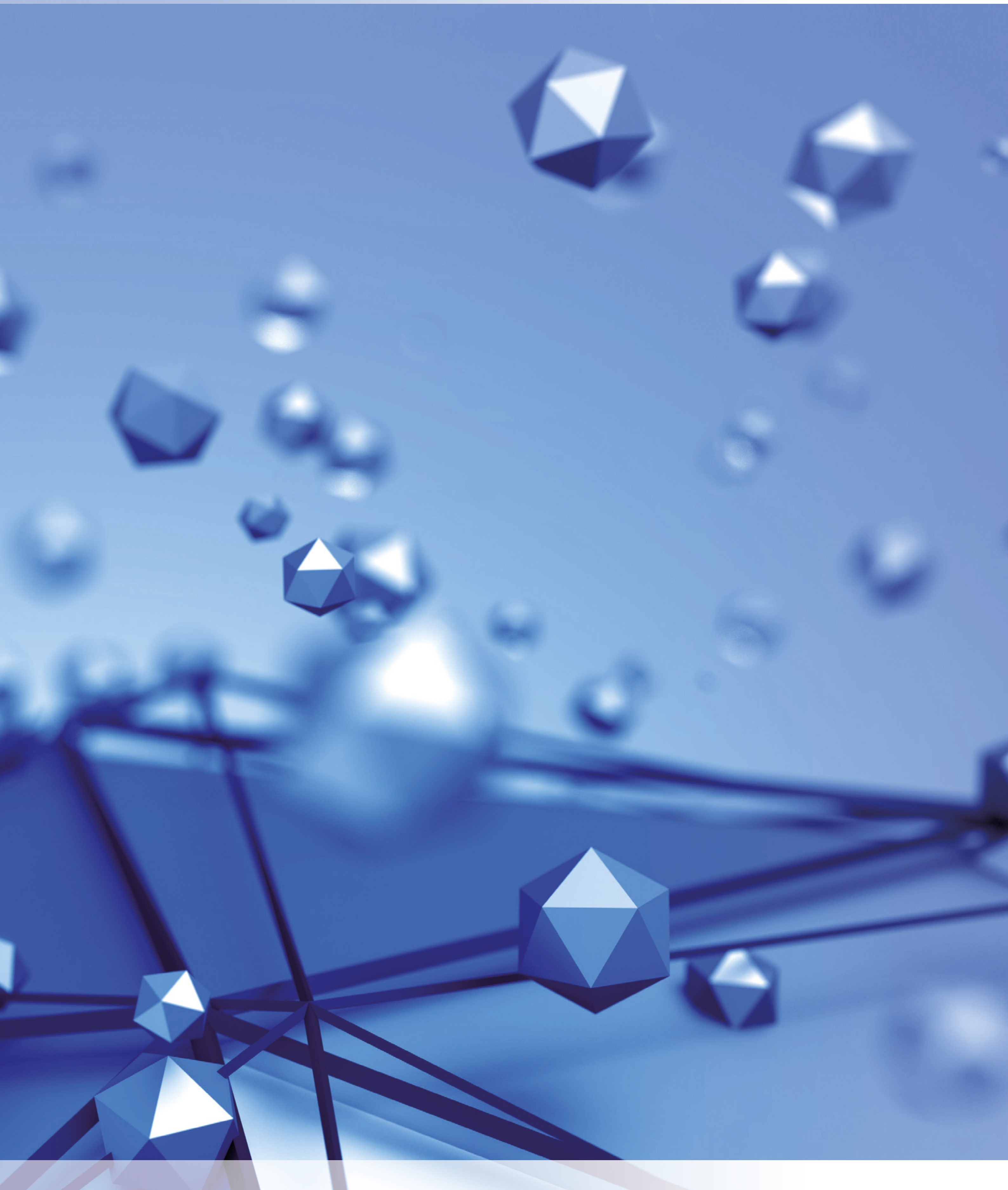
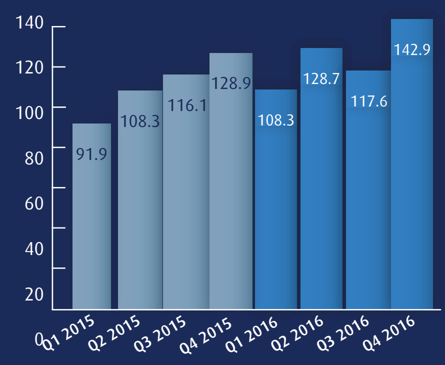
ALLGEIER

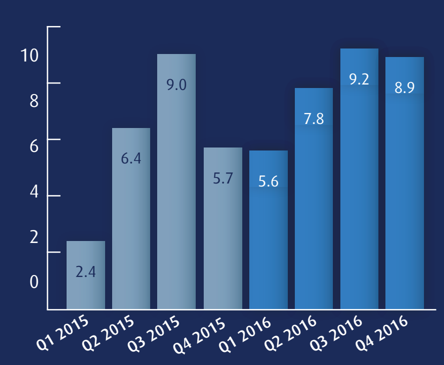


2016 ANNUAL REPORT

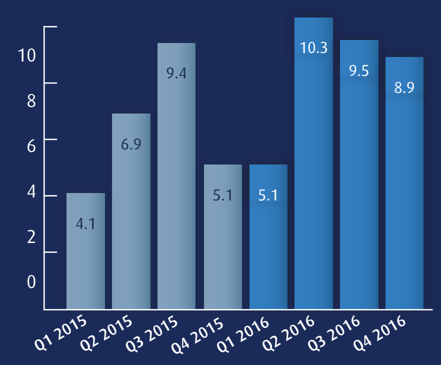
SALES* in EUR million



EBITDA* in EUR million



ADJUSTED EBITDA** in EUR million



*For continuing operations | **EBITDA of the continuing operations before effects that from a business perspective are extraordinary or relate to other periods

ALLGEIER SE STANDS FOR MODERN SOFTWARE DEVELOPMENT AND FLEXIBLE IT PERSONNEL SOLUTIONS

With a growth strategy aimed at innovations and future trends, as well as an integrative entrepreneurial model, Allgeier seizes the opportunities of digitalisation.

Three segments with individual technical or industry-specific focal points work together for approximately 3,000 customers from virtually all industries. With a highly flexible global delivery model Allgeier covers the complete IT performance spectrum from onsite to nearshore to offshore: A strong pillar in India ensures flexibility and the maximum scalability of the services, as well as highly qualified expert knowledge in high-end software development. With over 6,300 salaried employees and more than 1,300 freelance experts, Allgeier is a one-stop shop that offers customers an extensive solution and performance portfolio. The fast-growing Group, headquartered in Munich, has more than 100 branches in German-speaking regions and subsidiaries in nine additional Western European countries, as well as in India, Vietnam, Singapore, Mexico and the USA.

In the financial year 2016, the Allgeier Group generated consolidated sales of EUR 498 million (continuing operations). The company is listed in the General Standard of the regulated market at the Frankfurt Stock Exchange (WKN 508630, ISIN DE0005086300). Allgeier SE is ranked first in the 2016 Lünendonk® list, "Leading German midsize IT consulting and system integration firms". According to the Lünendonk® market segment study for 2016, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier Experts is one of the top 3 IT personnel service providers in Germany.

@ **Additional information and the latest news about the company are provided at www.allgeier.com.**

KEY GROUP FIGURES*	2012	2013	2014	2015	2016	CAGR
Revenues	327.1	372.1	375.7	445.7	497.5	11.1%
EBITDA	19.1	26.6	21.0	23.5	31.5	13.3%
Adjusted EBITDA**	21.0	25.4	22.7	25.6	33.8	12.6%
EBIT	8.8	15.6	11.7	11.2	17.8	19.3%
EBT	6.0	11.7	6.7	7.1	13.9	23.4%
Net income for the year	3.5	4.9	1.6	1.7	6.7	17.6%
Total assets	289.6	289.3	329.8	328.0	344.4	
Equity	93.4	94.7	100.7	115.7	116.9	
Earnings per share (in EUR)***	1.05	0.42	0.23	1.39	0.50	
Number of permanent employees	3,640	3,924	4,896	5,717	6,338	14.9%
Number of freelance experts	1,494	1,346	1,211	1,334	1,361	-2.3%
Total number of employees	5,134	5,270	6,107	7,051	7,699	10.7%

Continuing operations according to IFRS, in EUR million (if not cited otherwise), 2012 after retroactive adjustments
**EBITDA before effects that from a business perspective are extraordinary or relate to another tax period
***Discontinued and continuing operations

Contents

THE ALLGEIER YEAR 2016

Overview of the Allgeier year 2016

1st quarter 2016

In the 1st quarter of 2016 Allgeier achieves double-digit growth and a disproportionate increase in earnings

In the first three months of the 2016 financial year (1 January 2016 – 31 March 2016) the Group posted double-digit growth and a disproportionately high increase in earnings relative to the sales trend. In the first quarter of 2016, overall performance of continuing operations was EUR 114.9 million and thus exceeded the prior-year value by 15% (prior-year: EUR 99.9 million). The growth resulted from organic growth and consolidation of the companies that were not yet acquired and consolidated in the first quarter of the prior-year. The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) increased by 24% to EUR 5.1 million (prior-year: EUR 4.1 million). After the end of Q1 2016, unlike the first quarter of the prior-year no negative extraordinary effects – in particular from currency fluctuations – were shown, EBITDA for the period reached EUR 5.6 million in continuing operations (prior-year: EUR 2.4 million). Accordingly, in continuing operations EBIT reached 3.0 million (prior-year: EUR -0.1 million).

Acquisition

With effect as of 1 February 2016, the Nagarro Group acquired the Norwegian IT solution provider Conduct AS (Conduct) headquartered in Oslo, Norway. Customers include market-leading enterprises in the finance and insurance industry and from the telecommunications, aviation and trade sectors. Operating as Nagarro Norway, the company provides the complete Nagarro service portfolio. The company was first consolidated in the Allgeier Group on 31 January 2016.

2nd quarter 2016

Allgeier also posted a double-digit increase in sales and earnings in the 2nd quarter of 2016

The strong first-quarter trend was continued in the second quarter of 2016. Also in the second quarter of 2016 1 April 2016 – 30 June 2016) the Group posted a significant increase in sales and earnings. Total performance in continuing operations increased year-on-year by 13% to EUR 125.8 million (prior-year: EUR 111.2 million). The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) of continuing operations, at EUR 10.3 million was 49% higher than the prior-year result (prior-year: EUR 6.9 million). In the second quarter, in continuing operations Group EBITDA was EUR 7.8 million and was 22% higher than the comparable figure of the prior-year period (prior-year: EUR 6.4 million). In continuing operations, Group EBIT (Earnings before Interest and Taxes) at EUR 5.2 million was 58% higher than the prior-year result (prior-year: EUR 3.3 million).

Dividend

In the shareholders meeting held 30 June 2016, a resolution was passed that Allgeier SE would distribute a dividend totalling EUR 6,244,210.70 to the shareholders from its accumulated profit for the 2015 financial year in the amount of EUR 34,452,551.90. There were 8,920,301 shares eligible for dividends. The dividend per share was EUR 0.70. The dividend was paid out to the shareholders of Allgeier SE in July 2016.

3rd quarter 2016

In the 3rd quarter Allgeier records a sustained increase in sales and earnings

In the third quarter of the 2016 financial year (1 July 2016 – 30 September 2016) Allgeier records a sustained increase of total performance and in earnings of continuing operations. In the third quarter of 2016 total performance in continuing operations increased year-on-year by 8% to EUR 126.6 million (prior-year: EUR 117.0 million). The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) of continuing operations, at EUR 9.5 million slightly exceeded the results of the prior-year quarter (prior-year: EUR 9.4 million). In third quarter 2016, in continuing operations Group EBITDA was EUR 9.2 million and thus was EUR 0.2 million higher than the comparable figure of the prior-year period (prior-year: EUR 9.0 million). In continuing operations, Group EBIT (Earnings before Interest and Taxes) at EUR 6.7 million was 20% higher than the prior-period result (prior-year: EUR 5.6 million).

