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TO THE SHAREHOLDERS



Michael Eberhardt, CEO

# LETTER OF THE CEO

Dear shareholders,  
Dear friends of the company,

At this point in the Annual Report, you are no doubt accustomed to reading the words of SNP's founder, Dr. Andreas Schneider-Neureither. A few months ago, he tragically and wholly unexpectedly died at the age of 56. He leaves behind his wife, his four children, his wider family and many close associates and long-standing companions who supported and assisted him in the realization of his business plans and visions. These people were his "SNP family" – they valued him for his management style characterized by humanity and empathy. He was also a great source of ideas and inspiration for them.

Without its founder, CEO, Chairman of the Board of Directors and main shareholder, SNP will inevitably look somewhat different. While there is no question of replacing him, we must seek to fill the gap left by his untimely passing as best we can. As a first step, we had to make some internal changes to the company's managing bodies. Dr. Michael Drill is now the new Chairman of the Board of Directors; he has served on the Board of Directors or the Supervisory Board since 2011 and knows SNP very well.

I have been entrusted with the role of CEO. I joined SNP in mid-2019 and was very soon inspired by its business model, its market potential and its potential to change things. Prof. Dr. Heiner Diefenbach, my highly regarded and long-standing companion from previous posts, is assisting me as a Managing Director. We are close friends and intend to develop SNP successfully and professionally, true to the spirit of Andreas Schneider-Neureither, and to press forward with the software and partner strategy that SNP has adopted.

## **Our software and partner strategy**

Over the past two years we have taken the first step and developed a global partner management system as well as a viable partner model. We have signed partnership agreements with leading global IT consulting firms and hugely expanded our partnerships. This means we have made huge progress in our partnerships in the past year, in spite of the coronavirus restrictions.

The partnerships we have established with IT consulting firms, system houses and, for some time now, also hyperscalers such as Microsoft demonstrate that the use of data transformation software is increasingly gaining strategic recognition. Our customers and partners have recognized the added value that our technology offers! Together with the enormous size of our market, this represents an extremely attractive basis for further growth.

**Our goal is to fundamentally change the entire IT consulting market and to achieve a continuous increase in the proportion of software-supported data transformations.**

As well as developing our relationships with partners, over the past few years we have also continuously improved our software. We have increased the level of automation in transformation projects while also making its application significantly easier. The consolidation of our software product portfolio into the data transformation platform CrystalBridge® was a developmentally and strategically necessary step here: We are now able to offer a highly automated software platform for the analysis, planning and implementation of complex IT data transformations in the ERP environment.

**On the basis of our data transformation platform CrystalBridge® – the only platform of its kind on the market – we intend to take great strides forward in the use of our software approach via strategic partnerships.**

To generate further growth, we are investing in our employees, in our sales activities, in the development of our partner network and in our software. Our most recent strategic growth step represents an expansion of our software portfolio. With our majority interest in EXA AG, we have broadened our range of software in the SAP environment and have expanded our offering to include additional services in the area of digital transformations. In addition, we will increase our proportion of recurring revenues, which are a key strategic focus of our future approach to revenue generation.

The sale of a majority stake in our Polish subsidiary SNP Poland should be seen in the context of our focus on our core business – software-based data transformation. The purchaser is the German IT service provider All For One, with whom we established a long-term partnership in June last year. Through this acquisition, the All for One Group will strengthen its international project and service provider business; for SNP, the sale marks a further step in our transformation into a software and consulting firm with an increased focus on our SAP transformation business – a classic win-win situation.



## Review of the past year and outlook

Looking back, 2020 was a turbulent and memorable year for SNP: Buoyed by a highly successful previous year, we started out 2020 running at full steam. The dynamic development of the SAP S/4 environment, strong revenue and earnings figures for the first quarter and, not least, the SNP share's admittance to the SDAX generated great optimism.

However, the coronavirus pandemic – which as of publication is not over yet – weighed heavily on SNP also. We felt the negative economic effects of the global crisis in the second half of the year especially and were unable to achieve our targets as of the end of the past fiscal year: Our revenue volume of around € 144 million is slightly lower than in the previous year, while our operating earnings of € 0.8 million failed to match up to our expectations.

Looking forward, we expect that the effects of the coronavirus crisis will strengthen the megatrend of the digitalization of entire business models. We are ideally prepared for this and already have the products that support digital transformation and change.

Even before the coronavirus pandemic and the wide-ranging restrictions it has imposed, we executed many of our projects entirely remotely, i.e. without our consultants visiting our customers in person. In 2020, in many cases our consultants didn't visit a customer even once; in some instances, even the sales process was negotiated over the telephone and through web sessions. This remote capability is an invaluable advantage for our business model – particularly during such times of crisis characterized by social distancing measures and home-working. For this reason too, we have a confident view of the future.

For the current fiscal year, we expect revenue growth to € 160–180 million based on a global increase in willingness to invest. The growth outlook is based on a continuing strong order entry situation as well as even greater market acceptance of the company's software and partner strategy. Depending on the progress of the global measures to combat the COVID-19 pandemic, we are aiming for an EBIT margin between 5% and 8%.

Our employees and our customers play a huge role in the success of SNP SE. I would like to thank both of these groups here, on behalf of the entire management team – our customers for the close and lasting relationships we have with them and the trust they have placed in us, and our employees for their high level of commitment and drive to establish SNP as the premium data transformation provider.



Michael Eberhardt, CEO



Dr. Michael Drill, Vorsitzender des Verwaltungsrats

# REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

In the following report, the Board of Directors outlines its core activities in the 2020 fiscal year. The company is managed by the Board of Directors (“monistic system”), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. The core management, oversight and discussion issues covered in plenary meetings, the audit of the annual and consolidated financial statements, relationships with associates and changes to the company’s organs are outlined below.

## PERSONALIA

Dr. Andreas Schneider-Neureither died suddenly and entirely unexpectedly on November 2, 2020. Dr. Schneider-Neureither was the founder of SNP SE and its CEO and Chairman of the Board of Directors, a major shareholder and a source of ideas and inspiration for “his SNP family.”

Over the past 25 years, he decisively defined and shaped the development of the SNP Group from a “one-man company” into a globally active and rapidly growing IT company. We will always remember his vision, his entrepreneurship and his unique ability to fill our workforce and customers alike with enthusiasm for SNP and its solutions.

With Dr. Andreas Schneider-Neureither, we have lost not only a major entrepreneur but also a long-standing friend and companion. The Board of Directors would like to pay tribute to his life’s work and owes him its deepest gratitude and recognition.

## CORE ASPECTS OF THE BOARD OF DIRECTORS’ ADVISORY AND MONITORING ACTIVITIES

In the 2020 fiscal year, the Board of Directors considered the company’s business and financial position, the personnel changes to the Board of Directors and the Managing Directors, decisions to cope with the various challenges associated with the COVID-19 pandemic and the related impact on the company’s economic and legal environment as well as its workflows and the company’s long-term strategic focus.

Other key topics in 2020 included:

- Audit and approval of the 2019 consolidated financial statements and annual financial statements
- Determination of the agenda for the 2020 Annual General Meeting
- Resolution and execution of a capital increase
- Regular business reviews
- Preparations for further formalization of the Compliance Management System (CMS)

- Contracts for the use of Bluefield House (Irving, TX, USA) by the company
- Current and potential lawsuits in the USA
- Personnel measures

The Board of Directors consulted the financial reports and documents of the company in relation to these issues.

## BOARD OF DIRECTORS

The Board of Directors performed the duties assigned to it according to the law as well as the company’s articles of incorporation and bylaws. It directed the company, determined the basic standards for its business activities, and oversaw their implementation by the Managing Directors.

For this purpose, the Board of Directors discussed and passed resolutions regarding the company’s business policy, all relevant aspects of its corporate development and planning, the company’s economic position – including its financial position and financial performance – and all key decisions for the Group. Apart from its first meeting in January, all of these meetings were held virtually, as video or telephone conferences, due to the COVID-19 pandemic. With the exception of the meeting held on May 28, 2020, when Gerhard Burkhardt sent apologies for his absence, all of the members of the Board of Directors attended these meetings. The Managing Directors informed the Board of

Directors regularly, promptly and comprehensively about the implementation of the resolutions and all significant business transactions.

The Board of Directors discussed in detail all business transactions that are significant for the company, based on the reports provided by the Managing Directors and their own ideas. The Board of Directors reviewed all explanations on the basis of the documents submitted. The Managing Directors outlined deviations in the company's business performance from the Board's guidelines to the Board of Directors. The Board of Directors was involved in all important decisions at an early stage. Furthermore, the respective Chairman of the Board of Directors and other members of the Board of Directors were and are in regular verbal or written contact with the Managing Directors.

Business with related parties in the 2020 fiscal year which might have given rise to potential conflicts of interest was disclosed to the Board of Directors.

The Board of Directors has also reviewed and confirmed the mandate and settlement bills of a law firm associated with one of the members of the Board of Directors.

## **MEETINGS AND KEY TOPICS OF DISCUSSION**

The Board of Directors met 11 times in the 2020 fiscal year (January 21, March 19, May 13, May 28, June 30, August 17, September 18, October 22, November 2, November 19 and December 10). Beyond these meetings, the members also discussed additional projects of particular significance for the company via telephone. Additional resolutions were adopted by circular resolution as necessary. As a rule, the Board of Directors considers at all times the latest information provided by the Managing Directors on the course of business as well as measures to mitigate the consequences of the COVID-19 pandemic, the budget for the following fiscal year as well as selected questions relating to internal compliance and governance. The following additional key topics were discussed at its meetings:

At the Board of Directors' meeting held on January 21, 2020, the Board of Directors considered the results for the fourth quarter of 2019 as well as the outlook and budget for the 2020 fiscal year.

At the Board of Directors meeting on March 19, 2020, the Board of Directors discussed in detail with the auditor the 2019 annual financial statements and consolidated financial statements, including the management reports as well as the audit reports. They were approved by means of a circular resolution on March 24, 2020, following adjustments to

the risks and forecast report on account of the COVID-19 pandemic. Furthermore, the control committee discussed the agenda for the 2020 Annual General Meeting as well as the corresponding proposed resolutions. The Board of Directors also considered the review and expansion of the company's CMS at this meeting.

At the meeting on May 13, 2020, the Board of Directors noted Dr. Klaus Kleinfeld's resignation and decided to hold the Annual General Meeting without the shareholders present due to the continuing restrictions imposed by the COVID-19 pandemic.

At the meeting on May 28, 2020, the Board of Directors considered the continuing expansion of the company's CMS and decided to establish a compliance committee. Dr. Karl Biesinger chairs this committee and its other members are Dr. Michael Drill and Gerhard Burkhardt. As well as discussing any compliance issues which arise, the committee is responsible for supervising the goals for the redesign of the Compliance Management System (CMS) and for monitoring its implementation.

In the meetings on August 17, 2020, and September 18, 2020, the Board of Directors also addressed personnel matters in addition to the general topics mentioned above, specifically the review of the circumstances including the legal situation surrounding the use of Bluefield House

(Irving, TX, USA) by the Company, as well as a potential lawsuit by an employee in the USA over an allegation of sexual harassment by a former manager.

The meeting of October 22, 2020, primarily focused on the development of the company's business, including potential M&A transactions.

At the meeting on November 2, 2020, the Board of Directors was informed of the death of Dr. Andreas Schneider-Neureither. At the same time, it agreed on the details of the related press release.

At its meeting on November 19, 2020, the Board of Directors considered adjustments to the company's internal corporate governance as a result of the death of Dr. Andreas Schneider-Neureither. Also on the agenda was an evaluation of potential M&A transactions and the contractual situation surrounding Bluefield House.

At its meeting on December 10, 2020, the Board of Directors considered preparations for the reporting in the Annual Report, the budget for 2021 as well as the evaluation of potential M&A transactions.

The Compliance Committee, which has been entrusted with the creation of a comprehensive compliance management system, was involved in an intensive exchange of

ideas internally and also with the legal department in the fiscal year. In addition, the Board of Directors regularly meets without the presence of the Managing Directors.

### PERSONNEL CHANGES

In the 2020 fiscal year, there were personnel changes in the Board of Directors and in relation to the Managing Directors:

After Dr. Klaus Kleinfeld resigned his seat on the Board of Directors – on which he served as Deputy Chairman – on May 11, 2020, with immediate effect, Dr. Michael Drill was elected to replace him as the Deputy Chairman of the Board of Directors on May 28, 2020.

Dr. Andreas Schneider-Neureither's membership and chairmanship of the Board of Directors and his position as a Managing Director ended with his unexpected death on November 2, 2020. The Board of Directors elected Dr. Michael Drill to succeed him as the Chairman of the Board of Directors on November 19, 2020. At the same time, Gerhard Burkhardt was elected as the new Deputy Chairman of the Board of Directors.

The Board of Directors also appointed Mr. Michael Eberhardt as the company's Chief Executive Officer (CEO) on November 19, 2020. He assumed this position on December 1, 2020.

Mr. Frank Hohenadel resigned his position as a Managing Director as of December 31, 2020. Dr. Uwe Schwellbach left the company at his own request on December 31, 2020. The Board of Directors would like to thank him for his service and to wish him all the best for his professional and personal future.

The members of the Board of Directors receive appropriate support upon taking up office and through initial and advanced training.

### AUDIT OF THE 2020 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the consolidated financial statements as of December 31, 2020, 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, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, and, after a postponement of the originally announced date due to the expanded scope of the audit of the consolidated financial statements, were issued an unqualified auditor's opinion on April 19, 2021.

The financial statement-related documents and drafts of the audit reports were made available to all members of the Board of Directors in a timely manner ahead of the meeting of the Board of Directors on the financial statements, which was held on April 15, 2021, and they carefully reviewed them. These documents were discussed in detail in the presence of the auditor. The auditor informed the Board of Directors that there were no material weaknesses in the internal control system. The Board of Directors was convinced that the auditor's report complied with legal requirements.

The Board of Directors approved and accordingly adopted the annual financial statements and consolidated financial statements of SNP Schneider-Neureither & Partner SE, which were prepared by the Managing Directors.

### **THANKS TO THE MANAGING DIRECTORS AND THE EMPLOYEES**

We would like to express our gratitude and appreciation to the Managing Directors, the managers of the Group companies, and all employees for their personal involvement, their achievements and their ongoing commitment.

Heidelberg, Germany, April 19, 2021

For the Board of Directors

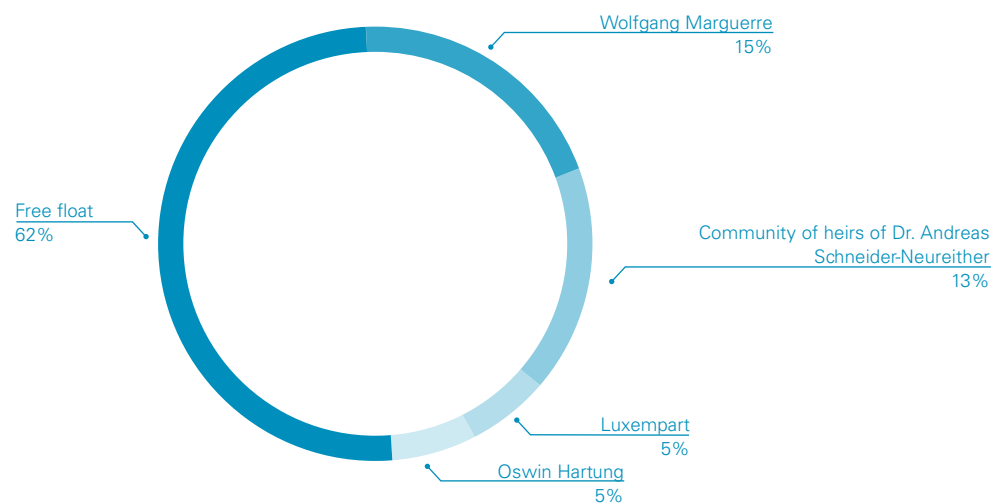


Dr. Michael Drill  
Chairman

# SNP IN THE CAPITAL MARKETS



## SHAREHOLDERS STRUCTURE



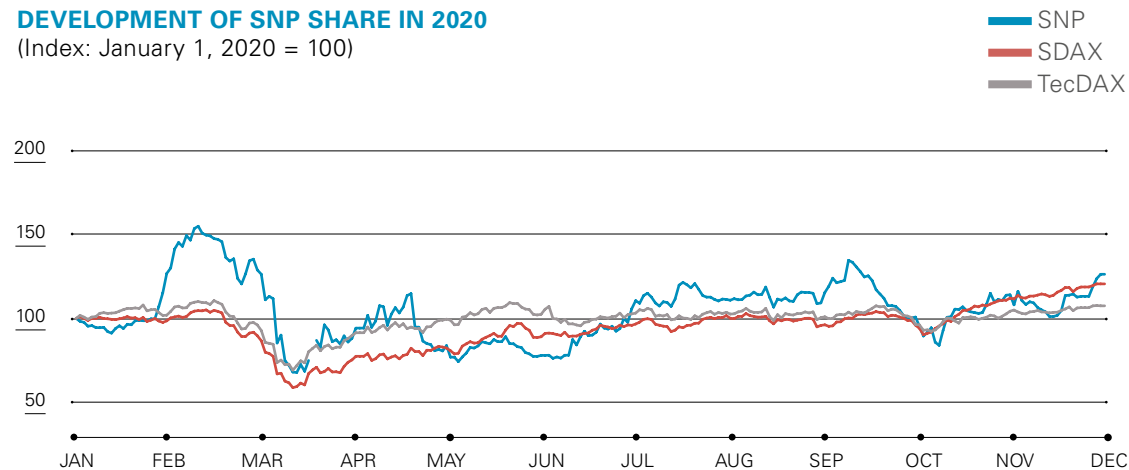
## KEY SHARE DATA

<b>Security identification number</b>	720 370
<b>Symbol</b>	SHF
<b>Market segment</b>	Prime Standard
<b>Gattung</b>	No-par-value shares
<b>Shares as of December 31, 2020</b>	7,212,447 (share capital: € 7,212,447)
<b>Indices</b>	CDAX, DAXsector All Software, DAXsubsector All IT-Services, Prime All-Share, Prime Standard Index
<b>SDAX listing</b>	From March 23, 2020 until March 22, 2021



### DEVELOPMENT OF SNP SHARE IN 2020

(Index: January 1, 2020 = 100)



### SHARE BUYBACK PROGRAM

A share buyback program was resolved in August 2019, beginning on September 1, 2019, and ending no later than May 11, 2021. During this period, treasury shares with a value of up to € 32 million (excluding incidental purchase costs), but no more than 638,362 shares, are to be repurchased via the stock market.

In 2020, a total of 19,820 shares were purchased at an average price of € 60.73 and for a total volume of € 1.2 million; in 2019, 34,000 shares were purchased with a value of € 1.1 million. As of December 31, 2020, holdings of treasury shares thus totaled 75,702 shares. Please see the following link for further details of specific transactions:

<https://www.snpgroup.com/en/stock-information>

Further information on the SNP share can be found at <https://www.snpgroup.com/en/stock-information>

Further information on investor relations can be found at <https://www.snpgroup.com/en/investor-relations>



## CAPITAL INCREASE

SNP successfully completed a capital increase in July 2020. A total of 610,000 new shares were placed at a price of € 46.00 through a private placement. The company gained gross issuing proceeds in the approximate amount of € 28.0 million from the capital increase. Due to the high level of demand, the order book was closed after a few hours. The capital increase was supervised by Mainfirst Bank AG as the sole bookrunner.

## PARAMETERS OF THE CASH CAPITAL INCREASE

<b>Issued shares</b>	610,000 no-par-value shares
<b>Issue price</b>	46.00 €
<b>Gross issue proceeds</b>	Approx. € 28.0 million
<b>Type of placement</b>	Private placement
<b>Entry in the German commercial register</b>	July 17, 2020
<b>Issuance</b>	July 21, 2020

## FINANCIAL CALENDAR

<b>Annual Report 2020</b>	April 21, 2021
<b>Q1 2021</b>	April 29, 2021
<b>Annual General Meeting</b>	June 17, 2021
<b>Q2 2021</b>	August 10, 2021
<b>Q3 2021</b>	October 28, 2021

## ANALYSTS

- Berenberg
- Bankhaus Metzler
- Stifel (before MainFirst Bank)
- M.M. Warburg



# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT 2020

## **Declaration on Company Management 2020 pursuant to Section 315d and Section 289f of the German Commercial Code (HGB)**

Effective implementation of corporate governance principles is a key element of the corporate policy of SNP Schneider-Neureither & Partner SE (hereinafter: "SNP SE"). Transparent and responsible corporate management is a critical precondition for the achievement of the company's goals and for a long-term increase in its enterprise value. The Board of Directors and the Managing Directors closely cooperate in the interests of the entire company in order to ensure efficient corporate management and control with the aim of sustainably creating value through good corporate governance.

In the following declaration, we explain the essential foundations of the company management of SNP SE pursuant to the legal requirement of Section 315d and Section 289f of the German Commercial Code (HGB) and the German Corporate Governance Code (GCGC or "the Code").

## **Declaration of Conformity with the German Corporate Governance Code**

The Board of Directors and the Managing Directors considered corporate governance issues on several occasions during the 2020 fiscal year and jointly submitted the following declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on April 8, 2021:

"The Board of Directors of SNP SE declares pursuant to Art. 9 (1) clause c) (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 AktG that, since the issuance of its most recent declaration of conformity on March 19, 2020, SNP Schneider-Neureither & Partner SE has complied and will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code," as amended on February 7, 2017 ("GCGC 2017"), while taking into consideration the specific details of the monistic system of SNP SE as outlined in Section 1 – with the exceptions indicated in Section 2.

### **1. Specific details of the monistic corporate governance system in the context of the 2017 Code**

In accordance with Art. 43–45 of the SE Regulation in conjunction with Sections 20 et seq. SEAG, the monistic system is characterized by the fact that a uniform management body, the Board of Directors, is responsible for the management of the SE. The Board of Directors directs the company, determines the basic standards for its activities and oversees their implementation by the Managing Directors. The Managing Directors conduct the company's business, represent the company in and out of court and are bound by instructions issued by the Board of Directors. In principle, SNP SE related the sections of the GCGC 2017 applicable to the Supervisory Board to the Board of Directors of SNP SE and the sections of the GCGC 2017 applicable to the Executive Board to its Managing Directors.

The following exceptions applied in relation to the statutory framework for the monistic system:

- In deviation from Section 2.2.1 clause 1 of the GCGC 2017, the Board of Directors is required to present the annual financial statements and the consolidated financial statements to the Annual General Meeting, Section 48 (2) clause 2 SEAG.
- In deviation from Sections 2.3.1 clause 1 and 3.7 (3) of the GCGC 2017, the Board of Directors is responsible for convening the Annual General Meeting, Sections 48 and 22 (2) SEAG.
- The tasks of the Executive Board prescribed in Sections 4.1.1 (management of the company) and 4.1.2 in conjunction with Section 3.2 main clause 1 (development of the company's strategic focus) of the GCGC 2017 are incumbent upon the Board of Directors, Section 22 (1) SEAG.
- The responsibilities of the Executive Board prescribed in Sections 2.3.2 clause 2 (voting proxy bound by instructions), 3.7 (1) (statement regarding a takeover offer) and (2) (conduct in case of a takeover offer) as well as 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and control) of the GCGC 2017 are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.

- In deviation from Sections 5.1.2 (2) clauses 1 and 2 of the GCGC 2017, unlike members of the Executive Board, Managing Directors are not subject to any fixed and maximum permitted period of appointment, Section 40 (1) clause 1 SEAG.
- In deviation from Sections 5.4.2 clause 2 and 5.4.4 of the GCGC 2017, members of the Board of Directors may be appointed as Managing Directors provided that the majority of the Board of Directors is still comprised of non-Managing Directors, Section 40 (1) clause 2 SEAG.

## **2. Exceptions to the recommendations of the GCGC 2017**

- In deviation from Section 3.8 (3) of the GCGC 2017, the members of the Board of Directors had a D&O insurance policy without a deductible.
- Contrary to Sections 5.3.1, 5.3.2 and 5.3.3 of the GCGC 2017, the Board of Directors did not establish any committees and performed all tasks collectively in the 2019 fiscal year. Due to its size, the Board of Directors opted not to establish any committees in the past and jointly decided on any issues to be decided upon.
- Pursuant to Section 5.4.1 (2) of the GCGC 2017, the Board of Directors was required to state concrete 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 of the Supervisory Board as well as diversity. Contrary to the Code's recommendation, the Board of Directors did not set any further targets for its composition.

- Sections 4.3 and 5.5 of the GCGC 2017 regulate how conflicts of interest are handled. These provisions and Section 4.1.3 have not always been observed in the past.

A revised version of the German Corporate Governance Code was published on March 20, 2020. The Board of Directors of SNP SE declares in respect of this updated version pursuant to Art. 9 (1) clause c) (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 AktG that SNP Schneider-Neureither & Partner SE complies and will continue to comply, and if it does not, explains the deviation, with the recommendations of the Government Commission on the German Corporate Governance Code, as amended on December 16, 2019 ("GCGC 2019"), while taking into consideration the specific details of the monistic system of SNP SE as outlined in Section 3 – with the exceptions indicated in Section 4.

## **3. Specific details of the monistic corporate governance system in the context of the GCGC 2019**

In accordance with Art. 43–45 of the SE Regulation in conjunction with Sections 20 et seq. SEAG, the monistic system is characterized by the fact that a uniform management body, the Board of Directors, is responsible for the management of the SE. The Board of Directors directs the company, determines the basic standards for its activities and oversees their implementation by the Managing Directors. The Managing Directors conduct the company's business, represent the company in and out of court and are bound by instructions issued by the Board of Directors.

In principle, SNP SE relates the sections of the GCGC 2019 applicable to the Supervisory Board to the Board of Directors of SNP SE and the sections of the GCGC 2019 applicable to the Executive Board to its Managing Directors. In respect of Recommendation F.4 in the GCGC 2019, the following exceptions apply in relation to the statutory framework for the monistic system:

- The tasks of the Executive Board prescribed in Principles nos. 1 and 2 in Section A.I (management tasks of the Executive Board) of the GCGC 2019 are incumbent upon the Board of Directors, Section 22 (1) SEAG.

- The responsibilities of the Executive Board prescribed in Recommendation and Suggestion A.2 (Compliance) of the GCGC 2019 are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- The responsibilities of the Executive Board prescribed in Suggestion A.5 (conduct in case of a takeover offer) of the 2019 Code are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- In deviation from Recommendations B.3 and B.4 of the GCGC 2019, unlike members of the Executive Board, Managing Directors are not subject to any fixed and maximum permitted period of appointment, Section 40 (1) clause 1 SEAG.
- In deviation from Recommendations C.6 clause 2 and C.7 clause 1 of the GCGC 2019, members of the Board of Directors may be appointed as Managing Directors provided that the majority of the Board of Directors is still comprised of non-Managing Directors, Section 40 (1) clause 2 SEAG.

#### 4. Exceptions to the recommendations of the Code

Within the scope of the vote to be passed on the remuneration system according to Section 120a (1) clause 1 AktG, the Board of Directors will present the 2021 Annual General Meeting with a revised and adjusted remuneration system for the Managing Directors, in line with the revised recommendations in the GCGC 2019. The company will thus comply with the recommendations of the GCGC 2019, as amended on December 16, 2019, with the following exceptions:

- According to Recommendation B.1, the Board of Directors should ensure diversity among the Managing Directors. As the focus here so far has been on technical, professional and personal suitability and qualifications, the Board of Directors has opted to deviate from this recommendation. As a diversity concept has already been drawn up for the composition of the Board of Directors, the Board of Directors will also review this for the Managing Directors.
- According to Recommendation B.2, the Board of Directors should work with the Managing Directors to ensure long-term succession planning. In addition, according to recommendation B.5, an age limit for Managing Directors should be set. The Board of Directors has opted to deviate from both recommendations and proposes that the Managing Directors develop a concept for long-term

succession planning, including consideration of an age limit, and present this to the Board of Directors in the current fiscal year.

- According to Recommendation D.5, the Board of Directors should form a Nomination Committee composed exclusively of shareholder representatives to nominate suitable candidates to the Board of Directors for its proposals to the Annual General Meeting for their election. The Board of Directors is of the opinion that the establishment of such a committee is neither necessary nor appropriate due to the specific circumstances of the company, in particular the size of the Board of Directors (currently four members) and the lack of shareholder representatives on the Board.
- According to Recommendation G.1, financial and non-financial performance criteria are to be specified for the grant of variable remuneration components. In conjunction with Recommendation G.7, these performance criteria are to be specified for all variable remuneration components.

In order to achieve a lasting improvement in the medium- and long-term financial success of SNP SE, the new remuneration system is based on financial key performance indicators: the Board of Directors considers non-financial performance indicators to be less appropriate as an incentive system for the Managing Di-

rectors; this applies for the short-term variable remuneration components as well as the long-term variable remuneration components.

- According to Recommendation G.3, the appropriateness of the overall remuneration is to be assessed by means of a suitable peer group comparison. Since Section G.3 is a new element, the composition of the peer group has not yet been disclosed. The Board of Directors has opted to deviate from this recommendation, but intends to comply with it as of the conclusion of new contracts for the Managing Directors.
- According to Recommendation G.15, if Managing Directors are also members of intra-group Supervisory Boards or Boards of Directors, then the remuneration shall be taken into account. The Board of Directors has opted to deviate from this as it does not consider the recommendation to be economically feasible.

The compliance requirements addressed in Section 5 and Recommendation and Suggestion A.2 has not been consistently observed in the past. Organizational measures taken by the Board of Directors also ensure that all compliance requirements are observed.

- According to Recommendation D.3, the Board of Directors should establish an Audit Committee. The Board of Directors has opted to deviate from this, however, it intends to establish an audit committee for the current fiscal year. The details of this audit committee will be decided at one of the next meetings of the Board of Directors. In addition, according to Recommendation D.11, the Audit Committee should carry out a regular assessment of the quality of the audit of the financial statements. Once an Audit Committee has been established, it will carry out the audit of the annual financial statements and management report as well as the consolidated financial statements and Group management report, which is currently performed by the whole Board. In May 2020, the Board of Directors also agreed to establish a compliance committee. Dr. Karl Biesinger chairs this committee and its other members are Dr. Michael Drill and Gerhard Burkhardt.

- In accordance with Recommendation F.2, the consolidated financial statements and the Group management report should be publicly accessible within 90 days of the end of the fiscal year. The Board of Directors has opted to deviate from this recommendation for the 2020 consolidated financial statements due to additional audit priorities. For the upcoming annual financial statements

and interim financial reporting in the current fiscal year, the Board of Directors aims to comply with this recommendation again, as in previous years.

Heidelberg, Germany, April 8, 2021

For the Board of Directors  
Dr. Michael Drill

For the Managing Directors

Michael Eberhardt

The declaration of conformity is permanently available to the public on the company's website:

<https://www.snpgroup.com/en/corporate-governance>

## Management and Control Structure

The company is managed by the Board of Directors (“monistic system”), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. 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 Board of Directors and Managing Directors of SNP SE are discussed in more detail below.

According to the German Corporate Governance Code (“GCGC”) as amended on December 16, 2019 (“GCGC 2019”), the Board of Directors is required to indicate concrete targets for its composition which – in view of the specific characteristics of SNP SE – give appropriate consideration to its international activity, potential conflicts of interest, the number of independent members of the Board of Directors, to specify an age limit for members of the Board of Directors and to give appropriate consideration to diversity. In particular, the members of the Board of Directors must have the necessary skills, abilities and technical experience which are required for the orderly performance of the tasks of a Board of Directors of a publicly traded company in the IT sector. It is not reasonable to expect that each individual member of the Board of Directors will have all of the necessary skills and experience. Here, a distinction must be made between the requirements for the composition of the overall body and the re-

quirements for the individual members of the Board of Directors.

### Requirements for the individual members of the Board of Directors

The members of the Board of Directors must be technically and personally qualified in order to manage an IT group which operates globally in the field of data transformation.

### Abilities, skills and expertise

By virtue of their skills, abilities and technical experience, members of the Board of Directors should be capable of executing the tasks of a member of the Board of Directors of an international company. This includes knowledge of the fields of accounting, risk management, internal control mechanisms as well as compliance and regulatory and legal issues. In addition, each member of the Board of Directors should have general knowledge of the IT sector and related sectors and an adequate understanding of the international activities of SNP SE.

### Independence

A member of the Board of Directors will be considered independent within the meaning of the GCGC 2019 if they are independent of SNP and its Managing Directors and independent of a controlling shareholder of SNP. In making this assessment of independence, the Board of Directors will at least follow the recommendations set out in the GCGC 2019. Accordingly, more than half of the members

of the Board of Directors must be independent of SNP and its Managing Directors. The current independent members of the Board of Directors include: Dr. Michael Drill, Gerhard Burkhardt and Rainer Zinow.

### Availability

Each member of the Board of Directors must be able to devote the necessary amount of time to the orderly fulfillment of their tasks as a member of the Board of Directors. In particular, at least four ordinary meetings of the Board of Directors will be held each year. These require appropriate preparation and an adequate amount of time for the review of the annual and consolidated financial statements documents, while membership of one or more committees of the Board of Directors will require additional time. Extraordinary meetings of the Board of Directors or a committee may be also necessary, in order to discuss specific issues. As a rule, members of the Board of Directors should comply with the limit in respect of mandates on Boards of Directors and Supervisory Boards recommended in the GCGC 2019.

### Age limit for members of the Board of Directors

As a rule, only persons who have not yet reached the age of 70 at their time of their election should serve as members of the Board of Directors. The Board of Directors will take this age limit into consideration in its election proposals for members of the Board of Directors.



## Requirements for the composition of the overall body

### Profile of skills and expertise

Overall, the Board of Directors should have those skills and expertise which are deemed material in view of SNP SE's activities. In particular, this includes experience and abilities in the following areas of competence:

- Experience of strategic planning and of the assessment, development and implementation of business strategies
- General knowledge of the IT sector
- General knowledge of technology as well as digitalization and information technology, including IT security
- General knowledge of the key markets in which SNP SE operates
- General knowledge of accounting and financial reporting
- General knowledge of controlling/risk management and
- General knowledge in the field of governance/compliance.

In addition, as far as possible each member of the Board of Directors should have specific expertise which is relevant for the business activities of SNP SE.

It is not necessary for each member of the Board of Directors to have all of the above-mentioned abilities, skills and expertise. Instead, the members of the Board of Directors

should complement one another in terms of their technical expertise and professional experience. In its current composition, the Board of Directors does not consider the above objectives to be fully met. However, the diversity on the Board of Directors is reflected by the different professional backgrounds and areas of activity as well as the different levels of experience of the individual members, who complement each other very well as a whole.

### Diversity concept

Professional qualifications and experience and expertise are the key requirements for appointment as a member of the Board of Directors. The membership of the Board of Directors should be characterized by a balanced diversity, so as to provide the Board of Directors with the greatest possible variety of sources of experience and expertise. In particular, diversity encompasses an international focus, a variety of backgrounds and different careers. In accordance with the statutory provisions requiring the equal participation of women and men in management positions, in regard to its composition, the Board of Directors has agreed that its female members must account for at least 20% of its overall membership and that its male members must account for at least 20% of its overall membership. This will be taken into consideration when new appointments are made to the Board of Directors of SNP SE.

Election proposals which the Board of Directors makes to the Annual General Meeting will take these goals into consideration, while also aiming to fulfill the profile of skills and

expertise for the body as a whole. A balanced composition must be ensured, so as to ensure the greatest possible breadth in terms of the desired expertise.

### Compliance

Trust is one of our basic values and assumes integrity, honesty and incorruptibility. Compliance with all applicable statutory provisions and internal rules on the part of the company's management and employees is a firm part of our corporate culture. Measures in the area of compliance are continuously reviewed and updated on an ongoing basis by means of a compliance management system. The code of conduct approved by the CEO is at the heart of our corporate culture and encapsulates our key behavioral principles, the requirements for compliance with contractual and statutory obligations, for anti-corruption measures, for the protection of business and commercial secrets and for data protection. All employees are obliged to comply with the company's code of conduct.

These measures will be adapted in line with the company's risk situation. The effectiveness of the individual measures implemented will be regularly reviewed. For this purpose, since 2019 all of the company's employees at its German locations have been able to report legal violations within the company in a protected fashion using a digital whistleblower system and may opt to do so anonymously. This digital reporting system was expanded to include the local subsidiaries in Latin America in 2020, and its rollout will gradually continue elsewhere. The compliance organization

is strengthened constantly, for example, by coordinators at the local level.

Mandatory training is another key element for the avoidance of compliance violations. E-learning-based training was introduced for all of the company's employees in 2020. Employees who are classified as particularly relevant due to the nature of their work have already received training in this area.

In 2020, a compliance committee was established, comprising members of the Board of Directors. It is mainly concerned with compliance-related measures. The management reports on this regularly to the Board of Directors.

### **Description of the Working Methods of the Board of Directors and Managing Directors**

The fundamental principle of responsible corporate management and control for SNP SE is ensuring the efficient and trusting cooperation of the Board of Directors and Managing Directors, while accounting for the impartiality and independence of the members.

Business with related parties in the 2020 fiscal year which might have given rise to potential conflicts of interest was disclosed to the Board of Directors. The Board of Directors and Managing Directors of SNP SE deliberated on the company's strategic positioning, its further development and a

series of individual topics and approved the necessary resolutions in the 2020 fiscal year.

The Managing Directors are preparing a long-term succession planning concept and will present this to the Board of Directors during the current fiscal year.

### **Board of Directors**

According to its articles of incorporation, the Board of Directors is comprised of at least three members, who are selected by the Annual General Meeting without being bound by election proposals. According to the company's articles of incorporation, the term of office of each member of the Board of Directors will expire as of the end of the Annual General Meeting which resolves to grant discharge for the fifth fiscal year following the start of this member's term of office; but no later than six years after the date of this member's appointment. The fiscal year in which this member's term of office begins is not included. Members of the Board of Directors may be reappointed.

As the central body in the monistic management system, the Board of Directors manages the affairs of the SE, determines the basic standards for their activities and oversees their implementation. As for the executive board of a stock corporation, the Board of Directors is responsible for keeping the accounts and for the establishment of a suitable monitoring system for early risk detection. It will engage the auditor to audit the annual financial statements

and the consolidated financial statements pursuant to Section 290 of the HGB.

