**	**49,047**

EQUITY AND LIABILITIES

€ k	03/31/2017	12/31/2016	03/31/2016
Current liabilities			
Corporate Bond	0	10,699	33
Liabilities due to banks	2,067	2,100	2,100
Trade payables	3,333	3,083	1,940
Provisions	98	98	120
Tax liabilities	96	235	467
Other current liabilities	14,437	18,167	10,699
	20,031	**34,382**	**15,359**
Non-current liabilities			
Corporate Bond	0	0	9,816
Liabilities due to banks	39,605	434	1,981
Provisions for pensions	1,524	1,519	1,339
Deferred taxes	242	59	18
Other non-current liabilities	3,564	3,563	1,922
	44,935	**5,576**	**15,076**
Equity			
Subscribed capital	4,977	4,977	3,738
Capital reserves	36,331	36,331	7,189
Retained earnings	4,682	6,913	6,409
Other reserves	-290	-296	24
Treasury shares	-415	-415	-415
Equity attributable to shareholders	**45,285**	**47,511**	**16,945**
Non-controlling interests	1,026	1,064	1,667
	46,311	**48,575**	**18,612**
	111,277	**88,533**	**49,047**

Consolidated Income Statement

for the period from 1 January to 31 March 2017

€ k	Q1 2017	Q1 2016
Revenue	**21,598**	**18,474**
Professional Services	19,089	15,516
Licenses	1,733	2,216
Maintenance	776	742
Other operating income	235	200
Cost of material	-2,260	-1,928
Personnel costs	-14,657	-10,604
Other operating expenses	-6,692	-4,174
Other taxes	-28	-22
EBITDA	**-1,804**	**1,946**
Depreciation and impairments on intangible assets and property, plant and equipment	-594	-323
EBIT	**-2,398**	**1,623**
Income from participations accounted for in accordance with the equity method	0	0
Other financial income	2	0
Other financial expenses	-579	-191
Net financial income	**-577**	**-191**
EBT	**-2,975**	**1,432**
Income taxes	657	-378
Consolidated net income	**-2,318**	**1,054**
Of which:		
Profit attributable to non-controlling shareholders	-29	143
Profit attributable to shareholders of SNP Schneider-Neureither & Partner AG	-2,289	911
Earnings per share		**€**
- Undiluted	-0,47	0,28
- Diluted	-0,47	0,28
Weighted average number of shares	**in thousands**	**in thousands**
- Undiluted	4,955	3,716
- Diluted	4,955	3,716

Consolidated Cash Flow Statement

for the period from 1 January to 31 March 2017

€ k	Q1 2017	Q1 2016
Loss/profit after tax	**-2,318**	**1,054**
Depreciation	594	323
Change in provisions for pensions	5	7
Other non-cash income/expenses	-1,288	-80
Change in trade receivables, other current assets, other non-current assets	374	-1,976
Changes in trade payables, other provisions, tax liabilities, other current liabilities	-3,618	-1,000
Cash flow from operating activities (1)	**-6,251**	**-1,672**
Payments for investments in property, plant and equipment	-644	-330
Payments for investments in intangible assets	-294	-6
Payments for investments in at-equity participations	0	0
Payments for the acquisition of business operations	0	-2,096
Proceeds from disposal of tangible fixed assets	102	30
Cash flow used in investing activities (2)	**-836**	**-2,402**
Dividend payments	0	0
Dividend payments to non-controlling shareholders	0	0
Payments for purchase of shares in non-controlling shareholders	0	0
Proceeds from the issue of corporate bonds	0	0
Proceeds from loans	39,606	0
Payments on loans received	-10,525	-525
Cash flow used in financing activities (3)	**29,081**	**-525**
Effects of exchange rate changes on cash and bank balances (4)	-22	-20
Cash change in cash and cash equivalents (1) + (2) + (3) + (4)	**21,972**	**-4,619**
Cash and cash equivalents at the beginning of the fiscal year	31,914	13,769
Cash and cash equivalents at 31 March	**53,886**	**9,150**
Composition of cash and cash equivalents:		
Cash and cash equivalents	53,886	9,150
Cash and cash equivalents at 31 March	**53,886**	**9,150**

Financial Calendar

April 28, 2017	Publication of the Interim Statement for Quarter I
May 31, 2017	Annual General Meeting 2017
July 28, 2017	Publication of Half Year Figures
October 27, 2017	Publication of the Interim Statement for Quarter III
November 2017	German Equity Forum 2017

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

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Legal notice

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