Awards

In the current lists and market segment studies published by the market research and market analysis company Lünendonk GmbH Allgeier also took top positions in 2016. Thus in the Lünendonk list of the "10 Leading German Medium-Sized IT Consulting and System Integration Companies in Germany", Allgeier took first place, as it did in the prior-year. Each year, for the industry barometer, Lünendonk lists the medium-sized IT service providers with the highest sales that earn more than 60% of their proceeds with IT consulting, the introduction of standard software, the development of custom software, and with system integration. In the Lünendonk market segment study for 2016, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier also took one of the top positions. The companies of the Allgeier Experts division were recognized as outstanding IT personnel and project service providers and, as in the prior-year, ranked third place in the comparison. The Lünendonk market segment study is among the most important market and trend barometers of the IT personnel service industry. The German providers with the highest sales and highest number of employees are listed in the rankings, which are published yearly. "We are very pleased that we were able to maintain our strong market position and are again among the three leading IT personnel service providers in Germany", stated Thomas Götzfried, Member of the Management Board of Allgeier Experts SE. "On the customer side, we are currently experiencing an unbroken high demand for external IT personnel and for the coming years we also expect strong market growth in this area. Many companies are just at the beginning of the digital transformation."

4th quarter 2016

In the 4th quarter Allgeier also achieved growth in sales and earnings

Allgeier also posted an increase in sales and earnings in the fourth quarter of the financial year 2016 (1 October 2016 – 31 December 2016). In the fourth quarter the Group was able to increase its total performance for continuing operations by 9% to EUR 133.9 million (prior-year: EUR 122.6 million). The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) of continuing operations, was EUR 8.9 million and thus 75% higher than the prior-period result (prior-year: EUR 5.1 million). Group EBITDA for continuing operations was EUR 8.9 million, which represents an increase of 56% over the comparable figure of the prior-year period (prior-year: EUR 5.7 million). In the fourth quarter the Group was able to increase EBIT for continuing operations by 21% year-on-year to EUR 2.9 million (prior-year: EUR 2.4 million).

Acquisition

Effective 31 October 2016, the software development and design enterprise, Mokriya Inc. headquartered in Cupertino, California USA, strengthens the high-end software development of the Allgeier Group. The company, located in Silicon Valley, will function as an independent business unit as part of the Nagarro Division. Mokriya has a worldwide network of UX specialists, designers, developers and bright minds, who work together in small manoeuvrable teams on seminal applications for the digital future. Together the specialists design and develop software for leading global brands, such as Google, Twitter, Intel, AT&T, Verizon, SanDisk, salesforce and Estée Lauder. The company was first consolidated in the Allgeier Group on 31 October, 2016.

PERFORMANCE ALLGEIER SE STOCK AND DAX FROM 2011 TO 2016

Stock market year 2016: A lot of politics and a good end

The stock market year 2016 was an exciting, volatile, and in some cases turbulent, year that was consistently overlaid by political events. Right from the start of the year developments in the financial markets were shaped by economic concerns for China, the Brexit vote in the summer and the election of Donald Trump as president of the United States in November. The end of the year was conciliatory: Important stock indices closed higher – also due to Trump's election. It was the highs of the US values after the presidential election that helped the DAX break out of a sideways trend that had been ongoing for months. Thus year-on-year the DAX rose by just under 7% and the EuroStoxx also closed stronger at just under 4%. The MDAX also rose by 7%. Calculated in euro the leading US index Dow Jones Industrial gained almost 20% in value and the Japanese Nikkei 225 finished trading with a plus of approximately 9%. On the other hand, there were exchange rate losses due to weak economic data in China – the stock market closed over 15% weaker. And after temporary gains the German TecDAX ended the stock market year with a slight loss of 1%.

The stock market year started off with a sharp decline in prices. From day one, with a minus of 4.3%, the stock markets experienced the most severe price drop since the late 1980s. Weak economic data from China was the trigger for worldwide economic woes and sinking stock prices. Subsequently, the TecDAX dropped by 19% in mid-February. In turn the central banks proved to be anchors of stability, so that the markets were able to recover by early summer. After lowering the interest rate in December 2015, the US Federal Reserve did not undertake any further interest rate cuts; the European Central Bank extended its bond purchase program and lowered the base rates in March. The positive sentiment in the markets was interrupted by the unexpected result of the Brexit referendum in June. However, after initial irritations the indices quickly recovered, in spite of uncertainties regarding the long-term consequences of this decision – also as the central banks granted monetary policy facilitations. In anticipation of additional essential political decisions, such as the constitutional referendum in Italy and the US presidential election, several months of lateral movement followed. Unexpectedly markets reacted to the failure of the referendum in Italy and the resignation of the Head of Government, Renzi, as calmly as they reacted to the election of Donald Trump. At year end many indices even reached new highs for the year. The deregulation and fiscal policy sought by Trump gave many investors hope of positive growth stimuli, for the US economy as well as for the global economy. The leading German index, DAX, ultimately closed the year at 11,481 points (prior-year: 10,743 points), which represented a gain of 6.9% (prior-year: 9.6%).

DIVIDEND PAYMENT (IN EUR)	2011	2012	2013	2014	2015	2016
Per share	0.50	0.50	0.50	0.50	0.70 (of which 0.20 was a special dividend)	0.50

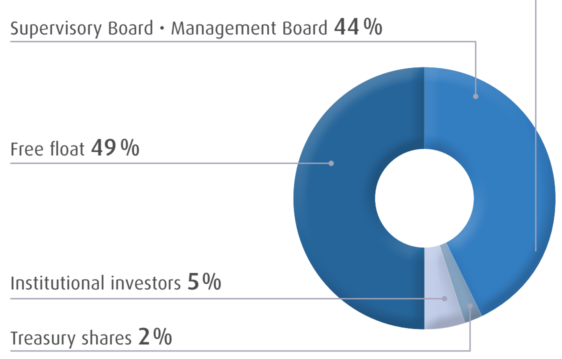
KEY FIGURES PER SHARE – 2016 VS 2015	2015	2016	CHANGE IN %
Earnings per share (in EUR)	1.39	0.50	-278%
Dividend per share (in EUR)	0.70	0.50	-28.6%
XETRA high for the year (in EUR)	18.80	18.51	-1.5%
XETRA low for the year (in EUR)	13.28	13.80	3.9%
XETRA end-of-year price (in EUR)	16.97	17.30	1.9%
Number of shares (in units)	9,071,500	9,071,500	-
End-of-year market capitalisation (in EUR million)	153.9	156.9	1.9%
Average XETRA stock market turnover (in number of shares per day)	7,075	4,789	-32.3%

The Allgeier stock

Allgeier shareholders look back on a successful stock market year 2016. Even if earnings per share ended up lower compared to the prior-year (earnings from share price development and dividends for 2015: 23.9%), the bottom line was a positive earnings per share. Given the events of the past year this was by no means a matter of course; the TecDAX did have losses to lament. In the course of the first half of 2016, overall the Allgeier stock moved sideways and in this regard followed the general uncertain mood on the stock markets. On 2 January the stock started trading at a value of EUR 16.58. After a good start of the year in which on 6 January the stock reached a high of EUR 17.60, the share price weakened significantly in two waves. In this regard the Allgeier stock also suffered from the general price slump on the German stock market. On 9 February in the course of general pressure on the German technology stocks, the stock fell below the EUR 14 mark and reached its low for the year at EUR 13.80. Thereafter, the stock recovered significantly and by 1 March it again reached the EUR 16 mark. Then the value oscillated around this mark. After price losses at the beginning of the third quarter, the share price showed significant gains in the course of the third quarter and on 15 September broke through the EUR 18 mark. On 16 September the share price reached its high for the year of EUR 18.51. In the fourth quarter the stock declined further in the course of general uncertainty in the markets and dropped significantly below EUR 17. At the end of the year the Allgeier stock – in the same manner as for the positive development in the stock markets – again recovered and ended the year on 30 December with a closing rate of EUR 17.30 in the XETRA trading system. Thus here, unlike the TecDAX, the stock achieved a gain. Measured at the closing price for the year 2015 (EUR 16.97), including the dividend of EUR 0.70 paid out in June, the Allgeier stock generated a yield on shares of 6.1% in the stock market year 2016.

ALLGEIER STOCK	
Index	General Standard
ISIN	DE0005086300
WKN	508630
Number of shares	9,071,500
Share price (on 31 March 2017)	EUR 19.66
Market capitalisation (on 31 March 2017)	EUR 178.3 million

SHAREHOLDER STRUCTURE (AS OF: 31.12.2016)*



*To the extent known to the company (partly estimated)

GROUP MANAGEMENT REPORT

A. Group management report and B. Corporate governance

OF ALLGEIER SE 2016

Group management report

1 FOUNDATIONS OF THE GROUP

1.1 BUSINESS MODEL OF THE ALLGEIER GROUP

ALLGEIER, MUNICH		
SOLUTIONS	**EXPERTS**	**TECHNOLOGY**
Allgeier Enterprise Services Group (until 21 November 2016: Allgeier IT Solutions Group) Munich	Goetzfried AG Wiesbaden	mgm technology partners Group Munich
Allgeier Medical IT Freiburg i. Br.	Goetzfried Professionals Wiesbaden	Nagarro Group Munich
Allgeier Schweiz Thalwil, Switzerland	Tecops Munich	
Allgeier Midmarket Services Bremen	U.N.P. Software Group Düsseldorf	
Allgeier ConsultingServices Munich	Allgeier Experts Services Unterföhring	
	Oxygen Istanbul, Turkey	
	recompli Grasbrunn	
	SearchConsult Düsseldorf	
	GDE Group Munich	

1.1.1 Business and structure of the Allgeier Group

At the end of the reporting period, on 31 December 2016, the Allgeier Group included 63 fully consolidated companies. In addition, there is Talentry GmbH, Munich, which is consolidated at equity. The Group's business operations are managed in the three segments "Solutions", "Experts" and "Technology" (prior-year: "Projects"), which are structured in operative enterprise units. Operational business units are subsidiaries and groups of subsidiaries with their own business operations. The business units are organised in the four divisions, Solutions (corresponds to the Solutions segment), Experts (corresponds to the Experts segment), Nagarro and mgm technology partners together organized in accordance with the Technology segment).

In the financial year 2016, discontinued operations WK EDV GmbH, Ingolstadt, and Talentry GmbH, Munich are shown (also see consolidated note A.VI. Scope of consolidation): The Group sold WK EDP in the third quarter 2016. For reasons of comparability, the prior periods were also adjusted so that continuing operations, as well as discontinued operations have changed relative to the financial reports.

The simplified organisational chart shown above provides an overview of the three segments, each with its operative business units.

1.1.2 Responsibilities of Allgeier SE

Allgeier SE is responsible for the management and strategy development of the Group's segments:

- The strategic direction and ongoing review of the strategy of the Group, the segments and investment companies on the basis of value-oriented company development
- Coordination and organisational structuring of the Group
- Organisation of finances and financing of the Group's further development
- Identification, review and negotiation of potential, additional, suitable investments, domestic and foreign, based on the Group strategy
- Negotiation and execution of purchase as well as sale of companies and investments
- Controlling, risk management and compliance
- Preparing valuation and accounting guidelines, as well as preparing the consolidated financial statements according to IFRS
- Group planning and financing
- Guidance and support of the management of the Group companies and divisions
- Integration of the various investments in the Group
- Organisation and coordination of Group-wide committees and processes
- Coordination of Group-wide project and sales activities
- Control of Group-wide communications (public relations, investor relations, internal communication) and marketing

1.1.3 Business operations of the segments

Solutions segment

The companies in the Solutions segment design, realise and operate complete IT solutions for the implementation and support of our customers' enterprise-critical business processes on the basis of standard business software products. To do this, the division companies use their own software products, as well as software products and software platforms of well-known manufacturers, such as Microsoft, SAP, IBM or Oracle. The employees combine in-depth technical expertise with special industry know-how to analyse and optimise the business processes of the customers for implementation of an IT solution. The segment consists of two cash generating units: These are the Solutions IP unit with solutions business focussed on software products developed in-house (IP) and the Solutions SAP unit that supports global groups and medium-sized companies with SAP solutions and services for the digital transformation and for optimisation of the companies' digital business processes along the entire value chain.