The Board of Directors shall meet at least once every three months. The Board of Directors passes resolutions on the basis of a majority of the members present or represented. In the event of a tied vote, the chairman of the Board of Directors shall have the deciding vote.

The Board of Directors has established bylaws for its work. They can be viewed on the company's website <https://www.snpgroup.com/en/corporate-governance>. In addition, the Board of Directors reviews its efficiency and effectiveness as a body through regular open discussions.

## Managing Directors

The Managing Directors have joint responsibility to conduct the business of the company with the goal of sustainable added value. They implement the guidelines and requirements set out by the Board of Directors. The body currently consists of two members and has a chairperson. The Managing Directors inform the Board of Directors regularly, promptly and comprehensively about all corporate issues relating to planning, business development, the risk situation, risk management and compliance. They mention areas in which the company's business performance deviated from the established plans and targets alongside reasons for the deviations.

The Managing Directors are required to disclose conflicts of interest to the Board of Directors immediately and inform the other Managing Directors. They may take on secondary activities, particularly Supervisory Board positions and similar offices outside of SNP SE, only with the prior consent of the Board of Directors. Potential conflicts of interest in the past fiscal year resulting from business with related parties were disclosed to the Board of Directors.

According to the company's articles of incorporation, the Board of Directors appoints one or more Managing Directors. Members of the Board of Directors may be appointed as Managing Directors, provided that the majority of the Board of Directors still is comprised of non-Managing Directors.

## RESPONSIBILITIES OF THE MANAGING DIRECTORS\*

### MANAGING DIRECTORS AS OF DECEMBER 31, 2020

#### **Dr. Andreas Schneider-Neureither**

Chairman of the Managing Directors (CEO)

CEO since 1998, deceased on November 2, 2020.

#### **Michael Eberhardt**

Managing Director (CEO)

CEO since December 1, 2020, previously COO, appointed for an unlimited period of time.

#### **Prof. Dr. Heiner Diefenbach**

Managing Director (CFO)

Appointed for an unlimited period of time.

### Responsibilities and Departments

Corporate Strategy  
Corporate Development  
Corporate Marketing  
Products  
IT  
Compliance & Legal  
Investor Relations

**As CEO:**  
Corporate Strategy  
Products and Product Development  
Corporate Marketing  
Internal and External Communication  
Advisory Board  
Sales inklusive Partner Sales  
Delivery  
Academy

**As COO:**  
Field Marketing  
Sales  
Delivery  
Quality Assurance

Finance & Controlling  
Shared Services

**Additional areas of responsibility since November 19, 2020:**  
Investor Relations  
Human Resources  
Sustainability / CSR  
Compliance  
Legal  
HR Strategy, Culture, Talent Club

\* Frank Hohenadel served as a Managing Director and CHRO until December 31, 2020. He was responsible for Human Resources, Training and Internal Communication.

Managing Directors may be removed from office by means of a resolution passed by the Board of Directors on the basis of a simple majority. Managing Directors who are members of the Board of Directors may only be removed from office for cause or in case of the termination of their employment contract. In relation to the remuneration of the Managing Directors and the noncompete clause that applies for them, the same provisions apply as for the executive board of a stock corporation in accordance with Sections 87 to 89 AktG. The Managing Directors will be liable for any damage the SE suffers as a result of a violation of their duties prescribed by law or in the company's articles of incorporation or any other duties.

#### MEMBERSHIPS OF OTHER SUPERVISORY OR SIMILAR BODIES\*

##### MEMBERS OF THE BOARD OF DIRECTORS/MANAGING DIRECTORS AS OF DECEMBER 31, 2020

###### **Dr. Andreas Schneider-Neureither**

(deceased on November 2, 2020)

###### **Dr. Michael R. Drill**

Chairman of the Board of Directors

Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.

Investment banker

Member of the Board of Directors since legal conversion to SE in December 2017, previously member of the then Supervisory Board since February 2011.

###### **Gerhard A. Burkhardt**

Deputy Chairman of the Board of Directors

Chief Executive Officer  
BBG Bundesbaugenossenschaft eG

Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.

Member of the Board of Directors since legal conversion to SE in December 2017, previously member of the then Supervisory Board since May 2013.

##### Memberships of Other Supervisory Boards and Other Similar Bodies

Lincoln International AG  
Chief Executive Officer  
Shareholder Value Beteiligungen AG  
Supervisory Board

Lincoln International SAS  
Supervisory Board

Prime Capital AG  
Supervisory Board

casadomus AG  
Supervisory Board Chairman

Haufe-Lexware Real Estate AG  
Supervisory Board

GWE Gesellschaft für Wohnen im Eigentum AG  
Supervisory Board

Familienheim Rhein-Neckar eG  
Supervisory Board Chairman

Wohnbau Lützen GmbH  
Supervisory Board Chairman (managing director until July 31, 2018)

FF Planen und Bauen GmbH  
Managing Director

BFW Bank für Wohnungswirtschaft AG  
Supervisory Board Chairman

<p><b>Rainer Zinow</b> Member of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.</p> <p>Graduate in business administration Senior Vice President, SAP SE</p> <p>Member of the Board of Directors since legal conversion to SE in December 2017, previously member of the then Supervisory Board since June 2014.</p>	<p>No further offices</p>
<p><b>Dr. Karl Benedikt Biesinger</b> Member of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2023 fiscal year.</p> <p>Lawyer Member of the Board of Directors since June 2019</p>	<p>Witt Solar AG Supervisory Board Chairman</p> <p>RB Reiserer Biesinger Rechtsanwaltsgesellschaft mbH Managing Director</p>
<p><b>Michael Eberhardt</b> Managing Director (CEO)</p> <p>Mechanical engineer</p>	<p>No further offices</p>
<p><b>Prof. Dr. Heiner Diefenbach</b> Managing Director (CFO since January 1, 2020)</p> <p>Industrial engineer</p>	<p>Hexagon AG Supervisory Board Chairman</p> <p>Exa AG Supervisory Board</p>

\* Frank Hohenadel served as a Managing Director and CHRO until December 31, 2020. He did not hold any further offices. Dr. Klaus Kleinfeld resigned his seat on the Board of Directors – on which he served as Deputy Chairman – on May 11, 2020, with immediate effect. He held the following additional supervisory board positions: Ma'aden Saudi Arabian Mining Co., Fero Labs and NEOM.

## SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGING DIRECTORS

	SHAREHOLDINGS AS OF DECEMBER 31, 2020		SHAREHOLDINGS AS OF DECEMBER 31, 2019	
	Shares	Percentage	Shares	Percentage
<b>Dr. Andreas Schneider-Neureither</b>	No information <sup>1</sup>	No information <sup>1</sup>	1.348.796	20,4%
<b>Dr. Michael Drill</b>	20.000	0,3%	20.000	0,3%
<b>Gerhard Burkhardt</b>	7.044	0,1%	7.044	0,1%
<b>Rainer Zinow</b>	0	0	0	0
<b>Dr. Karl Biesinger</b>	4.7570	0,1%	2.564	0,1%
<b>Michael Eberhardt</b>	0	0	3.545	0,1%
<b>Prof. Dr. Heiner Diefenbach</b>	1.000	0,0%	No information	No information
<b>Frank Hohenadel<sup>2</sup></b>	0	0	1.000	0,0%
<b>Dr. Klaus Kleinfeld</b>	No information <sup>1</sup>	No information <sup>1</sup>	<sup>4</sup>	<sup>4</sup>

<sup>1</sup> Dr. Andreas Schneider-Neureither died on November 2, 2020. His shareholding has been transferred to his community of heirs.

<sup>2</sup> Frank Hohenadel resigned from his position as a Managing Director (CHRO) and left the company at his own request on December 31, 2020.

<sup>3</sup> Not a member of the Board of Directors at this time.

<sup>4</sup> As a member of the investor group AkrosA Private Equity GmbH & Co. KG, Dr. Klaus Kleinfeld built up a 9.17% stake in SNP SE in the course of the capital increase in 2018 (voting right notification as of December 13, 2018). By means of a voting rights notification as of September 15, 2020, AkrosA Private Equity GmbH & Co. KG provided notice that it was to reduce its interest in the company to 0.00%.

### **Disclosures on Risk Management**

The business activities of SNP SE are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing with these risks responsibly. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP SE 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 2020 Group management report.

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

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

SNP's consolidated financial statements and interim reports are prepared according to the principles of the International Financial Reporting Standards (IFRS), while the annual financial statements of SNP SE are prepared according to the provisions of the German Commercial Code (HGB). The Annual General Meeting held on June 30, 2020, elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor for SNP SE and the SNP Group for the 2020 fiscal year.





# GROUP MANAGEMENT REPORT

# GROUP MANAGEMENT REPORT

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020 OF SNP SCHNEIDER-NEUREITHER & PARTNER SE, HEIDELBERG, GERMANY

## FUNDAMENTAL INFORMATION ABOUT THE GROUP

### BUSINESS MODEL AND ORGANIZATION

#### **SNP – The Transformation Company**

SNP assists companies around the world in implementing complex transformation projects and helps them to complete these projects safely and cost-effectively. SNP's software and services simplify the organizational and technical transformation of business applications by means of automation and thus enable companies to keep pace with the rapidly evolving digital environment. SNP has developed its BLUEFIELD™ transformation approach and its unique CrystalBridge data transformation platform on the strength of its experience gained from a multitude of projects. These innovative solutions enable IT landscapes to be restructured and modernized in a significantly faster and more targeted manner, and data can be securely migrated to new systems or cloud environments. This provides customers with clear qualitative benefits, while significantly reducing their investment of time and expense.

SNP serves multinational companies in every sector. SNP 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 Ex-

change (ISIN DE0007203705). Since 2017, the company has operated as a European stock corporation (Societas Europaea/SE).

#### **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 permanent 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. At the same time, almost all companies in all sectors are forced to make these changes in order to keep pace with the digitalization trend. The change and adaptation of enterprise resource planning (ERP) systems is the SNP Group's principal 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. These are complex programs which are often heavily modified to accommodate their users. They combine essential and sensitive parts of a company, such as procurement, logistics, accounting and human resources 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 fitting solutions that optimally support companies in managing their IT transformations.

IT landscapes that can be easily adapted to reflect technological change are increasingly becoming key factors in our customers' success. Our software and services allow our customers to modernize their outdated and heterogeneous IT landscape and to transition to a homogenized IT landscape.

## Catalyst of Business Transformations

Zu den unternehmensgetriebenen Transformationen Business transformations include corporate mergers, acquisitions, spin-offs, carve-outs and sales. IT transformations include consolidations, combinations, data alignment and upgrades, e.g. SAP S/4HANA. Moreover, 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, Efficient and Safe**

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 include the seamless integration of legacy data into the new layout and the minimization of system downtimes during the transformation. In the traditional approach to data transfers, manual processes play an important role, resulting in significant personnel costs. We take a different software-based approach that allows us to automate 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, ensuring efficiency in terms of both time and money.

## SNP BLUEFIELD™ – The Path to SAP S/4HANA

On the basis of its CrystalBridge® data transformation platform, SNP has developed an intelligent and rapid migration approach for the transition to SAP S/4HANA: SNP BLUEFIELD™.

As well as long-term strategic planning, the choice of a migration approach has a considerable impact on the success and the duration of a transformation project. Two traditional approaches are available for the implementation of SAP S/4HANA: Greenfield (new implementation) and Brownfield (conversion). In the case of Greenfield, companies use preconfigured industry solutions for their migration. With Brownfield, companies merely transfer their old SAP ECC system to SAP S/4HANA.

With its BLUEFIELD™ method, SNP has developed a migration approach which combines the best features of Greenfield and Brownfield: All of the investments made in solutions and data can be integrated and adopted, while the move to the cloud can be realized through a single go-live. Companies which opt for BLUEFIELD™ benefit from significant quality, cost and time advantages.

## THE SNP PORTFOLIO

The SNP Group's portfolio consists of two different business segments: "Software" and "Services."

### **Services Business Segment**

In the Services business segment, we primarily offer consulting and training services for corporate transformation processes. These mainly comprise the services which we offer in the context of IT data transformation projects, with the goal of changing and adapting enterprise resource planning (ERP) systems. This covers all of the aspects and consulting services which are needed or requested by the customer in the SAP environment in particular, for the purpose of IT data transformations.

Projects are implemented using the CrystalBridge® data transformation platform and the SNP BLUEFIELD™ migration approach. ERP systems can thus be transformed using customized software and data migrated. This reduces the error rate while decisively improving the quality of the transformation.

We also offer complementary consulting and training services covering traditional SAP consulting and implementation as well as hosting, cloud and application management services (AMS).

## Software Business Segment

### CrystalBridge®: The Data Transformation Platform

The unique CrystalBridge® data transformation platform provides planning reliability and transparency for highly complex IT and business transformations. This platform and its predefined business scenarios enable end-to-end data transformation. CrystalBridge® can be used to implement detailed analyses of SAP systems and to view the effects of planned changes. On this basis and using the Bluefield™ approach, a tailored roadmap will be produced and data migrated in a targeted manner. With CrystalBridge®, multiple transformation projects can be jointly implemented in a single go-live, thus significantly reducing project terms, interruptions, test phases and the related costs.

Combined use of the highly automated CrystalBridge® modules means that almost any objective can be realized. The periodic table shows the various software components which are available for a project or a scenario. Partner components can be added to SNP's own product portfolio, so as to expand or supplement the transformation process in certain areas, such as data archiving or process analysis. With Mission Control, CrystalBridge® offers a guided process over the course of transformation projects. Together with the quality gates which are incorporated, this ensures the same optimal

level of quality in every project – regardless of whether it is carried out by SNP as a service provider or by one of its global partners or customers.

#### ANALYSIS

The CrystalBridge® Analysis module, with its fully integrated analysis components, scans SAP landscapes and enables a deep cross-system and cross-organizational overview. It yields a detailed and visualized analysis of organizational objects, data volumes and their usage as well as configurations and system structures. A tailored transformation strategy can be developed with the customer on this basis.

#### SHELL

With the CrystalBridge® Shell module, an empty copy of the source system is developed as an initial target system. Application data will not be copied unless the customer individually requests this for specific data. The customer will thus no longer require lengthy deletion processes for a mirrored system copy, so that the target system can be developed more rapidly and less storage space is required.

#### TRANSFORMATION

The CrystalBridge® Transformation module controls data migration and implements the migration according to predefined rules. Data is removed from the source environment in a tailored and consistent fashion and transferred

to the new target system. The downtime optimization component (near-zero-downtime methodology) reduces downtimes to a minimum and enables the system to continue to operate with hardly any interruptions. Following the migration process, automated data consistency tests and checks are done, which simplifies and speeds up test cycles.








#### INTERFACE DISCOVERY

The CrystalBridge® Interface Discovery module provides continuous transparency for all of the communication paths from, to and within SAP systems. Customers are aware at all times which of their systems are being accessed, and where, and can make targeted interventions where necessary. CrystalBridge® Interface Discovery always provides customers with the right answers to the key issues of security, compliance as well as impending changes to IT architecture. These improve the reaction speed and resolve problems as soon as, or even before, they emerge.

#### TEST DATA ORGANIZER

The CrystalBridge® Test Data Organizer module provides up-to-date, reduced and anonymized test data with the highest level of quality. The necessary tests can be implemented at an earlier stage in the project, thus signifi-

# CrystalBridge® - The Data Transformation Platform

 Analysis	 Interface Discovery	 Transformation	 Partners
 Shell	 Test Data Organizer	 Operational Excellence	

AN 01 <b>Es</b> ENTERPRISE STRUCTURE	AN 04 <b>Md</b> MASTER DATA	AN 07 <b>Nr</b> NUMBER RANGE	SH 01 <b>Et</b> EMPTY TARGET SYSTEM	ID 01 <b>If</b> INTERFACE SCAN	TD 01 <b>Dr</b> DATA REFRESH	TF 01 <b>Cm</b> CLIENT MIGRATION	TF 04 <b>Do</b> DOWNTIME OPTIMIZATION	OE 01 <b>Pr</b> PREDICTION	P 01 JIVS <b>Da</b> DATA ARCHIVING
AN 02 <b>Dp</b> DATA PROFILING	AN 05 <b>Cu</b> CUSTOMIZING	AN 08 <b>Hc</b> HARD-CODED VALUE		ID 02 <b>Ca</b> CUSTOM API	TD 02 <b>Ds</b> DATA SCRAMBLING	TF 02 <b>Tc</b> TRANSFORMATION COCKPIT	TF 05 <b>Dc</b> DATA CONSISTENCY VERIFICATION	OE 02 <b>Si</b> SIMULATION	P 02 IBM <b>Pa</b> PROCESS ANALYSIS
AN 03 <b>Ao</b> APPLICATION OVERVIEW	AN 06 <b>Re</b> REPOSITORY	AN 09 <b>Ia</b> INTERFACE ANALYSIS		ID 03 <b>Sm</b> SOLDOC INTEGRATOR		TF 03 <b>Co</b> TRANSFORMATION CONTENT	TF 06 <b>At</b> AUTOMATED TESTING	OE 03 <b>Az</b> CLOUD MOVE FOR AZURE	

S/4HANA 	MERGE 	MODERNIZE 	HARMONIZE 	MOVE 	CARVE-OUT 	TEST DATA 	ASSESSMENT 	INTERFACE MANAGEMENT 
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cantly shortening the time-intensive test phases during change processes. SNP templates enable a reduction of up to 80% in storage requirements. Anonymization of data protects sensitive personal information.

#### OPERATIONAL EXCELLENCE – CLOUD MOVE FOR AZURE

The CrystalBridge® Operational Excellence module includes innovative cloud-based solutions enabling consistent and reliable implementation of partner and customer-related business strategies. The Cloud Move for Azure component determines optimal dimensioning for the target system and automates deployment in the Azure Cloud.

#### THE ADVANTAGES OF CRYSTALBRIDGE®:

- **Standardized:**  
Reduced costs and risk exposure thanks to predefined transformation rules.
- **Safe:**  
Guided workflows and automated tests.
- **Proven:**  
A large number of data transformation and migration projects successfully completed.
- **Precise:**  
Project visualization and planning in line with individual requirements.

- **Efficient:**

Migrations are implemented faster thanks to automation and parallelization.

- **On time:**

Customer-specific go-live on a flexible date.

- **Tailored:**

Targeted selection of the master and transaction data which are to be migrated.

- **Cloud-enabled:**

Transformation includes transfer to SNP's cloud or partner clouds.

#### Software and Licensing Models

In its "Software" business segment, SNP generates revenue on the basis of software licenses and maintenance income. Licenses are generally offered as subscription licenses and in some cases as perpetual licenses. Customers can acquire subscription licenses both for a limited period of project or program use and for permanent use on the basis of an annual subscription. In case of perpetual licenses which can be purchased for individual scenarios, annual maintenance fees are charged. For customers who are planning a complex, longer-term changeover to S/4HANA and wish to combine or supplement this with additional data transformation projects during the changeover phase, SNP's software can be purchased by means of a program license.

In general, the calculation of the licensing prices for perpetual and subscription licenses is based on the number of SAP users, the number of the customer's system landscapes affected as well as the size of the database and, in the case of program licenses, the term and scope of the program.

The software licenses are designed for business scenarios which are required for implementation of the customer's requirements. For this purpose, SNP provides the necessary modules in its CrystalBridge® data transformation platform for optimal and flexible coverage of these scenarios. The licensing packages available for this purpose may also be customized in line with the customer's requirements. In such cases, the software license will be calculated on the basis of the above-mentioned parameters, the software modules used and corresponding module-specific parameters. CrystalBridge® includes components which are made available via the cloud as well as components provided as an on-premises version. Customers can also separately license individual software components for permanent use in SAP environments for a specific task.

## COMPETITIVE STRENGTHS

We believe that our competitive strengths lie in:

### **Extensive IT Transformation Project Experience**

We have a long-standing successful track record and extensive experience in our line of business: We have been helping our customers to implement complex IT transformation projects for 25 years now. We have delivered several thousand global transformation projects involving highly complex data and processes on time, including major and time-critical mergers and acquisitions, as well as carve-out projects, across the globe.

### **Technical Advantage Offered by a Standardized Software Approach**

Nowadays, transformation projects are among the greatest challenges facing companies and their IT departments. In the course of a transformation project, large amounts of data have to be analyzed and processed. This tends to result in substantial personnel expenses, the intensive use of management resources and operational downtime affecting ERP systems. With our standardized software approach, we ensure that IT transformation projects are implemented as part of a one-step process – significantly reducing, or even eliminating the need for, any downtime while ensuring a full backup of the historical legacy data. This produces clear quality

and cost advantages for our customers. The reduction of downtimes affecting the productive IT systems, in particular, is a decisive unique selling point. In addition, our software-based approach reduces the error rate during a transformation project and also ensures that the original system can be restored at any time over the course of a project.

### **Cooperation with Leading Global IT Consulting Firms**

We work very closely with globally active strategy consultants and system integrators. Various partnership and framework agreements demonstrate the growing acceptance of our software-based approach to handling complex digital transformation processes. Since the number of complex IT transformation projects and the related shortage of skilled professionals to implement impending projects are set to grow in the future, globally active strategy consultants and system integrators in particular are increasingly turning to IT companies which offer alternative technological approaches.

### **Strong Consulting Basis**

Our strong international presence and our worldwide consulting capacities in Europe, the US, South America and Asia mean that we can assign the necessary personnel resources to upcoming major projects at any time and anywhere in the world. This also allows us to benefit

from short-term peaks in transformation projects and retain our ability to deliver. As far as the ability to deliver is concerned, we are one of the leading providers of technical system landscape optimization approaches featuring a unique software-based solution.

### **Remote-Compatible Business Model**

In the world of IT, remote or remote-access means access to remote computers, servers, networks, devices or other IT components. Even before the coronavirus pandemic and the wide-ranging restrictions which it has imposed, we executed many of our projects entirely remotely. In 2020, in many cases our advisors and consultants didn't visit a customer even once; in some instances, even the sales process was negotiated over the telephone and through web sessions. This remote capability is an invaluable advantage for our business model – particularly during such times of crisis characterized by social distancing measures and home-working.

## RESEARCH AND DEVELOPMENT

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 is able to promptly detect changes in the market and to develop market-driven and market-relevant product innovations.

In the 2020 fiscal year, the research and development costs reached a volume of € 34.4 million (previous year: € 29.0 million); the corresponding share of revenue was 24.0% (previous year: 20.0%)

As of December 31, 2020, 157 employees worked in SNP's development department (December 31, 2019: 118). This represents 11% of the Group's total workforce (December 31, 2019: 9%).

## EMPLOYEES

### Training and education

Qualified and motivated employees contribute significantly to the success of SNP. The standards of the software and IT consulting industry require SNP employees to have a high level of education. Since the competition for qualified IT specialists – particularly in the ERP environment – continues unabated, SNP is working hard to maintain its reputation as a reliable and fair employer. 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.

### Development in headcount

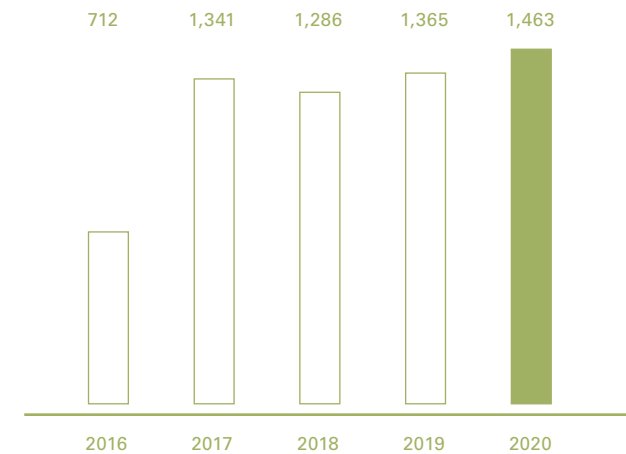
As of December 31, 2020, the Group's number of employees increased by around 7% on the previous year, from 1,365 to 1,463. Due to the higher volume of personnel, nominal personnel expenses rose year-over-year by around 10% to € 93.5 million (previous year: € 84.6 million). Accordingly, the personnel expense ratio (ratio of personnel expenses to revenue) increased from 58.3% in the previous year to 65.0%.

As of December 31, 2020, the workforce included three Managing Directors (previous year: four Managing Directors), 22 managers (previous year: 21) and 28 trainees, students and interns (previous year: 33). There were no employees in partial early retirement in the 2020 fiscal year (previous year: 0). The average number of employees during the reporting period, excluding the aforementioned group of individuals, was 1,410 (previous year: 1,230 employees).

You will find further information on the Group's employees in our "Corporate Social Responsibility Report", which may be downloaded from our website:

<https://www.snpgroup.com/de/corporate-governance>

### EMPLOYEES END OF YEAR



### DISTRIBUTION OF WORKFORCE WORLDWIDE

	2020		2019	
	absolut	in %	absolut	in %
CEU (Central Europe)*	575	40%	532	40%
EEMEA (Eastern Europe, Middle East, Africa)	407	28%	372	27%
Latin Amerika	297	20%	259	19%
JAPAC (Asia-Pacific Japan)	93	6%	98	7%
USA	56	4%	73	5%
UK	35	2%	31	2%
<b>Total</b>	<b>1,463</b>	<b>100%</b>	<b>1,365</b>	<b>100%</b>

\* DACH region in the previous year.



## ECONOMIC REPORT

### Global Economic Situation

Seeking to curb the global COVID-19 pandemic, at various points between February and May 2020 governments worldwide deliberately opted to shutter sections of their economies. In the second half of the year, many countries around the world once again imposed stringent restrictions on public life.

According to the OECD, in most of these countries the sectors affected account for between 30% and 40% of the economy as a whole. Assuming only partial shutdowns in some sectors and a similar scope of shutdowns in every country, in many major industrialized nations this would generally mean a direct overall impact on gross domestic product (GDP) of between 20% and 25%.<sup>1</sup>

In its “World Economic Outlook Update” published in June 2020, the International Monetary Fund (IMF) warned of “a crisis like no other” and “an uncertain recovery.”<sup>2</sup> It revised downward its global growth forecasts and assumed a global GDP figure of -4.9% for 2020, almost two percentage points lower than its previous estimate in April 2020.

It offered a more upbeat assessment for 2020 in its two subsequent research updates: In October 2020, the

IMF’s experts were somewhat more optimistic and raised their global GDP forecast to -4.4%. The better-than-expected economic trend in the second quarter, in the developed economies especially, and the indicators pointing to a stronger recovery in the third quarter offered grounds for increased optimism. However, the level of activity at that point remained prone to setbacks.<sup>3</sup>

In January 2021, the IMF’s economic experts once again revised their estimates for 2020: Due to momentum which surpassed expectations in the second half of the year, they estimate that in 2020 global GDP fell by 3.5%, which represents an increase of 0.9 percentage points on their previous forecast.<sup>4</sup>

### IT Transformation Market

#### Improved Sentiment Among IT Consultants

The companies which are faring best in the coronavirus crisis are those with the most advanced digital capabilities. This basic insight has already prompted a clear shift in thinking in the course of the crisis. In a current opinion poll, around two thirds of European managers indicate that they intend to accelerate their companies’ digital transformation.<sup>5</sup>

This trend was already reflected in a survey by the Federal Association of German Management Consultants

(BDU): The business climate index for the consulting sector rose in December on the fourth consecutive occasion. Since the significant, coronavirus-related fall in the confidence indicator published by the BDU in March 2020, the index level for the market as a whole has picked up from 70.4 in March to 94.5 in December (September: 91.9 points). IT consultants have registered the strongest improvement in sentiment: The business climate index here has risen from 4.0 in September to the current 15.0. This is driven by the further increase in demands for digitalization in companies due to the coronavirus as well as the clear trend of the temporary investment backlog now being run off.<sup>6</sup>

<sup>1</sup> Organisation for Economic Co-operation and Development (OECD), “Evaluating the initial impact of COVID-19 containment measures on economic activity,” June 10, 2020, (<https://www.oecd.org/coronavirus/policy-responses/evaluating-the-initial-impact-of-covid-19-containment-measures-on-economic-activity-b1f6b68b/>).

<sup>2</sup> International Monetary Fund (IMF), World Economic Outlook Update, June 2020.

<sup>3</sup> International Monetary Fund (IMF), World Economic Outlook, October 2020.

<sup>4</sup> International Monetary Fund (IMF), World Economic Outlook Update, January 2021.

<sup>5</sup> Accenture Survey: Business Leaders Have an Optimistic View of the Upturn in Europe, July 2020 (<https://newsroom.accenture.de/de/news/accenture-umfrage-wirtschaftsfuehrer-sehen-aufschwung-in-europa-optimistisch-entgegen.htm>).

<sup>6</sup> Federal Association of German Management Consultants (BDU), Press Release on the Business Climate in the Consulting Sector – December 2020 (<https://www.bdu.de/news/consultingmarkt-entwickelt-sich-je-nach-unternehmensgroesse-oder-branchenfokussierung-sehr-uneinheitlich/>).

### **Global M&A Activities at Record Level in the Second Half of the Year**

The market for mergers & acquisitions, one of the key factors driving IT data transformations, remains capital-intensive despite the social and economic upheaval caused by COVID-19: According to Mergermarket, the volume of mergers and acquisitions comprising entire companies or parts of companies worldwide reached a record level in the second half of 2020. This provider of M&A data and information valued the overall volume of global M&A activities at USD 2,192 billion. In contrast, M&A activity in the first six months of the year was subdued (USD 971.0 billion). Over the year as a whole, the global M&A volume amounts to USD 3,163 billion (-6.6% over the previous year).<sup>7</sup>

### **Cloud Computing = Core Digitalization Technology**

Cloud-driven transformations are another key factor in IT data transformations. Cloud computing continues to grow, not least due to the coronavirus pandemic: Three out of four companies (76%) already used cloud-based computing power in 2019, compared to 73% in the previous year and 66% in 2017. This is the result of a representative survey carried out by Bitkom Research on behalf of KPMG AG in 2020, covering 555 companies with 20 or more employees in Germany. Another 19% are either planning or discussing the use of cloud

computing. Only 6% will continue to make no use of the cloud in the future.

For most companies, cloud computing means more than simply being able to access scalable computing power. More than three quarters of cloud users (77%) see the use of the cloud as playing a key role in the digitalization of their company in general. 69% see this in relation to the digitalization of internal processes, while two out of five (38%) state that cloud computing will make a major contribution to the development of new business models.<sup>8</sup>

### **The Changeover to SAP S/4HANA with “SNP: Selective Transformation to SAP S/4HANA”**

The ERP product SAP S/4HANA is one of the key reasons why increasing numbers of companies are implementing their digital transformation by means of process changes and a cloud strategy. This reflects the fact that SAP will provide mainstream maintenance for the core applications of the SAP Business Suite 7 up to the end of 2027; optimal extended maintenance is offered until the end of 2030.<sup>9</sup>

SAP has created its SAP S/4HANA Movement program to increase the level of implementation, in order to provide its existing customers with software and services which facilitate the changeover to SAP S/4HANA. As

part of this program, selected partners will be able to offer their solution packages, so-called “SAP-Qualified Partner-Packaged Solutions.” Within the scope of this initiative, to facilitate the transition to SAP S/4HANA SNP has developed standardized and configurable solution packages which are based on its CrystalBridge® data transformation platform. SNP’s offering bears the name “SNP: Selective Transformation to SAP S/4HANA.”

### **Impact on SNP**

In 2019, the world’s ten leading IT consulting firms generated revenue of approximately USD 250 billion, which was similar to the volume in the previous year. As a leading world provider of software to cope with complex digital transformation processes, SNP addresses a segment of this capital- and personnel-intensive IT consulting market. For IT consulting firms, technical data migration is a highly challenging and increasingly critical element of a large-scale consulting project. Unlike in the case of traditional IT consulting in the ERP environment, SNP employs an automated approach using proprietary software.

<sup>7</sup> Mergermarket – An Acuris Company, Global & Regional M&A Report 2020.

<sup>8</sup> Cloud Monitor 2020 – A Bitkom Research Study on Behalf of KPMG, ([https://www.bitkom.org/sites/default/files/2020-06/präsentation\\_bitkom\\_kpmg\\_pk-cloud-monitor.pdf](https://www.bitkom.org/sites/default/files/2020-06/präsentation_bitkom_kpmg_pk-cloud-monitor.pdf)).

<sup>9</sup> <https://news.sap.com/germany/2020/02/wartung-s4hana-sap-business-suite-7/#ftn>.

## SIGNIFICANT EVENTS

### MHP and SNP Expand Partnership

In March 2020, the management and IT consulting firm MHP and SNP further expanded their long-term partnership. The goal of their intensified partnership is to assist and support customers with their upcoming changeover to SAP S/4HANA. MHP is contributing its SAP end-to-end business process expertise – which is based on over 20 years of consulting experience in the mobility and manufacturing field – and is supporting companies throughout their transformation process. Alongside comprehensive SAP expertise and its proven BLUEFIELD™ transformation approach, SNP is providing its CrystalBridge® data transformation platform.

This combination of both partners' areas of expertise enables planning, management and control of every organizational, procedural and technological aspect of a changeover to SAP S/4HANA. This includes analysis of the existing process and system landscape and simulation of different transformation scenarios, the development of a roadmap and testing and harmonization of data as well as the actual technological migration.

### Common MS and SNP Conclude Strategic Partnership

In March 2020, the Spanish IT company Common Management Solutions SL and SNP signed an agreement on their strategic cooperation. This contract has an initial term of three years. SNP will further expand its network of partners through this agreement; in the future, Common MS will use SNP software to boost the capability of its products and services for its projects.

Common MS is one of SAP's most important partners in the healthcare sector. In 2019, SAP recognized it as its fastest-growing partner for sales of on-premises licenses. By using SNP's CrystalBridge® software Common MS will be able to execute transformation projects even more rapidly and securely. SNP's powerful software solutions and its outstanding reputation as a leading specialist in the field of complex transformation projects and data migrations in the SAP environment provide added value for Common MS' existing customers as well as a significant advantage for new customer acquisition.

### The 2020 Annual General Meeting

SNP SE's Annual General Meeting took place on June 30, 2020 as a virtual annual general meeting. The Annual General Meeting backed all but one of the items on the agenda. Among other items, the shareholders accepted

the proposal of the Board of Directors regarding the appropriation of net earnings and resolved not to distribute any dividend. The resolution on authorization to issue warrant-linked and convertible bonds, to exclude the subscription right, to create a contingent capital and to amend the articles of association was not passed. The authorization to purchase and sell treasury shares was extended until June 2025.

### SNP Signs Software Partnership Agreement with All for One Group

In June 2020, SNP SE signed a long-term partnership with the All for One Group AG, Filderstadt. All for One assists more than 2,500 customers in Germany, Austria and Switzerland with their corporation transformation processes and strengthening their competitiveness. The goal of the agreement is to enable the All for One Group's more than 2,500 customers to achieve a highly automated and flexible transition to SAP S/4HANA. In the future, this company will employ both SNP's CrystalBridge® software and the BLUEFIELD™ approach for this purpose. The agreement has a term of 8 years.

### Capital Increase

SNP SE successfully completed a capital increase on July 15, 2020. A total of 610,000 new shares were placed at a price of € 46.00 per share through a private place-

ment. The company gained gross issuing proceeds in the approximate amount of € 28.0 million from the capital increase. Through the issuance of new no-par-value shares, the number of shares increased to 7,212,447, and issued capital increased to € 7.2 million.

### **Cooperation with Microsoft**

In close collaboration with Microsoft, the world's largest software company, SNP developed the new "Cloud Move for Azure" solution and integrated it into CrystalBridge® in September. As a new and standalone component of CrystalBridge®, this new move-to-cloud solution offers an automated functionality for cloud dimensioning and provisioning. It simplifies and accelerates the introduction of the Azure-based target system, ensures full cost transparency and provides the foundations for impending transformation projects. The advantage for Microsoft is that this facilitates their customers' move to Azure Cloud. Besides improved market access and its move to entire SAP transformation projects, SNP benefits above all from Microsoft's huge reach.

### **SNP Software Receives Certification for Integration in SAP S/4HANA**

In September, SNP received SAP certification for integration in SAP S/4HANA for its software CrystalBridge Analysis Extractor 20.07. CrystalBridge Analysis is the analysis module of the data transformation platform

CrystalBridge which helps companies to execute complex transformation projects rapidly, securely and automatically. CrystalBridge Analysis Extractor extracts data from an SAP system so that they can be loaded into the CrystalBridge Cloud. There, the SAP landscape can be visualized and analyzed and the entire transformation project can be simulated.

### **FUJITSU and SNP Agree Global Partnership for the Use of SNP Software**

Also in September, Fujitsu Limited and SNP announced an agreement on their strategic cooperation and on the use of SNP's CrystalBridge software and BLUEFIELD™ approach. The goal of this strategic partnership is to offer Fujitsu customers an automated, flexible and secure transformation of their IT landscapes and data structures to SAP S/4HANA. The agreement has a minimum term that expires at the end of 2024 and represents revenue for SNP at the lower end of the double-digit million range. With 130,000 employees and an annual revenue volume of € 35 billion, Fujitsu is Japan's leading IT company with customers in over 100 countries.

### **Death of the Company's Founder and Changes to its Managing Bodies**

On November 2, 2020, Dr. Andreas Schneider-Neureither died at the age of 56. The company's founder was the CEO and Chairman of its Board of Directors. Michael

Eberhardt was appointed the new CEO with effect as of December 1, 2020. He had already served as a Managing Director, as Chief Operating Officer (COO), since July 2019; in his new role as CEO, alongside the areas which he covers as COO he is also responsible for strategy, product development and communication. Together with Michael Eberhardt, Prof. Dr. Heiner Diefenbach continues to serve as a Managing Director, as the company's CFO. Dr. Michael Drill has chaired the Board of Directors since November 19, 2020.

### **SNP Intends to Sell Its Polish Subsidiary**

In December, SNP announced that it is to sell 51% of the shares in its subsidiary SNP Poland to the All for One Group SE. For the purpose of this subsidiary's outright acquisition, the parties intend to agree reciprocal call and put options which will apply from the end of 2023 onwards. In the 2020 fiscal year, SNP Poland Sp. z o.o. had revenue of € 29.4 million (of which € 6.7 million with SNP Group companies) and an operating result (EBIT) of € 1.8 million. As of December 31, 2020, the company had 407 employees. With this sale, SNP Schneider-Neureither & Partner SE is focusing more strongly on the transformation business.