With their consulting, development, project planning, implementation and support services, the division companies provide IT solutions in the essential core areas for business software, such as.

- Enterprise Resource Planning: The original roots of the Allgeier Group's solutions business are in this area. With the in-house development, syntona logic®, as well as leading standard software solutions from international manufacturers, particularly Microsoft Dynamics NAV, as well as SAP, ERP solutions are implemented for medium-sized customers and enterprise customers.
- Document Management (DMS)/Enterprise Content Management (ECM): With the in-house developed DMS software, scanview®, document-intensive business processes are supported and executed with high-efficiency. In this regard, the entire value chain of the editing process, from detection, read-out and editing of content in professional workflow sequences, and extending to revision-proof archiving, are supported. On customer request, the solutions are integrated in the customer's IT infrastructure or are offered as complete cloud solutions with hosting in the division's own data centres. Special industry-specific solutions, e.g. in the eHealth area, such

SOLUTION AND SERVICES PORTFOLIO		
SOLUTIONS	**EXPERTS**	**TECHNOLOGY**
Software Solutions · Software products and software platforms of leading manufacturers ▸ Microsoft, SAP, IBM, Oracle, etc. · The Group's own software solutions ▸ ERP, ECM/DMS, security, BPM, medical IT/E-Health	Contracting: · Recruiting and support of experts for projects on a service contract basis	High End Software & Application Engineering · Nearshore/Offshore Development · Implementation · Management · Testing
Business Solutions · Cloud Solutions · Security & Compliance Solutions · Collaboration Solutions · Mobile Computing Solutions · Business Process Management	Temp · Provision of experts and specialists within the framework of supply of temporary workers	Software Lifecycle Projects
	Perm · Staffing of technical and management positions in permanent employment	Application Management Services
	Services · Responsible concept, sourcing, implementation and support of projects and services	Process & IT Consulting · IT Architectures · E-Commerce & Portals · Mobile Enterprise · Business Intelligence/Big Data · Apps

GROUP MANAGEMENT REPORT

as multimedia functions of an electronic patient file and integrated image archiving systems, are a substantial portion of the offering and ensure a strong future orientation.

- Security: The topic of data security is becoming ever more critical. Allgeier Enterprise Services offers its own software solutions, for example, for the encryption of SharePoint platforms or the encryption of email traffic. The company's own IT security software solution JULIA MailOffice is already being used by numerous ministries, government agencies and large enterprises. EMILY and EMILY SP (SharePoint) ensure secure collaboration.
- SAP: Allgeier Enterprise Services, with its products and services maps the entireSAP lifecycle and thus is considered to be one of the most capable SAP full-service providers in the German-speaking region. In this area the portfolio extends from strategy and process consulting, to complete introduction of SAP system landscapes, and extends to operation of complex SAP solution scenarios, such as SAP HANA. The performance spectrum is supplemented through extensive consulting and managed services. The emphasis is on the segments trade, logistics, chemicals, pharma, food and beverage, as well as media.
- SharePoint: The Microsoft product is no longer being used solely for organization of document sharing and editing (collaboration); it is rather used for support of entire business processes. Integration of topics, such as data security, document management, CRM, business intelligence or process support and industry-specific SharePoint solutions constitute a considerable competitive advantage for customers, as well as for Allgeier.
- Business Process Management (BPM): All business software solutions fundamentally involve IT-supported execution and optimization of business processes. In interaction with a variety of software products and with change cycles for software and business processes that are becoming ever faster, process tools must be particularly flexible. With the Metasonic® Suite, BPM software of the latest generation and a platform for dynamic process applications, Allgeier is able to support customers in producing tailored software solutions in significantly shorter development cycles.
- Cloud solutions: For its customers Allgeier Enterprise Services builds and operates a variety of cloud solutions in the areas cited above. Software solutions can be operated in private cloud environments (enterprise cloud), in Allgeier data centres or public cloud environments. The first priorities are the highest level of data security and resilience, as well as reliability and load capacity at high data volumes. In addition to many medium-sized companies, the offerings of Allgeier Enterprise Services are also used by multinationals and the public sector.
- Mobile: For access to the processed data, user interfaces for a wide variety of mobile devices are becoming the standard for modern business software. Allgeier Enterprise Services implements individual solutions for many customers in the mobile applications area.

The companies of the segment are active in Germany and internationally for more than 2,000 customers. These include large enterprises (e.g. 11 of the 30 DAX companies) and likewise a number of mid-market companies of various sizes. The customers are broadly distributed in a number of different industries. The companies of the segment have particular industry specific know-how in the areas of banking and insurance, industry, chemicals/pharmaceuticals and medicine.

The companies in the Solutions segment have more than 25 sites, of which 21 are in Germany and 4 are in two other European countries (Austria, Switzerland). In addition the software developers of the segment work in a close international partnership with the developers of the Technology segment in India, Vietnam, and Romania.

Experts segment

With its companies, the Experts segment of the Allgeier Group is one of the leading providers of flexible personnel services in Germany, especially in the IT field. As a full-service personnel service provider – supplemented with a strong project expertise – the division offers customers a differentiated portfolio for the most rigorous requirements. According to the current Lünendonk® market segment study for 2016, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier's Experts segment is one of the TOP 3 IT personnel service providers in Germany.

The services offered particularly include:

- Contracting (freelancers & subcontractors): Recruiting and support of freelance IT experts on demand and taking over projects implemented by subcontractors
- Services (services and consulting operations): Responsible concept, sourcing, implementation and support of projects and services
- Temp (personnel leasing): Provision of permanently employed IT professionals, experts and skilled workers under personnel leasing agreements
- Perm (recruiting & personnel placement): Professional & executive search of IT experts and executives for the staffing of technical and management positions in permanent employment
- Training and mediation of physicians

The more than 300 customers of the Experts segment are predominantly large German companies of which 17 are on the DAX 30. The main industries of the segment'scustomers are the IT and telecommunications sectors, the public sector, as well as banking and insurance. The companies in the Experts segment have 42 sites, of which 38 are in Germany, one is in Switzerland and three are in Turkey.

Technology segment

The custom software development operations are located in the Technology segment. The mgm technology partners Group and the Nagarro Group belong to the segment.

mgm technology partners is an innovative solutions provider for custom software development, custom architecture and IT consulting. Focus areas are high-availability and secure online applications, and the execution of appropriate projects, from planning of the software architecture to its development, and extending to implementation and support of the customer site. Key target markets include the public sector, insurance, trade (e-commerce) and the energy supply industry. The subsidiary, mgm consulting partners, advises and accompanies the management level of companies, from developing the strategy, to the implemented solution – mainly in the energy, insurance and IT sectors. Management consulting services focus on the areas of strategy and change, organisation and process consulting, strategic IT management, risk management and program management. As a specialist for secure web applications, the subsidiary, mgm security partners, has more than 20 years of expertise in the development of modern, highly-scalable and secure web-based, as well as mobile, software technologies.

Nagarro is a provider of technology services that is active throughout the world. The company specializes in the market segment that Gartner describes as "Change the Business" projects. Nagarro offers consulting and extensive technical expertise for the digital transformation of industry-leading companies, and for ambitious medium-sized customers. Nagarro's highly agile enterprise organization and processes support customers in quickly and sustainably driving their own innovation agenda forward. Nagarro employs more than 3,000 experts around the world at locations in 13 countries in its international activities. Nagarro's strategic customer relationships include multinational groups, such as Siemens, market leaders and industry leaders, such as Lufthansa or Erste Bank, the public sector, such as New York City and software vendors of market-leading niche products, such as Blackbaud. The division generates its revenue mainly in North America and Europe with a smaller share coming from the Asia-Pacific region. In the financial year 2016 Nagarro acquired Conduct, a software developer and IT security expert headquartered in Oslo, and Mokriya, a company specialized in software design and application development from Silicon Valley that uses a worldwide network of highly qualified IT experts for its projects. Through these acquisitions and the focus on cutting-edge and state-of-the-art technology areas, such as deep learning, big data, Internet of Things (IoT) and wearables, Nagarro strengthens its position as a preferred provider of innovative and transformative technology services for customer enterprises throughout the entire world. The business unit is active internationally – often for companies that are leaders in their industry. The key markets are North America, Scandinavia and the German-speaking region.

The Technology segment counts approximately 400 national and international enterprises as its customers, including 7 of the 30 German DAX companies and a number of leading global corporations. The segment's key sales markets are in the industry sector, the public sector, in the IT and telecommunications sector, as well as trade and logistics. The companies in the Technology segment have a total of 41 sites on three continents, of which 18 are in Germany, eleven are in ten other European countries (Austria, Switzerland, France, Romania, Czech Republic, Sweden, Norway, Finland, Denmark and Great Britain), six in the USA, one in Mexico, one in Singapore, one in Vietnam, and three in India. On the valuation date 31 December 2016, 3,522 of the segment's total number of 4,042 employees were working outside of Germany.

1.2 MANAGEMENT SYSTEM

The business of the Allgeier Group is managed in a tiered organisation. Company management is structured in the following levels:

- Group level: Controlled by the Management Board of Allgeier SE.
- Division level: Controlled by division management
- Company level: Controlled by company management of the individual companies

At each level, business operations are controlled based on performance figures, such as the contribution margin, profitability and accounting ratios, which are established for each financial year in the course of corporate planning. In the course of the year, as a rule, corporate planning is supplemented quarterly by additional forecasts. Corporate planning serves as the yardstick for controlling business activities at the level of the individual companies and for monthly reporting between the companies, divisions and Allgeier SE. Reporting calls for a monthly budget/actual comparison. Business review meetings take place quarterly, these review meetings involve the Management Board of Allgeier SE and the management organizations of the individual divisions, and the business direction, the development of the business environment and of the market strategy and any required measures are discussed. If there are deviations, appropriate measures are determined and implemented to realign business operations in the quarterly business review meetings – and if needed, additionally in regular meetings and telephone conversations – at the various levels. Reporting of the Management Board to the Supervisory Board is based on corporate planning and the financial and qualitative parameters cited above.

1.3 RESEARCH AND DEVELOPMENT

The Allgeier Group pursues further development of its own existing products with a focus on keeping pace with the essential technology trends and future markets. In this regard the employees of the various segments, particularly in the Solutions and Technology segments, work closely together. For most of the Solutions segments own products further development occurs in close cooperation with colleagues at the locations in India and Romania. Overall, in the Group's continuing operations, during the period under review, expenses for further development of products, as well as product maintenance totalling EUR 0.4 million (prior-year: 0.EUR 2 million) were incurred (information in each case without capitalized company-produced assets).

Furthermore, the Allgeier Group is involved in numerous customer projects with research and development services. Through these tasks we obtain a know-how that is not shown as a dedicated item in the numbers for research and development. Various complex and demanding services, such as development services, are also provided in the Experts segment. However, since these services are normally provided on customer order, the resulting added value does not fall under research and development for the Allgeier Group itself.

Research and development services are essentially performed in the Solutions and Technology segments.

2. ECONOMIC REPORT

2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

2.1.1 Macroeconomic conditions: Solid and continuous growth

In the financial year 2016, according to statistics from the Federal Statistical Office, the German economy again experienced slightly stronger growth compared to the prior-year. Increased private and state consumption, as well as higher investments, contributed to the economic upturn. Accordingly, adjusted for price, in 2016, the gross domestic product rose 1.9% after 1.7% in the prior-year (2014: 1.6%). In other markets important for Allgeier, such as the USA, Austria, Sweden, Finland and Switzerland, the economic situation in the past year likewise continued its upward trend. The development of the global economy was also largely positive in the course of the year 2016. In its "World Economic Outlook" published in January 2017, for the year 2016, the International Monetary Fund (IMF) assumes an increase in global GDB of 3.1%. Overall, although the IMF assesses 2016 as a weak economic year, above all the upswing in the USA in the second half of the year contributed to a positive trend. Thus in coming years – driven particularly by growth in the emerging economies and developing countries – the global economy should continue to gain momentum.