### **Key Performance Indicators**

In order for SNP SE to achieve a sustainable increase in the company's value, its efforts are focused on further

profitable growth and continuously strengthening the financial capacity of the SNP Group. An internal management system comprising financial and non-financial key performance indicators ensures that these strategic objectives are met. In line with its internal management system, the company's management concentrates on the following key financial performance indicators: Group revenue, revenue in the Services and Software business segments, Group EBIT and Group EBIT margin. Order entry is included as a non-financial key performance indicator.

#### OVERALL SUMMARY OF TARGET ACHIEVEMENT BY THE MANAGING DIRECTORS

##### **Below Expectations**

In the 2020 fiscal year, SNP failed to achieve the targets defined at the start of the year in terms of its financial and non-financial key performance indicators. The negative economic effects of the coronavirus pandemic have had an impact on the current fiscal year. The company was therefore forced to revise its targets for 2020 in April 2020, when it was better placed to evaluate the strategy implemented to curb the spread of the COVID-19 pandemic.

While the company ended the first quarter of 2020 with significant revenue growth, in April 2020 it updated its forecast for the 2020 fiscal year in view of the expected

impact of the COVID-19 pandemic: The management expected to see a slowdown in growth year-over-year, but continued to aim for an increase in the volume of revenue compared to the previous year. The updated planning predicted Group revenue of between € 145 million and € 170 million (previously: € 175 million to € 185 million); with the Group revenue figure of € 143.8 million, the value came in below the planned amount. This is also true for the revenue development in the two business segments: At € 93.9 million in the Service business segment and € 49.9 million in the Software business segment, neither value was significantly above the previous year, contrary to expectations.

Operating earnings (EBIT) amounted to € 0.8 million in the 2020 fiscal year, which corresponds to a slightly positive EBIT margin of 0.6%. The target of an EBIT margin in the mid-single-digit percentage range, following the adjustment in April, was thus not achieved (previously: 6.5% to 8.5%). The deviation was mainly due to a partnership agreement with a leading international IT service provider, which, contrary to expectations, did not materialize as well as project postponements from the fourth quarter of 2020 to 2021. In addition, in the past year SNP implemented several measures associated with one-off costs such as personnel-related restructuring, early termination of contracts, and extraordinary writedowns on noncurrent assets and inventories, which will result in cost savings in the long term. Moreover, one-off expenses were incurred or set aside for pending legal matters in the USA. These one-off

expenses amount to € 4.1 million. Adjusted for the above-mentioned one-off expenses, the EBIT figure amounts to € 4.9 million with an EBIT margin of 3.4%.

Order entry in the 2020 fiscal year was € 184.4 million. Accordingly, the company failed to improve on the previous year's figure of € 201.3 million and here too it was unable to achieve its target. However, the management considers the positive book-to-bill ratio (order entry/revenue) of 1.3 to be a very positive operating trend indicator in the 2021 fiscal year.

##### **Order Backlog and Order Entry**

Order entry as of December 31, 2020, totaled € 184.4 million, approximately 8% below the comparable amount in the previous year of € 201.3 million. The Software business segment accounts for € 68.7 million, or approximately 37%, of the order entry volume (previous year: € 77.8 million, or 39%). Despite the approximately 12% decline year-over-year, the order entry trend in the Software business segment is positive due to the new international partnerships that were secured in 2020 – particularly in view of the fact that the previous year's order entry figure included a single order with a volume of € 26.5 million.

The order entry volume in connection with maintenance fees saw a strong increase; compared to a figure of € 10.7 million in 2019, € 25.3 million in 2020 repre-

sents an increase of around 137%. This is attributable to the company's successful partner strategy and the new international partnerships it secured.

The Services business segment accounts for € 115.8 million, or around 63%, of the order entry volume (previous year: € 123.5 million, or around 61%). This represents a decrease of 6% compared to the previous year. This was mainly attributable to customers' coronavirus-related restraint in placing orders for major IT projects and project starts that were pushed back into later quarters.

The order entry volume in connection with impending SAP S/4HANA projects developed positively, with a year-over-year increase of around 117% to € 60.3 million (previous year: € 27.8 million). SAP S/4HANA projects thus now represent approximately 33% of the entire order entry volume of the SNP Group (previous year: around 14%).

The CEU (Central Europe) region accounts for around € 108.0 million of the order entry volume. Compared to the previous year, this corresponds to a slight decrease of about 6% (previous year: € 115.3 million). The CEU region's share of the global order entry volume thus amounts to approximately 59% (previous year: 57%).

As of December 31, 2020, the order backlog, adjusted for exchange rate fluctuations and ultimately unutilized pro-

ject volumes, amounted to € 110.8 million; relative to the previous year's figure of € 92.7 million, this represents an increase of around 20%.

in € million	2020	2019	Deviation as %
Order entry	184.4	201.3	-8%
Order backlog	110.8	92.7	+20%

### Earnings Position

The following section covering the earnings position provides an analysis of the Group's earnings based on IFRS key performance indicators. We classify our business activities in terms of the following regions: CEU (Central Europe, in the previous year: DACH), UK (United Kingdom), EEMEA (Eastern Europe, Middle East, Africa), North America, Latin America and JAPAC (Asia-Pacific Japan). In addition, we classify our business activities in terms of our Software and Services business segments.

#### Revenue Performance

Despite a difficult economic environment due to the global coronavirus crisis, the SNP Group's revenue in 2020 almost matched the previous year's level. Its revenue volume of € 143.8 million was € 1.4 million, or only around 1%, short of the previous year's Group revenue figure. This decrease is mainly attributable to the restrained level of customer demand in the context of the

coronavirus crisis. Revenue in the Services business segment decreased by 3.8% to € 93.9 million. On the other hand, software revenue increased by 4.8% or € 2.3 million to € 49.9 million.

#### Revenue Distribution by Region

The slight decrease in Group revenue is mainly attributable to the trend for the CEU region, which accounts for around 55% of total revenue. The revenue trend also declined in the JAPAC region. The following table shows the distribution and development of external revenue by region:

#### REVENUE BY REGION

in € million	2020	2019	Deviation as %
CEU <sup>1</sup>	78.4	83.0	-6%
EEMEA <sup>2</sup>	22.6	21.1	+7%
Latam <sup>3</sup>	15.3	13.4	+14%
USA	14.6	13.6	+7%
UK <sup>4</sup>	7.6	7.5	+1%
JAPAC <sup>5</sup>	5.3	6.6	-20%

<sup>1</sup> Central Europe (previous year: DACH)

<sup>2</sup> Eastern Europe, Middle East, Africa

<sup>3</sup> Latin America

<sup>4</sup> United Kingdom, Ireland

<sup>5</sup> Asia-Pacific Japan

#### Revenue Distribution by Business Segment

In the 2020 fiscal year, the Services business segment, which primarily includes consulting services, contributed € 93.9 million (previous year: € 97.6 million) to revenue.

This represents a decrease of € -3.7 million, or -3.8% year-over-year. This corresponds to a share of around 65% (previous year: 67 %) of the overall revenue volume of € 143.8 million. The decrease in revenue is largely due to the coronavirus-related reluctance of end customers to award new projects, and to the postponement of major projects during the second half of the reporting period. Whereas in the first half of the year growth of € 5.5 million, or 12.5%, was still achieved over the previous year, revenue was noticeably weaker and decreased by € -9.2 million, or -17.2%, in the second half of the year. The fourth quarter in particular was significantly lower than the previous year, with revenue of € 23.1 million (previous year: € 29.1 million).

#### REVENUE IN THE SERVICES BUSINESS SEGMENT BY QUARTER

in € million	2020	2019	Deviation as %
Q1	25.3	22.5	+12.3%
Q2	24.4	21.6	+12.7%
Q3	21.2	24.4	-13.2%
Q4	23.1	29.1	-20.6%

The **Software business segment (including maintenance and cloud)** generated revenue of € 49.9 million in the reporting period (previous year: € 47.6 million). This represents an increase of € 2.3 million, or 4.8%, over the previous year. This trend reflects the successful implementation of the Group's software and partner strategy,

which once again resulted in new international partnerships in 2020.

Within the Software business segment, licensing and cloud fees have decreased slightly, by € -0.3 million, or 0.9%, to € 35.3 million (previous year: € 37.0 million). Software support revenue increased by € 2.7 million, or 32.9%, to € 11.0 million (previous year: € 8.2 million).

Software-as-a-service revenue declined slightly in the reporting period and amounted to € 2.2 million (previous year: € 2.3 million).

Revenue with higher-margin SNP in-house products (including software-as-a-service revenue) rose by € 1.8 million, or 4.6 %, to € 41.9 million. In the same period, revenue in the amount of € 8.0 million (previous year: € 7.5 million) was registered with third-party products, which corresponds to a slight increase of 5.9%.

#### REVENUE IN THE SOFTWARE BUSINESS SEGMENT BY QUARTER

in € million	2020	2019	Deviation as %
Q1	9.1	6.2	+45.7%
Q2	9.9	8.5	+16.4%
Q3	16.5	16.0	+2.6%
Q4	14.4	16.8	-14.1%

#### Earnings Performance

During the preparation of the consolidated financial statements for the 2020 fiscal year, it was determined that a right-of-use asset from a lease agreement (pursuant to IFRS 16) for real estate signed with a related party in the USA had to be impaired entirely in accordance with IAS 8 by € 3.6 million with effect from the 2019 fiscal year. The review of the real estate in the USA carried out after the death of the company's founder and Chairman of the Board of Directors Dr. Andreas Schneider-Neureither determined a lack of usability from as early as the beginning of the lease in 2019. This translates to a corrected EBIT of € 3.4 million for the comparable period in 2019 (originally € 7.0 million). The corrections were made retrospectively in accordance with the correction regulations of IAS 8.

Furthermore, the first level of the covenant for the promissory note loan was not met in 2019 due to the valuation allowance of the right to use the U.S. real estate. This resulted in a 0.5% higher interest rate being paid for the 2020 fiscal year. For this, the present value of the future payments for the promissory note loan were adjusted with effect from December 31, 2019, within the scope of the effective interest method. This had an impact affecting profit or loss on the net financial result from 2019 of € 0.2 million. This correction was also made in accordance with the regulations of IAS 8. The following information, which is provided for purposes of comparison, is thus based upon corrected prior-year figures. Error correction in ac-

cordance with IAS 8 is explained in more detail in the notes to the consolidated financial statements.

#### OPERATING PERFORMANCE

	2020	2019 (adjusted)	2019 (as reported)
EBITDA (in € million)	9.2	15.1	15.1
EBITDA margin	6.4%	10.4%	10.4%
EBIT (in € million)	0.8	3.4	7.0
EBIT margin	0.6%	2.4%	4.8%

In the 2020 fiscal year, SNP achieved **earnings before interest, taxes, depreciation and amortization** (EBITDA) of € 9.2 million (previous year: € 15.1 million); this corresponds to a decrease of € 5.9 million compared to the previous year. This is mainly due to the investments made in structures and personnel in the expectation of significantly stronger revenue growth, which could not be achieved due to the coronavirus, and a large number of one-off expenses (see the comments in the section “Overall Summary of Target Achievement by the Managing Directors”). The EBITDA margin accordingly amounts to 6.4% (previous year: 10.4%). In the past year, SNP implemented several measures associated with one-off costs, such as the early termination of consultancy agreements and severance payments, which will result in cost savings in the long term. These one-off expenses amount to € 4.1 million. Adjusted for these expenses, EBITDA amounts to € 13.3 million and the EBITDA margin to 9.2%.

At € 17.9 million, the cost of purchased services and the cost of materials matched the previous year’s level (previous year: € 17.9 million). Increased use of third-party software (€ +0.7 million) and a decrease in the volume of external consulting capacities (€ -0.8 million) largely offset one another.

In line with the Group-wide growth strategy and in the context of a largely stable order situation and a positive project pipeline, SNP significantly expanded its workforce (+150 employees) in the second half of 2019 and the first quarter of 2020, i.e., prior to the outbreak of the global coronavirus pandemic. As of December 31, 2020, the Group had 1,463 employees (as of December 31, 2019: 1,365); this represents an increase of 7.2% compared to the end of 2019. This growth largely stems from the fields of sales, development and administration. Accordingly, personnel expenses rose by € 8.8 million, or 10.5%, to € 93.5 million (previous year: € 84.6 million) year-over-year in the 2020 fiscal year. Of this amount, one-off severance expenses and expenses incurred during the termination of employees’ positions amounted to approximately € 1.5 million in the reporting period. Because Group revenue was close to the previous year’s level, the personnel expense ratio (ratio of personnel expenses to revenue) increased from 58.3% in the previous year to 65.0%.

From the second quarter of 2020 onwards, on grounds of commercial prudence SNP only sporadically hired new

personnel, including hirings to replace existing employees. Moreover, due to a restrained level of customer demand in the context of the coronavirus crisis and a low level of utilization in the Services business segment, SNP reduced working hours for much of its German workforce (short-time working) in the second half of the year.

The increase in personnel expenses contrasts with a significant decrease in other operating expenses. While one-time expenses associated with SNP’s internal SAP S/4HANA migration and further one-off internal projects had a negative impact in the first quarter of 2020, a long-term cost management strategy was established at the start of the coronavirus pandemic. As of the end of the year, this has resulted in other operating expenses of € 25.9 million, compared to € 30.5 million in the previous year; this represents a decrease of around 15%. In addition to reduced travel and vehicle costs due to the travel restrictions associated with the coronavirus pandemic, this decrease is also attributable to reduced marketing expenses and other personnel costs.

Depreciation and amortization declined by € 3.3 million year-over-year to € 8.4 million. This reduction mainly reflects a correction of a rental right-of-use asset according to IAS 8 in the benchmarking information from the previous year. Within the scope of this error correction, the prior-year figure has thus been increased by € 3.6 million to € 11.7 million.



In the 2020 fiscal year, other operating income amounted to € 3.5 million, compared to € 2.5 million in the previous year. This was due in particular to higher exchange rate gains.

**Earnings before interest and taxes (EBIT)** were at € 0.8 million lower than the previous year's figure of € 3.4 million. The EBIT margin is thus 0.6 % (previous year: 2.4 %). The cost management strategy introduced and the savings in the area of other operating expenses were thus unable to compensate for the above-mentioned growth investments or the lack of revenue growth.

Financial expenses amounted to € 1.6 million (previous year: € 1.8 million; the previous year's figure was increased by € 0.2 million according to IAS 8). However, financial income simultaneously decreased by € 0.2 million to € 0.0 million. Net financial income therefore amounts to € -1.6 million, compared to € -1.5 million in the previous year. Earnings before taxes (EBT) thus amounted to € -0.7 million (previous year: € 1.9 million). With income tax of € 1.1 million (previous year: € 3.3 million), the 2020 fiscal year produced a loss for the period of € -1.8 million (previous year: € -1.4 million). This corresponds to a net margin of -1.3 % (previous year: -1.0 %). Accordingly, diluted and basic earnings per share amounted to € -0.22 (previous year: € -0.21).

#### EBIT IN THE SERVICES BUSINESS SEGMENT

	2020	2019 (adjusted)	2019 (as reported)
EBIT (in € million)	2.1	3.1	3.5
EBIT margin	2.3%	3.2%	3.5%

#### EBIT IN THE SOFTWARE BUSINESS SEGMENT

	2020	2019 (adjusted)	2019 (as reported)
EBIT (in € million)	9.7	13.6	13.0
EBIT margin	19.4%	28.5%	27.4%

Specific activities such as finance, accounting, human resources and internal IT services are activities that are managed and supervised at Group level. They are not included in the segment earnings.

#### Net Assets and Financial Position

The comparative information is based upon corrected prior-year figures, as previously described in the section "Earnings Performance."

#### Net Assets

Total equity and liabilities have increased by € 36.2 million compared with December 31, 2019, to € 206.7 million. While current assets have increased by € +49.2 million to € 126.0 million year-over-year, noncurrent assets have

decreased by € -13.1 million to € 80.7 million. This change is mainly due to the reporting of a group of assets as "held for sale" in accordance with IFRS 5. This relates to a group of assets associated with SNP Poland, which is being held for sale. Assets of € 22.7 million that were initially classified as noncurrent assets in accordance with IAS 1 were thus reclassified as current assets. The various effects of this reclassification are described below.

**Current assets** amounted to € 126.0 million (December 31, 2019: € 76.7 million) as of December 31, 2020. The above-mentioned reporting of a group of assets as "held for sale" in accordance with IFRS 5, in the amount of € 31.4 million (previous year: € 0.0 million), had a significant impact on this trend. Of this figure, € 22.7 million was reclassified from noncurrent assets and € 8.7 million was reclassified from other current asset items. In addition, cash and cash equivalents have increased by € 6.8 million to € 26.0 million (adjusted for this reclassification: increase of € 10.3 million), while other financial assets have increased by € 19.7 million to € 20.4 million due to the short-term investment of cash and cash equivalents. The significant increase in cash and cash equivalents and other financial assets has mainly resulted from the proceeds associated with a capital increase and additional loans taken out. On the other hand, trade receivables, other receivables and current contract assets decreased by € 9.0 million to € 45.3 million. Of this amount, € 4.9 million related to the reclassification made to groups of assets held for sale.

**Noncurrent assets** declined by € 13.1 million to € 80.7 million. This change has mainly resulted from the decrease in goodwill (€ -20.6 million, of which € -17.5 million from the reclassification to groups of assets held for sale and € -3.1 million due to currency-related factors). Other intangible assets (€ -2.5 million, of which € -1.6 million from the reclassification to groups of assets held for sale), right-of-use assets (€ -0.4 million, of which € -2.9 million from the reclassification to groups of assets held for sale) and property, plant and equipment (€ -1.1 million, of which € -0.4 million from the reclassification to groups of assets held for sale) have also decreased. On the other hand, noncurrent contract assets increased by € 10.6 million to € 12.6 million. These noncurrent contract assets have largely resulted from contracts signed with partner companies. Deferred tax assets increased by € 1.0 million to € 6.2 million (previous year: € 5.3 million).

### Financial Position

In equity and liabilities, **current liabilities** rose by € 4.4 million to € 54.0 million compared to December 31, 2019. In the current liabilities item, trade payables and contract liabilities decreased overall by € -5.9 million to € 10.8 million (of which € -1.9 million from the reclassification to disposal groups held for sale), analogously to trade receivables and contract assets. On the other hand, the initial recognition of liabilities resulting from assets held for sale has given rise to an increase of € 8.8 million.

Compared with December 31, 2019, **noncurrent liabilities** increased by € 11.0 million to € 65.0 million. This increase predominantly reflects a € 10 million loan taken out in May 2020 that is being refinanced by the bank KfW within the scope of KfW's 2020 special program and has mainly been reported under noncurrent financial liabilities.

The Group's **equity** increased by € 20.8 million to € 87.7 million as of December 31, 2020. Through the issuance of 610,000 no-par-value shares in July 2020, subscribed capital increased to € 7.2 million. The capital reserves rose from € 60.0 million to € 87.1 million as a result of the capital increase. Due to the loss for the year, retained earnings decreased by € -1.5 million to € 4.7 million. The deduction made for treasury shares increased in comparison with December 31, 2019, to € -2.7 million in the reporting period (as of December 31, 2019: € -1.5 million). This was due to the repurchase of 19,820 treasury shares. Due to the increase in equity combined with a simultaneous rise in the volume of total equity and liabilities as of December 31, 2020, the equity ratio improved from 39.2% to 42.4%.

### Dividend Proposal

SNP SE's Annual General Meeting took place on June 30, 2020, as a virtual Annual General Meeting. The shareholders accepted the Board of Directors' proposal on the

appropriation of profit and approved the distribution of a dividend of € 0.00 per share. In the previous year, the dividend likewise came to € 0.00 per share.

### Management of Financial, Liquidity and Capital Structure

SNP SE has a central financial management system for global liquidity control. This financial management also involves, at the same time, analyzing interest rate and exchange rate changes and their impact on the company's financial position and financial performance, as well as taking measures to hedge against these risks. The key objective of this financial management system is to ensure a minimum level of liquidity for the Group in order to safeguard its solvency at all times. Cash and cash equivalents are monitored throughout the Group. SNP safeguards its flexibility and independence through its high volume of cash and cash equivalents. SNP is able to draw upon additional liquidity potential if necessary through further standard credit lines.

In the past few years, cash and cash equivalents have primarily been used for operating activities, the investment needs associated with growth and the acquisition of companies. SNP assumes that its liquidity holdings together with its financial reserves in the form of various unused credit lines will be sufficient to cover its operating financing requirements in 2021 and – together with

the expected cash flows from operating activities – will cover debt repayment and our planned short- and medium-term investments.

Maintenance of a strong financial profile is the overriding goal for management of our capital structure. The focus here is on a high equity ratio in order to bolster the confidence of our investors, lenders and customers. SNP thus concentrates on a capital structure that enables it to cover its future potential financing requirements via the capital markets on reasonable terms. This ensures a high level of independence, security and financial flexibility.

In February 2017, SNP issued promissory note loans with a total volume of € 40 million. The volume is spread across fixed and variable tranches with terms of three to seven years. € 5 million of these promissory note loans is to be repaid after 3 years, € 26 million after 5 years and € 9 million after 7 years. The average yield at the time of issuance of the promissory note loans amounted to 1.41% per annum. The promissory note loans include standard financial covenants that were complied with in the 2020 fiscal year. Moreover, the company assumes that it will continue to comply with the agreed financial covenants in the future.

In March 2020, the first tranche of the promissory note loans was repaid, with a volume of € 5 million. This was refinanced by taking out a loan in the amount of € 3.0

million and, in part, by means of short-term loans within the scope of a € 5.0 million credit line agreement. In addition, a low-interest working capital loan with a volume of € 10.0 million granted by the German government was taken out in May 2020. This fixed-rate amortizing loan has a term of approximately 5 years. Standard covenants have been agreed that include termination options.

In July 2020, SNP gained gross issuing proceeds in the approximate amount of € 28.0 million through a capital increase. A total of 610,000 new shares were placed at a price of € 46.00 per share through a private placement.

#### SELECTED KEY FIGURES ON FINANCIAL POSITION

in € million	2020	2019
Cash and cash equivalents on December 31	29.4	19.2
Change in cash and cash equivalents	+10.3	-20.8
Cash inflows from operating activities	+2.0	-5.1
Cash outflows from investing activities	-23.2	-8.2
Cash inflows from financing activities	+32.2	-7.3
Impact of the effects of changes in foreign exchange rates on cash and bank balances	-0.8	-0.3

#### Development of Cash Flow and the Liquidity Position

In the 2020 fiscal year, SNP achieved a positive operating cash flow in the amount of € 2.0 million (previous year: € -5.1 million), which represented a significant improvement year-over-year. On the basis of a result for the period before depreciation and amortization in the amount of € 6.5 million, this trend also reflected improved working capital management. An increase in financial liabilities by € 6.8 million during the reporting period was offset by an increase in trade receivables, contract assets and other current and noncurrent assets totaling € 9.8 million. In the previous year, operating cash flow was still burdened by an outflow of funds of € -24.7 million from the adjustment to current assets. The increase in noncurrent assets is primarily the result of additionally concluded partner contracts. Other noncash expenses and revenue contributed € -1.6 million to operating cash flow. This was largely due to deferred tax income.

The negative cash flow from investing activities in the amount of € -23.2 million (previous year: € -8.2 million) is mainly attributable to the short-term investment of cash and cash equivalents (€ -20.0 million). Investments in property, plant and equipment and intangible assets in the amount of € 2.2 million, purchase price installments in connection with company acquisitions in previous years (€ 1.0 million) and payments for equity investments (€ 0.2 million) were further factors.

Financing activities have resulted in a positive cash flow in the amount of € 32.2 million (previous year: negative cash flow of € 7.3 million). The positive cash flow resulted from proceeds of the July 2020 capital increase in the amount of € 27.4 million as well as € 17.0 million in proceeds of loans taken out. This contrasts with payments made for the repayment of loans and the settlement of other financial liabilities in the amount of € 5.9 million, payments for the settlement of lease liabilities in the amount of € 5.2 million and payments for the purchase of treasury shares in the amount of € 1.2 million.

The effects of changes in foreign exchange rates on cash and bank balances have resulted in an impact of € -0.8 million.

Overall cash flow during the reporting period totaled € +10.3 million. Taking into account the changes presented here, the level of cash and cash equivalents rose to € 29.4 million as of December 31, 2020. If a further € 20.0 million from a short-term investment is taken into consideration, cash and cash equivalents amounted to € 49.4 million as of December 31, 2020.

As a result, the overall financial positioning of the SNP Group remains quite solid.

## RISKS AND OPPORTUNITIES REPORT

### Risk Management System

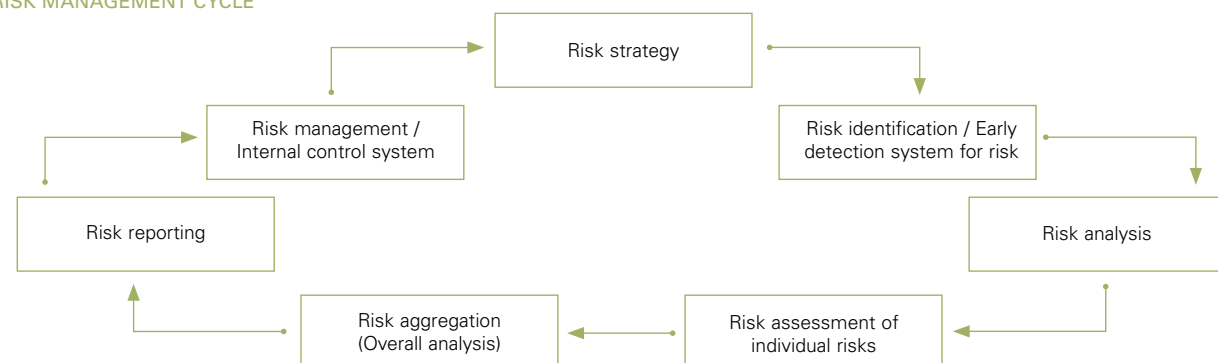
In its business activities, the SNP Group is subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Risks refer to the possibility of events occurring with unfavorable consequences for SNP's economic situation. SNP employs effective management and control systems to identify risks at an early stage, to evaluate them and to deal with them systematically. They are combined into a uniform Group-wide risk management system, which is presented below. SNP's risk management system essentially consists of the following three components: its risk management policy, a standardized risk identification and treatment method and the responsible departments within its organizational structure, which are entrusted with the implementation

of its risk management approach. All risks are systematically identified, evaluated and monitored. Risk assessment and aggregation rules have been defined for this purpose. Risks are normally balanced out by appropriate opportunities. However, the risk management system does not address the opportunities.

Looking ahead to the new version of audit standard no. 340 promulgated by the Institute of Public Auditors in Germany (IDW), risk aggregation was implemented by means of a mathematical simulation for the first time and a scenario analysis was executed within the scope of the risk assessment. Risk-bearing capacity was also thus verified.

The risk management policy stipulates a risk management process as in the following "Risk management cycle" diagram.

#### RISK MANAGEMENT CYCLE



The local subsidiaries' risk managers for each division and the risk managers for overarching cross-border functions handle the primary risk identification process. This is accompanied by the implementation of an initial risk assessment. A central department reviews and analyzes the individual risks so as to be able to identify possible tendencies and reciprocal effects. The risk analysis also reviews whether compliance aspects have been appropriately represented. The individual analysis of risks is mainly implemented for the purpose of their quantification; the probability of occurrence of the risk and the possible effect on SNP's business activities are significant aspects. The probability of occurrence of the risk lies between 0 and 100 % (100 % means once a year, 50 % every two years). The loss amount is indicated in euro and, if possible, by means of a scenario distribution. The damage potential is determined for each risk on the basis of these two parameters. This may be classified as a "slight risk," a "moderate risk," or a "high-level risk." The tables below show the risks broken down based on the amount of the loss and probability of occurrence.

**RISK ASSESSMENT DIMENSIONS**

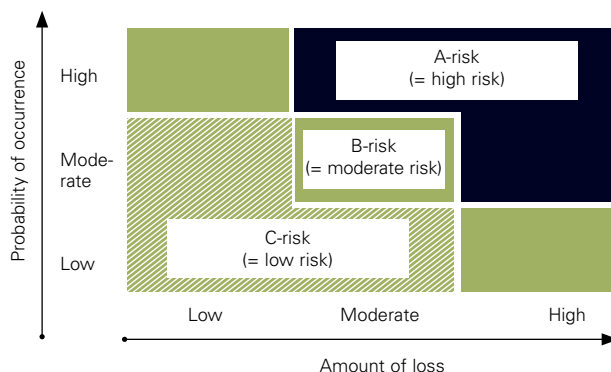
Classification by potential loss	Amount of loss in EUR*	Probability of occurrence**
Low	< 1,000,000	≤ 30%
Moderate	> 1,000,000 – 2,500,000	> 30%
High	> 2,500,000	> 60%

\* The loss amount is based on an average figure within the scope of the scenario distribution in euro.

\*\* 0 – 100 % (100 % = once a year, 50 % every two years).

This is the basis for the following risk matrix for the assessment of risks in terms of high-level, moderate or slight risks:

**RISK MATRIX**



An overall analysis of the risk position is implemented in the risk aggregation by means of a mathematical simulation. The result of this risk aggregation is then compared with the level of risk-bearing capacity. Risk-bearing capacity is determined on the basis of the volume of equity and the level of liquidity. For 2020, the aggregated risk-bearing capacity levels were defined as no more than 50 % of equity and 50 % of liquidity.

In addition, all risks have been assigned to appropriate risk areas. The risk reporting is derived from the aggregated overview, with an assessment of the situation for each of the individual areas. Twelve areas were selected for the year 2020 in the period under review. These are outlined in further detail in the risk report. Measures are implemented for each area – and also for individual risks – which are intended to be proportionate to the potential level of damage. The risk managers are responsible for implementation of these measures. The effectiveness of countermeasures, reduction strategies and SNP's internal control system are monitored and safeguarded by means of the management measures.

### **Risk Management Systems (Report and Explanations Pursuant to Section 315 (2) (1) 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.

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. 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 financial position and financial performance of SNP SE.

### **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 within 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 Board of Directors 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 a Group 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, to introduce measures corresponding to the evaluation of risks that are suited to avoiding, reducing or protecting against these risks. Significant risks and countermeasures that have been introduced are monitored regularly during the year. The Managing Directors and the Board of Directors 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. Due to its inherent limits, it is possible that the internal control system for financial reporting may not prevent or uncover all potentially misleading statements.

The Group accounting department regularly checks 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.

However, the internal control and risk management system for the accounting process cannot absolutely guarantee the avoidance of any accounting inaccuracies.

SNP is satisfied that the effectiveness of the Group's accounting-related control system was safeguarded as of December 31, 2020.

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

The Board of Directors 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 Board of Directors about any potential weaknesses in the internal control system.

### **RISKS**

In the reporting period, new individual risks have arisen, which neither individually nor combined endanger the company's existence. These risks are detailed below, in particular under "economic and political risks" as well as legal risks. In view of its stronger focus on the growth area of partner sales, SNP has expanded the measures initiated in the previous year with the goal of increased standardization and the development of a knowledge management system. This equally applies for measures in order to protect its intellectual property rights which result from this focus. In addition, SNP has implemented a large number of liquidity- and cost-related measures in order to counter the negative effects of the coronavirus crisis on our business activities, our financial position and financial performance and our cash flows.

### **Economic and Political Risks**

Uncertainty in the global economy and the financial markets, social and political instability – e.g., due to intrastate conflicts, terror attacks, civil unrest, war, international conflicts, pandemics, trade conflicts with China and Brexit – may adversely affect our business activities or have a negative impact on our business activities, our financial and earnings position and our cash flows.

At the moment, we believe that the economic impact of political risks in those countries in which we are active/have locations is negligible to our business.

On the other hand, as in the previous year we see valid economic risks for the global economy on account of the coronavirus (COVID-19). This may cause our customers to postpone or cancel planned IT projects, with corresponding negative consequences for our business activities, our financial position and financial performance and our cash flows. It is not currently possible to reliably predict how long the coronavirus crisis will continue or the extent of its impact on our business activities. Having said this, the order entry situation at the time of reporting is stable.

Possible restrictions on travel and mobility as well as illness-related employee absences could lead to additional strains on our financial position and performance and our cash flow. However, the coronavirus crisis has

shown that the SNP Group's previously very travel-intensive business model still works well under travel and mobility restrictions and without direct customer contact, since consulting and other services can be digitalized and thus offered and implemented regardless of location.

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. Because of the coronavirus crisis, 2020 was not a typical year and revenue targets in the second half of the year, particularly in the fourth quarter, were significantly lower

than the previous year and expectations. This decline in revenue is predominantly attributable to end customers' coronavirus-related restraint in awarding new projects and to delays in major projects. The resulting negative effect on earnings was mitigated by the reduced use of freelancers.

Since the company's capacities, particularly in Services business segment, 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. In the year under review, expense in the amount of € 10.7 million (previous year: € 11.2 million) was incurred for the use of external service providers in projects. SNP likewise seeks to reduce risks and their negative effects by continuously increasing the proportion of maintenance fees and recurring fees and thus revenue that can be more easily planned for. In 2020, maintenance fees increased by € 2.7 million or approximately 33% to € 10.9 million (previous year: € 8.2 million).

Similarly, it cannot be ruled out that in the Software business segment, scheduled software sales may fall through over the short term or purchase decisions by customers may be postponed, influencing the company's target achievement. SNP tries to reduce this risk through greater diversification of software products, by strengthening its license models providing recurring revenue and

through stronger marketing of all of its software products. In the 2020 fiscal year, revenue from SNP's in-house products amounted to € 41.9 million (previous year: € 40.0 million).

SNP classifies the economic and political risks for its Services and Software business segments as a moderate risk, with a moderate probability of occurrence.

### **Risks of Technology Development**

With its portfolio of products and services, SNP offers specific solutions for the data 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 2020, research and development costs as a percentage of revenue were 24.0% (previous year: 20.3%). 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 mainly depends on its success in adapting its products to changes in the market and achieving a rapid amortization on 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 Services business segment with research and development (R&D), the company has so far been able to detect changes in the market promptly and to develop market-driven and therefore also market-relevant product innovations.

SNP classifies the technological risks for the Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **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 sometimes beyond their control. These risks include a lack of resources and system availability as well as the reorganization of existing projects. Our products and consulting services are used in very sensitive areas affecting our customers' ERP systems. Product errors or mistakes made in transformation projects have the potential to cause significant damage, such as a temporary loss of production. These errors or mistakes can be caused by employees with inadequate qualifications and training, carelessness or in cases in which the customer was not sufficiently consulted. In order to minimize project risks, the SNP Group and its



customers choose to use a modular approach, dividing projects into separate subprojects. In addition, numerous test runs are planned during projects to prevent potential errors. SNP also conducts regular training sessions for employees, performs quality controls as part of its projects and assigns employees to projects based on their knowledge in order to ensure the high quality of its work.

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

SNP classifies the operational risks for its Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **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 fundamentals for the market 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.

SNP classifies the risks of dependence on SAP SE for its Services and Software business segments as a slight risk with a moderate probability of occurrence.

### **Growth Risks**

SNP SE continues to position itself for organic and inorganic growth. Company acquisitions may lead to a significant increase in SNP's value. However, there is a risk 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 straight away, in order to preserve liquidity and hedge related risks.

SNP classifies the growth-related risks for its Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **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 individual continuing education opportunities and attractive incentive programs as well as employee profit-sharing schemes. In addition, the company continually attempts to identify, hire and retain suitable employees. Further measures include university marketing programs as well as regular performance reviews and employee events.

Moreover, SNP trains young professionals in customized training programs on a regular basis. As of December 31, 2020, SNP employed 42 students and trainees (previous year: 48).

Risks apply in relation to the operational capability of our employees, not least due to health risks such as coronavirus. SNP implements appropriate countermeasures in the light of the given situation. These include mobile working and a large number of additional rigorous protective measures.

However, insuring against overall personnel risk is possible only to a limited extent. SNP classifies the personnel risks for its Services and Software business segments as a slight risk with a moderate probability of occurrence.

### **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 the insurance protection. The scope of insurance coverage is continuously reviewed in light of the probability that certain risks may occur and adjusted, if necessary.

SNP classifies the insurance risks for its Services and Software business segments as a slight risk with a low probability of occurrence.

### **Legal Risks**

Legal risks primarily involve matters of company law, labor law, commercial and trademark law, contract law, product liability law, data protection 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 and takes out insurance policies to minimize most of these risks. Moreover, in 2017, SNP initiated the development of an internal legal department with its own in-house legal experts. Legal disputes can lead to significant costs and damage to the company's image even if the company's legal position is vindicated.

During the audit of the annual financial statements for the 2020 fiscal year, it was determined that there was a lack of usability of a property accounted for as a right-of-use asset in the USA as early as the beginning of its lease in 2019. In connection with the error correction, SNP is reviewing possible compensation claims, especially with regard to the rent payments that were made in advance. A valid assessment of the financial implication of such claims is, however, not possible as of the time of the preparation of these consolidated financial statements.

As part of its ordinary business activities, SNP is confronted with lawsuits and court proceedings. As of the reporting date of December 31, 2020, the pending legal dis-

putes mainly relate to proceedings with current and former employees.

The employment law proceedings primarily relate to disputes over termination of employment. SNP reviews these cases in great detail and conducts the proceedings in line with the compliance requirements and taking the litigation risk into account. The legal consequence could include legal defense costs and potentially compensation claims.

As of December 31, 2020, other significant legal risks from lawsuits and third-party claims did not exist. The negative effects expected to arise from unresolved employment law disputes have been taken into account in the "provisions" and "other liabilities" line items.

SNP classifies the legal risks for its Services and Software business segments as a moderate risk with a moderate probability of occurrence.

### **Sales Risks**

SNP's software products are 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 pro-

jects and further products as well as 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. As well as a strong in-house sales team, SNP seeks to reduce this risk by carefully selecting strategic partners and through extensive partner enablement initiatives. In addition, strategic partners are required to complete a qualification process.

As of December 31, 2020, sales employees represented 9% of the overall workforce (December 31, 2019: 7%).

SNP classifies the sales risks for its Services and Software business segments as a slight risk with a moderate probability of occurrence.

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

A heavy reliance on individual customers and industries can put considerable pressure on earnings if orders are lost, because it means that the company does not have enough options available to compensate for these losses. In the view of the management, dependence on indi-

vidual customers and industries for the Services and Software business segments is a relatively low risk.

In the 2020 fiscal year, as in the previous year, no customer generated revenue that exceeded 10% of total revenue.

SNP SE has also established a position for itself that does not rely on one particular industry thanks to a very loyal customer base that is constantly growing and includes a large number of renowned major companies. We classify the risk of dependence on individual industries in the Services and Software business segments as a moderate risk with a low probability of occurrence.

### **IT Risks**

SNP runs its own IT systems and works on its customers' IT systems when performing its business activities. The failure of these IT systems or the loss and theft of data or IP caused, for example, by malware, virtual attacks or destruction, could have material adverse impacts on our business activities, or on our financial and earnings position and our cash flows. SNP takes a whole range of measures to protect against IT risks. These include, among other things, systematically bringing our security mechanisms into line with the relevant IT security standards, taking numerous technical security precautions and conducting security training sessions for our employees. In addition, SNP's information security

management system received ISO 27001 certification from TÜV Süd AG at its main sites in 2020 and completed a TISAX assessment. To be sure, we cannot entirely rule out a scenario in which IT risks materialize. However, we classify IT risks in the Services and Software business segments as a slight risk with a moderate probability of occurrence.

### **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 the default risk, the company requires deposits for individual projects, in line with their respective significance, and invoices for milestones reached. As a result, credit risks exist only for the remaining amount owed.

SNP classifies the credit risk for its Services and Software business segments as a slight risk with a moderate probability of occurrence.

#### **■ Liquidity Risk/Interest Rate Risk**

SNP has a large amount of cash and cash equivalents, which are available on a daily basis or relate exclusively to investments in term deposits, overnight money or

similar conservative products with maturities of up to one year. Consequently, the interest rate risk associated with such financial investments is negligible. Given the low or even negative 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 regular credit checks of the relevant institutions.

SNP is financed through its equity as well as external funds. As of December 31, 2020, its equity ratio amounts to 42.4% (previous year: 39.2%), while interest-bearing external funds account for 24.8% of total assets (previous year: 23.5%). The majority of the interest-bearing external funds relate to borrower's note loans with a total nominal value of € 35.0 million and maturities between 2022 and 2024. Borrower's note loans with a nominal volume of € 25 million include not only a basic interest rate, but also a variable interest rate component corresponding to the 6-month Euribor. If the 6-month Euribor is below 0%, the variable interest rate is fixed at 0%. If the 6-month Euribor rises to over 0%, then SNP is exposed to an interest rate risk. SNP keeps a close eye on market interest rate developments, the options available for, and cost development of, hedging measures and takes corresponding meas-

ures to safeguard against these risks as and when required. As of the reporting date there are two hedging transactions to hedge interest rate risk.

The borrower's note loan contracts feature mandatory financial covenants, as is common practice in the industry, based on the figures reported in the consolidated financial statements as part of a two-tier system. If the first-level financial covenants are breached, the breach increases the interest rate by 0.5 percentage points in the following fiscal year. If the second-level covenants are breached, then the issuer of the borrower's note loan has a contractual termination right. In this respect, SNP is subject to an interest rate risk and to the risk of termination and the associated liquidity risk. SNP monitors and forecasts the financial covenants on a regular basis in order to take any suitable countermeasures when required.

In the context of a high volume of cash and cash equivalents (€ 26.0 million as of December 31, 2020, following the reclassification of cash and cash equivalents of € 3.4 million; previous year: € 19.1 million), additional funds invested on a short-term basis in the amount of € 20.0 million (previous year: € 0.0 million) and a solid financing structure, the management classifies the liquidity risk for the Services and Software business segments as a slight risk with a low probability of occurrence.

#### ■ **Currency Risk**

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions in foreign currencies involve fluctuations in currency exchange rates. Operating business and financial transactions must be converted into our Group reporting currency, the euro. 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 euros. The realization of currency risks might have a significant impact on our business activities, our financial and earnings position and our cash flows. For this purpose, SNP considers the needs-based use of derivative financial instruments to avert potential foreign currency risks. As of December 31, 2020, no financial derivatives to hedge currency risks were in use.

SNP classifies the currency risk for its Services and Software business segments as a moderate risk with a moderate probability of occurrence.

#### ■ **Risk of Goodwill Impairment**

The "goodwill" balance sheet item comes to € 33.6 million as of December 31, 2020 after the reclassification of € 17.5 million in assets classified as held for sale (previous year: € 54.2 million). Goodwill is the result of

various business combinations in the past and is measured at cost upon first-time recognition. Cost is calculated as the excess cost resulting from the business combinations over the Group's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill is tested for impairment at least once a year. Impairment tests are also implemented if issues or changes in circumstances indicate the possibility of impairment. For the purpose of impairment testing, the goodwill acquired from a merger is assigned to cash-generating units of the Group that are expected to benefit from Group synergies. 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 was predominantly assigned to the Services business segment for the purpose of impairment testing.

There is a risk that, in the event of negative developments, the recoverable amount of the Services business segment will be less than the carrying amount. Resulting goodwill impairments could put considerable pressure on earnings.

SNP classifies the risk of goodwill impairments in its Services business segment as a slight risk with a low probability of occurrence, assuming that business developments progress as planned.

## OPPORTUNITIES

As one of the world's market leaders for software-based IT data transformation, we aim to implement, and forge ahead further with, our growth strategy in a sustainable and profitable manner. Within this context, we are focusing on expanding our market presence and increasing the value of the company. The SNP Group's overarching goal is to become the global standard for software-based data transformation. To achieve this goal, we are focusing on the following strategic opportunities:

### **Opportunities Resulting From the Promise of Increased Benefits for our Customers**

We aim to increase the value and benefits that we promise our customers. In order to achieve this, we address IT challenges at a strategic level and take IT, compliance and risk aspects relating to our customers into account in the process. This allows us to offer our customers tailored solutions for security, compliance and governance, helping us to boost the potential benefit and added value that the use of our technology and solutions can offer. We also intend to further develop and enhance new products and solutions for the planning and implementation of IT transformation projects, allowing our customers to further increase the level of transparency of, and their degree of control over, their IT landscapes, in order to achieve significant improvements in the agility of their IT landscapes and to significantly minimize any operational downtime.

### **Opportunities Resulting from Increase in Software License Revenue**

Our software portfolio is the technological core of our business model. We are focusing on increasing our software license revenue and maintenance fees, as these factors represent a significant success factor and a key benchmark in the software industry. Through technological innovations and improvements, we increase the benefits to the customer while also tapping into new sources of income. As far as our segment reporting is concerned, a much higher EBIT margin can be achieved in the Software business segment than in the Services business segment.

This is why we are constantly expanding our software portfolio and making permanent changes to adapt it to reflect the sales opportunities in our markets. We intend to enhance the benefits and uniqueness of our projects at a strategic level, while at the same time taking IT, compliance and risk aspects into account so that we can increase our license revenue and maintenance fees in the medium to long term using a value-oriented price model.

### **Opportunities Resulting from Internationalization**

Our aim is to use our software and services portfolio to set a global standard for IT data transformations. We have used our internationalization strategy, which focuses first and foremost on inorganic growth, to achieve

access to international markets over the last few years. We are now present on almost all of the relevant global markets for the benefit of our customers – in early 2020, we opened an office in Japan to address the growing market potential in this region, too.

We intend to strengthen our international market position in the long run and increase our revenue in the USA and Asia in particular. This is why we are planning to up the level of investment in these locations, particularly with regard to employee development and training, and to increase economies of scale in marketing and sales. We have also developed business plans that are tailored to suit each individual region, on the one hand to allow us to address the needs of our customers and partners in the individual countries in a more targeted manner, and on the other to achieve a sustainable increase in our revenue in these regions.

### **Opportunities Resulting from the Ongoing Development of Our Partner Strategy**

Over the past few years, we have been constantly improving our software and increasing the level of automation in transformation projects while also making its application significantly easier. On this basis, we intend to take great strides forward in the use of our software approach via strategic partnerships. We have therefore developed a partner strategy in order to convince IT consulting firms, system houses and hyperscalers of the benefits of our

software and, on this basis, to develop innovative concepts for their customers. We intend to extensively communicate our unique selling points to the market, working with and through third parties, to exploit our growth potential and to significantly scale up and increase our software and license revenue.

As a first step, over the past two years we have developed a global partner management system as well as a viable partner model, so as to be able to offer key services such as consulting, training, support and partner marketing in a structured and standardized manner. We have signed partnership agreements with leading global IT consulting firms and hugely expanded our partnerships.

As a second step, we focus on the qualitative development of our partner strategy. Alongside the assessment and consolidation of our partner network, this includes support for our partners during the sales and presales phases as well as the successful management and implementation of projects.

Moreover, with hyperscalers we concentrate on the development of joint innovative go-to-market strategies as well as largely automated implementation models. In addition, intensive collaboration with SAP is a key driver behind the expansion of our business. Here, we are developing supplementary technical solutions for our customers to accelerate their transition to SAP S/4HANA and their move to the cloud.

### **Opportunities Resulting from Acquisitions**

New acquisitions give rise to additional market and sales 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. A targeted market survey in search of possible target companies – focusing on the Software segment – is an objective of SNP's corporate strategy.

### **Opportunities Thanks to Innovative Migration Approach for SAP S/4HANA and Cloud Transformation Projects**

Many SAP customers will have to transition to the new SAP S/4HANA software generation over the next few years. SAP has created its SAP S/4HANA Movement program to increase the level of implementation, in order to provide its existing customers with software and services which facilitate the changeover to SAP S/4HANA. As part of this program, selected partners will be able to offer their solution packages, so-called "SAP-Qualified Partner-Packaged Solutions." Within the scope of this initiative, to facilitate the transition to SAP S/4HANA SNP has developed standardized and configurable solution packages which are based on its CrystalBridge® data transformation platform. SNP's offering bears the name "SNP: Selective Transformation to SAP S/4HANA."

Moreover, the further development of the SNP BLUEFIELD™ transformation approach based on SNP software allows SNP to offer its customers a flexible and alternative SAP S/4HANA migration approach compared with conventional Brownfield and Greenfield approaches. The vendor-neutral SNP BLUEFIELD™ approach is equally capable of moving companies and their IT systems into the cloud.

### Opportunities Resulting from Nearshore Approach

In order to achieve further cost optimization, while at the same time boosting project profitability, we are increasingly pursuing a global nearshore strategy, primarily when it comes to recruiting consultancy capacities. As a key component of the integration strategies used for those companies that have been acquired in recent years, this helps to offset staff shortages, particularly in projects requiring the intensive use of personnel resources, and to cushion the blow of order peaks. As far as our segment reporting is concerned, this will help us to increase the EBIT margin in our Services business segment.

### Overall Statement on the Risk and Opportunity Situation

Overall risks are limited and calculable. Based on available information, in the view of the Managing Directors, there are currently and in the foreseeable future no sig-

nificant individual risks the occurrence of which is expected to 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 2020 fiscal year.

We want to make targeted use of the opportunities that present themselves, allowing us to drive SNP's further growth.

### ECONOMIC DEVELOPMENT – GDP GROWTH BY COMPARISON WITH PREVIOUS YEAR<sup>1)</sup>

As %	2020	2021 f	2022 f
<b>Worldwide</b>	<b>-3.5</b>	<b>5.5</b>	<b>4.2</b>
Industrialized nations	-4.9	4.3	3.1
Emerging markets and developing countries	-2.4	6.3	5.0
<b>Europe</b>			
Eurozone	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
UK	-10.0	4.5	5.0
European emerging markets and developing countries	-2.8	4.0	3.9
<b>North and Latin America</b>			
USA	-3.4	5.1	2.5
Latin America and Caribbean	-7.4	4.1	2.9
<b>Asia-Pacific</b>			
China	2.3	8.1	5.6
Japan	-5.1	3.1	2.4
Asian emerging markets and developing countries			

f = forecast

## FORECAST REPORT

### Expected Global Economic Development

Global growth – which the experts at the International Monetary Fund (IMF) estimate at -3.5% for 2020 – will increase to 5.5% in 2021 and by an additional 4.2% in 2022. The IMF has thus raised its global growth forecast in spite of the coronavirus crisis. Its optimism is based on the positive impact of the vaccination campaigns which are underway as well as the huge interventions made by the key global central banks and the governments of the leading economies.

The coronavirus pandemic has again significantly intensified around the world over the winter months and in North America, Brazil, South Africa and Europe in particular. In order to contain the pandemic, many countries have therefore imposed a lockdown or a fresh series of restrictions of public life, with knock-on effects on the economy. In its calculations, the IMF assumes that populations in the industrialized nations and in some emerging markets will have broad access to coronavirus vaccinations by mid-2021.

The costs of the pandemic for the world economy in the period from 2020 to 2025 are estimated at 22 trillion U.S. dollars.<sup>10</sup> That is roughly equivalent to the annual economic output of the USA.

### Expected Development of the IT Transformation Market

#### Market for Cloud Solutions = Growth Market

Cloud computing is one of the hot topics in the field of IT development and a key industry trend. Cloud computing is affecting every type of business process and can fulfill the dynamic and complex requirements of customers and businesses alike. A Synergy Research study has shown that the European cloud market has tripled since the start of 2017 and reached a volume of € 5.9 billion in the third quarter of 2020. It is mainly the hyperscalers who have benefited from this growth: AWS, Microsoft and Google. They now account for two thirds of the European market.<sup>12</sup>

Multi-cloud and hybrid-cloud solutions are increasingly popular, and in the future a growing number of companies will opt for more than one cloud solution. According to Finaria, income from public clouds during the COVID-19 crisis increased by 25% year-over-year and reached a level of USD 271.9 billion in 2020. This growing trend is set to continue in the current year, and income will increase by a further 25% year-over-year to USD 338 billion.<sup>13</sup>

### SAP Customers Plan Increased Investments in 2021

For many companies, the changeover to SAP S/4HANA continues to represent a challenge and also a major project for the next few years. Many companies have postponed their SAP projects during the coronavirus crisis, due to the prevailing economic uncertainty – but they are now increasingly confident. The DSAG investment report indicates that 39% (2020: 46%) of the companies surveyed in Germany, Austria and Switzerland (the “DACH” region) are to increase their budget for general IT investments this year – a little under a third of them will increase their budgets by 10–20%. 37% expect their level of investment to remain the same. The volume of investment in ERP solutions will continue to rise. S/4HANA remains on the advance. 44% are planning high or medium-level investments in S/4HANA On-Premises. At 44%, the figure for S/4HANA On-Premises is at the same level as in the previous year. On the other hand, only 12% of the companies surveyed will make high or medium-level investments in S/4HANA Cloud (2020: 8%).<sup>14</sup>

<sup>10</sup> International Monetary Fund (IMF), Transcript of the World Economic Outlook Update Press Briefing, January 2021.

<sup>11</sup> International Monetary Fund (IMF), World Economic Outlook Update, January 2021.

<sup>12</sup> Synergy Research Group, January 2021, (<https://www.srgresearch.com/articles/european-cloud-providers-struggle-reverse-market-share-losses>).

<sup>13</sup> Finaria, January 2021, (<https://www.finaria.it/pr/public-cloud-revenues-to-hit-338b-in-2021-a-25-jump-in-a-year/>).

<sup>14</sup> DSAG Investment Report 2021, (<https://www.dsag.de/pressreleases/dsag-investitionsreport-2021-mit-steigenden-it-investitionen-der-krise-trotzen>).



### **Increase in Volume of M&A Activities**

The global M&A trend is expected to remain positive in 2021, since companies which are solidly positioned and have coped well with the coronavirus pandemic have a lot of free liquidity and are looking to make purchases in order to acquire additional skills or else to advance the internationalization of their businesses. On the other hand, the effects of the pandemic are forcing many companies to consolidate or sell. Digital and tech assets are in particularly strong demand and are valued accordingly. The topic of sustainability is also increasingly prominent.<sup>15</sup>

### **Impact on SNP**

While our results for 2020 fell short of our expectations, we made progress in our growth-oriented software and partner strategy. The increasing volume of newly concluded partner contracts demonstrates the growing acceptance of our software-based approach for handling complex digital transformation processes. We aim to press onward with the further development of our partner strategy from a qualitative point of view. This includes convincing further customers, partners and also hyper-scalers of our software approach, developing joint sales and go-to-market models and thus increasing our market

share. Overall, we aim to significantly increase our overall revenue as well as the proportion accounted for by our software revenue by comparison with the previous year.

### **Goals and Outlook**

Due to the company's successful implementation of its software and partner strategy and the further improvement in its market reputation in the year under review, the management assumes higher sales in both the Services business segment and the Software business segment in the current fiscal year. 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 normal market fluctuations experienced by the overall economy since SNP is generally less affected by economic downturns as a result of its positioning as a specialized provider of 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. However, depending on further developments related to the coronavirus pandemic, there might be changes in the outlook for 2021 as described in this report, particularly in the event of economic restrictions continuing into the second half of the year.

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 will be stronger. For the 2021 fiscal year, the company expects revenue growth to € 160–180 million based on a global increase in willingness to invest. Revenue in each of the company's two business segments, Services and Software, will be significantly higher than in the previous year. The growth outlook is based on a continuing strong order entry situation as well as even greater market acceptance of the company's software and partner strategy. Depending on the progress of the global measures to combat the COVID-19 pandemic, the target for the EBIT margin is between 5% and 8%, and thus EBIT significantly higher than the previous year. The order entry volume will continue to pick up in 2021 and is expected to be significantly higher than in the previous year.

No M&A transactions are considered in the forecast for the current fiscal year due to uncertainties.

In addition, the SNP Group continues to pursue the prioritized mid-term goal of a structural increase in its profitability.

<sup>15</sup> Mergermarket – An Acuris Company, Global & Regional M&A Report 2020.

## OVERALL STATEMENT ON FUTURE DEVELOPMENT

In principle, we expect positive business performance in the 2021 fiscal year. We are convinced that SNP is on the right track and will continue on its dynamic growth path. However, depending on further economic developments related to the global COVID-19 pandemic, there might be changes in the outlook for 2021 as described in this report.

### Other Disclosures

#### Disclosures Related to Takeover Law

The disclosures as of December 31, 2020, which are required according to Art. 9 (1) clause c) (ii) of the SE Regulation and Section 22 (6) of the SEAG in conjunction with Section 289 a and Section 315 a (1) of the HGB, are provided below. Those elements of Section 289 a (1) and Section 315 a (1) of the HGB that are not fulfilled at SNP Schneider-Neureither & Partner SE are not mentioned.

#### Composition of Issued Share Capital (Section 289 a (1) (1) No. 1 and Section 315 a (1) (1) No. 1 of the HGB)

As of December 31, 2020, the share capital of SNP Schneider-Neureither & Partner SE amounted to € 7,212,447.00, consisting of 7,212,447 ordinary no-par-value shares with a calculated share of capital of € 1.00 per

share. Each share entitles the holder to one vote. As of December 31, 2020, the company held 75,702 treasury shares.

#### Direct or Indirect Investments Exceeding 10% of Capital (Section 289 a (1) (1) No. 3 and Section 315 a (1) (1) No. 3 of the HGB)

Attributed to the community of heirs of Dr. Andreas Schneider-Neureither: 17.97% of the total voting rights (corresponds to 1,295,764 voting rights; according to the statement of November 9, 2020). 0.02% of the voting rights are directly attributable to Tatiana Schneider-Neureither pursuant to Section 33 of the WpHG. 17.95% of the voting rights are indirectly attributable to Tatiana Schneider-Neureither pursuant to Section 34 of the WpHG. The other members of the community of heirs are Tristan Neureither, Neil Neureither, Ellie Schneider-Neureither and Eric Schneider-Neureither. Of this amount, the community of heirs of Dr. Andreas Schneider-Neureither holds 3% or more voting rights in SNP Schneider-Neureither & Partner SE via the following entities controlled jointly by them: Schneider-Neureither GmbH, SN Verwaltungs GmbH & Co. KG, SN Holding GmbH and SN Assets GmbH.

#### Statutory Provisions and Provisions of the Articles of Incorporation on the Appointment and Dismissal of Managing Directors and the Amendment of the Articles of Incorporation (Section 289 a (1) (1) No. 6 and Section 315 a (1) (1) No. 6 of the HGB)

With regard to the appointment and dismissal of Managing Directors, reference is made to the applicable statutory provisions in Section 40 of the SEAG. In addition, Section 12 (1) of the articles of incorporation of SNP SE stipulates that the Board of Directors shall appoint one or more Managing Directors. Managing Directors may be recalled by way of a resolution of the Board of Directors by a simple majority of the votes cast. Pursuant to Section 12 (5) of the articles of incorporation of SNP SE, Managing Directors who are members of the Board of Directors may be recalled only for cause within the meaning of Section 84 (3) of the AktG or in case of the termination of the employment contract. In accordance with Art. 9 (1) clause c) (ii) of the SE Regulation, the amendment of the articles of incorporation is provided for in Sections 133 and 179 of the AktG. The Board of Directors is authorized to approve changes to the articles of incorporation that involve only wording (Section 8 (3) of the articles of incorporation of SNP SE).

### **Powers of the Board of Directors to Issue or Repurchase Shares (Section 289 a (1) (1) No. 7 and Section 315 a (1) (1) No. 7 of the HGB)**

#### **2019 Authorized Capital**

The Board of Directors is authorized to increase the company's share capital by June 5, 2024, by up to a total of € 2,691,223 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value shares (2019 Authorized Capital). In the event of cash contributions, the new shares may be taken over by one or more banks or companies within the meaning of Section 186 (5) (1) of the AktG with the obligation to offer them to shareholders for purchase (indirect subscription right).

The Board of Directors is authorized to exclude the subscription rights of the shareholders

(1.) in order to exclude fractional amounts from the shareholders' subscription right;

(2.) in case of capital increases against cash contributions in order to issue the new shares at an issue price that is not significantly lower than the market price (Sections 203 (1) and (2), 186 (3) (4) of the AktG) and provided that the number of shares issued does not exceed 10% of the share capital at the time the authorization becomes ef-

fective or – if this value is lower – at the time it is exercised (10% limit);

c) for capital increases against contributions in kind, particularly for the purpose of directly or indirectly acquiring companies, operations or investments in companies or industrial property rights, licenses, patents, or other product rights or other assets;

d) to the extent it is necessary, to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the company and its subsidiaries can be granted subscription rights for new shares to the extent that they will or would be entitled if they exercised their options or conversion rights.

The 2019 authorized capital had an original amount of up to € 3,301,223 and was partially utilized in the 2020 fiscal year.

#### **2015 Contingent Capital**

On May 21, 2015, the Annual General Meeting agreed a contingent share capital increase by up to € 1,869,030.00, divided into up to 1,869,030 no-par-value shares (2015 Contingent Capital). 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 Board of Directors and the resolution of the Annual 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. The new shares will be issued in accordance with the aforementioned authorization at option and conversion prices to be determined. The new shares participate in profits from the beginning of the fiscal year in which they arise. The Board of Directors is authorized to determine further details regarding the execution of the contingent capital increase.

SNP SE did not make any use of this authorization.

#### **Share Buyback**

The company was authorized by the Annual General Meeting in the period from June 30, 2020 up to June 29, 2025 to purchase treasury shares for up to 10% of the share capital at the time of the resolution or – if this value is lower – of the share capital at the time of utilization of the authorization for any purpose permitted by law. The authorization to purchase treasury shares which was re-

solved by the Annual General Meeting on May 12, 2016 and was due to expire on May 11, 2021 was thus canceled prior to the end of its term. On this basis, in August 2019 the Board of Directors resolved a multi-year share buyback program beginning on September 1, 2019 and with a term ending no later than May 11, 2021; in the period up to December 31, 2020, 53,820 shares had been repurchased via the stock market.

**Key Agreements of the Company Subject to Change of Control Following a Takeover Bid and the Resulting Consequences (Section 289 a (1) (1) No. 8 and Section 315 a (1) (1) No. 8 of the HGB)**

SNP SE's key financing agreements with its lenders include the usual conditions in the event of a change of control; in case of a change of control, these provide for a right of termination and a right to require early repayment. Similar rights of termination in the event of a change of control are stipulated in some contracts with partners and customers.

**REMUNERATION REPORT**

The remuneration report describes the structure and level of remuneration of the Managing Directors and the Board of Directors. It is an integral component of the audited Group management report.

**Managing Directors**

The remuneration of the Managing Directors, which is determined by the Board of Directors, consists of non-performance-based and performance-based parts. The nonperformance-based parts consist of a fixed base salary, fringe benefits and pension commitments as well as the company pension scheme. 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 Managing Directors receive noncash fringe benefits, which primarily consist of insurance premiums and the private use of a company car. As a remuneration component, all Managing Directors are equally entitled to these fringe benefits.

The annual variable remuneration is based on the company's business performance, specifically its operating earnings (EBIT). The bonus is capped. If hitting targets results in a bonus calculation below a certain lower limit, this leads to a complete loss of the variable bonus for the fiscal year.

In view of the desired sustainability of the company's development, the variable compensation components of

the Managing Directors generally have a multi-year assessment basis. In the contracts of the Managing Directors, this requirement is generally met by means of a long-term incentive (LTI). This is determined on the basis of average revenue and EBIT growth as well as the free cash flow and market capitalization.

On April 19, 2021, the Board of Directors set the annual variable remuneration of the Managing Directors for the 2020 fiscal year.

**Remuneration of the Managing Directors in the 2020 Fiscal Year**

The total remuneration granted to the Managing Directors in the 2020 fiscal year amounted to € 2,0 million (previous year: € 1.4 million). The following tables itemize the remuneration of each individual Managing Director in the 2020 fiscal year and in the previous year.

## REMUNERATION OF THE MANAGING DIRECTORS (BENEFITS GRANTED)

in € thousand	2019 Initial value	2020 Initial value	2020 Minimum	2020 Maximum
<b>Dr. Andreas Schneider-Neureither</b>				
Fixed remuneration	295	413	413	413
Fringe benefits	10	6	6	6
<b>Total</b>	<b>305</b>	<b>419</b>	<b>419</b>	<b>419</b>
Annual variable remuneration	265	151	-	303
Multiyear variable remuneration	175	321	-	1,283
Compensation payment	-	225	225	225
<b>Total</b>	<b>440</b>	<b>697</b>	<b>225</b>	<b>1,811</b>
Pension expenses	19	18	18	18
<b>Total</b>	<b>764</b>	<b>1,134</b>	<b>662</b>	<b>2,248</b>
<b>Michael Eberhardt</b>				
Fixed remuneration	150	300	300	300
Fringe benefits	16	35	35	35
<b>Total</b>	<b>166</b>	<b>335</b>	<b>335</b>	<b>335</b>
Annual variable remuneration	150	150	43	300
Multiyear variable remuneration	80	320	-	1,280
Compensation payment	-	-	-	-
<b>Total</b>	<b>230</b>	<b>470</b>	<b>43</b>	<b>1,580</b>
Pension expenses	2	2	2	2
<b>Total</b>	<b>398</b>	<b>807</b>	<b>380</b>	<b>1,917</b>

in € thousand	2019 Initial value	2020 Initial value	2020 Minimum	2020 Maximum
<b>Prof Dr. Heiner Diefenbach</b>				
Fixed remuneration	-	250	250	250
Fringe benefits	-	28	28	28
<b>Total</b>	-	<b>278</b>	<b>278</b>	<b>278</b>
Annual variable remuneration	-	50	-	100
Multiyear variable remuneration	-	200	-	800
Compensation payment	-	-	-	-
<b>Total</b>	-	<b>250</b>	-	<b>900</b>
Pension expenses	-	2	2	2
<b>Total</b>	-	<b>530</b>	<b>280</b>	<b>1,180</b>
<b>Frank Hohenadel</b>				
Fixed remuneration	100	200	200	200
Fringe benefits	12	76	76	76
<b>Total</b>	<b>112</b>	<b>276</b>	<b>276</b>	<b>276</b>
Annual variable remuneration	50	25	25	25
Multiyear variable remuneration	28	145	145	145
Compensation payment	-	230	230	230
<b>Total</b>	<b>78</b>	<b>400</b>	<b>400</b>	<b>400</b>
Pension expenses	2	2	2	2
<b>Total</b>	<b>192</b>	<b>678</b>	<b>678</b>	<b>678</b>

## REMUNERATION OF THE MANAGING DIRECTORS (ALLOCATIONS)\*\*

in € thousand	Dr. Andreas Schneider-Neureither*		Michael Eberhardt		Prof. Dr. Heiner Diefenbach		Frank Hohennadel		Dr. Uwe Schwellbach	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed remuneration	413	295	300	150	250	-	200	100	-	200
Fringe benefits	6	10	34	16	28	-	69	12	-	40
<b>Total</b>	<b>419</b>	<b>305</b>	<b>334</b>	<b>166</b>	<b>278</b>	<b>-</b>	<b>269</b>	<b>112</b>	<b>-</b>	<b>240</b>
Annual variable remuneration	235	-	107	-	-	-	50	-	71	-
Multiyear variable remuneration	-	-	-	-	-	-	-	-	-	-
Compensation payment	18	-	-	-	-	-	-	-	210	-
Special bonus	-	200	-	-	-	-	-	-	-	119
<b>Total</b>	<b>253</b>	<b>200</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>281</b>	<b>119</b>
Pension expenses	18	19	2	2	2	-	2	2	-	2
<b>Total</b>	<b>690</b>	<b>524</b>	<b>443</b>	<b>168</b>	<b>280</b>	<b>-</b>	<b>321</b>	<b>114</b>	<b>281</b>	<b>361</b>

\* Dr. Andreas Schneider-Neureither died on November 2, 2020. He received salary payments for 11 months in the 2020 fiscal year. The community of heirs will receive his salary continuation for six months. In December 2020, an advance of € 18 thousand was paid out from this continuation.

\*\* In regard to the overall remuneration provided for 2019, it should be noted that Henry Göttler was dismissed as a Managing Director with effect as of March 16, 2018. Thereafter, he was kept on subject to the same terms until December 31, 2019. Because he left prematurely on December 31, 2018, he received the base salary until December 31, 2019, as a severance payment in the form of a one-time payment of € 194 thousand in January 2019.

In addition to general insurance benefits and pension commitments, the company has arranged Directors and Officers (D&O) liability insurance on behalf of the Managing Directors. The annual insurance premium of € 8 thousand also includes the D&O insurance for the members of the Board of Directors and senior executives.

The D&O insurance of SNP Transformations Inc. provides protection for senior executives in the USA. The

annual insurance premium is € 11 thousand. It likewise provides proportionate protection for the CEO of SNP SE, who is also the Chairman of the Board of SNP Transformations Inc.

The total amount of the specified D&O insurance amounts to an annual insurance premium of € 3 thousand. The table includes the pro rata insurance premium paid per person for the period of activity.

The remuneration of the Managing Directors is once again disclosed in the 2020 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 (benefits granted) and the actual allocations (benefits received). In terms of benefits, the target figures (payment upon 100% target attainment) and the attainable minimum and maximum figures are also stated.

## Related Party Transactions and Disclosures

Business with related parties of the Group is presented separately in the notes to the consolidated financial statements.

## Principles of the Remuneration System for the Board of Directors

The remuneration of the members of the Board of Directors is based on their individual responsibility and scope of activity. In accordance with the resolution of the Annual General Meeting on May 31, 2017, the remuneration of the members of the Board of Directors was approved by the Annual General Meeting. Each member of the Board of Directors received a fixed annual remuneration of € 20 thousand in the 2020 fiscal year. The Chairman receives a fixed annual remuneration of € 30 thousand, while the Deputy Chairman receives a fixed annual remuneration of € 25 thousand. Furthermore, each Board of Directors member received – in addition to the reimbursement of documented, required expenses – an attendance fee of € 1 thousand for each board meeting. If a member of the Board of Directors simultaneously serves as a Managing Director, according to the articles of incorporation, their remuneration as a member of the Board of Directors is withheld. This includes both the fixed annual remuneration as well as the attendance fee.

The company arranges a loss and liability insurance policy to cover the members of the Board of Directors in the performance of their duties. This policy provides coverage of € 6,000 thousand for each individual insurance claim and for total insurance claims in a given period. No deductible is arranged.

## Remuneration of the Board of Directors in the 2020 Fiscal Year

The total remuneration granted to the members of the Board of Directors in the 2020 fiscal year amounted to € 141 thousand (previous year: € 173 thousand). There were no loan receivables due from the members of the Board of Directors. The following table shows individual remuneration per member of the Board of Directors.

### THE 2020 FISCAL YEAR

in € thousand	Fixed amount	Attendance fee	Other expenses	D&O-insurance	Total remuneration
Dr. Michael Drill	24	11	0	0	35
Gerhard A. Burkhardt	21	10	0	0	31
Rainer Zinow	20	11	0	0	31
Dr. Karl Benedikt Biesinger	20	11	0	0	31
Dr. Klaus Kleinfeld	9	2	0	0	11
<b>Summe</b>	<b>94</b>	<b>45</b>	<b>1</b>	<b>1</b>	<b>141</b>

### THE 2019 FISCAL YEAR

in € thousand	Fixed amount	Attendance fee	Other expenses	D&O-insurance	Total remuneration
Dr. Klaus Kleinfeld	14	4	58	0	76
Dr. Michael Drill	22	5	1	0	28
Gerhard A. Burkhardt	20	5	1	0	26
Rainer Zinow	20	5	1	0	26
Dr. Karl Benedikt Biesinger	11	4	1	0	16
<b>Summe</b>	<b>87</b>	<b>23</b>	<b>62</b>	<b>1</b>	<b>173</b>

<sup>1</sup> Reimbursement of travel costs.



### Declaration on Company Management

SNP SE, as a publicly traded company pursuant to Section 315d and Section 289f of the German Commercial Code (HGB), must provide a declaration on company management in the management report or make one accessible on the website of the company. The Managing Directors and Board of Directors of SNP SE submitted the declaration on company management on April 8, 2021, and published it on the website at <https://www.snpgroup.com/de/corporate-governance>.

### Group Non-financial Declaration

The separate Group non-financial report in accordance with Sections 289b and 315b of the HGB can be viewed as part of the sustainability report on the SNP SE website at [www.snpgroup.com](http://www.snpgroup.com) (under Investor Relations – Corporate Governance – Separate Group Non-financial Report). It is not part of the Group management report.