In spite of the advancing internationalisation of business activity, for Allgeier Germany was also the most important market in the financial year 2016 with 74% of sales in continuing operations (prior-year: 77%), followed by the foreign markets USA (12% of total sales of continuing operations), as well as Austria (3% of total sales of continuing operations) and Sweden (2% of total sales of continuing operations).

In the USA, with 12.2% of total sales (continuing operations), which is still the most significant foreign market for the Allgeier Group (prior-year: 10.5%), in the past financial year the Group was able to increase its sales by approximately 30%. After a weak start at the beginning of the year, the economic situation in the USA gained significant momentum in the second half of 2016. According to the OECD Economic Forecast the US economy is on a growth path – driven particularly by the fiscal policy and the effects arising from the appreciation of the US dollar. Following GDP growth of 1.5% in 2016, the OECD expects the US economy to grow by 2.3% in 2017.

GROUP MANAGEMENT REPORT

At 2.7% of total sales (continuing operations) Austria is the Group's second most important foreign market (prior-year: 3.0%). After four years of weak growth, the Austrian economy picked up steam in 2016. As expected, the income tax reform had a positive effect, which ensured higher household income, facilitated investments, and contributed to the creation of jobs. According to the OECD forecast, Austria's GDP is expected to experience further stable growth of 1.5% in 2017 (2016: 1.5%)

At 2.4% of total sales (continuing operations) Sweden is now the Group's third most important foreign market (prior-year: 2.0%), according to statements issued by the International Monetary Fund, the economy is in good shape and shows robust growth. After strong GDP growth of 3.3% in 2016, growth in 2017 should decrease slightly to 2.7% due to the shortage of qualified workers, weakening investments and decreasing consumer spending.

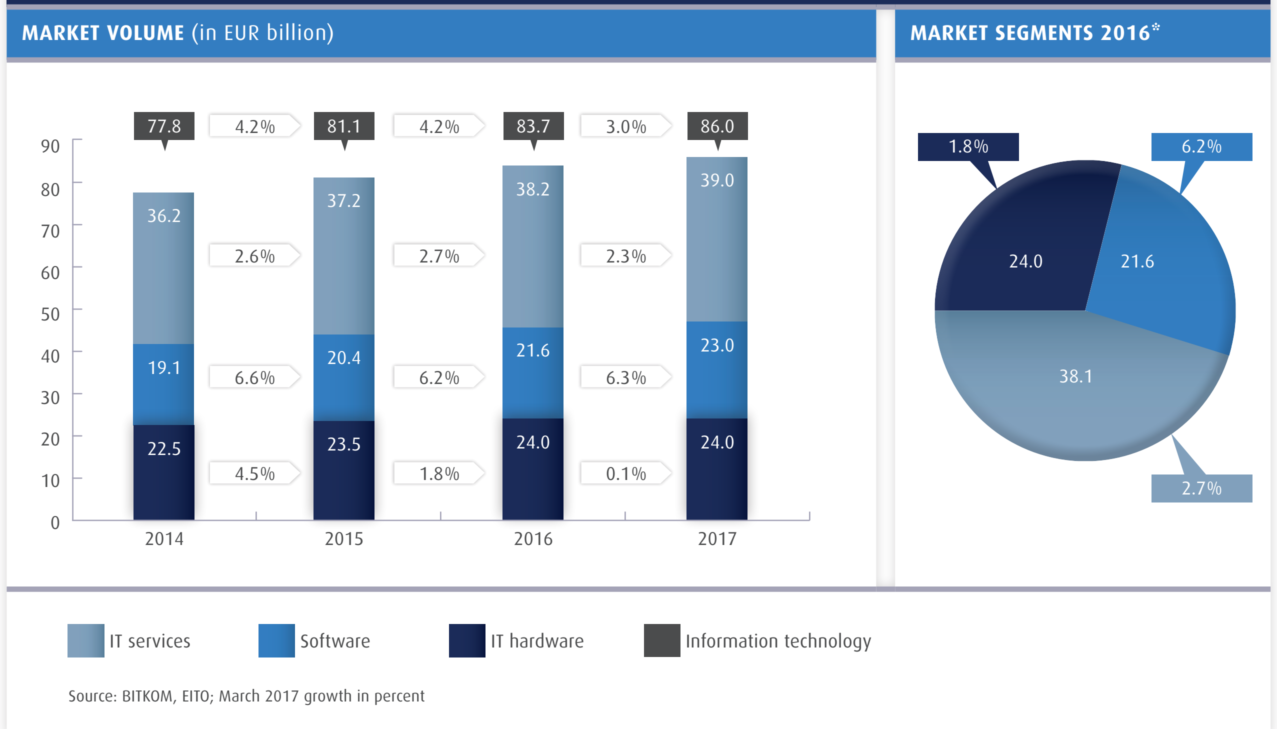
In Switzerland, likewise an important market for Allgeier, with 1.5% share of sales (continuing operations), (prior-year: 2.0%), according to OECD estimates, the economy will also continue to increase at a moderate level in 2016. The low interest rate ensures better domestic demand and the deflation phase ended after stabilisation of the currency. According to the OECD, in the current year 2017, Swiss GDP should increase by 1.7%, after 1.6% in 2016.

In summary, it can be noted that the situation in the core markets of the Allgeier Group also continues to be defined by the repercussions of the European debt crisis and economic weakness, in certain countries in the Eurozone. However, the good economic situation, the stable growth and ongoing recovery in the key markets of the Allgeier Group companies (particularly in Germany and the USA) and the above-average growth in these markets compared to the Eurozone, remains cause for cautious optimism.

2.1.2 Sectoral conditions: Above-average growth

The ITC (information technology, telecommunication and consumer electronics) industry continues its stable growth. According to a survey of March 2017 conducted by the industry association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien), sales of products and services for the overall industry are expected to increase slightly in 2017 by 1.3% to EUR 161.4 billion. The constant, disproportionate growth of 2.7% in the market for Information technology, which is particularly relevant for Allgeier, is responsible for this development (prior-year: 3.3%) to EUR 86.0 billion. According to BITKOM, in 2016 the IT market recorded growth of EUR 83.7 billion (2015: EUR 81.1 billion). This means the IT sector grew faster than the economy as a whole last

GROWTH IN THE GERMAN INFORMATION TECHNOLOGY MARKET



GROUP MANAGEMENT REPORT

year. In this regard the operations with software and IT services relevant for Allgeier show a clear disproportionate increase: In the past year the market for software grew by 6.2% to EUR 21.6 billion (2015: Increase of 6.6% to EUR 20.4 billion). In 2016, the market for IT services, such as consulting and outsourcing, also showed an increase of 2.7% to EUR 38.1 billion (2015: Increase of 2.6% to EUR 37.2 billion). The advancing digitalization of virtually all branches of industry is the essential driver of this growth. Above all, market trends and technologies such as IT security, cloud computing, big data, as well as digital platforms and mobile applications, are the basis for this ongoing process. Allgeier has been involved with these technologies and high tech trends for many years and is further extending its portfolio and know-how. On the other hand, the IT hardware market showed a weaker trend, and grew by only 1.8% in the past year to EUR 24.0 billion (2015: Increase of 4.5% to EUR 23.5 billion).

2.2 BUSINESS DEVELOPMENT 2016

In the financial year 2016 (1 January 2016 – 31 December 2016) experienced sustained growth in sales and EBITDA. Overall, Group sales for continuing operations increased by 12% year-on-year. With this growth, our planning, which forecast a growth rate of more than 10% overall in the continuing operations, was fulfilled. Based on the results the Allgeier Group was able to achieve disproportionate growth relative to sales growth in all earnings indicators. Only net income from continuing and discontinued operations, including the result from disposal was below the prior-year's figure, as gains on the sale of the terna Group, b+m Informatik and Allgeier's Storage business unit (Switzerland) were included in 2015. The Group was able to increase value creation, which is used in the company as an operative key performance indicator, (total performance minus cost of sales) in continuing operations by 18%. Thus it is apparent that in total we increased profitability before sales-dependent fixed costs. In the past financial year, the Group was able to increase earnings before interest, taxes, depreciation and amortisation (EBITDA) of continuing operations by 34%. This means that for the continuing operations, we likewise reached our expectation of disproportionate earnings growth in a double-digit percentage.

For Allgeier, 2016 brought a variety of positive developments with important course settings for the future. We are particularly pleased that we have been able to welcome many new colleagues, who have joined the companies in the Group over the course of the year. The number of our employees grew from approximately 7,000 employees and freelance experts at the end of 2015 to more than 7,500 at the end of 2016. Companies that were newly added to the Group, such as Conduct in Norway and Mokriya in the USA, but also the many new hires in the Experts, Nagarro, mgm areas, and in the Allgeier Enterprise Services business unit, considerably contributed to this growth. In a market that throughout the world complains about the lack of outstanding specialists, this growth is not at all a matter of course. Many colleagues in the Allgeier Group are intensively committed to finding and recruiting the best minds in the world for us. We are proud that we can offer our employees attractive workplaces, exciting customer projects and good individual perspectives. Together as a Group we consider ourselves to be on the right path. In our industry we are active at genuine focal points for future worldwide development. Through digitalisation vast changes are underway in the world. For our customers, we are a valuable companion and an indispensable partner. Thus at many points we jointly shape future development. We take on the challenges that this poses for us and our customers with courage and great excitement – today and in the future. In addition to the high technical competence and daily commitment of all Allgeier colleagues, first and foremost cohesion and community are what make us strong.

In each of our three segments, in the past year we have worked intensively on a number of topics and established the required structures for further growth:

- In the Experts segment we have started to build a professional and fully-integrated enterprise structure, which with its four business pillars – Contracting, Temp, Perm and Services – constitutes a dynamically growing and market leading unit under the roof of Allgeier Experts SE. In this process we have particularly invested in the establishment of organisational structures and above all in our personnel. We have never before undertaken an integration of this magnitude in the Group. Thus all the more reason for us to be excited about the success, which is also reflected in the orders from major companies: For example, in February 2017 we were able to announce the signing of a three-year master agreement with Dataport; its order volume is in the double-digit million range. We express our utmost respect to all colleagues in the Experts companies, who, in addition to the ongoing operations, worked through a quite considerable structural change and successfully integrated a number of new colleagues. In this process we gained incredible experience and learned a lot. This will pay off in years to come, also when continuing to work hard on the details – the foundation is laid for all subsequent steps and we are on the right track.
- In the Solutions segment we have successfully extended our initial focus to an integrated portfolio of offerings under the name of Allgeier Enterprise Services. Through the coming together and common appearance of different product and service teams, with Allgeier Enterprise Services we have established a leading service and solutions provider for enterprise customers and medium-sized customers. In this regard a genuine added value is the establishment of a significant consulting and project competence in the SAP area. We are particularly excited about the many new colleagues, who have decided to further extend this exciting business area in the Group.
- In 2016, as a Group we again look back on an extraordinary development in the Technology segment. The two companies, Nagarro and mgm technology partners, were able to achieve incredible double-digit growth in their highly competitive markets. Nagarro has become stronger with the two companies, Conduct in Norway and Mokriya in the USA, and has successfully advanced its global integration process.In addition there are new subsidiaries in a number of countries. Nagarro colleagues are doing outstanding work and were able to generate significant growth with all top customers, and to expand operations. The company, mgm technology partners, also looks back over another very successful year of corporate development. Our software experts have put their solution competence to the test in large, demanding projects and have successfully integrated many new colleagues. Moreover, after opening the office in Vietnam in 2015, mgm also continued its international expansion in the financial year 2016, by establishing an office in Washington, USA.

Key figures

In the continuing operations of the Allgeier Group, according to IFRS, in 2016, Group sales increased to EUR 497.5 million (continuing operations of the prior-year: EUR 445.7 million), which corresponds to growth of 12% over all three segments. Accordingly, value creation (defined as total performance minus revenues that can be apportioned directly to sales costs and personnel costs) of the operative business was increased. Value creation in the continuing operations increased year-on-year by 18% to EUR 135.9 million (prior-year: EUR 115.5 million), which corresponds to a gross margin of 27.1% (prior-year: 25.6%).