Heidelberg, Germany, April 19, 2021

Managing Directors



Michael Eberhardt



Prof. Dr. Heiner Diefenbach



# CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED BALANCE SHEET**

to December 31, 2020

**ASSETS**

in € thousand	Notes	Dec. 31, 2020	Dec. 31, 2019 (adjusted) <sup>1</sup>	Dec. 31, 2019 (as reported)
<b>Current assets</b>				
Cash and cash equivalents	14.	25,961	19,137	19,137
Other financial assets	15.	20,383	703	703
Trade receivables and other receivables	16.	25,600	33,318	33,318
Contract asset values	17.	19,704	20,987	20,987
Inventories	18.	0	374	374
Other non-financial assets	19.	2,854	2,134	2,134
Tax receivables	33.	81	86	86
Disposal groups held for sale	20.	31,398	0	0
		<b>125,981</b>	<b>76,739</b>	<b>76,739</b>
<b>Non-current assets</b>				
Goodwill	10.	33,605	54,194	54,194
Other intangible assets	21.	5,422	7,889	7,889
Property, plant and equipment	22.	4,396	5,513	5,513
Rights of use	23.	17,511	17,851	21,428
Other financial assets	15.	592	869	869
Investments accounted for under the equity method	24.	225	25	25
Trade receivables and other receivables	16.	0	137	137
Contract values	17.	12,571	1,966	1,966
Other non-financial assets	19.	147	60	60
Deferred taxes	33.	6,223	5,259	5,207
		<b>80,692</b>	<b>93,763</b>	<b>97,288</b>
		<b>206,673</b>	<b>170,502</b>	<b>174,027</b>

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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

## EQUITY AND LIABILITIES

in € thousand	Notes	Dec. 31, 2020	Dec. 31, 2019 (adjusted) <sup>1</sup>	Dec. 31, 2019 (as reported)
<b>Current liabilities</b>				
Trade payables and other liabilities	25.	4,613	10,239	10,239
Contract liabilities	17.	6,178	6,440	6,440
Tax liabilities	33.	2,269	1,116	1,116
Financial liabilities	26.	12,758	12,972	13,277
Other non-financial liabilities	28.	18,225	18,672	18,672
Provisions	29.	1,124	115	115
Liabilities resulting from assets held for sale	20.	8,819	0	0
		<b>53,986</b>	<b>49,554</b>	<b>49,859</b>
<b>Non-current liabilities</b>				
Trade payables and other liabilities	17.	2,134	0	0
Contract liabilities	26.	59,498	49,788	49,309
Financial liabilities	28.	246	0	0
Provisions for pensions	32.	2,829	2,891	2,891
Other provisions	29.	0	603	603
Deferred taxes	33.	297	763	763
		<b>65,004</b>	<b>54,045</b>	<b>53,566</b>
<b>Equity</b>				
Subscribed capital	34.	7,212	6,602	6,602
Capital reserve	36.	87,068	59,968	59,968
Retained earnings	36.	4,725	6,245	9,922
Other components of the equity		-8,380	-4,489	-4,467
Treasury shares	35.	-2,713	-1,509	-1,509
<b>Equity attributable to shareholders</b>		<b>87,912</b>	<b>66,817</b>	<b>70,516</b>
Non-controlling interests	37.	-229	86	86
		<b>87,683</b>	<b>66,903</b>	<b>70,602</b>
		<b>206,673</b>	<b>170,502</b>	<b>174,027</b>

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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

**CONSOLIDATED INCOME STATEMENT**

for the period from January 1 to December 31, 2020

in € thousand		Notes	2020	2019 (adjusted) <sup>1</sup>	2019 (as reported)
<b>Revenue</b>			<b>143,781</b>	<b>145,185</b>	<b>145,185</b>
	Service	10.	93,913	97,610	97,610
	Software	10.	49,868	47,575	47,575
Capitalized own services			119	939	939
Other operating income		40.	3,451	2,459	2,459
Cost of material		41.	-17,888	-17,929	-17,929
Personnel costs		42.	-93,457	-84,606	-84,606
Other operating expenses		43.	-25,914	-30,495	-30,495
Impairments on receivables and contract assets			-293	-42	-42
Other taxes			-574	-376	-376
<b>EBITDA</b>			<b>9,225</b>	<b>15,135</b>	<b>15,135</b>
Depreciation and impairments on intangible assets and property, plant and equipment			-8,385	-11,688	-8,133
<b>EBIT</b>			<b>840</b>	<b>3,447</b>	<b>7,002</b>
Other financial income			46	203	203
Other financial expenses			-1,622	-1,751	-1,577
<b>Net financial income</b>		44.	<b>-1,576</b>	<b>-1,548</b>	<b>-1,374</b>
<b>EBT</b>			<b>-736</b>	<b>1,899</b>	<b>5,628</b>
Income taxes		33.	-1,102	-3,319	-3,371
<b>Consolidated income/net loss</b>			<b>-1,838</b>	<b>-1,420</b>	<b>2,257</b>
Thereof:					
Profit attributable to non-controlling shareholders			-318	-61	-61
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE			-1,520	-1,359	2,318
<b>Earnings per share (€)</b>		12.			
- Undiluted			-0.22	-0.21	0.35
- Diluted			-0.22	-0.21	0.35
<b>Weighted average number of shares</b>		12.			
- Undiluted			6,810,391	6,572,767	6,572,767
- Diluted			6,810,391	6,572,767	6,572,767

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the period from January 1 to December 31, 2020

in € thousand	2020	2019 (adjusted) <sup>1</sup>	2019 (as reported)
<b>Net income for the period</b>	<b>-1,838</b>	<b>-1,420</b>	<b>2,257</b>
<b>Items that may be reclassified to profit or loss in the future</b>			
Currency translation differences	-3,979	606	628
Deferred taxes on currency translation differences	0	0	0
	<b>-3,979</b>	<b>606</b>	<b>628</b>
<b>Items that will not be reclassified to profit or loss</b>			
Change from the revaluation of defined benefit pension plans	155	-742	-742
Deferred taxes on revaluation of defined benefit pension plans	-64	144	144
	<b>-91</b>	<b>-598</b>	<b>-598</b>
<b>Income and expenses directly recognized in equity</b>	<b>-3,888</b>	<b>8</b>	<b>30</b>
<b>Total comprehensive income</b>	<b>-5,726</b>	<b>-1,412</b>	<b>2,287</b>
Profit attributable to non-controlling shareholders	-315	-58	-58
<b>Profit attributable to shareholders of SNP Schneider-Neureither &amp; Partner SE in total comprehensive income</b>	<b>-5,411</b>	<b>-1,354</b>	<b>2,345</b>

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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

**CONSOLIDATED CASH FLOW STATEMENT**

for the period from January 1 to December 31, 2020

in € thousand	2020	2019 (adjusted) <sup>1</sup>	2019 (as reported)
<b>Profit after tax</b>	<b>-1,838</b>	<b>-1,420</b>	<b>2,257</b>
Depreciation	8,385	11,688	8,133
Change in provisions for pensions	-62	828	828
Other non-cash income/expenses	-1,572	681	559
Changes in trade receivables, contract assets, other current assets, other non-current assets	-9,763	-24,673	-24,673
Changes in trade payables, contract liabilities, other provisions, tax liabilities, other current liabilities	6,847	7,807	7,807
<b>Cash flow from operating activities (1)</b>	<b>1,997</b>	<b>-5,089</b>	<b>-5,089</b>
Payments for investments in property, plant and equipment	-1,424	-2,194	-2,194
Payments for investments in intangible assets	-695	-1,671	-1,671
Payments for investments in financial assets	-20,000	0	0
Payments for investments in at-equity investments	-200	-25	-25
Proceeds from the disposal of items of intangible assets and property, plant and equipment	110	288	288
Payments resulting from the acquisition of consolidated companies and other business units	-956	-4,558	-4,558
<b>Cash flow from investing activities (2)</b>	<b>-23,166</b>	<b>-8,160</b>	<b>-8,160</b>
Proceeds from capital increase	27,573	0	0
Payments for the purchase of treasury shares	-1,204	-1,094	-1,094
Proceeds from loans taken out	17,022	242	242
Payments for the settlement of loans and other financial liabilities	-5,938	-148	-148
Payments resulting from the settlement of lease liabilities	-5,245	-6,315	-6,315
<b>Cash flow from financing activities (3)</b>	<b>32,208</b>	<b>-7,315</b>	<b>-7,315</b>
Changes in cash and cash equivalents due to foreign exchange rates (4)	-771	-273	-273
<b>Cash change in cash and cash equivalents (1) + (2) + (3) + (4)</b>	<b>10,268</b>	<b>-20,837</b>	<b>-20,837</b>
Cash and cash equivalents at the beginning of the fiscal year	19,137	39,974	39,974
<b>Cash and cash equivalents as of December 31</b>	<b>29,405</b>	<b>19,137</b>	<b>19,137</b>
<b>Composition of cash and cash equivalents:</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Cash and cash equivalents	29,405	19,137	19,137
<b>Cash and cash equivalents as of December 31</b>	<b>29,405</b>	<b>19,137</b>	<b>19,137</b>

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the period from January 1 to December 31, 2020

in € thousand	Subscribed Capital	Capital reserve	Retained earnings	Other components of equity			Treasury shares	Shareholders of SNP SE attributable capital	Non-controlling shares	Total equity
				Currency conversion	Revaluation of performance-oriented obligations	Other components of equity Total				
<b>As of January 1, 2019</b>	<b>6,602</b>	<b>59,968</b>	<b>7,605</b>	<b>-4,013</b>	<b>-482</b>	<b>-4,495</b>	<b>-415</b>	<b>69,265</b>	<b>144</b>	<b>69,409</b>
Purchase of own shares							-1,094	-1,094		-1,094
Total comprehensive income			-2,317	626	-598	28		2,345	-58	2,287
<i>thereof hyperinflation</i>			-190	2,539		2,539		2,349		2,349
<b>As of December 31, 2019 (as reported)</b>	<b>6,602</b>	<b>59,968</b>	<b>9,922</b>	<b>-3,387</b>	<b>-1,080</b>	<b>-4,467</b>	<b>-1,509</b>	<b>70,516</b>	<b>86</b>	<b>70,602</b>
Error correction <sup>1</sup>			-3,677	-22		-22		-3,699		-3,699
<b>As of December 31, 2019 (adjusted)</b>	<b>6,602</b>	<b>59,968</b>	<b>6,245</b>	<b>-3,409</b>	<b>-1,080</b>	<b>-4,489</b>	<b>-1,509</b>	<b>66,817</b>	<b>86</b>	<b>66,903</b>
Capital increase	610	26,963						27,573		27,573
Purchase of own shares							-1,204	-1,204		-1,204
Stock option plan		137						137		137
Total comprehensive income			-1,520	-3,982	-91	-3,891		-5,411	-315	-5,726
<i>thereof hyperinflation</i>			-445	630		630		185		185
<b>As of December 31, 2020</b>	<b>7,212</b>	<b>87,068</b>	<b>4,725</b>	<b>-7,391</b>	<b>-989</b>	<b>-8,380</b>	<b>-2,713</b>	<b>87,912</b>	<b>-229</b>	<b>87,683</b>

<sup>1</sup> Further information on the adjusted previous year figures can be found in the notes in the „Error correction“ section.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

## 1. BASIC INFORMATION ON THE COMPANY

SNP Schneider-Neureither & Partner SE arose through a transformation from Schneider-Neureither & Partner AG. The transformation into a European stock corporation (Societas Europaea / SE) was entered into the commercial register on December 6, 2017. The company is based in Heidelberg, Germany. The company is entered into the commercial register of the Mannheim District Court under HRB 729172.

The shares of SNP Schneider-Neureither & Partner SE are traded on the Prime Standard of the Frankfurt Stock Exchange under security identification number ISIN DE0007203705. The SNP Share was listed on the SDAX from March 23, 2020, until March 22, 2021. According to the regular review, the SNP share barely missed the criterion for market capitalization.

SNP Schneider-Neureither & Partner SE (hereinafter referred to as SNP) 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 helps companies adapt

their business models and successfully utilize opportunities for digitalization by means of proprietary solutions. Our software and services make it easy to implement business or technical changes in business applications and enable customers to automate this process.

With its unique BLUEFIELD™ approach and its world-leading data transformation platform CrystalBridge®, the company has established the foundations for setting an industry standard for automated data transformation. SNP specializes in the automated analysis, implementation and monitoring of changes to IT systems. This approach significantly boosts quality while reducing costs, risks and the time required for the implementation of complex transformation projects, while adhering to the highest compliance and security standards.

The consolidated financial statements of SNP Schneider-Neureither & Partner SE, Heidelberg, for the fiscal year ended December 31, 2020, were approved for publication by resolution of the Board of Directors on April 19, 2021.

## 2. GENERAL INFORMATION

The consolidated financial statements of SNP Schneider-Neureither & Partner SE and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and Section 315e (1) of the 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 or IFRS IC) 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 315e (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). Due to rounding-off, slight discrepancies are possible in this report for total amounts as well as percentage figures.

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

The consolidated financial statements are prepared on a historical cost basis, with the following exceptions:

- defined benefit pension plans – plan assets are measured at fair value
- cash-settled share-based payment transactions – the remuneration plans, payable in cash, are measured at fair value
- equity-settled share-based payment transaction – measurement of the equity instrument granted on the grant date is made at fair value
- derivative financial instruments – measurement at fair value
- contingent consideration in case of a business combination – measurement at fair value
- disposal groups – measured at fair value less costs to sell.

### 3. APPLICATION OF NEW ACCOUNTING RULES

The following standards and interpretations of the International Accounting Standards Board (IASB) that have come into force have been adopted by the European Union (EU) and taken into consideration in the preparation of the consolidated financial statements as of December 31, 2020:

- Conceptual Framework for Financial Reporting – Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1)
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IFRS 16 – COVID-19-Related Rent Concessions

The application of these new or revised standards and interpretations has only affected the consolidated financial statements within the scope of the amendments to IFRS 16.

The Group had applied early Amendments to IFRS 16 – Covid-19-Related Rent Concessions, which were published on May 28, 2020. These amendments comprise a voluntary practical expedient for leases where the Group is a lessee – i.e. for those leases where the Group is permitted to apply the practical expedient, it is not required to assess whether qualifying rent concessions which are a direct consequence of the coronavirus pandemic constitute a lease modification. The Group has applied these amendments with retroactive effect. The amendment has not had any effect on retained earnings as of January 1, 2020. Compare with notes in Chapter 23.

### 4. NEW ACCOUNTING RULES WHICH HAVE NOT YET TAKEN EFFECT

The following standards and interpretations (of relevance to the Group) have been issued but have not yet taken effect as of the date of publication of the consolidated financial statements. The Group intends to apply these standards as of the date that they come into effect, where appropriate.

- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9 <sup>1</sup>
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2) <sup>1</sup>
- Amendments to IFRS 16 – COVID-19-Related Rent Concessions after June 30, 2021 <sup>2,6</sup>
- Amendments to IAS 16 – Proceeds before Intended Use <sup>3,6</sup>
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract <sup>3,6</sup>
- Amendments to IFRS 3 – Reference to the Conceptual Framework <sup>3,6</sup>
- Annual Improvements to the IFRS (2018–2020 Cycle) <sup>3,6</sup>
- IFRS 17 – Insurance Contracts <sup>4,6</sup>
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current <sup>4,6</sup>
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies <sup>4,6</sup>
- Amendments to IAS 8 – Definition of Accounting Estimates <sup>4,6</sup>
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5,6</sup>

<sup>1</sup> Applicable for fiscal years beginning on or after January 1, 2021.

<sup>2</sup> Applicable for fiscal years beginning on or after April 01, 2021.

<sup>3</sup> Applicable for fiscal years beginning on or after January 01, 2022.

<sup>4</sup> Applicable for fiscal years beginning on or after January 01, 2023.

<sup>5</sup> Date of initial application postponed indefinitely.

<sup>6</sup> EU endorsement not yet given.

SNP Schneider-Neureither & Partner SE is examining the future impact of the 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.

## 5. ERROR CORRECTION

While preparing consolidated financial statements for the 2020 fiscal year, it was determined that a right-of-use asset from a lease agreement (pursuant to IFRS 16) for a property with a related party in the USA had to be written down as per IAS 8 by € 3,773 thousand to zero for the 2019 fiscal year. The review of the real estate in the USA carried out after the death of the company's founder and Chairman of the Board of Directors Dr. Andreas Schneider-Neureither determined a lack of usability from as early as the beginning of the lease in 2019. Accordingly, this translates to a corrected EBIT of € 3,447 million for the comparable period in 2019 (originally € 7,002 million). The corrections were made in accordance with the correction regulations of IAS 8.

Furthermore, the first level of the covenant for the promissory note loan was not met in 2019 due to the valuation allowance of the right to use the real estate in the USA. This resulted in a 0.5% higher interest rate being paid for the 2020 fiscal year. For this purpose, the present value of future payments for the promissory note loan was adjusted as of December 31, 2019 using the effective interest method. This had an impact affecting profit or loss on the net financial result of € 174 thousand for 2019. This correction was also made in accordance with the regulations of IAS 8.

Deferred tax liabilities of € 960 thousand were reversed to profit and loss through the write-down of the right-of-use asset. At the same time, previously recognized deferred tax assets for loss carryforwards were impaired by € 960 thousand, as the recoverability lapsed due to the reversal of deferred tax liabilities.

In the previous year, two rows in the Notes disclosure on current tax expenses were switched due to a formula error. The presentation of the disclosure was adjusted as part of the error correction.

The corrections affecting profit or loss for the 2019 fiscal year amount to € 3,667 thousand after taxes. Earnings were too high by this amount. The corrected earnings after taxes amount to € -1,420 thousand (originally € 2,257 thousand).

The following table shows the affected items of the consolidated statement of financial position and the consolidated income statement as well as the specific adjustments made. Accordingly, the respective items from the previous year are shown both as reported last year and adjusted in the disclosures.

in € thousand	Impact of the corrections		
	12/31/2019 as previously reported	Adjust- ment	12/31/2019 adjusted
<b>Assets</b>			
Right-of-use assets	21,428	-3,577	17,851
Deferred Taxes	5,207	52	5,259
<b>Liabilities</b>			
Current financial liabilities	13,277	-305	12,972
Noncurrent financial liabilities	49,309	479	49,788
<b>Equity</b>	<b>70,602</b>	<b>-3,699</b>	<b>66,903</b>
of which retained earnings	9,922	-3,677	6,245
of which other components of equity	-4,467	-22	-4,489

in € thousand	2019 as previously reported	Adjust- ment	2019 adjusted
<b>Group Income Statement</b>			
Amortization and impairments on intangible assets, property, plant and equipment and right-of-use assets	-8,133	-3,555	-11,688
<b>EBIT</b>	<b>7,002</b>	<b>-3,555</b>	<b>3,447</b>
Other financial expenses	-1,577	-174	-1,751
<b>EBT</b>	<b>5,628</b>	<b>-3,729</b>	<b>1,899</b>
Income taxes	-3,371	52	-3,319
<b>Profit or loss for the period</b>	<b>2,257</b>	<b>-3,677</b>	<b>-1,420</b>

In addition, there was a retroactive adjustment to the segment reporting for 2019. Due to a calculation error, the segment earnings for the Services business segment in the 2019 fiscal year were reported € 504 thousand too high and the earnings for the Software business segment were reported € 504 thousand too low. This error had no effect on the overall segment earnings. The error has been corrected via a retroactive adjustment to all affected

segment items in the previous year. The adjusted segment result in 2019 is due to the error correction with regard to the right to use the real estate in the USA. See Chapter 13 "Segment Reporting."

## 6. SCOPE OF CONSOLIDATION

Aside from SNP Schneider-Neureither & Partner SE (Speyerer Strasse 4, 69115 Heidelberg, Germany) as the parent company, the scope of consolidation includes the following subsidiaries in which SNP Schneider-Neureither & Partner SE holds the majority of the voting rights directly or indirectly.

The exemption rule pursuant to Section 264 (3) of the HGB has been used for the following companies included in the consolidated financial statements:

- SNP Deutschland GmbH, Heidelberg
- SNP Applications DACH GmbH, Heidelberg
- SNP GmbH, Heidelberg
- Hartung Consult GmbH, Berlin
- Innoplexia GmbH, Heidelberg
- ERST European Retail Systems Technology GmbH, Hamburg

Company name	Company headquarters	Share ownership in %
SNP Deutschland GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP GmbH	Heidelberg, Germany	100
Innoplexia GmbH	Heidelberg, Germany	100
ERST European Retail Systems Technology GmbH	Hamburg, Germany	100
Hartung Consult GmbH	Berlin, Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG	Steinhausen, Switzerland	100
Harlex Consulting Ltd.	London, U.K.	100
SNP Poland Sp. z o.o.	Suchy Las, Poland	100
SNP Digital Hub Eastern Europe sp. z o.o. <sup>2</sup>	Suchy Las, Poland	100
SNP Transformations, Inc.	Jersey City, New Jersey, USA	100
ADP Consultores S.R.L.	Buenos Aires, Argentina	100
ADP Consultores Limitada	Santiago de Chile, Chile	100
ADP Consultores S.A.S.	Bogotá, Colombia	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Shanghai SNP Data Technology Co., Ltd. (vormals Hartung Information System Co., Ltd.)	Shanghai, China	100
Qingdao SNP Data Technology Co., Ltd. <sup>2</sup>	Qingdao, China	100
SNP Transformations SEA Pte. Ltd.	Singapore, Singapore	81
SNP Transformations Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	81
SNP Australia Pty Ltd.	Sydney, Australia	100
SNP Japan Co.,Ltd. <sup>1</sup>	Tokyo, Japan	100

<sup>1</sup> SNP Japan Co.,Ltd. was established in February 2020.

<sup>2</sup> SNP Digital Hub Eastern Europe sp. z o.o. was established in July 2020.

Harlex Management Ltd. was deconsolidated as no longer material in 2020.

## 7. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are based on the annual financial statements of SNP Schneider-Neureither & Partner SE and its consolidated subsidiaries and are prepared according to uniform Group-wide accounting methods. 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 has control.

Capital is consolidated according to the acquisition method. As of the acquisition date, the consideration transferred, including noncontrolling interests in the acquired company, is offset against the balance of 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 as profit.

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

All intragroup assets and liabilities, equity, expenses and income, gains and losses and cash flows from intragroup transactions are eliminated in full. Intragroup losses are eliminated in the same way as intragroup gains, but only if there is no indication of impairment.

Noncontrolling interests are parts of the profit or loss for the period, other comprehensive income and of the net assets attributable to interests neither directly nor indirectly assigned to SNP SE. Noncontrolling interests in earnings and equity are shown separately in the consoli-

dated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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/loss of an associate is presented in the income statement. This involves the profit/loss attributable to equity holders of the associate and therefore is the profit/loss 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 the application of the equity method, the Group determines whether it is necessary to record an impairment loss for its shares in an associate. On every reporting date for financial statements, the Group determines whether objective grounds exist to state 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 is recorded as an impairment loss, through profit or loss, for the result from investments accounted for using the equity method.

## 8. CURRENCY TRANSLATION AND HYPERINFLATION

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. As of the reporting date, 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 assets and liabilities of these subsidiaries are translated into the reporting currency of SNP Schneider-Neureither & Partner SE at the closing rate on the reporting date. Income and expenses are translated at the weighted average exchange rate for the reporting month in question. The resulting differences are recognized as a separate component of equity under "Other components of equity."

We are applying the financial reporting for hyperinflationary economies, IAS 29, to our subsidiary in Argentina, namely by adjusting this subsidiary's annual financial statements – prepared on a historical cost basis – for the current period while taking into account the change in the general purchasing power of the local currency based on relevant price indices as of the reporting date. The consumer price index IPC (Índice de precios al consumidor) is used for this purpose. The index value applied as of the reporting date was 385.8826 (December 31, 2019:

283.4442 / December 31, 2018: 184.2552). The adjusted annual financial statements of our subsidiary in Argentina are translated at the closing rate on the reporting date. The adjustments apply to all of the items in the financial statements which have not yet been expressed in the unit of measurement applicable as of the reporting date. The biggest effects resulting from this accounting method are as follows:

- Revenue: decrease of € 2.6 million (previous year: € 2.3 million),
- Expenses and other income and taxes: profit increase of € 2.8 million (previous year: € 2.5 million),

- EBIT: profit increase of € 0.1 million (previous year: € 0.2 million),
- Goodwill: increase of € 0.2 million (previous year: € 2.0 million),
- Equity: decrease in other reserves of € 0.6 million (previous year: increase of € 2.5 million),
- Profit or loss resulting from the net financial position: loss in the amount of € 0.1 million (previous year: € 0.3 million).

The following table shows the companies that have a functional currency other than the euro. The euro exchange rates applied are also shown:

Company	Country	Currency	Closing rates		Average rates	
			2020	2019	2020	2019
SNP (Schweiz) AG	Switzerland	CHF	1.0802	1.0854	1.07031	1.11267
SNP Resources AG	Switzerland	CHF	1.0802	1.0854	1.07031	1.11267
Harlex Management Ltd.	United Kingdom	GBP	0.89903	0.8508	0.88921	0.87731
Harlex Consulting Ltd.	United Kingdom	GBP	0.89903	0.8508	0.88921	0.87731
SNP Poland Sp. z o.o.	Poland	PLN	4.5597	4.2568	4.44318	4.29753
SNP Digital Hub Eastern Europe sp. z o.o.*	Poland	PLN	4.5597	*	4.44318	*
SNP Transformations, Inc.	USA	USD	1.2271	1.1234	1.14128	1.1196
SNP Schneider-Neureither & Partner ZA (Pty) Limited	South Africa	ZAR	18.0219	15.7773	18.76848	16.17309
Hartung Informational System Co., Ltd.	China	CNY	8.0225	7.8205	7.87084	7.73388
Qingdao SNP Data Technology Co., Ltd.	China	CNY	8.0225	7.8205	7.87084	7.73388
SNP Transformations SEA Pte. Ltd.	Singapore	SGD	1.6218	1.5111	1.57357	1.52721
SNP Transformations Malaysia Sdn. Bhd.	Malaysia	MYR	4.9340	4.5953	4.79349	4.63716
SNP Australia Pty Ltd.	Australia	AUD	1.5896	1.5995	1.65539	1.6106
SNP Japan Co.,Ltd*	Japan	JPY	126.49	*	121.77545	*
ADP Consultores S.R.L.**	Argentina	ARS	103.30175	67.0397	**	**
ADP Consultores Limitada	Chile	CLP	870.66	832.3500	902.893	786.86006
ADP Consultores S.A.S.	Colombia	COP	4,212.021	3,681.5390	4,224.718	3,669.9201

\* SNP Japan Co.,Ltd and SNP Digital Hub Eastern Europe sp. z o.o. were established in 2020. The previous-year figures are not relevant these companies.

\*\* The average exchange rate of the Argentine peso against the euro does not apply here due to the application of IAS 29.

## 9. USE OF ESTIMATES

The preparation of the consolidated financial statements requires estimates and assumptions made by the Managing Directors 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.

Estimates are also subject to a heightened level of uncertainty due to the currently highly dynamic course of the coronavirus pandemic. SNP assessed the expected impact of the coronavirus pandemic within the scope of its preparation of its consolidated financial statements as of December 31, 2020, in particular in performing impairment testing for goodwill and intangible assets and in determining the impairment for expected credit losses on trade receivables and contract assets. SNP assumes that the estimates and assumptions made in relation to its financial statements appropriately reflect its position as of the preparation of the consolidated financial statements.

### Realization of Revenue

Progress in customer-specific projects is measured by means of the input-based cost-to-cost 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.

We are required to determine the following factors for accounting for our multi-component contracts:

- Which contracts with a specific customer must be reported as an overall contract.
- Which performance obligations for an overall contract may be individually identified and must therefore be separately reported
- How the overall fee for an overall contract should be broken down into its performance obligations.

The assessment of whether various contracts with a given customer must be reported as an overall contract entails significant discretionary judgments, since we must evaluate whether these contracts were jointly negotiated or are otherwise linked with one another. The timing and amount of revenue recognition may differ, depending on whether two contracts are reported separately or as an overall contract.

### Measurement of Trade Receivables

SNP takes into account impairment of trade receivables by recognizing decreases in revenue as well as allowances for doubtful accounts in accordance with the

simplified impairment model provided by IFRS 9. This involves taking the expected credit losses into account via an impairment matrix. Specific valuation allowances are also recognized if necessary. The assessment of whether a receivable can be collected entails discretionary judgments and requires assumptions regarding bad debt losses that may be subject to significant changes. Discretionary judgments are necessary where we assess the available information as regards the financial situation of a specific customer to determine whether a bad debt loss is probable, the amount of this bad debt loss can be reliably estimated and an allowance is thus necessary for this customer. The determination of the expected credit losses for remaining receivables on the basis of past experience also entails discretionary judgments, since past trends may not be representative of future development. Changes in our estimates in relation to the allowances for doubtful accounts may have a significant impact on our reported assets and expenses. In addition, our operating result might be adversely affected if the actual bad debt losses are significantly higher than we had assumed.

### Leases

In order to determine the terms of leases, the management takes into consideration all facts and circumstances which offer an economic incentive to exercise extension options or not to exercise termination options. Periods for which extension or termination options apply will only be included in the term of the agreement where an extension or non-exercise of a termination option is reasonably probable.



The following rules for the determination of the terms of leases apply in connection with leasing of office space:

- In the event that the exercise of a termination option or the non-exercise of an extension option will result in significant economic disadvantages for the Group, as a rule it will be reasonably probable that the Group will not terminate, or will extend, the agreement.
- In case of leasehold improvements which have a significant residual value, as a rule it will be reasonably probable that the Group will extend, or will not terminate, the agreement.
- In addition, other factors such as historical lease terms as well as costs and interruptions of business which the Group will incur if a leasing asset must be replaced will likewise be taken into consideration.

The original assessment will be reevaluated in case of a significant event or a significant change in circumstances which is liable to influence the previous assessment, where the lessee has control over this.

### Accounting for Income Taxes

Due to the international nature of our business activity, we are subject to changes in tax legislation in our Group's various jurisdictions. Moreover, our ordinary business activities include transactions whose ultimate tax consequences are uncertain due to different interpretations of tax legislation. In addition, the income taxes paid by us are subject to ongoing tax audits carried out by German and foreign tax authorities. Discretionary judgments are therefore necessary in order to determine our global income tax liabilities. We assess

the development of tax uncertainties on the basis of current tax legislation and our interpretations. Changes in the assumptions that form the basis of these estimates and results that differ from these assumptions may give rise to significant adjustments to the carrying amount of our income tax liabilities. The assessment of whether a deferred tax asset is impaired requires discretionary judgments on the part of the management, since we must estimate future taxable income in order to determine whether use of this deferred tax asset is probable. For the assessment of our ability to use our deferred tax assets, we consider all of the available information, including taxable income realized in the past, as well as the predicted taxable income in the periods in which these deferred tax assets are expected to be realized. Our assessment of future taxable income is based on assumptions regarding the future market conditions and the future profits of SNP. Changes in these assumptions and results that differ from these assumptions may give rise to significant adjustments to the carrying amount of our deferred tax assets.

### Accounting for Business Combinations

Within the scope of accounting for business combinations, discretionary judgments are necessary within the scope of the assessment as to whether an intangible asset can be identified and should be recognized separately from goodwill. In addition, an estimate of the fair values of the identifiable acquired assets and assumed liabilities as of the date of acquisition entails significant discretionary judgments on the part of the management. The necessary assessments are based on the information that is available as of the date of acquisition, as well as the ex-

pectations and assumptions that the management deems appropriate. These discretionary judgments, estimates and assumptions may have a significant impact on our financial position and financial performance due to the following reasons, for example:

- the fair values assigned to the assets subject to depreciation will affect the value of the depreciation recognized in the operating result in the periods following the acquisition.
- Subsequent adverse changes to the estimated fair values of assets might result in additional expenses due to impairment.
- Subsequent changes in the estimated fair values of liabilities and provisions may result in additional expenses (in the case of an increase in the estimated fair values) or additional income (in case of a decrease in the estimated fair values).

### Subsequent Accounting for Goodwill and Other Intangible Assets

Discretionary judgments are necessary:

- for the determination of the economic useful life of an intangible asset, since here, we estimate the period in which this intangible asset is likely to provide us with an economic benefit;
- for the determination of the method of amortization, since according to the IFRS, assets must undergo amortization on a straight-line basis unless we can reliably determine consumption of the future economic benefit.

The amortization period and the amortization method both affect the expenses for amortization recognized in the individual periods. The assessment of impairment of our goodwill and intangible assets is highly dependent on the management's assumptions regarding future cash flows and economic risks that entail significant discretionary judgments and assumptions as regards future developments. These may be influenced by a large number of factors, e.g.,

- changes to business strategy
- internal forecasts
- estimates of our weighted average cost of capital (WACC)

Changes to the underlying assumptions for our assessments of impairment of our goodwill and intangible assets may result in significant adjustments to the carrying amount of our recognized goodwill and intangible assets as well as to the impairment losses recognized through profit or loss.

### Disposal Groups Held for Sale

Groups of assets held for sale and liabilities directly associated with these assets (disposal groups) are measured at the lower of their carrying amount and their fair value less costs to sell. Fair value less costs to sell may be determined on the basis of estimates and assumptions made by the management, which are subject to a degree of uncertainty.

## 10. 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 in 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 three months and are subject to only insignificant risks of fluctuations in value.

### Financial Instruments

A financial instrument is an agreement which simultaneously creates a financial asset for one company and a financial liability or equity instrument for another.

At SNP, financial instruments are reported under the following items on the statement of financial position: cash and cash equivalents, other financial assets, trade receivables and other receivables, trade payables and other liabilities and financial liabilities.

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when SNP becomes a contractual party to a financial instrument. Financial assets are derecognized when there are no longer any contractual rights to payments from the financial assets. By way of example, receivables are derecognized when their non-collectability is determined with definitive effect. Financial liabilities are derecognized when the contractual obligations are settled, canceled or have expired. Financial instruments are initially

recognized at fair value less transaction costs, except in case of financial instruments measured at fair value through profit or loss. Trade receivables without a significant financing component are stated at the transaction price in accordance with IFRS 15.

### Financial Assets

IFRS 9 includes three measurement categories for financial assets: **“measured at amortized cost”**, **“measured at fair value through profit or loss”** and **“measured at fair value through other comprehensive income.”** Financial assets are first of all assigned to the measurement categories and measured on the basis of the contractual cash flows. Financial assets whose cash flows consist exclusively of payments of interest and principal are categorized depending on the business model.

The category “financial assets measured at amortized cost” is the most significant for the purposes of the consolidated financial statements. SNP measures financial assets at amortized cost if the two following conditions are satisfied:

- The financial asset is held as part of a business model that aims only to hold financial assets in order to collect the contractual cash flows and
- the contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding arising on specified dates.

Financial assets measured at amortized cost are measured through profit or loss in accordance with the effec-

tive interest method in subsequent periods and are to be checked for impairment. Gains and losses are also recognized in profit or loss if the asset is derecognized, modified or impaired.

Financial assets which are “measured at fair value through profit or loss” exclusively comprise derivative financial instruments with a positive fair value which are entered into to hedge interest rate risk and are not included in hedge accounting as hedging instruments.

Financial assets “measured at fair value through other comprehensive income” include all assets whose contractual conditions result in cash flows that are solely payments of principal and interest on the principal amount outstanding arising on specified dates, provided that these assets are held not only with the intention of collecting the contractual cash flows that are expected to arise during their term, but also with the intention of generating cash flows from their disposal. This category includes fixed-rate bonds, for instance. The Group did not hold any assets in this category in the reporting year or in the previous year.

#### *Impairment for Expected Credit Losses Relating to Trade Receivables and Contract Assets*

The IFRS 9 simplified impairment model is applied in order to determine the impairment for trade receivables and contract assets. The expected credit losses are determined over the entire term by means of an impairment matrix. For the purposes of the impairment matrix, we have assigned our local subsidiaries to various risk classes, mainly on the basis of the information available re-

garding the country risk classification for their home country. We then assess the default risk for trade receivables and contract assets on the basis of the historical default risks as well as information available in relation to the country risk classification. On the basis of our analyses – including in the context of the impact of the ongoing coronavirus pandemic – historical default rates generally serve in this respect as a reasonable approximation of the default risks envisaged in the future. Outstanding receivables are continuously monitored at a local level in order to determine whether there are any objective indications that the credit standing of our trade receivables and contract assets is impaired. Information e.g. regarding significant financial difficulties for the customer or non-compliance with a payment plan will indicate the impairment of trade receivables and contract assets. If these aspects apply, the impairment is adjusted accordingly, meaning the receivables are considered to have been lost (risk class 6) and a 100% write-down is recognized. Our consolidated income statement includes expenses resulting from expected credit losses due to the application of the impairment matrix as well as customers with impaired credit standing separately under “Impairment on receivables and contract assets.” Outstanding debts are written off in part or entirely if we assume that their realization is improbable. For example, this may be the case if the insolvency proceedings for the customer have been completed or all of the options for the recovery of claims have been exhausted.

We apply the general impairment rules under IFRS 9 for bank balances, debt instruments and loans, as well as other financial receivables not classified at fair value through profit or loss. We exclusively invest financial re-

sources with well-known financial institutions in order to minimize the default risk. By virtue of the historical default data, we do not envisage any significant credit risk in this respect. On account of the small number of individual items, impairment for other financial assets has been determined on the basis of the specific credit risk.

#### *Financial Liabilities*

IFRS 9 includes two measurement categories for financial liabilities: “measured at cost” and “measured at fair value through profit or loss.”

With the exception of derivative financial instruments and contingent purchase price obligations resulting from company acquisitions, SNP measures financial liabilities at amortized cost through profit or loss using the effective interest method. Gains and losses are also recognized in profit or loss if the liabilities are derecognized or modified.

At SNP, for example, promissory note loans, which are reported under “financial liabilities,” are measured at amortized cost.

In May 2020, a low-interest working capital loan granted by the German government was taken out, with a volume of € 10,000 thousand. This fixed-rate amortizing loan has a term of approx. 5 years. Standard covenants have been agreed that include termination options.

This low-interest working capital loan has been carried at fair value as of initial recognition and will be subsequently measured at amortized cost, in accordance with the

effective interest method. The difference between the payment received and the fair value of the loan, determined at the time of initial recognition on the basis of a market interest rate, is a benefit which has been treated as a government grant. This grant has been recognized in the statement of financial position as deferred income, under other nonfinancial liabilities, and will be released to income over the term of the loan, in accordance with the effective interest method. In the income statement, this release of deferred income has been presented as a decrease in interest expense (net method). As of the balance sheet date, deferred income amounts to € 389 thousand (previous year: € 0 thousand).

The terms of this government grant have been fully complied with and it is not subject to any uncertainty.

Financial liabilities which are “measured at fair value through profit or loss” comprise contingent purchase price obligations resulting from company acquisitions and derivative financial instruments with a negative fair value which are entered into to hedge interest rate risk and are not included in hedge accounting as hedging instruments.

Contingent purchase price obligations are carried as liabilities at the expected amount. Subsequent adjustments to contingent purchase price payments are carried as liabilities at the expected amount. The fair value of the liability is calculated on the basis of the current assessment of the development of the income statement ratios for the relevant business units which determine the contingent purchase price payment.

#### *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 service or regulatory authority and these prices represent current and regularly occurring market transactions as 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 (e.g., 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
- option pricing models

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

#### **Inventories**

Inventories are measured at the lower of cost / production cost and net realizable value.

#### **Disposal Groups Held for Sale**

Groups of assets held for sale (disposal groups) are measured according to IFRS 5 and reported as current “assets held for sale.” Disposal groups will be classified as held for sale where their carrying amount is mainly realized through a sale transaction rather than continued use and a sale is highly probable. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification. Liabilities which are to be disposed of together with these assets in a single transaction form part of a disposal group and are likewise reported as current “liabilities related to assets held for sale.” These disposal groups are reported at the lower of their carrying amount and their fair value less costs to sell. Assets which are included in a disposal group will no longer be depreciated. Interest and similar expenses which are allocable to the liabilities of a disposal group

will continue to be recognized. Impairment will be recognized for a disposal group insofar as the fair value less costs to sell is less than the carrying amount. In the event of a subsequent increase of the fair value less costs to sell, the previously recognized impairment must be reversed. However, the impairment reversal is limited to the cumulative impairment loss previously reported. Earnings resulting from the measurement of a disposal group will be reported under earnings from continuing operations pending the final sale.

### Goodwill

Goodwill resulting from business combinations is measured upon initial recognition at cost, which is calculated as the excess of the cost of the business combination 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 business combination must be assigned, from the acquisition date, to cash-generating units of the Group that are expected to benefit from business combination-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 € 33,605 thousand (previous year: € 54,194 thousand) was largely assigned to the Services business segment for the purpose of impairment testing. The goodwill of the EPROCURE Group which was acquired in the 2020 fiscal year was fully assigned to the Services business segment. Goodwill is attributable to the cash-generating units as follows:

in € thousand	2020	2019
Services	48,016	51,113
Software	3,081	3,081
Reclassification to disposal group	-17,492	0
<b>Total</b>	<b>33,605</b>	<b>54,194</b>

The business segments represent the smallest cash-generating units 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 1.0% (previous year: 1.0%). These cash flow forecasts are discounted to the value in use at a pretax rate of 9.6% (previous year: 10.9%). Business planning takes into account both current information and historical developments. The plan-

ning numbers for 2021 still take into account the negative impacts of the coronavirus pandemic in particular, which are nevertheless not considered beyond 2021. No impairment losses were required either in the reporting year or in the previous year.

As part of a sensitivity analysis for the cash-generating units, the planned segment revenue was reduced by 10% as in the previous year, the weighted cost of capital before tax was increased by 1.0 percentage point or the EBIT margin was reduced by 1.0 percentage point. Goodwill impairment is likewise not required on this basis.

There is estimate uncertainty regarding the following assumptions underlying the calculation of the value in use of each 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 previous 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 interest effect 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 (WACC) 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 business 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.

From our point of view, no realistic change in the key assumptions will mean that the carrying amount for either of our Services and Software business segments exceeds its recoverable amount.

In reporting year 2020, there were negative currency translation effects with regard to goodwill of € -3,397 thousand (previous year: € -1,526 thousand) in accordance with IAS 21. In addition, a positive effect in the amount of € 245 thousand has resulted from the application of IAS 29 (previous year: € 1,987 thousand).

### **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 cost less cumulative amortization and cumulative impairment losses.

It should be determined whether intangible assets have a finite or unlimited useful life. Intangible assets with finite useful lives are amortized over their economically useful lives 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 possible to clearly distinguish between the research and development phases of an internal project, all of the costs associated with this project should be treated as research costs. In the 2020 fiscal year, research and development expenses totaling € 34,439 thousand (previous year: € 29,485 thousand, previous year, adjusted: € 28,950 thousand) were recognized as expenses, since a clear distinction between the research and development phases was not possible. This corresponds to 24.0% of revenue (previous year: 20.3%, previous year, adjusted: 20.0%).

In the 2020 fiscal year, software costs and externally awarded development work in the amount of € 266 thousand (previous year: € 529 thousand) as well as work performed in the amount of € 119 thousand (previous year: € 939 thousand) which was mainly required for the completion of internal software projects have been capitalized as advance payments.

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

Property, plant and equipment are measured at acquisition or production costs, less depreciation and impairment. 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 one to twenty years.

On every reporting date, the Group evaluates whether there are indications that an asset could be impaired. If such indications exist, 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.

### **Leases**

A lease is an agreement which transfers the right of use to an asset (the leased asset) for an agreed period in return for consideration.

For all of the leases in its statement of financial position, the Group as a lessee in principle recognizes assets for the rights of use for the leased assets and liabilities for the payment obligations entered into at present values. The lease liabilities comprise the following lease payments:

- Fixed lease payments, less incentive payments received.
- Variable lease payments which are based on an index or rate, initially measured according to the index or rate at the start of the lease.
- Expected payments from the lessee due to residual value guarantees.
- Exercise prices of purchase options if the lessee is reasonably certain to exercise these; and
- Payments of penalties for early termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability will be measured upon initial recognition at the present value of the lease payments not yet made at the start of the lease, discounted by the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group will apply the incremental borrowing rate of interest, i.e. the interest rate that the relevant lessee would be required to pay if it needed to raise funds in order to purchase an asset of comparable value, in a comparable economic environment, for a comparable term, with comparable collateral and subject to comparable conditions.

The Group determines the incremental borrowing rate of interest as follows: Since the Group is unable to use any recently provided third-party funding as a starting point,

the Group applies a risk-free interest rate and adjusts this in line with the lessee's credit risk. Further adjustments are made for the lease term, the country-specific risk and the lease currency.

Lease liabilities are reported in the consolidated statement of financial position in the financial liabilities item.

The lease liability is subsequently measured by adding the interest on the lease liability (on the basis of the effective interest method) to the carrying amount and deducting the lease payments made from the carrying amount.

The Group remeasures the lease liability and adjusts the corresponding right-of-use asset in the following cases:

- The lease term has changed or a significant event or a significant change in circumstances results in a change in the assessment regarding the exercise of a purchase option. In this case, the lease liability will be remeasured by discounting the adjusted lease payments on the basis of an updated interest rate.
- The lease payments change due to index or rate changes or due to a change in the expected payment on account of a residual value guarantee. In these cases, the lease liability will be remeasured by discounting the adjusted lease payments on the basis of an unchanged discount rate (unless the change in the lease payments is attributable to a change in a variable interest rate, in which case an updated discount rate must be used).

In addition, the lease liability and the right-of-use asset will be adjusted in case of changes to the contractual framework (contract modifications).

Right-of-use assets are measured at cost, which comprises the following:

- Lease liability.
- Lease payments made at or before the commencement date, less any lease incentives received.
- Initial direct costs; and
- Dismantlement obligations.

Right-of-use assets are subsequently measured at cost less cumulative depreciation and impairment. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. However, the depreciation period corresponds to the useful life of the leased asset if this is shorter than the lease term or it is assumed that ownership of the leased asset will be transferred to the lessee at the end of the useful life (e.g. through the exercise of a purchase option).

Right-of-use assets are shown in the consolidated statement of financial position as a separate item.

The practical expedients are made use of for low-value leased assets and for short-term leases (twelve months or less) and the payments are recognized as expense in the income statement, on a straight-line basis over the term of the lease. In addition, the new rules have not been applied to leases of intangible assets. In case of agreements which comprise both leasing components and non-leasing components – with the exception of real estate leases – these components have not been separated.

The Group has applied Amendments to IFRS 16 – Covid-19-Related Rent Concessions. The Group is applying the simplified rules provided for in the practical expedient and is not therefore obliged to assess whether permitted rent concessions as a direct result of the coronavirus pandemic constitute a lease modification. The Group is applying the practical expedient for contracts with similar characteristics and in similar circumstances. For rent concessions within the scope of leases for which the Group is not applying the practical expedient or to which the practical expedient is not applicable, the Group assesses whether this constitutes a lease modification. For more detailed information, please see Point 23 “Leases.”

A series of leases – particularly for real estate – include extension and termination options. Such contract terms offer the Group the greatest possible operational flexibility. Lease terms are therefore determined on the basis of significant assumptions and estimates. For more detailed information, please see Point 8 “Use of Estimates.”

The Group does not enter into any significant agreements as a lessor.

## **Liabilities**

### **Financial Liabilities**

See comments in the “Financial instruments” section.

### **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 estimation of the relevant 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 the current service cost is reported 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.

### **Other Provisions**

A provision is recognized if the Group has a current (legal or constructive) obligation arising from a past event for which an outflow of resources with economic benefits is probable to settle the obligation and a reliable estimate of the amount of the obligation is possible. The expense involved in making the provision 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.

### **Share-Based Payment Arrangements**

Share-based payment arrangements are recognized in accordance with IFRS 2. The long-term incentive scheme (LIT) established by the Group for Managing Directors with effect as of January 1, 2019 and the virtual share plan which was created for beneficiary managers in the 2019 fiscal year is a cash-settled share-based payment transaction. The resulting expenses and liabilities by way of settlement of these obligations are recognized over the expected vesting period. This amount is remeasured on each reporting date and is valued by means of an option pricing model. Fair value changes are recognized through profit or loss. The resulting expense is shown in the personnel expenses item, the liability as employee-related provisions or liabilities.

In the 2020 financial year, SNP SE launched a stock option plan with settlement in equity instruments for certain employees. These are measured at the fair value of the equity instrument on the grant date. Please see Point 31 for further information on the determination of the fair value of the equity-settled share-based payment transactions. The fair value determined as of the grant of the equity-settled share-based payment transactions is recognized as an expense on a straight-line basis over the period up to the date on which the equity instruments become vested – with a corresponding increase in the capital reserves – and is based on the Group’s expectations regarding the equity instruments which are expected to become vested. On each reporting date, the Group is required to review its estimates regarding the number of equity instruments which become vested. The effects of the changes to the original estimates



must be recognized in profit and loss, where applicable. They will be recognized such that the overall expense reflects the change in the estimate and results in a corresponding adjustment of the capital reserves.

### **Treasury Shares**

If the Group acquires treasury shares, they are deducted from equity. The purchase, sale, issuance or redemption of treasury shares is not recognized in profit or loss. During a sale of treasury shares, in the amount of the proceeds from the resale, 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.

In the period up to February 21, 2013, SNP Schneider-Neureither & Partner SE bought back a total of 7,294 treasury shares. Following the allocation of bonus shares (capital increase from company funds resolved by the Annual General Meeting on May 16, 2013), the number of treasury shares held in 2018 was 21,882. In the 2019 fiscal year, a further 34,000 treasury shares were repurchased. A further 19,820 shares were purchased in the period up to December 31, 2020. The number of treasury shares currently held is 75,702. The acquisition cost of € 2,712,658.81 has been disclosed as a negative item in equity in accordance with IAS 32.33.

### **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. Current income taxes are calculated on the basis of the country-specific rules on the determination of profits for tax purposes.

Other taxes, such as transfer taxes and taxes on assets and capital, are separately recognized as operating expenses.

#### **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 for tax loss carryforwards. Deferred tax assets for accounting and measurement differences and for tax loss carryforwards that have been accumulated and can be carried forward 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 foreseeable future. As a general rule, the next four fiscal years are considered to be the foreseeable future. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as noncurrent assets and liabilities.

No deferred tax liabilities are recognized on retained profits of subsidiaries and associates, as the direct parent company can influence/control the time at which the temporary differences of € 1,322 thousand (previous year: € 2,799 thousand) are reversed and it is likely that they will not be reversed in the near future. For all deductible differences resulting from shares in subsidiaries and associates, deferred tax assets are only recognized to the extent that the temporary differences are likely to be reversed in the foreseeable future and taxable results will be available for use.

Allowances are recognized on the carrying amount of deferred tax assets where realization of the expected benefits resulting from the deferred taxes is not probable and the Group will not derive any benefit due to a lack of offsetting options. Deferred tax assets are recognized on the basis of the relevant companies' budgetary accounting. This budgetary accounting is revised annually and requires a large number of assessments. These assessments may be revised due to changes in the market and the competitive environment, the respective company's customer structure and the general economic situation. Due to regular reassessment, the deferred tax assets item may be subject to significant fluctuations.

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 is expected to be settled. The tax rates (and tax laws) apply that are in effect or that have been announced as of the reporting date.

Deferred 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 one another in case of a legally enforceable offsetting right and if these deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same tax authority for the same taxable entity or for different taxable entities that intend to settle on a net basis.

### Realization of Revenue

Revenue is recognized according to the five-step revenue recognition model prescribed by IFRS 15, which comprises the following steps:

- Identification of the contract with the customer
- Identification of separate performance obligations
- Determination of the transaction price
- Breakdown of the transaction price in terms of the separate performance obligations
- Revenue recognition upon fulfillment of a performance obligation

SNP generates revenue when control over distinct services and products passes to the customer, i.e. when the customer is able to direct the use of and obtain substantially all of the remaining benefits from the transferred services and products. This is subject to the proviso that a contract featuring enforceable rights and obligations has been concluded and, among other things, that the consideration is likely to be received.

Our revenue is generated from the following typical performance obligations:

#### *Service*

- Consulting services
- Data center services
- Training and other services

#### *Software*

- Cloud
- Licenses
  - Licenses for proprietary developments
  - Licenses for commercial transactions (reselling)
- Maintenance
- Software as a Service (SaaS)

Consulting fees mainly relate to the installation of software products, the implementation of transformation projects, projects associated with SAP Solution Manager and traditional IT consulting.

Cloud revenue is generated by the provision of IT infrastructure, generally comprising storage space, computing power and application software, as a service.

Software licensing fees result from the license fees that we realize through the sale or licensing of software to customers for use on their own hardware.

The maintenance fees generally relate to standardized support services. These include unspecified future software updates, upgrades and enhancements, as well as technical product support services for on-premise software.

Software as a service is a license and sales model through which we offer software applications over the Internet, i.e. as a service. We report the related revenue

as software as a service revenue in the Software business segment.

We recognize the various products and services whose delivery or performance is promised in our customer contracts as separate performance obligations insofar as they are distinct.

Products and services that are not distinct are combined into one performance obligation.

The transaction price is determined in line with the contractual terms and conditions. These largely provide for a fixed price. Variable fees and significant financing components are generally not agreed in contracts with customers.

The transaction price for a customer contract is broken down into the individual performance obligations based on their individual sale prices. The individual sale prices are the prices at which the deliveries and services are generally also offered by us individually. If no company-specific standard prices or third-party sale prices can be determined due to a lack of individual transactions or a lack of uniform pricing, a reasonable estimate of the individual sale price is made using the expected cost plus a margin approach.

The part of the transaction price allocated to a distinct performance obligation is recognized as revenue once the corresponding performance obligation has been satisfied by way of a transfer of the promised goods or services. The revenue is recognized either over time or at a specific point in time in line with the transfer of con-

trol to the customer. This will apply if one of the following criteria is fulfilled:

- The benefit from the company's service flows to the customer, who simultaneously uses the service while it is being rendered.
- As a result of the company's service, an asset is created or improved and the customer gains control over the asset while it is being created or improved.
- As a result of the company's service, an asset is created that offers no alternative options for use by the company, and the company has a legal claim to payment for the already rendered services.

Revenue in the Services business segment is recognized over a period of time. Profit is recognized based on the percentage of completion, in accordance with the input-based cost-to-cost method. This is calculated as the ratio of the order hours incurred up until the reporting date to the total order hours as estimated on the reporting date. An expected loss is expensed immediately. Invoicing is based on the contractual terms and conditions.

Revenue in the cloud business and from maintenance contracts is realized on a straight-line basis over a certain period in line with the provision of the associated benefits.

Licensing fees are generally realized at a specific point in time. Project-related licenses are realized over the project term in line with their use.

The management believes that the methods selected best reflect the development of the provision of benefits to the customer.

Customers are invoiced close to the time of the provision of benefits based on contractually defined milestones and advance payments are collected. The payment terms vary depending on the region involved, but generally provide for payment within 30 to 90 days.

### Recognition of Expenses

Operating expenses are recognized through profit or loss at the time when the service is used or when the expenses are incurred.

### Net Financial Result

As well as interest income from loans granted and claims from finance leasing, financial income also includes other income directly associated with financing or an investment in financial assets. Current interest income from derivative interest rate instruments and gains from their measurement at fair value are also recognized under financial income.

Besides interest expenses from loans and lease liabilities, financial expenses include other expenses directly associated with financing or an investment in financial assets, where their recognition in equity is not required. Interest expenses are recognized in the income statement according to the effective interest method. Borrowing costs are not capitalized. Current interest expense from derivative interest rate instruments and losses from their measurement at fair value are also recognized under financial expenses.

## 11. ACQUISITIONS / BUSINESS COMBINATIONS

### Acquisition of the EPROCURE Group

In the 2020 fiscal year, within the scope of an asset deal ADP Consultores S.R.L. acquired the entire business operations of EPROCURE.AR S.R.L., Argentina – in the form of all of its customer agreements and employees – while ADP Consultores Limitada did the same for Sociedad de Servicios de Consultoría Informática EPROCURE Limitada, Chile. EPROCURE specializes in the field of SAP spend management consulting. This acquisition will enable SNP to further expand its portfolio of consulting services in the Latin America region.

The acquisition took effect on July 1, 2020; at this time, the business operations were incorporated into the 2020 consolidated financial statements. The initial consolidation took place in accordance with IFRS 3 (“Business Combinations”) using the acquisition method.

The goodwill of € 53 thousand resulting from the acquisition includes the value of expected synergies. The goodwill from the acquisition is attributed to the Services business segment.

The € 2 thousand difference between the goodwill in the amount of € 53 thousand as of the acquisition date and € 55 thousand as of the reporting date has resulted from exchange difference according to IAS 21.

### 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	100
Liabilities (fixed purchase price installment)	48
Contingent consideration	464
<b>Total transferred consideration</b>	<b>612</b>

The first two purchase price installments were paid out of cash and cash equivalents in August 2020 and October 2020.

### Expenses Associated with the Business Combination

The Group incurred expenses related to the business combination of € 15 thousand, consisting of legal and consulting fees. These expenses are included in other operating expenses.

### Identifiable Acquired Assets and Assumed Liabilities

Customer agreements with a volume of € 1,528 thousand were assumed as assets due to the acquisition, as of the acquisition date. Moreover, as a result of the assumption of 25 employees, vacation provisions in the amount of € 31 thousand were also assumed as of the acquisition date. Within the scope of the purchase price allocation, intangible assets were identified in the amount of € 590 thousand.

Since the time of acquisition, the EPROCURE Group has contributed € 878 thousand to Group revenue and € 254 thousand to Group earnings from continuing operations before taxes. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been € 1,317 thousand and Group earnings from continuing operations before taxes would have been € 201 thousand.

### Goodwill

The goodwill resulting from the acquisition was recorded as follows:

in € thousand	
Transferred consideration	612
Fair value of identifiable net assets	-559
<b>Goodwill at the time of acquisition</b>	<b>53</b>

Of the € 612 thousand in consideration transferred, the first two purchase price portions were paid in the second and third quarters of 2020, in each case in the amount of € 50 thousand. They thus represent a cash outflow of € 100 thousand. A further purchase price portion in the amount of € 50 thousand will be settled in the first quarter of 2021 and has been reported as an other current liability.

The contingent consideration is determined in accordance with the contractually agreed performance indicators in the period from 2020 to 2022. In each case, it is due in March of the following year and has been reported under other current and noncurrent liabilities. At the time of acquisition, the Group recognized an amount of € 464

thousand for the contingent consideration, which corresponds to its fair value at the time of acquisition. The maximum payment risk is approx. € 2,000 thousand. As of the reporting date, the fair value of the contingent consideration had increased to € 474 thousand.

No equity instruments were issued for the acquisition of shares.

Goodwill in the amount of € 53 thousand includes the value of the synergies expected to result from the company acquisition. None of the goodwill recognized is expected to be tax-deductible.

## 12. EARNINGS PER SHARE

		2020	2019 (adjusted)	2019 (as reported)
Earnings attributable to SNP SE shareholders in € thousand		-1,520	-1,359	2,318
Weighted average number of shares (basic)	Shares	6,810,391	6,572,767	6,572,767
Weighted average number of shares (diluted)	Shares	6,810,391	6,572,767	6,572,767
Basic earnings per share	€ / share	-0.22	-0.21	0.35
Diluted earnings per share	€ / share	-0.22	-0.21	0.35

### 13. 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	Service	Software	Total
<b>External revenue</b>			
2020	93,913	49,868	<b>143,781</b>
2019 (adjusted)	97,610	47,575	<b>145,185</b>
2019 (as reported)	97,610	47,575	<b>145,185</b>
<b>Segment earnings (EBIT)</b>			
2020	2,135	9,686	<b>11,821</b>
Margin	2.3%	19.4%	<b>8.2%</b>
2019 (adjusted)	3,115	13,563	<b>16,678</b>
Margin	3.2%	28.5%	<b>11.5%</b>
2019 (as reported)	3,447	13,028	<b>16,475</b>
Margin	3.5%	27.4%	<b>11.3%</b>
<b>Depreciation, amortization and write-downs included in the segment earnings*</b>			
2020	5,024	2,440	<b>7,464</b>
2019 (adjusted)	5,067	1,760	<b>6,827</b>
2019 (as reported)	5,239	1,791	<b>7,030</b>

\* Including impairments on property, plant and equipment of € 234 thousand (previous year: € 145 thousand) and impairments on right-of-use assets of € 408 thousand (previous year: € 0 thousand).

#### Reconciliation

in € thousand	2020	2019 (adjusted)	2019 (as reported)
<b>Result</b>			
Total reportable segments	11,821	16,678	16,475
Expenses not allocated to the segments	-10,981	-13,231	-9,473
<i>of which depreciation, amortization and write-downs</i>	-920	-4,861	-1,103
<b>EBIT</b>	<b>840</b>	<b>3,447</b>	<b>7,002</b>
Net financial result	-1,576	-1,548	-1,374
<b>Earnings before taxes (EBT)</b>	<b>-736</b>	<b>1,899</b>	<b>5,628</b>

Due to a calculation error, the segment earnings for the Services business segment for the 2019 fiscal year were reported € 504 thousand too high and the earnings for the Software business segment were reported € 504 thousand too low. This error had no effect on the overall segment earnings. The error has been corrected via a retroactive adjustment to all affected segment items in the previous year. The adjusted segment result in 2019 is due to the error correction with regard to the right to use the real estate in the USA.

## Reporting by Region

in € thousand	Revenue (external)		Noncurrent assets			Investments	
	2020	2019	2020	2019 (adjusted)	2019 (as reported)	2020	2019
CEU (previous year: DACH)	78,402	82,985	33,930	30,949	30,949	1,394	3,090
EEMEA (Eastern Europe, Middle East, Africa)	22,622	21,059	22,365	24,658	24,658	206	223
Latin America	15,290	13,415	11,626	12,476	12,476	860	75
JAPAC (Asia-Pacific Japan)	5,347	6,587	3,941	4,352	4,352	56	136
USA	14,567	13,609	4,987	6,114	9,691	240	342
UK	7,553	7,530	6,450	6,897	6,897	0	0
Reclassification to disposal group	0	0	-22,365	0	0	0	0
<b>Total</b>	<b>143,781</b>	<b>145,185</b>	<b>60,934</b>	<b>85,447</b>	<b>89,024</b>	<b>2,756</b>	<b>3,866</b>

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

The Software business segment includes the “software licensing,” “maintenance” and “cloud solutions” performance obligations. Key services include the development and marketing of the in-house data transformation platform CrystalBridge® with its software module combinations. In addition, sales of third-party software are also included in this business segment. SNP also reports revenue generated through software as a service (SaaS); in the period under review, this amounts to € 2,249 thousand (previous year: € 2,324 thousand). Out of the total revenue in the Software business segment, € 28,305 thousand (previous year: € 26,023 thousand) was realized over time and € 21,564 thousand (previous year: € 21,804 thousand) at a specific point in time.

In the Services business segment, we primarily offer consulting and training services for corporate transformation processes. These mainly comprise the services which we offer in the context of IT data transformation projects, with the goal of changing and adapting enterprise resource planning (ERP) systems. This covers all of the aspects and consulting services that are needed or requested by the customer in the SAP environment in particular, for the purpose of IT data transformations. We also offer complementary consulting and training services covering traditional SAP consulting and implementation as well as hosting, cloud and application management services (AMS). The revenue achieved in the Services business segment is exclusively recognized over a period of time.

Segment data is determined from financial controlling data and is based on IFRS figures. The EBIT indicator is used for the purpose of the company’s internal management.

Transfer prices between business segments 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.

Specific activities such as finance, accounting and human resources as well as internal IT services are exclusively managed and supervised at Group level. These are shown in the reconciliation as other costs.

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 14. CASH AND CASH EQUIVALENTS

As in the previous year, cash and cash equivalents include both bank deposits and cash in hand. The carrying amount of this asset roughly corresponds to its fair value. The cash and cash equivalents reported in the cash flow statement as of the end of the reporting period can be led over to the corresponding items in the consolidated statement of financial position as shown below:

in € thousand	2020	2019
Bank deposits	29,401	19,125
Cash in hand	4	12
Reclassification to disposal group	-3,444	0
<b>Total</b>	<b>25,961</b>	<b>19,137</b>

## 15. OTHER FINANCIAL ASSETS

in € thousand	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Term deposit investment	20,000	0	20,000	0	0	0
Loans and other financial receivables	383	101	484	703	277	980
Derivatives	0	4	4	0	0	0
Rent deposits	0	525	525	0	592	592
Reclassification to disposal group	0	-38	-38	0	0	0
<b>Total</b>	<b>20,383</b>	<b>592</b>	<b>20,975</b>	<b>703</b>	<b>869</b>	<b>1,572</b>

Loans and other financial receivables consist of loans to employees and third parties, checks due in more than three months, creditors with debit balances and other receivables. No impairment has been recognized on other financial assets.



## 16. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are comprised as follows:

in € thousand	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Gross carrying amount for trade receivables	30,721	0	30,721	33,473	137	33,610
Impairment on trade receivables	-327	0	-327	-155	0	-155
Reclassification to disposal group	-4,794	0	-4,794	0	0	0
<b>Total</b>	<b>25,600</b>	<b>0</b>	<b>25,600</b>	<b>33,318</b>	<b>137</b>	<b>33,455</b>

Trade receivables are non-interest bearing and are reported at amortized cost.

## 17. CONTRACT ASSETS AND CONTRACT LIABILITIES

The following table shows the development of the contract assets and contract liabilities from customer contracts:

<b>Contract assets</b> in € thousand	2020	2019	<b>Contract liabilities</b> in € thousand	2020	2019
<b>As of January 1</b>	<b>22,953</b>	<b>4,881</b>	<b>As of January 1</b>	<b>6,440</b>	<b>4,585</b>
Current changes	9,417	18,073	Revenue recognized during the reporting year	-6,174	-4,555
Impairment on contract assets	-7	-1	Additions	8,054	6,410
Reclassification to disposal group	-88	0	Reclassification to disposal group	-8	0
<b>As of December 31</b>	<b>32,275</b>	<b>22,953</b>	<b>As of December 31</b>	<b>8,312</b>	<b>6,440</b>

The changes in the total contract amounts in the 2020 fiscal year are largely the result of ongoing business operations and the associated changes in project progress and settlement. In the current reporting period, an amount of € 6,174 thousand (previous year: € 4,555 thousand) that had been included in contract liabilities at the beginning of the period was recognized in revenue from contracts with customers. We expect more than 95% (previous year: 95%) of the contract liabilities recognized on December 31, 2020 to be recognized as revenue in the next reporting period.

A total transaction price of € 110,800 thousand (previous year: € 92,700 thousand) is allocated to those performance obligations that had not been satisfied (in full) as of December 31, 2020. The management expects 80–90% of this amount (previous year: 80–90%) to be recognized as revenue in the 2021 fiscal year and the rest in subsequent periods.

## 18. INVENTORIES

These inventories are software licenses that have been acquired with the intention to resell them. Inventories in the amount of € 1,444 thousand (previous year: € 740 thousand) were expensed in the current reporting period.

The inventories in the amount of € 10 thousand have been entirely reclassified to the disposal group.

## 19. OTHER NONFINANCIAL ASSETS

in € thousand	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Prepaid expenses	1,669	147	1,816	1,236	60	1,296
Receivables from current tax assets	827	0	827	568	0	568
Miscellaneous other assets	453	0	453	330	0	330
Reclassification to disposal group	-95	0	-95	0	0	0
<b>Total</b>	<b>2,854</b>	<b>147</b>	<b>3,001</b>	<b>2,134</b>	<b>60</b>	<b>2,194</b>

Prepaid expenses mainly comprise advance payments made within the scope of lease, support and license agreements.

## 20. ASSETS AND LIABILITIES OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the fourth quarter, SNP announced its intention to sell its SAP services business in Poland to the All for One Group SE. This Filderstadt consulting and IT group is to acquire a majority interest in SNP Poland Sp. z o.o. The sale will likely be finalized by the third quarter of 2021. For the purpose of this subsidiary's outright acquisition, the parties intend to agree reciprocal call and put options which will apply from the end of 2023 onwards. This sale is consistent with SNP's long-term strategy of concentrating its activities on its SAP transformation business.

The assets and liabilities of SNP Poland Sp. z o.o., which is allocated to the Services business segment, have therefore been presented as a disposal group held for sale since October 31, 2020 and reported under assets held for sale as well as liabilities related to assets held for sale.

The main groups of assets and liabilities of SNP Poland Sp. z o.o. which were classified as held for sale comprised the following as of December 31, 2020:

in € thousand	
<b>Current assets</b>	<b>-8,430</b>
Cash and cash equivalents	-3,444
Trade receivables and other receivables	-4,794
Contract assets	-88
Inventories	-10
Other nonfinancial assets	-94
<b>Noncurrent assets</b>	<b>-22,968</b>
Goodwill	-17,492
Intangible assets	-1,659
Property, Plant and Equipment	-429
Right-of-use assets	-3,009
Other financial assets	-38
Deferred tax assets	-341
<b>Assets held for sale</b>	<b>31,398</b>
<b>Current liabilities</b>	<b>6,616</b>
Trade payables and other liabilities	1,877
Contract liabilities	8
Tax liabilities	114
Financial liabilities	803
Other Nonfinancial Liabilities	3,814
<b>Noncurrent liabilities</b>	<b>2,203</b>
Financial liabilities	1,909
Deferred tax liabilities	294
<b>Liabilities resulting from assets held for sale</b>	<b>-8,819</b>
<b>Net assets of disposal group</b>	<b>22,579</b>

No impairment has been recognized for the disposal group SNP Poland Sp. z o.o. either as of the date of held-for-sale classification or on December 31, 2020.

Currency translation, in other components of equity, includes cumulative expenses of € 1,842 thousand (previous year: € 195 thousand).

## 21. INTANGIBLE ASSETS

Intangible assets have developed as follows:

in € thousand		Concessions, industrial protective rights, similar rights and assets, and licenses to such rights and assets	Capitalized development costs	Advance payments made for intangible assets	Total
Costs	Goodwill				
<b>As of January 1, 2019</b>	<b>53,733</b>	<b>14,294</b>	<b>430</b>	<b>0</b>	<b>68,457</b>
Additions	0	54	0	1,617	1,671
Disposals	0	-163	0	0	-163
Exchange rate differences	461	-10	0	0	451
<b>As of December 31, 2019 / January 1, 2020</b>	<b>54,194</b>	<b>14,175</b>	<b>430</b>	<b>1,617</b>	<b>70,416</b>
Additions	0	559	0	137	696
Additions from company acquisitions	53	583	0	0	636
Disposals	0	-28	0	0	-28
Reclassifications	0	1,500	0	-1,500	0
Exchange rate differences	-3,386	-610	0	0	-3,996
Reclassification to disposal group	-17,256	-3,549	0	0	-20,805
<b>As of December 31, 2020</b>	<b>33,605</b>	<b>12,630</b>	<b>430</b>	<b>254</b>	<b>46,919</b>
<b>Cumulative amortization and impairment</b>					
<b>As of January 1, 2019</b>	<b>0</b>	<b>6,667</b>	<b>77</b>	<b>0</b>	<b>6,744</b>
Amortization and write-downs	0	1,736	61	0	1,797
Disposals	0	-163	0	0	-163
Exchange rate differences	0	-45	0	0	-45
<b>As of December 31, 2019 / January 1, 2020</b>	<b>0</b>	<b>8,195</b>	<b>138</b>	<b>0</b>	<b>8,333</b>
Amortization and write-downs	0	1,792	62	0	1,854
Disposals	0	28	0	0	28
Exchange rate differences	0	-384	0	0	-384
Reclassification to disposal group	0	-1,939	0	0	-1,939
<b>As of December 31, 2020</b>	<b>0</b>	<b>7,692</b>	<b>200</b>	<b>0</b>	<b>7,892</b>
<b>Carrying value December 31, 2019</b>	<b>54,194</b>	<b>5,980</b>	<b>292</b>	<b>1,617</b>	<b>62,083</b>
<b>Carrying value December 31, 2020</b>	<b>33,605</b>	<b>4,938</b>	<b>230</b>	<b>254</b>	<b>39,027</b>

The advance payments made for intangible assets include costs for the creation of a software package for internal use. These costs will be reclassified as licenses upon completion of this software. The software is expected to be completed in 2021.

There are no restrictions on ownership or disposal.

## 22. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have developed as follows:

in € thousand	Land, land rights and buildings on third-party land	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
<b>Costs</b>				
<b>As of January 1, 2019</b>	<b>892</b>	<b>8,693</b>	<b>0</b>	<b>9,585</b>
Additions	245	1,950	0	2,195
Disposals	0	-722	0	-722
Exchange rate differences	48	84	0	132
<b>As of December 31, 2019</b>	<b>1,185</b>	<b>10,005</b>	<b>0</b>	<b>11,190</b>
<b>As of January 1, 2020</b>	<b>1,185</b>	<b>10,005</b>	<b>0</b>	<b>11,190</b>
Additions	78	1,239	124	1,441
Disposals	-401	-223	0	-624
Exchange rate differences	-46	-190	0	-236
Reclassification to disposal group	-78	-889	0	-967
<b>As of December 31, 2020</b>	<b>738</b>	<b>9,942</b>	<b>124</b>	<b>10,804</b>
<b>Cumulative depreciation and impairment</b>				
<b>As of January 1, 2019</b>	<b>183</b>	<b>4,094</b>	<b>0</b>	<b>4,277</b>
Depreciation and write-downs	118	1,685	0	1,803
Impairment	145	0	0	145
Disposals	0	-640	0	-640
Exchange rate differences	36	56	0	92
<b>As of December 31, 2019</b>	<b>482</b>	<b>5,195</b>	<b>0</b>	<b>5,677</b>
<b>As of January 1, 2020</b>	<b>482</b>	<b>5,195</b>	<b>0</b>	<b>5,677</b>
Depreciation and write-downs	135	1,616	0	1,751
Impairment	148	86	0	234
Disposals	-401	-193	0	-594
Exchange rate differences	-5	-87	0	-92
Reclassification to disposal group	-15	-553	0	-568
<b>As of December 31, 2020</b>	<b>344</b>	<b>6,064</b>	<b>0</b>	<b>6,408</b>
<b>Carrying value December 31, 2019</b>	<b>703</b>	<b>4,810</b>	<b>0</b>	<b>5,513</b>
<b>Carrying value December 31, 2020</b>	<b>394</b>	<b>3,878</b>	<b>124</b>	<b>4,396</b>

The impairments comprise capitalized leasehold improvements and property, plant and equipment that have been impaired due to the relinquishment of the relevant location.

There are no restrictions on ownership or disposal.

## 23. LEASES

The Group rents office premises as well as assets in the “Other equipment, operating and office equipment” category. This includes vehicles in particular. Office premises are rented at all of SNP’s locations. This mainly comprises office space and rented parking spaces. The relevant agreements have terms of between one and ten years. The lease conditions are individually negotiated and include a large number of different conditions.

### Right-of-use assets

The following right-of-use assets were recognized as of December 31, 2020:

in € thousand	Land, land rights and buildings on third- party land	Other equipment, operating and office equipment	Total
<b>As of January 1, 2019</b>	<b>17,444</b>	<b>1,308</b>	<b>18,752</b>
Depreciation and write-downs	-3,433	-955	-4,388
Additions	5,040	2,034	7,074
Remeasurement	-37	-37	-74
Disposals	0	-6	-6
Exchange rate differences	41	29	70
<b>As of December 31, 2019 (as reported)</b>	<b>19,055</b>	<b>2,373</b>	<b>21,428</b>
Impairment	-3,773	0	-3,773
Correction of depreciation	218	0	218
Exchange rate differences	-22	0	-22
<b>As of December 31, 2019 (adjusted)</b>	<b>15,478</b>	<b>2,373</b>	<b>17,851</b>
<b>As of January 1, 2020</b>	<b>15,478</b>	<b>2,373</b>	<b>17,851</b>
Depreciation and write-downs	-2,985	-1,185	-4,170
Impairment	-393	-15	-408
Additions	8,120	1,615	9,735
Remeasurement	-2,362	331	-2,031
Modification	-37	0	-37
Disposals	0	-1	-1
Exchange rate differences	-377	-54	-431
Reclassification to disposal group	-2,232	-765	-2,997
<b>As of December 31, 2020</b>	<b>15,212</b>	<b>2,299</b>	<b>17,511</b>

As part of an error correction, the right-of-use asset from a lease agreement for real estate in the USA was impaired entirely by € 3,577 thousand in the 2019 fiscal year. The review of the real estate in the USA carried out after the death of the company’s founder and Chairman of the Board of Directors Dr. Andreas Schneider-Neureither determined a lack of usability from as early as the beginning of the lease in 2019.

In the 2020 fiscal year, it was decided to merge both office locations in Heidelberg. The rental agreement for the vacated site is valid until 2024. We expect to be able to sublet the freed-up office space from mid-2022 onwards. Following the relinquishment of the office location, the right-of-use assets for the real estate were impaired. We expect a recoverable amount of € 785 thousand. This resulted in an impairment affecting profit and loss of € 393 thousand.

## Leasing liabilities

Please see Point 26 for information on the Group's lease liabilities, Point 38 for comments on its liquidity risk and Point 45 for an overview of the development of financial liabilities.

## Amounts Recognized in the Income Statement

The income statement for the 2020 fiscal year is as follows:

in € thousand	2020	2019 (adjusted)	2019 (as reported)
Amortization of right-of-use assets	4,170	4,164	4,388
Impairments of right-of-use assets	408	3,778	0
Revenue from the waiver of lease payments	-179	0	0
Interest expenses on lease liabilities	593	695	695
Expenses resulting from short-term leases	31	514	514
Expenses resulting from leases of low-value assets	56	62	62
<b>Total</b>	<b>5,079</b>	<b>9,213</b>	<b>5,659</b>

As of December 31, 2020, the Group had no short-term leases.

The total cash outflow resulting from leases for the 2020 fiscal year was € 4,973 thousand (previous year: € 6,891 thousand).

As of December 31, 2020, possible future outflows of funds in the amount of € 749 thousand (previous year: € 1,266 thousand) (undiscounted) were not included in the lease liability since an extension of the leases is not reasonably certain.

In 2020, the Group negotiated rent concessions for rented office premises with its landlords in Germany, Argentina and Poland as a response to the impact of the coronavirus pandemic. The Group applies the practical expedient for rent concessions caused by COVID-19. The amount recognized in profit and loss that reflects the changes to the lease payments in the reporting period related to rent concessions for which the Group applied the practical expedient for rent concessions caused by COVID-19 amounts to € 179 thousand (previous year: € 0 thousand).

For further information on leases, please see Chapter 10 on the key accounting policies and Chapter 9 on the use of estimates.

## 24. 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, Walldorf, was acquired. The objective of this company is IT consulting. 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 fair value of the investment.

With its acquisition of Hartung Consult GmbH in January 2016, SNP SE has acquired 40.02% of the shares in Polygon Solutions GmbH, Lünen. The objective of this company is IT consulting. In the 2018 fiscal year, the value of the investment was written down to € 1.00, since management does not expect it to provide any positive long-term future earnings contributions and no appropriate sale

price is realizable. In October 2020, the shares in Polygon Solutions GmbH were sold for € 4.4 thousand. The sale proceeds were reported in the net financial result as affecting income.

Bluefield Foundation GmbH was established on July 19, 2019. SNP holds 100% of the shares in this company. Due to this company's shareholders' agreement, control is not exercised over the company within the meaning of IFRS 10. However, members of the management team exercise significant influence. The foundation's initial capital amounts to € 25 thousand.

In March 2020, an equity investment of 22% of the share capital of OORCCA GmbH, Heidelberg, was acquired from a related party. This company has created a software solution for the time-based recording, assessment and invoicing of services and project management. Based on current information, there have been no changes in the measurement of the fair value of the investment. For further information on transactions with related parties see Chapter 47.

No further risks are associated with the investments. From the Group's perspective, these investments are classified as immaterial.

## 25. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are comprised as follows:

in € thousand	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Trade payables	6,490	0	6,490	10,239	0	10,239
Reclassification to disposal group	-1,877	0	-1,877	0	0	0
<b>Total</b>	<b>4,613</b>	<b>0</b>	<b>4,613</b>	<b>10,239</b>	<b>0</b>	<b>10,239</b>

## 26. FINANCIAL LIABILITIES

in € thousand	2020			2019 (adjusted)			2019 (as reported)		
	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total
Liabilities to banks	7,228	44,025	51,253	5,171	35,308	40,479	5,476	34,829	40,305
Purchase price obligations	1,904	386	2,290	2,791	0	2,791	2,791	0	2,791
Leasing obligations	4,146	16,930	21,076	5,010	14,387	19,397	5,010	14,387	19,397
Derivative financial instruments	0	5	5	0	0	0	0	0	0
Other financial liabilities	283	61	344	0	93	93	0	93	93
Reclassification to disposal group	-803	-1,909	-2,712	0	0	0	0	0	0
<b>Total</b>	<b>12,758</b>	<b>59,498</b>	<b>72,256</b>	<b>12,972</b>	<b>49,788</b>	<b>62,760</b>	<b>13,277</b>	<b>49,309</b>	<b>62,586</b>

In February 2017, SNP Schneider-Neureither & Partner SE reached an agreement with investors on the issuance of promissory note loans with a total volume of € 40.0 million. The volume is spread across fixed and variable interest-bearing tranches in terms of three to seven years. The average yield at the time of issuance of the promissory note loans amounted to 1.41% per annum. In March 2020, the first tranche of the promissory note loans was repaid, with a volume of € 5,000 thousand. This was refinanced by taking out a loan in the amount of € 2,000 thousand and, in part, by means of short-term loans within the scope of a € 5,000 thousand credit line agreement. The first level of the agreed covenant was also not met

due to the error correction in the 2019 fiscal year. This resulted in an increase in interest expense of 0.5% for the 2020 fiscal year. This changed the amortized cost of the promissory note loan as of December 31, 2019.