The adjusted Group EBITDA in continuing operations increased year-on-year by 32% to EUR 33.8 million (prior-year: EUR 25.6 million). Group-internal adjusted EBITDA is defined as EBITDA before effects that from a business perspective are extraordinary or relate to another tax period. In this regard, extending beyond the pure IFRS definition, influences on results, which only occurred as a special effect in the respective financial year, or on actual consideration cannot be allocated to the operative business development of the financial year, are defined as extraordinary or relate to another tax year. In the financial year 2016 the adjustments related to individual expenditures from exchange rate differences in the amount of EUR -1.2 million, as well as extraordinary, one-time personnel expenses in the amount of EUR -1.1 million, extraordinary financing expenses in the amount of EUR -0.6 million, extraordinary costs for the acquisition activity in the amount of EUR -0.2 million, as well as other extraordinary effects and effects related to another tax year. These were counteracted in the adjustments by income arising from hedging instruments of EUR 1.5 million and income arising from exchange rate differences in the amount of EUR 0.5 million.

The Group was able to increase EBITDA for continuing operations by 34% to EUR 31.5 million (prior-year: EUR 23.5 million). Group EBIT of the period in the continuing operations was EUR 17.8 million (prior-year: EUR 11.2 million), which corresponds to an increase of 59%. The Group generated earnings before tax (EBT) from continuing operations in the amount of EUR 13.9 million) (prior-year: EUR 7.1 million, which corresponds to an increase of 96% year-on-year.

In the financial year 2016, discontinued operations WK EDV GmbH, Ingolstadt, and Talentry GmbH, Munich are shown, and in the prior-year b+m Informatik AG, Melsdorf, and Allgeier's Storage business unit (Switzerland) were shown. Discontinued operations generated revenues of EUR 3.2 million in the 2016 financial year (prior-year: EUR 53.2 million) and earnings before tax (EBT) in the amount of EUR -1.7 million (prior-year: EUR 1.7 million). Furthermore, in the financial year 2016, in continuing operations there were earnings from disposals, which before taxes amounted to EUR 1.3 million (prior-year: EUR 10.0 million).

Due to the significant change in the discontinued operations the key figures for the Group (continuing and discontinued operations) are not comparable with key figures of the prior-year: Overall, in the financial year 2016 (1 January 2016 to 31 December 2016) total sales generated by continuing and discontinued operations increased by 0.4% to EUR 500.8 million (prior-year: EUR 498.9 million). The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or or relate to another tax period) from continuing and discontinued operations increased by 11% year-on-year to EUR 32.6 million (prior-year: EUR 29.3 million). During the period, Group EBITDA from continuing and discontinued operations increased by 12% to EUR 30.3 million (prior-year: EUR 27.1 million). Group EBIT from ongoing and discontinued operations was EUR 16.1 million and thus 27% higher than prior-year earnings (prior-year: EUR 12.7 million). Without the result of disposal the Group generated earnings before tax (EBT) in the amount of EUR 12.2 million (prior-year: EUR 8.8 million, which corresponds to an increase of 39% year-on-year. The Group generated pre-tax earnings of EUR 1.3 million from the sale of the disposed-of business units (prior-year: EUR 10.0 million). Thus, overall from continuing and discontinued operations, including profit from disposal) the Group generated a net income of EUR 6.4 million (prior-year: EUR 12.8 million).

Performance indicators

For the year 2016, for the individual performance indicators for controlling the enterprise on the Group level (see 2.4 Financial and non-financial performance indicators below in this regard) the Allgeier Group set the following objectives:
For Group sales, in continuing operations we forecast overall growth of more than 10%, to which all three segments should contribute. The growth should occur organically, as well as through consolidation effects arising from the acquisitions undertaken in the year 2015. Additional acquisitions or changes in the performance portfolio due to the sale of business units were not included in the planning. With sales growth in continuing operations of 12% we achieved the forecast growth objective.
Because we had different growth expectations for the three segments, we submitted differentiated forecasts for the development of the individual segments in 2016:

- For the Solutions segment we had set a goal for ourselves of 10 to 15% sales growth. Actually the Solutions segment (continuing operations) in the financial year 2016 reported a decline in sales of 8.5% to EUR 47.0 million (prior-year: EUR 51.4 million). This decline resulted from the deferment of the impact on revenues in the software product business as part of the further development of the Metasonic software solutions, as well as a decline in parts of the operative business. Thus our expectation relative to sales development was not fulfilled in this segment.
- For the Experts segment we had counted on a sales increase in the low double-digit percentage range. The segment did indeed achieve an increase in sales to EUR 258.5 million (prior-year: EUR 245.8 million), however at 5% this fell short of our expectations.
- For the Technology segment (software development), we likewise had expected a sales increase in the low double digit percentage range. In 2016, the Technology segment experienced disproportionate sales growth of 28% to EUR 196.5 million, essentially due to the good organic business development in the affiliated Group companies, and in part due to the enterprise acquisitions undertaken in 2016 (prior-year: EUR 153.8 million) and thus the development significantly exceeded our expectations.

Overall, in the past year we only partially achieved the sales targets in the segments: The Technology segment significantly exceeded our expectations while the Solutions segment and Experts segment fell short of the formulated target values. On the whole, Allgeier achieved the formulated goal of achieving sales growth of more than 10% in 2016 in continuing operations.

Concerning the profitability, measured by EBITDA growth, as part of last year's forecast report we formulated disproportionate growth in a double-digit percentage in all three segments as the expectation. Thus overall, we forecasted a moderate increase in the EBITDA margin of one half of a percentage point at approximately 5.5%. In the financial year 2016, overall we increased EBITDA margin to 6.3% and thus exceeded our expectation.

- For the Solutions segment we planned an increase in the EBITDA margin of 6 to 7%. Actually, EBITDA declined from EUR 1.3 million in 2015, to EUR -0.4 million in the period under review. In addition to the poor performance of several business units, the investments in theSAP business unit primarily contributed to the decline. Overall the segment's profitability trend fell short of our expectations.
- For financial year 2016, in the Experts segment we assumed an increase in the EBITDA margin of 5 to 6%. At EUR 10.9 million EBITDA was slightly above the prior-year level (prior-year: EUR 10.6 million). Due to the investments made – particularly in personnel – in spite of sales growth the planned increase in EBITDA was not achieved.
- According to our forecast the Technology segment should have extended its EBITDA margin in an order of magnitude between 10 and 11%. Actually, EBITDA of EUR 16.2 million in the prior-year increased to EUR 27.3 million in the financial year 2016. The EBITDA margin of the segment thus increased to 13.9% and significantly exceeded our expectation.

This meant that Group-wide, overall the anticipated growth in terms of profitability was achieved. Although expectations in the Experts segment and Solutions segment fell short of planned expectations, in the Technology segment a significant increase in EBITDA could be achieved. Consequently, we achieved our growth objective of disproportionate growth in the order of magnitude of a double-digit percentage amount. We significantly exceeded our goal of moderately increasing the EBITDA margin by one half of a percentage point to approximately 5.5% with an increase in the margin to 6.3%.

Relative to the performance indicator, net debt of continuing operations, we expressed the expectation that in 2016 net debt would be reduced as compared to the level at the end of 2015, without additional acquisitions. This expectation did not occur: As of 31 December 2016, net debt at EUR 37.3 million had increased, as compared to the prior-year (EUR 27.0 million). Financial liabilities did indeed decline as of the valuation date, however cash and cash equivalents also declined. The increase in net debt is based on payments in 2016 for newly acquired companies in the amount of EUR 3.6 million and valuation day related high working capital due to the strong sales in quarter four of 2016.

Acquisitions

In the past financial year Allgeier specifically strengthened the area of custom software development and thus further extended technology competence and market position. Specifically, the following transactions were executed:

- With effect as of 1 February 2016, the Nagarro Group acquired the Norwegian IT solution provider, Conduct AS (Conduct), headquartered in Oslo, Norway. Customers of the software development specialist include market-leading enterprises in the finance and insurance industry and from the telecommunications, aviation and trade sectors. The company makes the complete Nagarro service portfolio available to customers with the flexible shoring model. The company offers important market access to many industry leaders in Scandinavia and strengthens the market position of the Nagarro division in the Nordic countries.
- On 20 June 2016 Betarun, Buckow was acquired as part of an asset deal. Thus the Allgeier Experts company, Goetzfried Professionals GmbH, extends their offering and performance spectrum.
- Effective 31 October 2016, the software development and design enterprise, Mokriya Inc. headquartered in Cupertino, California, USA strengthened the high-end software development of the Allgeier Group. The company, located in Silicon Valley, would function as an independent business unit, likewise as part of the Nagarro division. Mokriya designs and develops software for leading global brands, such as Google, Twitter, Intel, AT&T, Verizon, SanDisk, Salesforce and Estée Lauder. Along with access to many industry-leading companies, Mokriya also brings a network of highly qualified UX specialists, software designers, software developers and software pioneers, active throughout the world, who develop groundbreaking applications for the digital future in agile teams.

Capital market and financing

In the first half of 2016, the shareholders of Allgeier SE received dividends in the amount of EUR 6.2 million (prior-year: EUR 4.5 million). In the financial year 2016 profits in the amount of EUR 0.7 million were paid to non-controlling interests (prior-year: EUR 0.1 million).

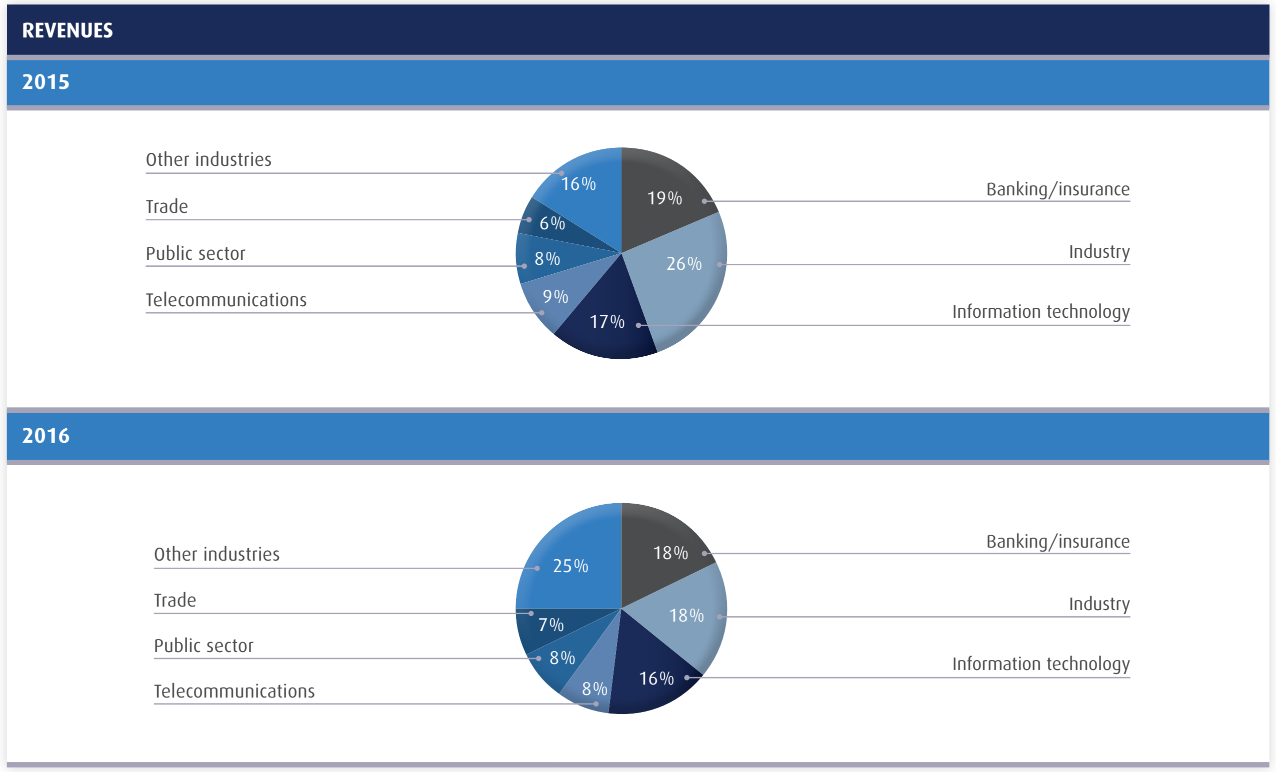
The company did not purchase or sell any treasury shares in fiscal year 2016.

Customers

In the past financial year the Allgeier Group further extended its customer base and strengthened existing customer relationships. Group companies are active for multinational enterprises – e.g. 21 of the 30 DAX companies (prior-year: 19 DAX companies) – as well as for a number of medium-sized enterprises and public clients. In the past financial year the number of customers, each representing more than EUR 1 million in sales, remained virtually constant: Thus, with each of a total of 78 customers Allgeier posted annual sales of more than EUR 1 million (prior-year: 81 customers).
The Group counts companies and institutes from a variety of industries among its customers. In 2016, the segments in which Allgeier Group achieved its highest sales were:
- Banks and insurance companies: Companies in the finance and insurance industry at over 18% of revenues in continuing operations, constituted the largest sales segment for the Group (prior-year: 19%). It was possible to increase sales with banks and insurance companies by approximately 10% in the past financial year. Allgeier counts a number of the largest German insurance groups, as well as important banks and financial service companies, among its customers.
- Industry, including the automotive industry: Industrial companies at approximately 18% (prior-year: 26%) in terms of sales (continuing operations) constitute the second largest industry segment, a segment in which Allgeier has been well-established for many years. In the past financial year sales dropped due to postponements of the business in specific industry sectors. On the other hand, sales in other industries, such as the automotive sector, increased significantly. Large automobile manufacturers and essential companies of the supplier industry, as well as leading companies from various branches of industry,

such as aerospace, chemistry and pharmaceuticals, metal and electronics, construction, the timber industry and consumer goods, are among the Group's important customers.

- Likewise, long-standing industrial customers, also include enterprises in the energy supply sector, among them international energy producers, as well as a number of regional suppliers.
- Information technology: The Group's activity for large international IT enterprises as a percentage declined slightly in the past financial year. However, absolute sales with companies in the IT industry increased in 2016. IT companies, representing approximately 16% of sales (prior-year: 17%), are the third-largest industry segment within the Allgeier Group.
- Telecommunications: In 2016, in terms of sales, this sector was the fourth largest industry segment. With this sector the Group earned 8% of sales in continuing operations (prior-year: 9%) – in the past financial year sales to telecommunications companies also slightly increased in absolute numbers.
- Public sector: The Allgeier Group is active on all levels in virtually all of Germany and Switzerland for public enterprises and corporate entities. As in the prior-year, 8% of Group sales in continuing operations result from services provided to public clients (prior-year: 8%). In the period under review the Group increased sales with the public sector by approximately 10%.
- Trade: Trading enterprises are increasing in significance within the Group's operations. Primarily the increased sales in the Technology segment with Internet trading platforms and shops (e-commerce) are responsible for this development. Consequently, we have separated the sales with companies in the trading sector from the other sectors. With the trading sector the Group earned 7% of sales in ongoing operations (prior-year: 6%).
- Other industries: Within the other industries category, essentially services, health, trade and logistics, as well as media are combined. In these industries Allgeier earned a 25% share of Group sales in continuing operations (prior-year: 16%). Growth resulted from positive business development in a number of industries; above all the increasing sales to companies in the service sector in the Technology segment must be emphasized. This development illustrates that in the financial year 2016, Allgeier was again able to further extend the broad industry diversification within the customer base.



2.3 SITUATION

2.3.1 Results of operations

In the past financial year (1 January 2016 to 31 December 2016), the Allgeier Group achieved sales growth in continuing operations of 12% to EUR 497.5 million (prior-year: EUR 445.7 million). The Group's affiliated companies contributed to sales growth in the comparison years with the growth rate of 11%, i.e. EUR 47 million (prior-year: 10% or EUR 38 million) and in the companies acquired by the Allgeier Group in the comparison years with a sales share in the amount of EUR 5 million (prior-year: EUR 24 million). In the financial year 2016, discontinued operations WK EDV GmbH, Ingolstadt, and Talentry GmbH, Munich, are shown and in the prior-year the terna Group, Innsbruck, Austria, b+m Informatik AG, Melsdorf, and Allgeier's Storage business unit (Switzerland) were shown. Due to the significant change in discontinued operations the key figures for the Group (continuing and discontinued operations) cannot be compared with the key figures of the prior-year: Discontinued operations generated revenues of EUR 3.2 million in the 2016 financial year (prior-year: EUR 53.2 million). Accordingly, in the past financial year the Group achieved total sales from continuing and discontinued operations of EUR 500.8 million (prior-year: EUR 498.9 million).

The adjusted Group EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) was EUR 33.8 million in the period under review (continuing operations of the prior-year: EUR 25.6 million), which corresponds to an increase of 32%. Value creation in continuing operations increased year-on-year by 34% to EUR 31.5 million (prior-year: EUR 23.5 million). The increase in EBITDA in the amount of EUR 11.1 million (69%) comes from the Technology segment. The Experts segment with a EUR 0.3 million increase in EBITDA (3%) contributed to the improvement in earnings. The Solutions segment reported a decline in EBITDA in the amount of EUR -1.7 million (-134%). The result of the other industries category was a slight decline of EBITDA in the amount of EUR -1.7 million. Earnings were impacted by one-time effects due to influences from previous periods in the amount of EUR 2.3 million (prior-year: EUR -2.1 million). In this case, essential special effects that must be cited are liabilities from currency fluctuations and currency hedges, financing expenses, one-time personnel expenses, as well as adjustments of purchase prices with an effect on profit as part of the acquisition activity. With inclusion of the EBITDA from the discontinued operations of EUR -1.2 million (prior-year: EUR 3.6 million) in 2016, the Allgeier Group earned an EBITDA from discontinued and continuing operations in the amount of EUR 30.3 million (prior-year: EUR 27.1 million).

Overall, the amortizations of the continuing business increased from EUR 12.3 million in the prior-year to EUR 13.7 million in the year under review. A majority of the amortization in the amount of EUR 5.2 million (prior-year: EUR 6.8 million) relates to the amortization of customer relationships, which were capitalised as part of the acquisition of subsidiaries, or other intangible assets. EUR 4.8 million (prior-year: EUR 4.2 million) include the amortization on property, plant and equipment and EUR 1.9 million (prior-year: EUR 1.3 million) the amortization on other intangible assets. In the financial year 2016, in addition there is a value adjustment on a capitalised customer base of EUR 0.7 million and the value adjustment of the goodwill of Oxygen at EUR 1.1 million. Thus in 2016, the Allgeier Group reached an EBIT in continuing operations of EUR 17.8 million (prior-year: EUR 11.2 million, which corresponds to an increase of 59%. Without the acquisition-related depreciation and without the one-time effects and items applicable to another period already cited above, in 2016, the Group posted an EBIT of EUR 27.0 million in continuing operations (prior-year: EUR 20.1 million, which corresponds to an increase of 53%.

Overall from continuing and discontinued operations, the Group achieved an EBIT ofEUR 16.1 million (prior-year: EUR 12.7 million).

Financial income and financial expenses of continuing operations, at EUR 1.0 million, and EUR 3.4 million respectively, overall were slightly under the level of the prior-year (EUR 0.5 million, or EUR 3.9 million respectively). From the at-equity stake, Talentry, an expense of EUR -0.1 million and an expense from the GDE Group of EUR -1.4 million (prior-year: EUR 0.6 million were posted. After interest and the earnings share arising from the at-equity stake, the Group generated earnings before tax (EBT) from continuing operations in the amount of EUR 13.9 million (prior-year: EUR 7.1 million), which virtually corresponds to a doubling (increase of 96% year-on-year). In the financial year 2016, overall from continuing and discontinued operations, the Group achieved earnings before tax and before disposals in the amount of EUR 12.2 million (prior-year: EUR 8.8 million).

The income tax expense (without income taxes on the disposal gain) of the continuing operations was EUR 7.2 million in the period under review (prior-year: EUR 5.5 million). Income tax expense of 51.7%, which is high relative to the earnings before tax (prior-year: 76.8%, is caused by the expenses that are not tax deductible, taxes on loss carry forwards that were not assessed, depreciation on the goodwill of Oxygen, which cannot be used for tax purposes, and valuations arising from the at-equity investments, which likewise are not tax-deductible. After taxes the Group generated net income from continuing operations in the amount of EUR 6.7 million (prior-year: EUR 1.7 million).

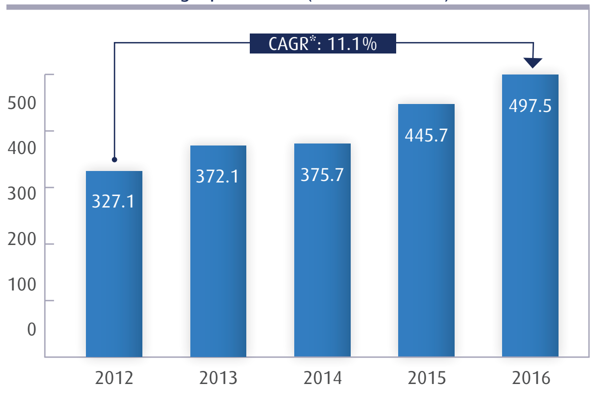
Essentially arising from the disposal of WK EDV, as well as the effect arising from the revaluation of Talentry included in the at-equity investments, the Allgeier Group achieved after-tax earnings from the disposal in the amount of EUR 1.3 million (prior-year: earnings from the disposal of b+m Informatik, terna, as well as Allgeier's Storage business unit (Switzerland): EUR 9.6 million). With inclusion of earnings arising from disposal, in financial year 2016 the Allgeier Group achieved net income in the amount of EUR 6.4 million (prior-year: EUR 12.8 million). Of this net income, EUR 4.4 million (prior-year: EUR 12.4 million) was apportioned to the shareholders of Allgeier SE and EUR 2.0 million (prior-year: EUR 0.4 million) was apportioned to non-controlling interests. In the period under review, earnings per share of the entire Allgeier Group (continuing operations and discontinued operations) before the profit from disposal was EUR 0.36 (prior-year: EUR 0.31). In the period under review, earnings per share of the entire Allgeier Group (continuing operations and discontinued operations), including profit arising from disposal was EUR 0.50 (prior-year: EUR 1.39). In the period under review he earnings per share of the continuing operations, adjusted by the depreciation arising from acquisition activity and calculated with standardized taxes, was EUR 1.47 (prior-year: EUR 1.12).

2.3.2 Financial situation

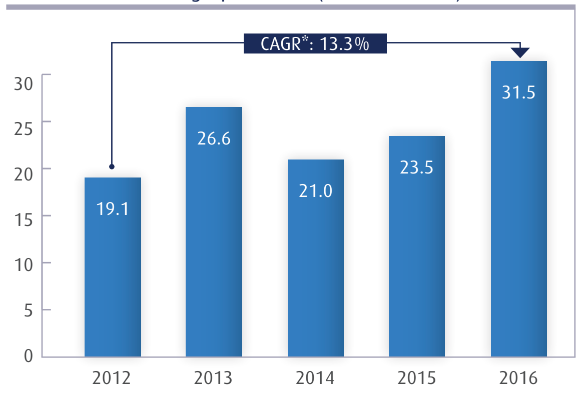
As was the case in previous years, the Allgeier Group can show a solid and balanced financial situation. Development of the financial situation and liquid funds is essentially determined by the requirements for financing the

New acquisitions are consolidated in the entire management report and in the graphics, starting on the purchase data according to IFRS.

SALES of continuing operations (in EUR million)



EBITDA of continuing operations (in EUR million)



* The CAGR (Compound Annual Growth Rate) represents the average annual growth.

To present the adjusted earnings per share outstanding, the Allgeier Group corrects the reported operating earnings before interest and taxes (EBIT) of the continuing operations for amortisation on intangible assets capitalised in the context of enterprise acquisitions (effects of purchase price allocations) and for income and expenses from purchase price adjustments through profit or loss. Under consideration of the adjustments and application of a corporate tax rate of 35% on the consolidated earnings, the Group's earnings per share outstanding were EUR 1.47 in 2016 (prior-year: EUR 1.12).