The promissory note loans were recognized in the statement of financial position, less the brokerage commission and plus deferred interest, at € 39.6 million. As of December 31, 2020, the carrying value is € 35.3 million (previous year: € 40.1 million, previous year, adjusted: € 40.3 million).

The loan with a volume of € 2,000 thousand has a term of two years and is repaid on a quarterly basis. The rate of interest is based on the 3-month Euribor plus a credit margin. A payer swap (interest rate swap) and a floor have been entered into in order to hedge against the risk of rising money market interest rates.

In addition, in May 2020 SNP took out a € 10,000 thousand loan which is refinanced by the bank KfW through KfW's entrepreneur loan program (37), as part of its 2020 special program (within the scope of the "coronavirus assistance for companies" one-off measures, supported by the package of measures implemented by



the German government in response to the coronavirus pandemic). From September 2021 until June 2025, the loan will be repaid on a quarterly basis in equal installments of € 625 thousand.

In March 2020, SNP (Switzerland) AG received a CHF 500 thousand COVID-19 loan with a term of five years under Art. 3 of the Swiss COVID-19 Joint Surety Ordinance. This loan may only be used to cover current liquidity requirements. The rate of interest is 0%. The borrower has the right to terminate this agreement at any time with immediate effect.

These purchase price obligations have mainly resulted from future payment obligations within the scope of company acquisitions in 2017 and 2020.

No collateral is provided for financial liabilities. Instead, standard covenants are agreed that include termination options. The financial figures serving as the basis for these covenants were all fulfilled in 2020.

## **27. CONTINGENT ASSETS/ CONTINGENT LIABILITIES**

position, there are contingent receivables as of the reporting date.

There is insurance coverage for pending litigation. As of the reporting date, it is assumed that the insurance will probably cover at least part of the damages if they arise. This is, however, not entirely assured. The amount of the actual allocations will likely amount to half the damage.

In the course of the preparation of the consolidated financial statements for the 2020 fiscal year, there was a lack of usability for a property in the USA accounted for as a right-of-use asset from as early as the beginning of its lease in 2019. In connection with the error correction, SNP is reviewing possible compensation claims, especially with regard to advance rent payments made. A valid assessment of the financial implications of such compensation claims is not, however, possible as of the time of preparing these consolidated financial statements.

As well as the provisions shown in the statement of financial position, contingent liabilities amount to € 4,727 thousand.

There is a contingent liability with an upper limit of € 3,260 thousand, based on a conditional purchase price clause, in connection with the acquisition of the South American Adepcon Group in 2017. The likelihood that the company will be asked to pay the conditional purchase price is considered to be very low given the developments in 2020 and projections for the coming years.

In addition, contingent liabilities with an upper limit of € 1,467 thousand apply in connection with the acquisition of the EPROCURE Group. The likelihood that the company will be asked to pay the conditional purchase price is considered to be low given the developments in 2020 and projections for the coming years.

## 28. OTHER NONFINANCIAL LIABILITIES

in € thousand	2020			2019		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Employee-related liabilities	17,250	0	17,250	14,504	0	14,504
Other taxes	3,215	0	3,215	2,441	0	2,441
Subsidies	143	246	389	0	0	0
Other nonfinancial liabilities	1,431	0	1,431	1,727	0	1,727
Reclassification to disposal group	-3,814	0	-3,814	0	0	0
<b>Total</b>	<b>18,225</b>	<b>246</b>	<b>18,471</b>	<b>18,672</b>	<b>0</b>	<b>18,672</b>

Employee-related liabilities mainly relate to vacation and bonus obligations as well as obligations for employee-related social security contributions.

## 29. OTHER PROVISIONS

Other provisions developed as follows in the 2020 fiscal year.

in € thousand	As of	Utilization	Reversal	Reclassification	Addition	As of
	1/1/2020					12/31/2020
Archiving costs	26	0	0	0	0	26
Legal costs	89	0	0	0	951	1,040
Employee-related provisions	603	0	0	-603	58	58
<b>Total</b>	<b>718</b>	<b>0</b>	<b>0</b>	<b>-603</b>	<b>1,009</b>	<b>1,124</b>

Provisions are established if an obligation exists in relation to third parties, the outflow of resources is probable and the expected obligation can be reliably estimated.

The provisions for legal costs have resulted from the legal disputes which are pending as of December 31, 2020. Please see Chapter 48 for further information.

The employee-related provisions resulting from the LTI and the virtual share plan in the previous year were reclassified to nonfinancial liabilities. This addition comprises provisions made for termination and for severance payments.

The Group expects that the costs for the overwhelming portion of the other provisions will arise within the next fiscal year.

## 30. CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

In 2019, an agreement providing for virtual shares was signed with a total of 24 employees as part of their variable remuneration. Overall, 17,329 virtual shares resulted on the basis of a prescribed exercise price. The employees will be paid half of the value of these shares in 2020 and the other half in 2021. Their value will be calculated on the basis of the number of shares, multiplied by the 2019 closing price for the payment in 2020 and multiplied by the 2020 closing price of € 60.50 for the payment in 2021. The entitlements under this scheme will be vested throughout this period. In 2020, the number of eligible employees declined to 21. Overall, 16,358 virtual shares were issued over the two years. The program for virtual shares expired as of December 31, 2020.

A total amount of € 269 thousand (previous year: € 611 thousand) has been recognized as personnel expenses for the grant of the virtual shares in the 2020 fiscal year. An employee-related liability was established in the amount of € 466 thousand (previous year: € 414 thousand) for the payment in 2021.

In 2019, the Board of Directors agreed a long-term incentive scheme (LTI scheme) 2019–2020 with the Managing Directors. A sub-target of the LTI scheme, with a weighting of 25%, is tied to the share price trend. The right to payment has been calculated as follows:

If the share price, calculated on the basis of the weighted average over the past 30 trading days (Xetra), in 2020 exceeds the initial value at the start of 2019 by 50%, then

this sub-target will have been fulfilled 100%. The actual price fluctuation will be compared with the price fluctuation on the basis of 100% target attainment, in order to determine the actual level of target attainment. The weighted closing price was € 54.45. The entitlements under this scheme were vested throughout this period. The program for virtual shares expired as of December 31, 2020.

Overall in 2020, a pro rata amount of €1,008 thousand (previous year: € 300 thousand) was recognized as personnel expenses for the sub-target of the LTI scheme 2019–2020 tied to the share price trend. As of December 31, 2020, the employee-related liability established in this respect amounted to € 1,308 thousand.

### 31. SNP 2020 STOCK OPTION PLAN

In April 2020, SNP launched a stock option plan with settlement in equity instruments for certain employees of the company. By virtue of its resolution passed on May 12, 2016, the Annual General Meeting has authorized the Executive Board of the company to repurchase shares of the company and to make use of shares purchased on the basis of this same resolution of the Annual General Meeting, inter alia, within the scope of an employee profit-sharing scheme, in line with the conditions prescribed therein. On the basis of this authorization, the company's Board of Directors has resolved the introduction of a 2020 Stock Option Plan comprising a maximum of 60,000 options. Upon exercise, a stock option will be converted into an ordinary share in the company. Employees must pay a fee of € 50 for the exercise of options. The options do not confer either a

dividend right or a voting right. The options may be exercised at any time from the date as of which they may first be exercised up to their expiry if the average closing price of the share on the Xetra index exceeds € 60.66 in the four-week period prior to exercise. The plan has a term of 9 years, but options may not be exercised in the first 4 years of the waiting period. In the period up to December 31, 2020, overall 30,950 options were issued within the scope of the plan at a weighted average exercise price of € 60.66. The estimated market values of the options granted as of this date total € 825 thousand. The market value of the options has been determined by means of a binomial model.

#### Fair values and assumptions at the end of 2020

##### Fair values and assumptions at the end of 2020

Fair value of the option as of the issuance date	26.64
Option pricing model	Binomial model
Risk-free interest rate	-0.62%
Expected volatility	48.40%
Expected term	6.5 years
Remaining term as of 12/31/2020	8.5 years

The expected term that has been applied in this calculation has been determined on the basis of the management's best estimate, taking into consideration the consequences of non-transferability, exercise restrictions and behavioral considerations.

In the 2020 fiscal year, the Group registered personnel expenses in the amount of € 137 thousand in connection with share-based remuneration transactions with settlement in equity instruments.

### 32. PROVISIONS FOR PENSIONS

Pension provisions comprise the following:

- SNP Austria GmbH's provisions for severance payments. It is required by law in Austria to make these provisions for its employees
- Commitments to the surviving dependents of a former Managing Director of SNP SE
- Commitments to the Chief Financial Officer of the parent company who left in 2011
- Pension provisions established by SNP SE and SNP Deutschland GmbH due to a company acquisition in 2015
- Pension provisions of SNP (Switzerland) AG

Pension payments are currently being made only at SNP Deutschland GmbH.

Reinsurance policies are in place at SNP SE and SNP (Switzerland) AG that are pledged on behalf on the beneficiaries.

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

in € thousand	2020	2019
Defined benefit obligation (DBO)	5,014	4,925
Fair value of plan assets	2,185	2,034
<b>Net carrying amount of defined benefit plans</b>	<b>2,829</b>	<b>2,891</b>

The cost for defined benefit plans breaks down as follows:

in € thousand	2020	2019
Current service cost	219	147
Net interest cost*	20	32
<b>Expenses for defined benefit plans recognized in the consolidated income statement</b>	<b>239</b>	<b>179</b>
Actuarial gains (-)/ losses	-163	733
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>-161</b>	<b>737</b>
<b>Cost for defined benefit plans</b>	<b>78</b>	<b>916</b>

\* Disclosed in the income statement under "other financial expenses."

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

in € thousand	2020	2019
<b>DBO at the beginning of the fiscal year</b>	<b>4,925</b>	<b>3,448</b>
Current service cost	219	147
Interest expense	28	49
Remeasurement		
- Actuarial gains (-) / losses due to changes in financial assumptions	-199	719
Benefit payments	29	482
Foreign currency effects	12	80
<b>DBO at the end of the fiscal year</b>	<b>5,014</b>	<b>4,925</b>

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

in € thousand	2020	2019
<b>Fair value of plan assets at the beginning of the fiscal year</b>	<b>2,034</b>	<b>1,386</b>
Interest income	8	17
Remeasurement		
- Gains (+)/ losses (-) from plan assets without amounts contained in net interest expense and income	-38	-18
Employer contributions	60	511
Employee contributions	113	77
Foreign currency effects	8	61
<b>Fair value of plan assets at the end of the fiscal year</b>	<b>2,185</b>	<b>2,034</b>

	2020	2019
Discount rate	0.2 to 0.85%	0.3 to 0.9%
Salary trends	0% to 3.6%	0% to 3.6%
Pension trends	0% to 2.0%	0% to 2.0%
Average turnover <sup>1)</sup>	0%	0%

<sup>1)</sup> Depending on years of service.

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, 2020, as follows:

in € thousand	Defined benefit obligation			
	Increase		Decrease	
	2020	2019	2020	2019
<b>Basic assumption</b>				
Discount rate (1% change)	-402	-449	417	555
Future pension trend (1% change)	154	250	-186	-211
Future income trend (1% change)	70	150	-176	-135
Future mortality (-10% change)	71	112	-	-

As of December 31, 2020, the weighted average term of the defined benefit obligations was approximately 17 years (previous year: 18 years).

The employer contributions to plan assets expected for 2021 and the subsequent nine years amount to € 145 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 SNP Deutschland GmbH. The actual payments depend on other criteria being fulfilled. An average annual payment of € 126 thousand is expected for the next ten years.

## 33. CURRENT TAX ASSETS, TAX LIABILITIES AND DEFERRED TAXES

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

### Income Taxes

Income taxes are comprised as follows:

in € thousand	2020	2019 (adjust- ed)	2019 (as re- ported)
<b>Expenses for current taxes</b>			
Current income taxes, year under review	2,130	1,930	1
Current income taxes for prior periods	-19	1	1,930
	2,111	1,931	1,931
<b>Income (previous year: expense) from deferred taxes</b>			
Change in timing differences, year under review	-1,943	-936	76
Change in timing differences, prior periods	67	197	197
Change in tax assets from tax loss carryforwards	867	2,127	1,167
	-1,009	1,388	1,440
	<b>1,102</b>	<b>3,319</b>	<b>3,371</b>

As of the reporting date, the expected tax burden on taxable income is 30.0%, as in the previous year. This is comprised as follows:

Trade tax at a rate of assessment of 419%	14.66%
Corporate tax	15.00%
Solidarity surcharge (5.5% of the corporate tax amount)	0.82%
Applicable tax rate	30.48%
Rounded rate	30.00%

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	2020			2019		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Remeasurement of defined benefit obligations	155	-64	91	-742	144	-598

## Tax Reconciliation

The following table shows the reconciliation of the expected tax expense and the tax expense actually reported:

in € thousand	2020	2019 (adjusted)	2019 (as reported)
<b>Earnings before taxes (EBT)</b>	<b>-736</b>	<b>1,899</b>	<b>5,628</b>
Expected tax income/expense at a rate of 30%	-221	570	1,688
Effect of different tax rates	6	-139	-245
Effects of changes in tax rates	0	40	40
Non-period current income taxes	-19	1	1
Non-period deferred taxes	67	197	197
Foreign withholding tax	73	45	45
Expenses/income not affecting taxes	371	579	579
Addition to valuation allowance on loss carryforwards	126	256	256
Waiver of capitalization of loss carryforwards in current year	741	1,693	733
Use of loss carryforwards not capitalized in current year	0	0	0
Other factors	-42	77	77
<b>Actual income taxes</b>	<b>1,102</b>	<b>3,319</b>	<b>3,371</b>

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	12/31/2020	12/31/2019 (adjusted)	12/31/2019 (as reported)
<b>Deferred tax liabilities</b>			
Intangible Assets	-651	-1,019	-1,019
Property, Plant and Equipment	-177	-217	-217
Right-of-use assets	-3,356	-2,732	-3,692
Receivables/contract assets	-809	-260	-260
Other nonfinancial assets	-282	-3,397	-3,397
Noncurrent financial liabilities	0	-13	-65
Liabilities/contract liabilities	-286	0	0
Other financial liabilities	-49	0	0
Other nonfinancial liabilities	-155	0	0
Expenses	-104	0	0
Deferred tax liabilities	-5,869	-7,638	-8,650
Offsetting	5,572	6,875	7,887
<b>Total deferred tax liabilities</b>	<b>-297</b>	<b>-763</b>	<b>-763</b>

in € thousand	12/31/2020	12/31/2019 (adjusted)	12/31/2019 (as reported)
<b>Deferred tax assets</b>			
Intangible Assets	589	573	573
Property, Plant and Equipment	14	11	11
Tax loss carryforwards	2,933	4,066	5,026
Other tax benefits	168	98	98
Receivables/contract assets	632	1,920	1,920
Liabilities/contract liabilities	1,282	543	543
Other financial liabilities	1	0	0
Other financial assets	0	1	1
Inventories	322	0	0
Pension obligations	513	601	601
Noncurrent financial liabilities	3,787	2,614	2,614
Current financial liabilities	847	1,176	1,176
Other Nonfinancial Liabilities	707	531	531
Deferred tax assets	11,795	12,134	13,094
Offsetting	-5,572	-6,875	-7,887
<b>Total deferred tax assets</b>	<b>6,223</b>	<b>5,259</b>	<b>5,207</b>

The capitalization of deferred taxes on tax loss carryforwards in the 2020 fiscal year relates to the parent company (€ 2,004 thousand) as well as the German subsidiary Innoplexia GmbH (€ 118 thousand) and the foreign entities SNP Transformations Inc., Jersey City, NJ, USA (€ 617 thousand), Shanghai SNP Data Technology Co., Ltd. Shanghai, China (€ 118 thousand) and SNP Transformations SEA Pte. Ltd. Singapore. (€ 76 thousand). The loss carryforwards in Germany, Singapore and the USA can be used without any time limit. In China, the tax losses can be carried forward over a period of five years from when they occur. These tax loss carryforwards decreased in the 2020 fiscal year. Plans assume positive taxable income in subsequent years. Therefore, it is expected that the tax loss carryforwards will be further reduced in the coming years. As regards the use of the tax benefits recognized due to loss carryforwards, because of the positive order outlook, in the future, the Group's individual companies are expected to generate sufficient taxable income. The subsidiaries in the USA and Singapore, as well as the domestic company Innoplexia GmbH, have a history of tax losses. Due to the clearly positive revenue forecasts and the strengthened management and governance structure for the overall Group, the new appointments to local management functions, the recently introduced and increased use of nearshoring for project execution, as well as sales measures and the planned expansion of the SAP S4/HANA project volume, the company expects to see taxable income that will match the tax loss carryforwards reported for the foreseeable future. The other tax benefits (€ 168 thousand) relate to ADP Consultores S.R.L., Buenos Aires, Argentina, the inflation-based adjustment made for tax purposes that must be offset against taxable profits in subsequent years.

An asset item for tax loss carryforwards will only be capitalized insofar as it appears probable within a planning horizon of four years that taxable income will be available that can be offset in the future. Overall, no deferred tax assets have been established for the tax loss carryforwards in the amount of € 11,452 thousand (previous year: € 4,329 thousand, previous year, adjusted: € 7,884 thousand) that arose in previous years and in the year under review.

The non-capitalized tax loss carryforwards are subject to the following expiry dates:

in € thousand	12/31/2020	12/31/2019 (adjusted)	12/31/2019 (as reported)
5–10 years	317	165	165
unlimited	11,135	7,719	4,164
	<b>11,452</b>	<b>7,884</b>	<b>4,329</b>

### 34. SUBSCRIBED CAPITAL

As of December 31, 2020, the share capital of the company amounted to € 7,212,447.00 (previous year: € 6,602,447.00) and was comprised of 7,212,447 (previous year: 6,602,447) ordinary no-par-value bearer shares of SNP Schneider-Neureither & Partner SE, each with a nominal value of € 1.00. On July 15, 2020, through partial utilization of authorized capital SNP Schneider-Neureither & Partner SE successfully completed a cash capital increase, as a result of which the company's share capital was increased by € 610,000.00, divided into 610,000 no-par-value bearer shares, to a total of € 7,212,447.00, divided into 7,212,447 shares. The new shares, which were issued at a price of € 46.00 per share, are entitled to dividends in the 2020 fiscal year, beginning on January 1,

2020. The subscription rate was 100%. As a result, the company generated a gross cash inflow of € 28,060 thousand. The capital increase was entered in the German commercial register on July 17, 2020. Since July 21, 2020, the new shares have been included in stock exchange trading.

### 35. AUTHORIZED CAPITAL

The Annual General Meeting held on June 6, 2019 has authorized the Board of Directors to increase the company's share capital in the period up to June 5, 2024 once or several times in partial amounts, by up to a total of € 3,301,223.00, against cash or in-kind contributions through the issuance of new no-par-value bearer shares (2019 Authorized Capital). In the event of cash contributions, the new shares may be taken over by one or more banks or companies within the meaning of Section 186 (5) (1) of the AktG with the obligation to offer them to shareholders for purchase (indirect subscription right). The Board of Directors is authorized to bar the subscription rights of shareholders in order to remove fractional shares from the subscription rights of shareholders; in case of capital increases against cash contributions in order to issue the new shares at an issue price that is not significantly lower than the market price (Sections 203 (1) and (2), 186 (3) (4) of the AktG) and provided that the number of shares issued does not exceed 10% of the share capital at the time the authorization becomes effective or – if this value is lower – at the time it is exercised (10% limit); for capital increases against contributions in kind, particularly for the purpose of directly or indirectly acquiring companies, operations or investments in companies or industrial property rights, licenses, patents, or other product rights or other assets; to

the extent it is necessary, to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the company and its subsidiaries can be granted subscription rights for new shares to the extent that they will or would be entitled if they exercised their options or conversion rights. The authorization was partially exercised through the capital increase in July 2020, through the issuance of 610,000 shares.

### Contingent Capital

By virtue of a resolution passed by the Annual General Meeting on June 30, 2020, an extension of the term for the 2015 contingent capital – which consisted of € 1,869,030.00, divided into up to 1,869,030 no-par-value bearer shares – beyond the year 2020 was rejected.

### Treasury Shares

In the period from 2011 to 2013, the company purchased a total of 21,882 shares at a cost of € 414,650.19. As of December 31, 2020, the company continues to hold these shares.

On May 12, 2016, the Annual 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. In August 2019, the Board of Directors resolved a multi-year share buyback program beginning on September 1, 2019 and with a term ending no later than May 11, 2021. During this period, a maximum of 638,362 treasury shares will

be repurchased via the stock exchange. This corresponds to 9.67% of the company's share capital. As part of this buyback program, a total of 34,000 shares were acquired at a price of € 1,094,436.46 in the 2019 fiscal year. In the 2020 fiscal year, a further 19,820 shares were purchased at an overall price of € 1,203,572.16.

On June 30, 2020, the Annual 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. At the same time, the existing authorization granted in 2016 was canceled.

The acquisition cost of € 2,712,658.81 for the total of 75,702 shares has been disclosed as a negative item in equity in accordance with IAS 32.33.

Acquired treasury shares have been recognized at cost and deducted from subscribed capital.

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

## 36. RETAINED EARNINGS AND CAPITAL RESERVES

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

The capital reserves increased to € 87,068,326.94 (previous year: € 59,968,250.67). The increase resulted from the issuance of 610,000 new no-par-value bearer shares with a nominal share of share capital of € 1.00 per share. The issue price was € 46.00. As a result, subscribed capital per issued share increased by € 1.00, while capital reserves increased by the excess amount of € 27,450,000. This increase in capital reserves was reduced by the costs associated with the capital increase of € 696,223.93, less deferred tax liabilities of € 208,867.18. All in all, costs associated with capital increases of € 4,108,920.24, less deferred tax liabilities of € 1,232,676.08, have been offset in the capital reserves.

In addition, the obligations to issue equity instruments resulting from the 2020 Stock Option Plan in the amount of € 137 thousand are reported under capital reserves. Please see Chapter 30 for further information.



### 37. NONCONTROLLING INTERESTS

The item involves 19% minority interests in the subsidiaries SNP Transformations SEA Pte. Ltd. and SNP Transformations Malaysia Sdn. Bhd. which were consolidated for the first time in the 2016 fiscal year.

The following disclosures relate to all of the companies in which the Group holds minority interests. The disclosures involve information prior to the elimination performed among other companies of the Group.

	in € thousand
Revenue	2,118
Result	-1,675
Income attributable to noncontrolling interests	-318
Other comprehensive income	3
Comprehensive income	-1,673
Comprehensive income attributable to noncontrolling interests	-315
Current assets	2,176
Noncurrent assets	502
Current liabilities	1,760
Noncurrent liabilities	1,980
Net assets	-1,062
Net assets attributable to noncontrolling interests	-229
Cash flow from operating activities	724
Cash flow from investing activities	-7
Cash flow from financing activities	-117
Net increase in cash and cash equivalents	600
Dividends paid during the year to noncontrolling interests	0

### 38. FINANCIAL INSTRUMENTS

#### Objectives and Methods of Financial Risk Management

In the 2020 fiscal year, as well as investing in new and replacement property, plant and equipment and intangible assets and acquiring treasury shares SNP used cash and cash equivalents, first and foremost, in order to settle purchase price installments resulting from company acquisitions and for the settlement of lease liabilities. These investments and repayments were funded through positive cash flow from operating activities as well as the capital increase in July 2020.

In March 2020, the first tranche of the promissory note loans was repaid, with a volume of € 5 million. This was refinanced by taking out a loan in the amount of € 2,000 thousand and, in part, by means of short-term loans within the scope of a € 5,000 thousand credit line agreement. COVID-19 loans were taken out in Germany for over € 10,000 thousand and in Switzerland for over € 500 thousand in order to cushion the potential financial impact of the coronavirus pandemic. In addition, existing credit lines were expanded and further credit lines were newly agreed.

The management monitors and manages the Group's financing and capital structure on an ongoing basis. For this it uses parameters such as the net debt ratio 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, 2020, and December 31, 2019, no changes were made to the objectives, policies

or procedures for monitoring financing and managing the capital structure.

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, the Group's 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 Managing Directors. The Group has no significant risk concentrations.

For cash and cash equivalents, 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.

We apply the IFRS 9 simplified impairment model in order to determine the impairment for trade receivables and contract assets. Please see the comments under Point 10 for further information.

The following table shows the credit and default risk based on an impairment matrix as of December 31, 2020:

<b>Classification</b>	<b>Loss rate in %</b>	<b>Carrying amounts in € thousand</b>	<b>Impairment in € thousand</b>
Risk class 1 (Germany, Austria, Switzerland, USA, Australia and Singapore)	0.02	48,767	9
Risk class 2 (United Kingdom)	0.00	1,992	0
Risk class 3 (Poland, China, Japan, Malaysia and Chile)	0.40	10,135	42
Risk class 4 (Colombia)	0.40	497	2
Risk class 5 (Argentina)	0.40	1,425	6
Risk class 6 (Loss)	100.00	289	289
Reclassification to disposal group		-5,136	-254
<b>Total</b>		<b>57,969</b>	<b>94</b>

The following table shows the credit and default risk based on an impairment matrix as of December 31, 2019:

<b>Classification</b>	<b>Loss rate in %</b>	<b>Carrying amounts in € thousand</b>	<b>Impairment in € thousand</b>
Risk class 1 (Europe (excl. Poland), USA, Australia and Singapore)	0.02	45,558	9
Risk class 2 (Chile and China)	0.39	2,269	9
Risk class 3 (Poland and Malaysia)	0.42	4,980	22
Risk class 4 (Colombia)	0.30	335	1
Risk class 5 (Argentina)	0.30	3,317	10
Risk class 6 (Loss)	100.00	118	118
<b>Total</b>		<b>56,577</b>	<b>169</b>

The following table shows the development of impairment in relation to trade receivables and contract assets:

<b>in € thousand</b>	<b>Trade receivables</b>	<b>Contract assets</b>	<b>Total</b>
<b>As of January 1, 2019</b>	<b>184</b>	<b>13</b>	<b>197</b>
Amounts written off	-98	0	-98
Net remeasurement of impairment	69	1	70
<b>As of December 31, 2019</b>	<b>155</b>	<b>14</b>	<b>169</b>
Amounts written off	-77	0	-77
Net remeasurement of impairment	249	7	256
Reclassification to disposal group	-254	0	-254
<b>As of December 31, 2020</b>	<b>73</b>	<b>21</b>	<b>94</b>

The following significant changes to the gross carrying amounts of trade receivables contributed to the changes to impairment losses in 2020:

- China and Chile have been classified as risk class 3 (previous year: risk class 2) due to these countries' poorer ratings.
- Increased carrying amounts in risk class 6 due to customers' heightened financial difficulties.

## Liquidity Risk

The Group monitors the risk of a possible liquidity squeeze through ongoing cash flow planning and monitoring. The key goal is to ensure a minimum level of liquidity in order to safeguard solvency at all times. A high volume of cash therefore serves as a strategic reserve, which helps to keep SNP flexible, solvent and independent. As well as effective management of capital employed and liquid assets, SNP has reduced the liquidity risk that results from normal business activity and fulfillment of financial obligations by establishing appropriate lines of credit with various credit institutions, which it may draw upon in case of need.

Cash flows from the Group's financial liabilities had the following maturity dates:

12/31/2020					
in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Promissory note loans	689	26,388	9,360	0	36,437
Liabilities to banks	7,281	2,772	6,250	0	16,303
Trade payables	4,613	0	0	0	4,613
Leasing liabilities	3,773	3,591	7,277	5,208	19,849
Purchase price obligations	1,904	159	285	0	2,348
Other financial liabilities	283	61	0	0	344
	<b>18,543</b>	<b>32,971</b>	<b>23,761</b>	<b>4,619</b>	<b>79,894</b>

12/31/2019 (adjusted)					
in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Promissory note loans	5,544	689	35,748	0	41,981
Liabilities to banks	158	24	21	0	203
Trade payables	10,239	0	0	0	10,239
Lease liabilities	5,644	4,118	6,015	5,509	21,286
Purchase price obligations	2,804	0	0	0	2,804
Other financial liabilities	0	93	0	0	93
	<b>24,389</b>	<b>4,924</b>	<b>41,784</b>	<b>5,509</b>	<b>76,606</b>

12/31/2019 (as reported)					
in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Promissory note loans	5,540	513	35,748	0	41,801
Liabilities to banks	158	24	21	0	203
Trade payables	10,239	0	0	0	10,239
Lease liabilities	5,644	4,118	6,015	5,509	21,286
Purchase price obligations	2,804	0	0	0	2,804
Other financial liabilities	0	93	0	0	93
	<b>24,385</b>	<b>4,748</b>	<b>41,784</b>	<b>5,509</b>	<b>76,426</b>

Financial liabilities that can be repaid at any time are assigned to the earliest possible time period.

No material contractual cash flows result from the derivative liabilities.

## Fair Value

Our financial instruments are primarily classified at amortized cost. The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements:

in € thousand		12/31/2020 (after reclassification to disposal group)		12/31/2019 (adjusted)		12/31/2019 (as reported)	
<b>Financial assets</b>	<b>IFRS 9 category</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	Amortized cost	25,961	25,961	19,137	19,137	19,137	19,137
	Fair value						
Derivatives	(profit or loss)	4	4	0	0	0	0
Trade receivables	Amortized cost	25,600	25,600	33,455	33,455	33,455	33,455
Other financial assets	Amortized cost	20,971	20,971	1,572	1,572	1,572	1,572
<b>Total</b>		<b>72,536</b>	<b>72,536</b>	<b>54,164</b>	<b>54,164</b>	<b>54,164</b>	<b>54,164</b>

in € thousand		12/31/2020 (after reclassification to disposal group)		12/31/2019 (adjusted)		12/31/2019 (as reported)	
<b>Financial liabilities</b>	<b>IFRS 9 category</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Trade payables	Amortized cost	4,613	4,613	10,239	10,239	10,239	10,239
Financial liabilities	Amortized cost	51,254	50,636	40,479	41,552	40,305	41,480
	Fair value						
Derivatives	(profit or loss)	5	5	0	0	0	0
Purchase price obligations	Amortized cost	1,816	1,816	2,791	2,791	2,791	2,791
	Fair value						
Purchase price obligations	(profit or loss)	474	474	0	0	0	0
Lease liabilities		18,364	18,364	19,397	19,397	19,397	19,397
Other financial liabilities	Amortized cost	343	343	93	93	93	93
<b>Total</b>		<b>76,869</b>	<b>76,251</b>	<b>72,999</b>	<b>74,072</b>	<b>72,825</b>	<b>74,000</b>

### Summary as per IFRS 9 category

in € thousand	12/31/2020	12/31/2019 (adjusted)	12/31/2019 (as reported)
	Carrying amount	Carrying amount	Carrying amount
Financial assets measured at amortized cost	72,532	54,164	54,164
Financial assets measured at fair value through profit or loss	4	0	0
Financial liabilities measured at amortized cost	58,026	53,602	53,428
Financial liabilities measured at fair value through profit or loss	479	0	0

The fair value of financial liabilities is measured on the basis of the yield curve, while taking credit spreads into consideration. They have therefore been assigned to level 2 in the valuation hierarchy.

The fair value of derivatives are determined using bank valuation models based on parameters such as the yield curve and volatility of the interest rate level. They are assigned to level 2 in the valuation hierarchy.

The fair value of contingent purchase price obligations in connection with company acquisitions that have a measurement at fair value level 3 after subsequent measurement is determined in accordance with generally accepted valuation methods based on discounted cash flow analyses. The material inputs are, in addition to the factor-specific discount rates, the expectations for future cash flows and the earnings figures determined in purchase agreements and relevant with regard to earn-out.

The changes to the financial instruments measured at fair value level 3 are as follows:

in € thousand	Purchase price obligations
<b>Initial stock as of January 1, 2020</b>	<b>0</b>
Acquisitions	464
Losses Recognized in the Income Statement	10
<b>Closing stock as of December 31, 2020</b>	<b>474</b>

The net gains or losses of the individual IFRS 9 categories are as follows:

in € thousand	12/31/2020	12/31/2019 (adjusted)	12/31/2019 (as reported)
From financial assets measured at amortized cost	-3	122	122
From financial assets measured at fair value through profit or loss	4	0	0
From financial liabilities measured at amortized cost	-784	-1.068	-894
From financial liabilities measured at fair value through profit or loss	-17	0	0
<b>Total</b>	<b>-800</b>	<b>-946</b>	<b>-772</b>

Net gains and net losses from financial instruments measured at fair value through profit or loss result from changes in the fair value.

For the assets measured at amortized cost, net gains and net losses include income from interest, expenses and income for expected credit losses, effects of currency translation, losses on disposal and income from receipts on receivables written off.

Net gains and net losses from liabilities measured at amortized cost include expenses for interest and effects from currency translation.

Interest income from financial assets measured at amortized cost amounts to € 30 thousand (previous year: € 36 thousand).

Interest expense from financial liabilities measured at amortized cost amounts to € 878 thousand (previous year, adjusted: € 1,007 thousand; as reported: € 833 thousand).

## Market Price Risk

### Interest Rate Risk Management

#### Interest Rate Risk Management

The Group is 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 various bank loans and promissory note loans.

The bank loans attract interest at a fixed basic interest rate, with the exception of one loan. The floating-rate loan is hedged against interest rate risk through interest derivatives, resulting in a fixed interest rate on the loan over its entire term.

The yield on the various tranches of the promissory note loans consists of fixed and variable interest. The variable interest is based on Euribor. The variable portion of the promissory note loans amounts to € 20 million (previous year: € 25 million). Therefore, changes in market interest rates can lead to higher interest expense. If the six-month Euribor is positive, an increase of 50 basis points of the six-month Euribor will increase interest expense by € 0.1 million (previous year: € 0.1 million). The sensitivity analysis assumes that all other variables (except for the market interest rate) will remain unchanged. Management continuously monitors the development of market interest rates and the necessity of appropriate hedging measures.

## Currency Risk

The Group companies conduct their operating business in the respective functional currency so that the corresponding foreign exchange risk is regarded as moderate. Currency risks result primarily from intragroup business relationships.

### Currency Risk Management

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. 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. 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 euros. Management continuously monitors the development of exchange rates and the necessity of appropriate hedging measures.

A sensitivity analysis has been carried out in order to be able to quantify the possible effects of exchange rate fluctuations on Group earnings. This shows the change in Group earnings in the event that the respective functional currency of the Group companies increases or decreases in value by 10% in relation to the foreign currency and all of the other parameters remain the same:

in € thou- sand	2020		2019	
	The euro loses in compari- son to the currency	The euro gains in compari- son to the currency	The euro loses in compari- son to the currency	The euro gains in compari- son to the currency
CHF	29	-36	118	-144
GBP	-7	9	41	-50
PLN	120	-147	50	-61
USD	-244	299	-284	348
SGD	-136	166	-29	35
MYR	-17	21	97	118
CNY	-14	17	-26	31
ARS	-19	23	-41	50
CLP	-16	20	-86	105
COP	13	-16	-17	20
ZAR	0	0	0	0
AUD	-74	91	-18	22
JPY	165	-201	0	0

Due to the inclusion of subsidiaries, the Group also reports assets and liabilities outside the eurozone which are denominated in local currencies. Fluctuations in currency exchange rates may result in changes in value at the conversion of these assets into euros. The changes in these net assets are reflected in the Group's equity through other comprehensive income.

## Share Price Risk

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, 2020, and December 31, 2019, the Group held no significant financial instruments with related share price risks.

A sensitivity analysis has not been carried out due to the insignificant share price risk.

## 39. CAPITAL MANAGEMENT

	12/31/2020		12/31/2019 (adjusted)		Delta as %  Total	12/31/2019 (as reported)	
	in € thousand	As % of the total volume of equity and liabilities	in € thousand	As % of the total volume of equity and liabilities		in € thousand	As % of the total volume of equity and liabilities
Equity	87,683	42	66,903	39	31	70,602	41
Current liabilities	53,986	26	49,554	29	9	49,859	29
Noncurrent liabilities	65,004	32	54,045	32	20	53,566	31
Liabilities	118,990	58	103,599	61	15	103,425	59
<b>Total equity and liabilities</b>	<b>206,673</b>	<b>100</b>	<b>170,502</b>	<b>100</b>	<b>21</b>	<b>174,027</b>	<b>100</b>

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.

Due to the capital increase, the equity ratio has increased to 42.4% as of December 31, 2020 (previous year, adjusted: 39.2%; as reported: 40.6%).

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 40. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in € thousand	2020	2019
Exchange rate differences	2,266	792
Advertising subsidies	386	298
Rent concessions	179	0
Insurance compensation	154	84
Reversal of provisions and derecognition of liabilities	107	564
Other subsidies	85	0
Proceeds from the disposal of assets	45	270
Miscellaneous	229	451
<b>Total</b>	<b>3,451</b>	<b>2,459</b>

## 41. COST OF MATERIALS

This involves costs for purchasing external consultants to carry out projects (cost of purchased services) and for purchasing third-party licenses for resale.

## 42. PERSONNEL COSTS

Personnel costs include costs for defined contribution pension plans of € 425 thousand (previous year: € 424 thousand), not including insurance contributions to statutory pension plans. Contributions to statutory pension plans amounted to € 4,575 thousand (previous year: € 5,427 thousand).

Personnel costs include severance expenses of € 1,117 thousand (previous year: € 609 thousand).