(in EUR million)	2015	2016
Operating earnings before interest and tax (EBIT as reported)	**11.2**	**17.8**
Amortisation on intangible assets from enterprise acquisitions	6.8	5.9
Value adjustment of goodwill	0.0	1.1
Purchase price adjustments through profit or loss	0.1	0.3
Other one-time effects and effects relating to other periods	2.0	2.0
Financial result	-3.5	-2.4
Result of at-equity investments	-0.6	-1.5
Adjusted earnings before tax	**16.0**	**23.1**
Tax rate	35%	35%
Taxes	-5.6	-8.1
Adjusted results for the period	**10.4**	**15.0**
Shares of non-controlling shareholders	-0.4	-2.0
Earnings to determine the adjusted earnings per share outstanding	**10.0**	**13.0**
Number of shares outstanding in units	8,920,301	8,920,301
Adjusted earnings per share (undiluted)	**1.12**	**1.47**

The other one-time effects and effects relating to other periods include the following items:

- Income from the liquidation of provisions
- Income and losses from the sale of fixed assets
- Income and expenses from the change in impairments on receivables
- Income from the receipt of receivables previously written off
- Other income and expenses relating to prior-years
- Income and expenses from foreign currency exchange rate differences
- Income and expenses from instruments for hedging foreign currency exchange rate differences in future cash flows
- Income and expenses from securities held for purposes of financial planning
- External costs for acquisition projects, whose purchase has not taken place
- External incidental acquisition costs for completed enterprise acquisitions that according to IFRS cannot be capitalised as a component of the purchase price
- Other operating expenses in conjunction with the financing of the Allgeier Group
- Donations
- Personnel expenses, such as severance pay and continued payment of salaries for employees who left the company as part of structural changes
- Other extraordinary income and expenses recorded in the accounting of the Group companies

ongoing operative business and for coverage of working capital fluctuations, as well as through payment flows in conjunction with the purchase and disposal of Group companies. In past years it was possible to earn constant funds for distribution of dividends to shareholders.

As of 31 December 2016 interest-bearing liabilities decreased slightly to EUR 109.1 million (prior-year: EUR 110.7 million). Cash and cash equivalents decreased to EUR 71.8 million (prior-year: EUR 83.7 million). In the development of cash and cash equivalents the amounts are shown that were used in the balance for financing of the operative business, the investment activity, for servicing loans and for payment transactions with the shareholders of Allgeier SE and with co-shareholders of Allgeier Group companies. For the Allgeier Group, in addition to cash and cash equivalents, for compensation of seasonal liquidity fluctuations credit lines of EUR 7.9 million (prior-year: EUR 5.5 million) and an unchanged framework for factoring customer receivables in the amount of EUR 50 million are also available to the Group. As of 31 December 2016, factoring was utilized with EUR 24.1 million (31 December 2015: EUR 24.6 million).

In the financial year 2016, from the operational business activity and before changing the working capital the Group earned cash flows from continuing and discontinued operations in the amount of EUR 27.9 million (prior-year: EUR 29.9 million). The capital requirements influenced by valuation dates for coverage of the working capital fluctuations were EUR 18.9 million on the balance sheet date, which was slightly above the prior-year figure at EUR 16.2 million. As a result, cash flow from operating activities, including the commitment of funds to working capital was EUR 9.1 million (prior-year: EUR 13.7 million) could be appropriated. The high amount, which also had to be made available for financing of the working capital in 2016, is related to the high sales months in fourth quarter 2016 and the strong growth of the Allgeier Group. The increase in working capital is high at year end on account of the closing date and is reflected as an essential component directly in the change in cash and cash equivalents.

In the financial year 2016 the Allgeier Group spent EUR 11.8 million on investments (prior-year: EUR 7.4 million). This amount includes payments for investments in the acquisition of subsidiaries and business units in the amount of EUR 7.2 million (prior-year: EUR 20.2 million). Moreover, payments were made to the GDE Group, affiliated until December 2016, in the amount of EUR 0.9 million (prior-year: EUR 2.8 million) and payments for operative investments in the amount of EUR 5.7 million (prior-year: EUR 6.3 million). From disposal of WK EDV and companies disposed of in prior-years, the Allgeier Group received payments in the amount of EUR 2.5 million.

In the financial year 2016, for purposes of financing and distributions the Allgeier Group made payments in the amount of EUR 9.0 million (prior-year: Net outflow in the amount of EUR 21.2 million). In 2016, loans in the net amount of EUR 1.7 million (prior-year: EUR 13.4 million) were repaid. Dividends in the amount of EUR 6.7 million were distributed to shareholders of Allgeier SE and co-shareholders of Group companies (prior-year: EUR 4.5 million). In the financial year 2016, the Allgeier Group paid net interest of EUR 3.0 million (prior-year: EUR 3.2 million). Payments from the issue of shares to non-controlling interests in the amount of EUR 2.3 million were received by the Group

In the financial year 2016, as the difference from the cash flows arising from operational activity, investment activity, as well as financing activity and the items for correction of currency differences in cash and cash equivalents, in the Group a surplus of outgoing payments resulted totalling EUR 11.9 million (prior-year: EUR 14.2 million). Due to the capital outflows of EUR 83.7 million at the end of financial year 2015, cash and cash equivalents declined to EUR 71.8 million on 31 December 2016.

Tier 1 liquidity (cash and cash equivalents/current liabilities) dropped to 56% on 31 December 2016 (prior-year: 87%) due to the decline in cash and cash equivalents. Due to the opposite increase in trade receivables Tier 2 (cash and cash equivalents plus trade receivables/current liabilities) was 130% on the valuation date (prior-year: 160%).

2.3.3 Net asset position

The development of the asset position of the Allgeier Group is shaped fundamentally by the acquisition activity and the associated addition of new Group companies, the disposal of subsidiaries, as well as the measures implemented relative to the financing of the Allgeier Group. Moreover, the operative business activity and payment behaviour of the customers, as well as payments to suppliers also influence the asset position.

In the past financial year the Allgeier Group acquired two new subsidiaries, the assets and debts of Betarun, Buckow, and fully consolidated the GDE Group (prior-year: acquisition of six subsidiaries). With these companies, the Allgeier Group disposed of assets valued at EUR 15.7 million (prior-year: EUR 15.6 million), debt of EUR 16.2 million (prior-year: EUR 9.5 million) as well as goodwill of EUR 4.2 million (prior-year: EUR 8.9 million). On the other hand, for acquisition of these companies and the business unit there was an outflow of EUR 5.8 million (prior-year: EUR 4.4 million). In addition, the Allgeier Group paid EUR 3.7 million in conjunction with companies acquired in prior-years (prior-year: EUR 15.8 million). The enterprise acquisitions were financed from the Group's liquidity.

In the financial year 2016, the Allgeier Group disposed of WK EDV and undertook the deconsolidation of Talentry. With these procedures the Group gave up assets in the amount of EUR 4.9 million, and debt in the amount of EUR 2.4 million. Arising from the disposal of WK EDV as well as incoming payments from companies already sold in prior-years, the Allgeier Group received incoming payments totalling EUR 2.5 million.

In the financial year, as of the valuation date 31 December 2016, total assets increased by EUR 16.4 million to EUR 344.4 million (31 December 2015: EUR 328.0 million). In addition to the positive effects on the balance sheet arising from the executed transactions, essentially the increase in working capital due to business growth was primarily responsible for the increase in total assets.

On the assets side, non-current liabilities increased from EUR 145.4 million at 2015 year-end, by EUR 8.0 million to EUR 153.4 million in the year under review. Within long-term assets, the intangible assets increased by EUR 5.4 million to EUR 122.2 million (prior-year: EUR 116.8 million) and fixed assets increased by EUR 0.9 million to EUR 13.7 million. With the status change of Talentry, which was still consolidated in the discontinued area in 2015, and which was reported in 2016 as an at-equity investment, Talentry as at-equity investment received EUR 4.4 million.

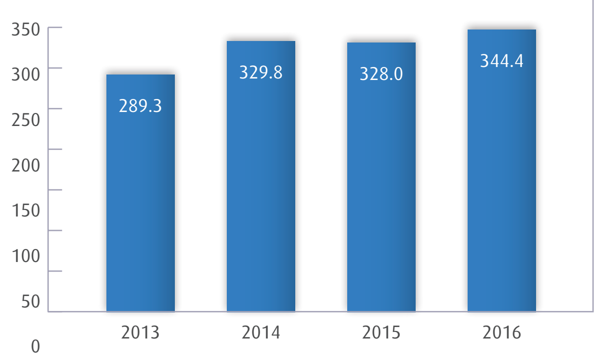
Other long-term financial assets essentially declined to EUR 6.7 million due to the full consolidation of the GDE Group in the financial year and the elimination of the associated loan to the GDE Group (prior-year: EUR 12.2 million). Essentially deferred tax assets increased due to the tax benefit of the purchase price of Mokriya, from EUR 3.4 million at the end of 2015, to EUR 6.0 million as of 31 December 2016.

Within the intangible assets, goodwill increased from EUR 100.5 million at the end of 2015, by EUR 4.3 million, to EUR 104.8 million at the end of 2016. In turn, goodwill is divided into additions of EUR 4.2 million due to the enterprise acquisition, currency-related adjustments of EUR 1.2 million and the value adjustment of the goodwill of Oxygen of EUR 1.1 million. The remaining intangible assets increased slightly by EUR 1.1 million to EUR 17.4 million. This includes additions from in-house developments, in the amount of EUR 2.6 million.

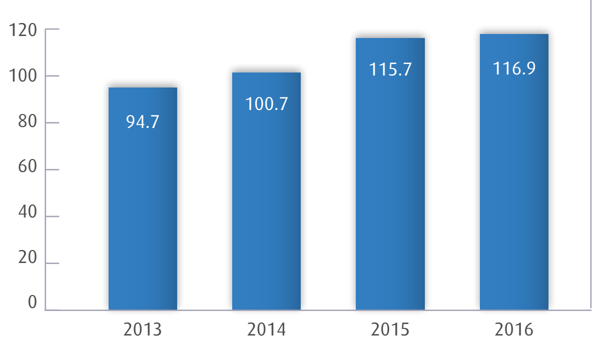
The investment ratio calculated as the ratio of non-current assets to total assets was 44.5% in the past financial year (prior-year: 44.3%).

Non-current liabilities increased from EUR 182.5 million at the end of financial year 2015, by EUR 8.5 million to EUR 191.0 million as of the reporting date 2016. In the same period, trade receivables increased from EUR 25.7 million to EUR 95.8 million (prior-year: EUR 70.1 million). Cash and cash equivalents on the balance sheet date decreased by EUR 11.9 million from EUR 83.7 million to EUR 71.8 million.

TOTAL ASSETS, 31 DECEMBER (in EUR million)



EQUITY, 31 DECEMBER (in EUR million)



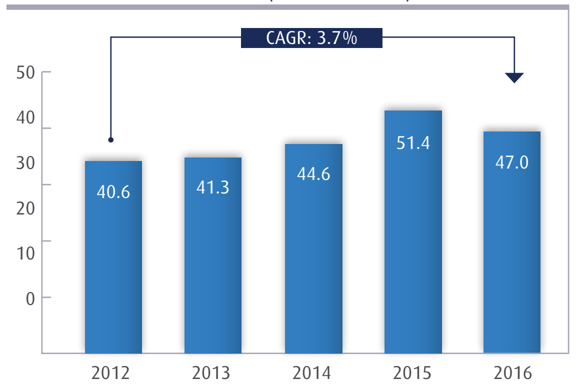
On the other side of the balance sheet, consolidated equity slightly increased from EUR 115.7 million on 31 December 2015, by EUR 1.2 million to EUR 116.9 million. Liabilities increased from EUR 212.3 million at the end of 2015, by EUR 15.2 million to EUR 227.5 million on 31 December 2016. The equity ratio dropped in the financial year 2016, due to the extension of the balance sheet with an under-proportional increase of Group equity from 35.3% at year-end 2015, to 33.9% on 31 December 2016.