The average number of employees in the Group changed as follows:

in € thousand	2020	2019
Full-time	1,388	1,230

## 43. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in € thousand	2020	2019
Services	4,512	4,492
Advertising, representation	4,368	5,205
Foreign exchange losses	3,501	1,870
Legal and consulting costs	2,293	1,229
Occupancy costs, energy	2,112	2,248
Rent, leases	1,823	1,672
Vehicles	1,709	2,302
Other personnel costs	1,458	3,123
Travel costs	1,245	5,031
Communications	1,035	1,065
Insurance policies, contributions	582	591
Office supplies	376	565
Board of Directors	144	116
Payment transaction costs	122	136
Write-downs of receivables	62	236
Expense associated with the disposal of assets	22	62
Other	550	552
<b>Total</b>	<b>25,914</b>	<b>30,495</b>

Cost savings were achieved in the area of travel costs in particular on account of the coronavirus pandemic and the related travel restrictions. Customer projects were mainly handled remotely.



#### 44. NET FINANCIAL INCOME

Net financial income is as follows:

in € thousand	2020	2019 (adjusted)	2019 (as reported)
<b>Other financial income</b>			
Term deposit investment	7	4	4
Derivatives	4	0	0
Pension obligations	8	17	17
Compounding on contract assets	13	1	1
Reversal of impairment	0	151	151
Other interest income	14	31	31
<b>Total</b>	<b>46</b>	<b>204</b>	<b>204</b>

in € thousand	2020	2019 (adjusted)	2019 (as reported)
<b>Other financial expenses</b>			
Bank interest	228	31	31
Derivatives	5	0	0
Interest for promissory note loans	611	842	668
Pension obligations	28	49	49
Leases	595	695	695
Compounding on purchase price obligations	29	38	38
Impairment losses	91	0	0
Other interest expenses	35	96	96
<b>Total</b>	<b>1,622</b>	<b>1,751</b>	<b>1,577</b>

## OTHER NOTES

### 45. STATEMENT OF CASH FLOWS

The composition of cash and cash equivalents as of December 31, 2020, of € 29,405 thousand deviates from the carrying value of cash and cash equivalents of € 25,961 thousand due to the reclassification of cash and cash equivalents of the disposal group (€ 3,444 thousand).

The cash flow from operating activities includes the following items: interest paid of € 772 thousand (previous year: € 602 thousand), interest received of € 13 thousand (previous year: € 35 thousand), income taxes paid of € 3,394 thousand (previous year: € 1,625 thousand) and income taxes received of € 444 thousand (previous year: € 130 thousand).

Cash flow from investing activities includes payments for company acquisitions of € 956 thousand (previous year: € 4,558 thousand). These relate to payments for the company acquisitions made in 2017, 2018 and 2020.

Noncash expenses and income include the following changes.

in € thousand	2020	2019 (adjusted)	2019 (as reported)
Deferred Taxes	-1,541	1,388	1,440
Currency effects	-499	-102	-102
Accrued interest	126	288	114
Change of capital reserves due to stock option program	137	0	0
Remeasurement of defined benefit obligations	155	-742	-742
Other	50	-151	-151
<b>Total</b>	<b>-1,572</b>	<b>681</b>	<b>559</b>

Liabilities from financing activities developed as follows:

in € thousand	Promissory note loans	Other loans	Lease liabilities	Total
<b>As of 1/1/2019</b>	<b>40,004</b>	<b>250</b>	<b>754</b>	<b>41,008</b>
Borrowed	0	242	0	242
First-time application IFRS 16	0	0	17,994	17,994
New leasing additions	0	0	7,020	7,020
Repaid	0	-148	-6,315	-6,463
Other payments	-570	0	-101	-671
Noncash deferrals	667	0	0	667
Exchange rate fluctuations	0	-47	45	-2
<b>As of 12/31/2019 (as reported)</b>	<b>40,101</b>	<b>297</b>	<b>19,397</b>	<b>59,795</b>
Noncash deferrals	174	0	0	174
<b>As of 12/31/2019 (adjusted)</b>	<b>40,275</b>	<b>297</b>	<b>19,397</b>	<b>59,969</b>
Borrowed	0	17,022	0	17,030
New leasing additions	0	0	7,479	7,479
Repaid	-5,000	-938	-5,245	-11,183
Other payments	-544	0	0	-544
Noncash deferrals	611	-347	8	269
Exchange rate fluctuations	0	-62	-564	-626
Reclassification to disposal group	0	0	-2,711	-2,711
<b>As of 12/31/2020</b>	<b>35,342</b>	<b>15,972</b>	<b>18,364</b>	<b>69,678</b>

Other payments comprise, in particular, payments of interest and fees.

Noncash deferrals mainly consist of deferred interest expenses and subsidies reclassified to nonfinancial liabilities.

#### 46. MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTORS

Since the transformation of SNP Schneider-Neureither & Partner AG into a European stock corporation (Societas Europaea/SE) in 2017, the company has been managed by its Board of Directors which determines the basic standards for its business activities and oversees their implementation by the Managing Directors.

Pursuant to the resolutions passed by the Annual General Meeting on May 31, 2017 and on June 6, 2019, the Board of Directors consisted of the following members at the start of the fiscal year: Dr. Andreas Schneider-Neureither (Chairman), Dr. Klaus Kleinfeld (Deputy Chairman), Dr. Michael Drill, Gerhardt A. Burckhardt, Rainer Zinow and Dr. Karl Benedikt Biesinger. Dr. Klaus Kleinfeld resigned from the Board of Directors on May 12, 2020. Dr. Michael Drill was elected as the Deputy Chairman. Dr. Andreas Schneider-Neureither died on November 2, 2020. Since November 19, the Board of Directors has had the following members: Dr. Michael Drill (Chairman), Gerhardt A. Burckhardt (Deputy Chairman), Rainer Zinow and Dr. Karl Benedikt Biesinger.

At the start of the fiscal year, the Managing Directors consisted of the following persons: Dr. Andreas Schneider-Neureither (Chairman of the Managing Directors and CEO), Michael Eberhardt (COO), Prof. Dr. Heiner Diefenbach (CFO), and Frank Hohenadel (CHRO). Following the death of Dr. Andreas Schneider-Neureither, on November 19, 2020 the Board of Directors resolved to appoint Michael Eberhardt the company's new CEO

with effect as of December 1, 2020. Frank Hohenadel resigned from his position as a Managing Director on December 31, 2020. As of the beginning of 2021, Michael Eberhardt (Chairman of the Managing Directors and CEO) and Prof. Dr. Heiner Diefenbach (CFO) are the company's Managing Directors.

#### **47. 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.

##### **Advances or Loans to Managing Directors or Contingent Liabilities Incurred on Behalf of These Persons**

As of December 31, 2020, no loans, credits or advances were granted to any Managing Directors. Furthermore, SNP SE did not incur any contingent liabilities on behalf of Managing Directors in the reporting year.

##### **Provisions for Pension Commitments to Managing Directors**

SNP SE has made provisions for the pension commitments to Dr. Andreas Schneider-Neureither/his heirs and to Ms. Petra Neureither (CFO until May 19, 2011) totaling € 108 thousand (previous year: € 318 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

#### **Other Transactions**

SNP SE has signed several rental agreements for office space and parking spaces for cars. These agreements have been concluded between the former Chairman of the Board of Directors (who is also a Managing Director) and related parties. In the 2020 fiscal year, related expenses were € 422 thousand (previous year: € 423 thousand); as of December 31, 2020, there were no outstanding liabilities.

In the 2019 fiscal year, SNP Transformations, Inc. signed a rental agreement with a related party for the use of premises over a period of 10 years. Advance payments in the amount of USD 1,288 thousand (previous year: USD 3,000 thousand) were made for this rental agreement. As part of an error correction in accordance with IAS 8, the right-of-use asset was fully written down retroactively in the 2019 fiscal year due to its possible non-operational uses. See Chapter 5 for more information. Error correction.

A legal consulting agreement has been concluded between SNP SE and a member of the Board of Directors as well as related parties. In the 2020 fiscal year, related expenses were € 607 thousand (previous year: € 321 thousand); as of December 31, 2020, there were outstanding liabilities in the amount of € 39 thousand (previous year: € 92 thousand).

Furthermore, SNP SE acquired from a member of the Board of Directors a minority interest of 22% in OORCCA GmbH for a purchase price of € 200 thousand in the first quarter of 2020. See Chapter 24 for more information.

On the basis of employment contracts between SNP SE and two children of members of the Board of Directors, salary payments were made including benefits in kind and fringe benefits. In the 2020 fiscal year, related expenses amounted to € 100 thousand (previous year: € 92 thousand); as of December 31, 2020, this included receivables of € 1 thousand (previous year: € 0 thousand) and obligations of € 3 thousand (previous year: € 0 thousand).

You will find detailed information on the remuneration of our Managing Directors and the members of the Board of Directors in the remuneration report, which is contained within the management report.

#### **48. RISKS RESULTING FROM LEGAL DISPUTES**

As part of its ordinary business activities, SNP is confronted with lawsuits and court proceedings. As of the reporting date of December 31, 2020, pending legal disputes mainly relate to proceedings with current and former employees.

The employment law proceedings primarily relate to disputes over termination of employment. SNP reviews these cases in great detail and conducts the proceedings in line with the compliance requirements and taking the litigation risk into account. The legal consequence could include legal defense costs and potentially compensation claims.

As of December 31, 2020, in particular one legal dispute was pending in which compensation claims have been asserted. In these proceedings, SNP is the defendant in a legal dispute involving two former employees whose

contracts were terminated after only a short period. The volume of the claim has not yet been determined. The plaintiffs estimate an amount in euros that could run into the upper six-digits. The defendant believes that the claim is unfounded and is vehemently defending against it. Although the proceedings slowed for a period, it is expected that evidence will be recorded and a hearing will take place during 2021. Provisions had been set up by the balance sheet date in the amount of the expected future burden.

In addition, another lawsuit has been filed by an employee in the USA. The charges include allegations of sexual harassment by a former manager from 2018 to 2020. The company's investigation of the charges is being led by the compliance committee. The Company has made provisions for expected costs in connection with the litigation. The judicial process is still in its early stages. No orders to direct proceedings have yet been issued. In accordance with IAS 37, further disclosures will not be made since the proceedings are still ongoing. For information on the insurance coverage, please see the explanatory notes in Chapter 27.

#### 49. AUDITING AND CONSULTING FEES

In the past fiscal year, fees for the auditor amounted to € 256 thousand (previous year: € 142 thousand) for the consolidated financial statements and to € 31 thousand (previous year: € 26 thousand) for other assurance services.

#### 50. SUBSEQUENT EVENTS

In February 2021, SNP SE signed a finance agreement with the European Investment Bank in the amount of € 20 million. The loan has a term of five years and bears interest at a fixed rate of 1.101% per annum.

On February 25, 2021, SNP Schneider-Neureither & Partner SE acquired 74.9% of the shares in EXA AG for € 10.5 million. The purchase price installments were paid with liquid assets in March 2021. The remaining 25.1% of EXA shares are retained by Divya Vir Rastogi, CEO and co-founder of EXA, with a put option from 2024 and a call option from 2025. EXA AG was founded in 2012 and currently employs approximately 140 people – 30 in Germany and approximately 110 in India. Control was transferred with effect from March 1, 2021. EXA is a leading provider of transformation solutions in the area of financial management with a focus on the topics of operational transfer pricing and global value chain. The SNP Group expects the strategic expansion of the portfolio to produce considerable synergies in go-to-market strategies, which will positively influence the result in the future. Furthermore, the acquisition will increase the proportion of recurring revenues within the SNP Group.

A purchase price allocation has not yet been carried out because the date of the acquisition was too close to the time these financial statements were prepared. Further disclosures in accordance with IFRS 3 cannot be made because the date of the acquisition was too close to the time these financial statements were prepared.

The German Stock Exchange announced that SNP SE will no longer be listed in the SDAX with effect as of March 22, 2020. According to the regular review, the SNP share barely missed the criterion for market capitalization.

On April 16, 2021, the Chairman of the Board of Directors of SNP Schneider-Neureither & Partner SE, Dr. Michael Drill, and two other members of the company's Board of Directors today announced that they will be stepping down from their position prematurely. Dr. Michael Drill and Rainer Zinow will resign from their positions at the end of the Annual General Meeting June 17, 2021, while Gerhard Burkhardt resigned with immediate effect. With the invitation to this year's Annual General Meeting, the Company will propose candidates for succession to the Board of Directors.

#### 51. CORPORATE GOVERNANCE

The Managing Directors and the Board of Directors have issued a declaration on the German Corporate Governance Code. This has been made available on the company's website at <https://www.snpgroup.com/en/corporate-governance>.

Heidelberg, Germany, April 19, 2021

The Managing Directors



Prof. Dr. Heiner Diefenbach



Michael Eberhardt

# INDEPENDENT AUDITOR'S REPORT

To SNP Schneider-Neureither & Partner SE, Heidelberg

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

### Audit Opinions

We have audited the consolidated financial statements of SNP Schneider-Neureither & Partner SE, Heidelberg, and its subsidiaries (the Group) – comprising the consolidated statement of financial position as of December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1, 2020 to December 31, 2020, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group management report of SNP Schneider-Neureither & Partner SE, Heidelberg, for the fiscal year from January 1, 2020 to December 31, 2020. In accordance with German law, we have not examined the content of the components of the Group management report indicated in the "Other information" section of our audit report.

In our opinion, based on the findings of the audit,

- the enclosed consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and give a true and fair view of the net assets and financial position of the Group as of December 31, 2020, and of its results of operations for the fiscal year from January 1, 2020 to December 31, 2020, in accordance with these requirements, and
- the attached Group management report as a whole conveys an accurate view of the condition of the Group. This Group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development in all material respects. Our audit opinion on the Group management report does not extend to the content of the components of the Group management report indicated in the "Other information" section.

In accordance with Section 322 (3) (1) of the HGB, we declare that our audit has not led to any objections regarding the correctness of the consolidated financial statements or the Group management report.

### Basis for the Audit Opinions

We have conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the HGB and the EU Audit Regulation (EU 537/2014; hereinafter "EUAR") and in consideration of German generally accepted standards for the audit of financial statements, as promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these requirements and principles is described in greater detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" of our audit report. We are independent of the Group companies in accordance with the requirements of European Union law and of German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional standards in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and suitable to serve as the basis for our audit opinions on the consolidated financial statements and the Group management report.

### **Key Audit Topics in the Audit of the Consolidated Financial Statements**

Key audit topics are such matters that, in our dutiful judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1, 2020 to December 31, 2020. These matters were considered in connection with our overall audit of the consolidated financial statements and in the formation of our audit opinion; we do not issue any separate audit opinion on these matters.

From our point of view, the following issues were the most significant.

#### **Recoverability of Goodwill**

#### **Reasons for Designation as a Particularly Important Audit Subject**

Goodwill amounted to € 33.6 million as of December 31, 2020. This corresponds to 16.3% of total assets.

Goodwill is tested for impairment at the level of the Service and Software cash-generating units. The evaluation of the recoverability of goodwill is complex and is based on a series of discretionary factors. The most significant assumptions involve the expected future revenues, the planned earnings margin and the applied discount rate.

The impairment tests performed did not reveal any need for impairment. There is a risk, with regard to the consolidated financial statements, that the goodwill in the cash-generating units is not recoverable.

#### **Our Approach to the Audit**

We have validated the planning process and the material assumptions applied based on the explanations of those responsible for planning. Using the available information, we have assessed whether the material target values contained in the budget and the underlying assumptions are appropriate. We compared the expected future cash flows for the Service and Software cash-generating units against the available projections.

Furthermore, we are satisfied with the reliability of the company's budgeting through a retrospective comparison of the target values (e.g. income and profit margin) from previous years with the actual performance values. We, along with our specialists, have validated the assumptions and parameters used to determine the applied discount rate, particularly the market risk premium and beta factor, and retraced the calculation method. Furthermore, we have conducted our own sensitivity analyses in order to be able to assess any potential impairment risk given a conceivable change in material measurement assumptions.

We assessed the calculation method used in the impairment test and verified the calculation of the discounted cash flow surpluses in arithmetical terms.

#### **Reference to Related Disclosures**

For information on the accounting policies applied and the impairment tests performed, we refer to the disclosures in the notes to the consolidated financial statements under "9. Use of Estimates" and "10. Key Accounting Policies."

#### **Recognition of Revenue From Service**

#### **Reasons for Designation as a Particularly Important Audit Subject**

The company reports revenue from Service of € 93.9 million in the consolidated income statement for the 2020 fiscal year. Revenue from Service accounts for 65.3% of the Group's total revenue.

Customer requirements vary in the Service area. These requirements result in a variety of contract rules. The recognition of consulting fees depends on complex contractual agreements, resulting in different times of recognition. Revenue for consulting business is recognized in accordance with IFRS 15 "Revenue from Contracts with Customers."

According to IFRS 15, the contractually agreed performance obligations must be identified for services to a customer. Where there are economic interdependencies, it must first be examined whether several contracts with a customer are to be combined into one contract (multi-component contract). This assessment is discretionary.

For the performance obligations identified in combined contracts, the allocation of the consideration is discretionary. In this respect, there is a risk of incorrect allocation and correspondingly incorrect revenue recognition.

SNP Schneider-Neureither & Partner SE recognizes sales revenue in the Service segment both in connection with specific times and with broader time periods.

Sales revenues from customer-specific consulting projects, which are fulfilled over a certain period of time, are realized according to the percentage-of-completion method. This is determined according to an input-oriented method, in that the consulting hours already performed are always set in relation to the estimated total project hours required to fulfill the performance obligation. In the company's opinion, this method best reflects the progress of the work or the transfer of assets to the customer.

The recognition of revenue from customer-specific consulting projects over time is complex and discretionary in nature. Estimation uncertainties exist in particular with regard to the total project hours to be estimated to determine the degree of completion achieved. There is also the risk that expenses are recorded for the wrong projects.

There is a risk for the consolidated financial statements that the accrual of revenues from customer-specific consulting projects for specific periods is incorrect as of the reporting date and that revenues are therefore recognized in the wrong period.

#### **Our Approach to the Audit**

Based on our understanding of the process and the evaluation of the structure and implementation of the internal controls implemented regarding the accurate recording of contract-related personnel expenses and other expenses in the internal contract accounts, we have examined their effectiveness. These controls ensure that only project-related hours and expenses are recorded in and billed to the respective contract accounts.

In addition, we gained a process understanding of the estimation of total project hours and validated the design, implementation and effectiveness of the internal controls established.

Using a combination of mathematical and statistical processes and carefully selected contracts, we assessed the need to combine contracts and the identification of individual performance obligations. On this basis, we also reviewed the allocation of the transaction price to the individual performance obligations using the individual sales prices we reconstructed. For the ongoing client-specific consulting projects included in the selection, we assessed the underlying contractual agreements to determine whether the recognition of revenue in connection with these is based on timeframes and the percentage of completion. For these project orders, we subsequently assessed the percentage of completion on which the revenue recognition is based by tracking the total actual hours recorded, the estimated total project hours and the expected order revenues in the client's calculation.

#### **Reference to Related Disclosures**

For information on recognition of the revenue mentioned, please refer to the information provided in the notes to the consolidated financial statements under "9. Use of Estimates" and "17. Contract Assets and Contract Liabilities."



## Recognition of Revenue From Software Licenses

### Reasons for Designation as a Particularly Important Audit Subject

The company reports revenue from software licenses of € 41.9 million for its own software products in the consolidated income statement for the 2020 fiscal year. Revenue from software licenses accounts for 29.1% of the Group's total revenue.

The correct recognition of revenue in the consolidated financial statements is of particular importance to the Group's economic position. The recognition of revenue from software licensing transactions depends on complex contractual agreements, resulting in different times of recognition. The company sells its own software products in standalone licensing transactions that do not entail the company entering into any additional performance obligations or multi-component transactions. In cases involving licensing as a standalone service, the corresponding licensing fees are billed on the basis of a specific date and are recognized when the delivery obligation is satisfied in accordance with IFRS 15 "Revenue from Contracts with Customers," as the customer only has a right of use insofar as the licensed software product exists at the time the license is granted.

In addition, project-related software licenses in particular are granted to customers as part of transformation contracts. These are granted for a fixed term corresponding

to the duration of the transformation project. Project-based licensing forms part of a single performance obligation because it serves to allow consulting services to be provided in the context of transformation projects. In such cases, the revenue is recognized uniformly on a percentage-of-completion basis, as the projects feature customer-specific benefits and there are enforceable payment claims for services already rendered. In cases involving these customer-specific project orders, the percentage of completion and, by extension, the amount of revenue that can be recognized are determined by comparing the hours worked on the project against the total hours expected to be spent on the project. The recognition of revenue from customer-specific consulting projects over time is complex and discretionary in nature. Estimation uncertainties exist in particular with regard to the total project hours to be estimated to determine the degree of completion achieved. There is also the risk that expenses are recorded for the wrong projects.

There is a risk, with regard to the consolidated financial statements, that the revenue from the software licensing transactions may not have been recognized in the correct period or at the correct amount.

### Our Approach to the Audit

First, we assessed the processes in place to assess the requirements for recognition of revenue at a given time or in a given time period in the software licensing business.

In the case of project licenses, we examined the effectiveness of the internal control system with regard to project management based on our understanding of the process and the evaluation of the structure and implementation of the internal controls implemented in relation to the accurate recording of contract-related personnel expenses and other expenses in the internal contract accounts. The project management controls ensure that only project-related hours and expenses are recorded in the respective contract accounts.

Using a combination of orders selected both by deliberate means and by statistical sampling methods, we evaluated the underlying contractual agreements to determine whether the software licensing transactions are a standalone service with licensing fees generated at a specific time, or whether the licensing transaction forms part of a standardized performance obligation in the context of transformation projects. In the latter case, we verified whether customer projects not yet completed had their revenue recognized on the basis of the percentage of completion. We also performed spot checks on those project orders that have not yet been completed to evaluate the percentage of completion on which the revenue recognition is based by reviewing and verifying the total actual hours recorded, the estimated total project hours and the expected order revenue in the client's calculation.

Using contracts that were deliberately selected on a risk-oriented basis, we assessed the underlying contractual agreements to determine whether the obligations from the software license transactions have been fulfilled by the company and whether software license revenues have been recognized in the appropriate period or in the appropriate amount.

#### **Reference to Related Disclosures**

For information on recognition of the revenue mentioned, please refer to the information provided in the notes to the consolidated financial statements under "9. Use of Estimates" and "17. Contract Assets and Contract Liabilities."

#### **Related Party Transactions and Disclosures**

##### **Reasons for Designation as a Particularly Important Audit Subject**

In March 2019, the U.S. subsidiary signed a ten-year, non-cancelable lease agreement with a related party for the use of real estate for commercial purposes in the USA. A lack of usability from as early as the beginning of the lease in 2019 was determined on the basis of the review of this real estate carried out by the company after the death of the company's former Chairman of the Board of Directors and Managing Director as well as additional information provided by a U.S. law firm. In light of the correction to the error in the benchmarking information for the previous year in accordance with IAS

8 which was made in respect of the valuation of the right-of-use asset under this real estate lease in the USA, we had to assume that the presumed irregularity was not a one-off event. We have therefore adjusted our risk assessment regarding related party transactions and disclosures. In addition, the company's Board of Directors has expanded the scope of the audit of the consolidated financial statements, in particular regarding compliance with statutory and internal regulations on the approval and conclusion of related party transactions.

In the case of legal transactions with related parties, in principle a heightened control risk applies in regard to full recognition of these transactions and due presentation of the related party disclosures required according to applicable accounting principles. For the purpose of due recognition of related party transactions in the accounting records and their accurate presentation in the consolidated financial statements and the Group management report in accordance with the accounting principles applied, the company must maintain an appropriate and effective internal control system, including an accounting system covering related party transactions.

There is a risk in the consolidated financial statements that the related party disclosures according to IAS 24 which are required in accordance with the accounting principles applied may not be complete and the legal

transactions of the company and its subsidiaries with related parties which are of material significance for the accounting may not be duly reported in the consolidated financial statements and the Group management report.

#### **Our Approach to the Audit**

We have assessed the risks resulting from relationships with related parties at company level and have taken these into consideration in the risk assessment for each specific audit area. Initially on the basis of our understanding of the process and our evaluation of the design and implementation of the internal controls established, we have also reviewed whether legal transactions with related parties have been recognized and presented in full, in particular by consulting the company's legal representatives and by evaluating the minutes of the meetings of the Board of Directors. In this respect, we are satisfied that the related party disclosures have been duly presented by inspecting the respective contractual agreements and checking these against the transactions recognized in the accounting records.

In light of the correction of the error regarding the right-of-use asset for the real estate in the USA and in response to the expansion of the scope of the audit of the consolidated financial statements by the company's Board of Directors, we have widened the nature and scope of our audit activities concerning the U.S. subsid-

ary SNP Transformations, Inc., to include an audit of its annual financial statements. We were thus able to assess, with a sufficient level of assurance, that the annual financial statements of the fully consolidated subsidiary are, as a whole, free of material misrepresentations – whether deliberate or unintentional. In addition, in case of significant consulting agreements with related parties as well as sponsorship and advertising agreements, we are satisfied with their effectiveness under stock corporation and civil law and that these agreements have been concluded for business reasons and have been approved or permitted by the company's Board of Directors. We have engaged the services of specialized lawyers for this purpose.

For all other foreign subsidiaries, in addition to our audit instructions issued to the respective component auditors we have also initiated audit activities with a particular focus on the identification and analysis of related party transactions and have made appropriate use of these audit activities. We are also satisfied with the completeness of the related party disclosures provided, according to the applicable accounting principles, by means of IT-supported data analyses.

#### Reference to Related Disclosures

For related party disclosures, please see the information provided in the notes to the consolidated financial statements under "5. Error Corrections" and "47. Related Party Transactions and Disclosures."

#### Other Information

The Managing Directors and the Board of Directors are responsible for other information. Other information includes:

- the assurance statement for the consolidated financial statements according to Section 297 (2) (4) of the HGB and the assurance statement for the Group management report according to Section 315 (1) (5) of the HGB,
- the Group Non-financial Declaration in accordance with Section 289b of the HGB in conjunction with Section 315b of the HGB, to which reference is made in the section "Group Non-financial Declaration" in the Group management report,
- the declaration on corporate governance in accordance with Section 289f of the HGB in conjunction with Section 315d of the HGB, which is referred to in the section "Declaration on Company Management" in the Group management report,
- the report of the Board of Directors,
- the remaining parts of the annual report, except for the audited consolidated financial statements, the Group management report and our audit report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to other information. Accordingly, we are not issuing an audit opinion or any other kind of audit finding regarding such information.

In connection with our audit of the consolidated financial statements, we have the responsibility to read the above-mentioned other information and, in the process, to determine whether the other information

- contains material discrepancies by comparison with the consolidated financial statements, the Group management report or the insights gained during the audit or
- otherwise appears to display material misrepresentations.

If, on the basis of the work we perform on the other information obtained prior to the date of this audit opinion, we conclude that this other information contains significant misstatements, we are obliged to report this. We have no matters to report in this regard.

#### Responsibility of the Managing Directors and the Board of Directors for the Consolidated Financial Statements and the Group Management Report

The Managing Directors are responsible for the preparation of the consolidated financial statements, which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the HGB, and for ensuring that the consolidated financial statements give a true and fair view of the financial position and financial performance of the Group in accordance

with these requirements. Furthermore, the Managing Directors are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Managing Directors are responsible for assessing the Group's ability to continue as a going concern. In addition, they have the responsibility to report any relevant matters in connection with continued operation as a going concern. They are also responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

Moreover, the Managing Directors are responsible for the preparation of the Group management report, which conveys an overall accurate view of the condition of the Group, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and accurately represents the opportunities and risks of future development. Furthermore, the Managing Directors are responsible for taking precautions and implementing measures (systems) they have deemed necessary in order to enable the preparation of a Group management report in accordance with applicable German legal requirements and in order to provide sufficient suitable evidence for the statements in the Group management report.

The Board of Directors is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

#### **Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report**

Our objective is to obtain sufficient assurance regarding whether the consolidated financial statements as a whole are free of material misrepresentations – whether deliberate or unintentional – and whether the Group management report conveys an overall accurate view of the condition of the Group, is consistent in all material respects with the consolidated financial statements and the insights gained during the audit, complies with German legal requirements and accurately represents the opportunities and risks of future development as well as to issue an audit report that contains our audit opinions on the consolidated financial statements and the Group management report.

Sufficient assurance is a high degree of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 of the HGB and the EUAR and German generally accepted standards for the audit of financial statements, as promulgated by the Institute of Public Auditors in Germany (IDW), will always uncover material misrepresentations. Misrepresentations can result from fraud or errors and are viewed as material if it may rea-

sonably be expected that they – individually or collectively – could influence the economic decisions of the addressees made on the basis of these consolidated financial statements and Group management report.

We exercise dutiful judgment during the audit and maintain a critical attitude. In addition:

- We identify and evaluate the risks of material misrepresentations, whether deliberate or unintentional, in the consolidated financial statements and in the Group management report, plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinions. The risk that material misrepresentations are not uncovered is higher in the case of fraud than errors since fraud can involve deceitful collaboration, falsifications, deliberate omissions, misrepresentations or the disabling of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the relevant precautions and measures for the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of these systems.
- We evaluate the appropriateness of the accounting policies implemented by the legal representatives as well as the justifiability of the estimated values presented by the legal representatives and related disclosures.

- We draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives as well as, on the basis of the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. Should we conclude that a significant uncertainty exists, we are obligated to draw attention in the audit report to the related disclosures in the consolidated financial statements and in the Group management report or, if these disclosures are unsuitable, to modify our respective audit opinion. Our findings are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease operating as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position and financial performance of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the HGB.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the

Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- We evaluate the consistency of the Group management report with the consolidated financial statements, its consistency with the law and the view it conveys of the condition of the Group.
- We conduct audit procedures regarding the forward-looking statements made by the legal representatives in the Group management report. On the basis of sufficient, suitable audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements of the legal representatives and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements or its underlying assumptions. There is a substantial unavoidable risk that future events may deviate significantly from the forward-looking statements.

We discuss with those responsible for supervision the planned scope and schedule for the audit as well as significant audit findings, including possible deficiencies in the internal control system that we identify during our audit, among other issues.

We issue a statement to those responsible for supervision that we have adhered to the relevant requirements for independence and discuss with them all relationships and other matters, of which it can reasonably be assumed that they influence our independence and the protective measures taken regarding them.

From the matters communicated with the individuals responsible for governance, we determine those matters that were of most significance during the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report unless laws or other legal requirements exclude their public disclosure.

## OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

### **Report on Assurance in Accordance with Section 317 (3b) of the HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes**

#### **Audit Opinion**

We have performed assurance work in accordance with Section 317 (3b) of the HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report contained in the attached electronic file SNP\_SE\_KA\_KLB\_ESEF\_2020-12-31.zip (SHA256-Hashwert: 1719933060bbc4b378adc63851c3870d3561f086eb976e5dbbfa656ecaad43d) and prepared for publication purposes (hereinafter also referred to as “ESEF documents”) complies in all material respects with the requirements of Section 328 (1) of the HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance opinion and our audit opinions on the accompanying consolidated financial statements and Group management report for the fiscal year from January 1, 2020 to December 31, 2020 contained in the “Report on the Audit of the Consolidated Financial Statements and the Group Management Report” above.

#### **Basis for the Audit Opinion**

We conducted our assurance work on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3b) of the HGB and the exposure draft of the assurance standard promulgated by the Institute of Public Auditors in Germany (IDW) “Assurance in Accordance with Section 317 (3b) of the HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes” (IDW EPS 410). Our responsibility in this respect is set out in further detail in the section “Responsibility of the Auditor for the Audit of

the ESEF Documents.” Our audit practice has applied the quality assurance system requirements set out in the IDW quality assurance standard “Quality Assurance Requirements in Audit Practice” (IDW QS 1).

#### **Responsibility of the Managing Directors and the Board of Directors for the ESEF Documents**

The Managing Directors are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) (4) No. 1 of the HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) (4) No. 2 of the HGB.

The Managing Directors are also responsible for the internal controls which they deem necessary in order to enable the preparation of ESEF documents which are free of material violations – whether deliberate or unintentional – of the requirements of Section 328 (1) of the HGB for the electronic reporting format.

The Managing Directors are also responsible for the submission to the operator of the German Federal Gazette of the ESEF documents, together with the auditor’s report and the accompanying audited consolidated financial statements and audited Group management report, as well as other documents to be published.

The Board of Directors is responsible for overseeing the preparation of the ESEF documents as part of the accounting process.

### **Responsibility of the Auditor for the Audit of the ESEF Documents**

Our objective is to obtain a sufficient level of assurance as to whether the ESEF documents are free of material violations – whether deliberate or unintentional – of the requirements of Section 328 (1) of the HGB. We exercise dutiful judgment during the audit and maintain a critical attitude. In addition:

- We identify and evaluate the risks of material violations of the requirements according to Section 328 (1) of the HGB – whether deliberate or unintentional – plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinion.
- We gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of these controls.
- We assess the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents fulfills the requirements of the version of Delegated Regulation (EU) 2019/815 applicable

as of the reporting date, in relation to the technical specifications for this file.

- We evaluate whether the ESEF documents enable an identical XHTML reproduction of the audited consolidated financial statements and the audited Group management report.
- We evaluate whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

### **Other Disclosures According to Article 10 of the EUAR**

We were elected as the Group auditor by the Annual General Meeting on June 30, 2020. We were commissioned by the Board of Directors on October 16, 2020. We have operated as the Group auditor of SNP Schneider-Neureither & Partner SE, Heidelberg, without interruption since the 2017 fiscal year.

We state that the audit opinions contained in this audit report are consistent with the supplemental report to the audit committee according to Article 11 of the EU-APrVO (audit report).

### **Auditor Responsible**

The German public auditor responsible for the audit is Christian Landgraf.

Stuttgart, April 19, 2021

Rödl & Partner GmbH  
Auditing company  
Tax advisory company

signed Müller

German public auditor

signed Landgraf

German public auditor





# ANNUAL FINANCIAL STATEMENTS

SNP Schneider-Neureither &amp; Partner SE, Heidelberg

**BALANCE SHEET (HGB)**

as of December 31, 2020

ASSETS (in € thousand)		2020	2019
<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	1,681		411
2. Payments on account	254		1,617
		1,935	2,028
<b>II. Fixed assets</b>			
1. Land, rights equivalent to property and buildings including buildings on third-party land	50		202
2. Other fixed assets and office equipment	1,762		1,682
3. Advance payments and assets under construction	124		0
		1,937	1,883
<b>III. Financial assets</b>			
1. Shares in affiliated companies	94,087		91,394
2. Loans in affiliated companies	2,663		2,663
3. Participations	228		25
		96,977	94,082
		100,849	97,994
<b>B. Current assets</b>			
<b>I. Inventories</b>			
1. Work in progress	0		0
2. Goods	8		371
		8	371
<b>II. Receivables and other assets</b>			
1. Trade receivables	19,304		13,440
2. Receivables from affiliated companies	31,192		19,095
3. Other assets	474		615
		50,969	33,150
<b>III. Cash reserves and bank balances</b>		25,630	3,127
<b>C. Deferred items</b>		632	427
		<b>178,088</b>	<b>135,067</b>

LIABILITIES (in € thousand)		2020	2019
<b>A. Equity</b>			
<b>I. Subscribed capital</b>			
1. Subscribed capital	7,212		6,602
2. Own shares	(76)		(56)
		7,137	6,547
<b>II. Capital reserves</b>		89,807	62,357
<b>III. Revenue reserves</b>			
1. Statutory reserves	19		19
2. Other reserves	0		0
		19	19
<b>IV. Retained earnings</b>		8,366	8,948
		105,329	77,871
<b>B. Provisions</b>			
1. Provisions for pensions and similar obligations	275		438
2. Tax provisions	506		370
3. Other provisions	4,587		2,390
		5,368	3,198
<b>C. Liabilities</b>			
1. Liabilities to financial institutions	51,274		40,320
2. Payments received on orders	0		0
3. Trade payables	2,522		3,047
4. Liabilities to affiliated companies	9,093		7,015
5. Other liabilities	4,166		3,570
		67,055	53,953
<b>D. Deferred items</b>		335	46
		<b>178,088</b>	<b>135,067</b>

SNP Schneider-Neureither &amp; Partner SE, Heidelberg

**PROFIT AND LOSS ACCOUNT (HGB)**

for the period from January 1 to December 31, 2020

in € thousand		2020	2019
<b>1. Sales revenue</b>		33,641	33,199
<b>2. Increase/Decrease in inventories of unfinished goods</b>		8	(56)
<b>3. Other capitalized own services</b>		55	267
<b>4. Other operating income</b>			
- Of which expenses from foreign currency conversion: € 388 (previous year: € 372)		1,170	1,376
<b>5. Material costs</b>			
Costs for purchased goods		(1,159)	(504)
<b>6. Personnel costs</b>			
a) Wages and salaries	(14,198)		(10,885)
b) Social security and expenses for pensions and related employee benefits			
- Of which expenses for pensions: € 123 (previous year: € 195)	(2,021)		(1,720)
		(16,219)	(12,605)
<b>7. Depreciation</b>			
- Of intangible assets and property, plant and equipment		(1,253)	(807)
<b>8. Other operating expenses</b>			
- Of which expenses from foreign currency conversion: € 1,332 (previous year: € 744)		(26,213)	(17,744)
<b>9. Income from participations</b>			
- Of which from affiliated companies: € 489 (previous year: € 4,925)		489	4,925
<b>10. Received profits due to a profit transfer agreement</b>		12,411	3,009
<b>11. Income from loans of financial assets</b>			
- Of which from affiliated companies: € 80 (previous year: € 55)		80	55
<b>12. Other interest and similar income</b>			
- Of which from affiliated companies: € 45 (previous year: € 77)		57	103
<b>13. Depreciation of financial assets</b>		(1,200)	0
<b>14. Interest and similar expenses</b>			
- Of which from affiliated companies: € 13 (previous year: € 15)		(997)	(676)
<b>15. Taxes on income</b>		(245)	(579)
<b>16. Income after taxes</b>		<b>626</b>	<b>9,963</b>
17. Other taxes		(25)	(7)
<b>18. Net income</b>		<b>602</b>	<b>9,956</b>
19. Profit carries forward from previous year		8,948	0
20. Withdrawal from capital reserves		1,183	1,008
<b>21. Net profit</b>		<b>8,366</b>	<b>8,948</b>

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Do you have questions or need more information? We are at your disposal for further advice and information.

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