The change in equity resulted from the positive results of the period of EUR 6.4 million, as well as from equity increases in conjunction with currency differences and other earnings-neutral effects, in the total amount of EUR 1.8 million, as well as dividends distributed to the shareholders of Allgeier SE and minority shareholders of subsidiaries in the total amount of EUR 7.0 million. In the first half of 2016, shares in Allgeier Nagarro Holding GmbH were sold to the management and employees of the Nagarro Group as part of an investment program. From the disposal the Group achieved payments of EUR 2.3 million into the capital of the non-controlling interests. In this context EUR 6.3 million of the equity of the Allgeier shareholders was transferred into the equity apportioned to the minorities. From the additions of Mokriya and the GDE Group, as well as from the disposal of Talentry, there was a net outflow of EUR 2.3 million from the shares of non-controlling interests.

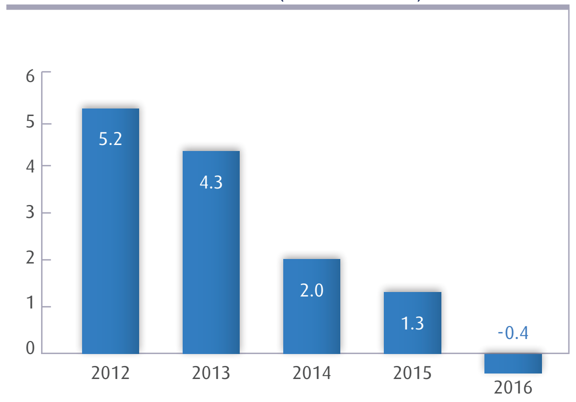
Non-current liabilities fell from EUR 116.3 million at the end of 2015, by EUR 17.8 million to EUR 98.5 million at the end of 2016. In 2016, parts of the borrower's note loans in the amount of EUR 13.5 million were recognised in the current liabilities, since these parts of borrower's note loans were due for payment in March 2017. Moreover, noncurrent parts of the earn-out liabilities were likewise turned over into current components or were liquidated with effect on profit and loss; whereby this item was reduced from EUR 6.7 million at the end of 2015, by EUR 3.9 million to EUR 2.8 million as of 31 December 2016. The remaining noncurrent liabilities have essentially remained unchanged in 2016

Long-term liabilities increased by EUR 33.1 million to EUR 129.1 million (prior-year: EUR 96.0 million). Within current liabilities the financial liabilities increased by EUR 12.1 million to EUR 24.9 million (prior-year: EUR 12.7 million) and the remaining non-current liabilities increased from EUR 83.2 million in the prior-year by EUR 21.0 million to EUR 104.2 million at the end of the year under review. Thus the debt ratio, calculated as the quotient of liabilities and total assets, increased from 64.7% in 2015, to 66.1% in 2016.

SOLUTIONS SEGMENT SALES (in EUR million)



SOLUTIONS SEGMENT EBITDA (in EUR million)



2.3.4 Segments

The segment reporting exclusively contains the continuing operations of the segments. The disclosures and explanations that follow include sales and earnings from transactions that the segments enter into with each other.

2.3.4.1 Solutions segment

In the period under review the Solutions segment contributed to Group sales with 9% (prior-year: 11%. The segment consists of five operational business units that contributed to the comprehensive income of the segment with various growth rates and contribution margins.

In the financial year 2016 the Solutions segment reported a decline in sales of 8% to EUR 47.0 million (prior-year: EUR 51.4 million). In this regard, value creation (overall performance minus revenues that can be apportioned directly to sales costs and personnel costs) declined accordingly by 11% to EUR 17.9 million (prior-year: EUR 20.2 million), which corresponds to a gross margin of 36.9% (prior-year: 38.3%).

The adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) decreased by 45% year-on-year to EUR 1.2 million (prior-year: EUR 2.2 million). The decline was significantly influenced by initial losses of the newly established SAP business unit in the amount of EUR 1.8 million. Without these costs, the Solutions segment would have shown an adjusted EBITDA of EUR 3.0 million with growth of 36%.

EBITDA of the Solutions segment was EUR -0.4 million (prior-year: EUR 1.3 million). In the financial year 2016 the adjusted effects that essentially include exchange rate differences from foreign currency conversion, value adjustments from receivables and personnel measures were EUR -1.6 million (prior-year: EUR -0.9 million). The amortization of this segment in the year under review was EUR 1.3 million and thus was slightly above the prior-year level of EUR 1.1 million. Segment EBIT dropped accordingly from EUR -1.4 million in 2015, to EUR -2.4 million in the reporting period. The segment's result for the period, before taxes was EUR -2.9 million (prior-year: EUR -2.5 million).

2.3.4.2 Experts segment

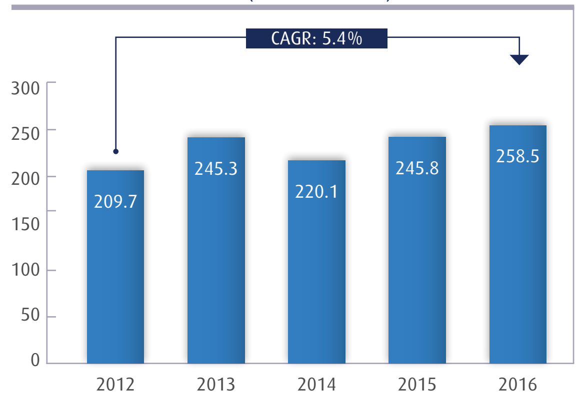
Measured by sales and employees, the Experts segment continues to be the largest segment in the Allgeier Group. The segment consists of nine operational business units and contributes 52% of sales of the Allgeier Group (prior-year: 55%)

The Experts segment generated sales of EUR 258.5 million in the 2016 reporting period (prior-year: EUR 245.8 million), which corresponds to an increase of 5%. Value creation increased by 13% year-on-year to 46.9 million (prior-year: EUR 41.3 million), whereby gross margin increased to 18.1% (prior-year: 16.8%).

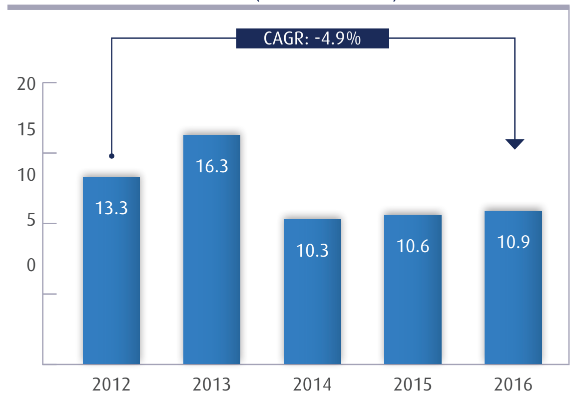
The adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) increased by 10% year-on-year to EUR 12.0 million (prior-year: EUR 10.9 million).

In the financial year 2016 the Experts segment achieved EBITDA of EUR 10.9 million, which was slightly above the prior-year earnings (prior-year: EUR 10.6 million). In the period under review fixed costs increased by EUR 4.4 million

EXPERTS SEGMENT SALES (in EUR million)



EXPERTS SEGMENT EBITDA (in EUR million)



year-on-year, which corresponds to an increase of 15%. This is particularly attributed to investments in personnel and the increase in personnel costs by EUR 3.6 million. Accordingly, EBITDA decreased by -14% from EUR 6.6 million in the prior-year to EUR 5.7 million in the period under review. Before taxes, the segment earned net profits of EUR 4.7 million compared to EUR 3.7 million in the prior-year, which corresponds to a 25% increase.

2.3.4.3 Technology segment

The Technology segment (prior-year: Projects segment) once again achieved strong and stable growth in the year under review. The segment, which includes two operative enterprise units, was able to further increase its sales share within the Group (continuing operations) from 35% in the prior-year to 39% in the year under review.

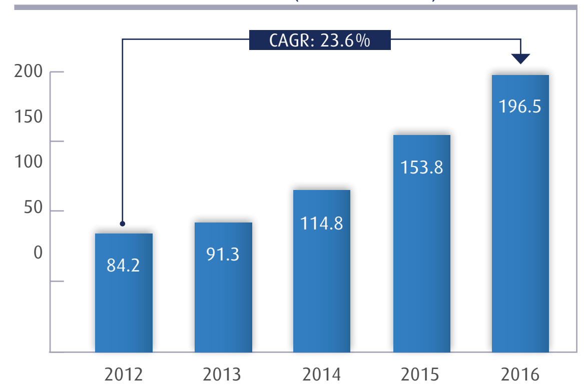
In the financial year 2016 the Technology segment reported sales growth of 28% to EUR 196.5 million (prior-year: EUR 153.8 million). Value creation increased by 31% to 71.8 million (prior-year: EUR 54.8 million), whereby gross margin increased to 36.4% (prior-year:35.0%).

The adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) increased by 39% to EUR 26.5 million (prior-year: EUR 19.1 million).

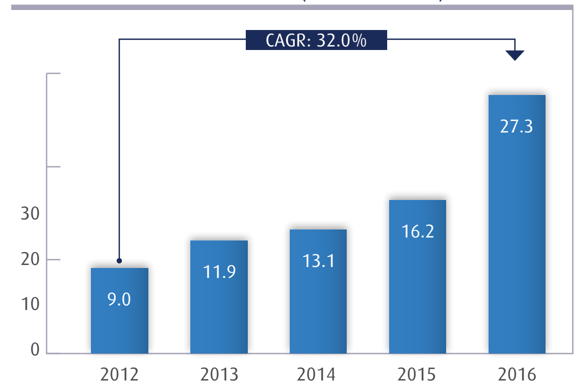
Due to the international alignment of the segment and significant sites, particularly in India and in the USA, segment results are subject to influences arising from exchange rates and conversions of the respective national currencies into euro. The exchange rate differences with effect on profit and loss arising from the recognition of liabilities that are nominally agreed in US dollar, as well as hedging transactions entered into for the relationship of US dollar and euro to the Indian rupee, were EUR 0.6 million (prior-year: EUR -2.6 million) and are reviewed and adjusted as special influences. Including additional earnings adjustments in the amount of EUR 0.3 million (prior-year: EUR -0.3 million), in the financial year 2016 the Technology segment showed earnings in the amount of EUR 0.9 million, which were not directly attributed to the operative business development (prior-year: Expense of EUR 2.9 million). EBITDA was EUR 27.3 million in the year under review as compared to EUR 16.2 million in the prior-year. This corresponds to an increase of 69%. In the year under review amortization increased to EUR 6.5 million (prior-year: EUR 5.5 million), whereby after amortization, the segment achieved EBIT of EUR 20.8 million (prior-year: EUR 10.6 million – which corresponds to an increase of 96%. The segment's financial result was EUR -1.0 million (prior-year: EUR -1.1 million). The segment's pre-tax net earnings increased by 107% from EUR 9.5 million in the prior-year to EUR 19.8 million in the period under review.

In the first half of 2016, as part of an investment program, shares in Allgeier Nagarro Holding GmbH were sold to the management and employees of the Nagarro Group. In this regard management purchased approximately 10.0% and other employees purchased approximately 5.7% of the shares of Allgeier Nagarro Holding GmbH. The program prescribes that a maximum of up to an approximate total of 17.4% of the shares of Allgeier Nagarro Holding GmbH can be issued to employees of the Nagarro Group.

TECHNOLOGY SEGMENT SALES (in EUR million)



TECHNOLOGY SEGMENT EBITDA (in EUR million)



GROUP MANAGEMENT REPORT

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 Financial performance indicators

At the Group level, the following financial performance indicators, in particular, take centre stage for the management of the enterprise:

Sales growth

Allgeier is active in the growing information technology market. Worldwide, this market has been growing faster than the economy as a whole for years, and in some areas even significantly above average. Moreover, the market has also been undergoing a consolidation process for years, which is driven by innovation and customer requirements. We therefore believe that it is crucial to keep pace with the market through above-average growth, to also lead the market, at least in some areas, and to take the right steps for acceleration in the years to come. This makes growth a key issue.

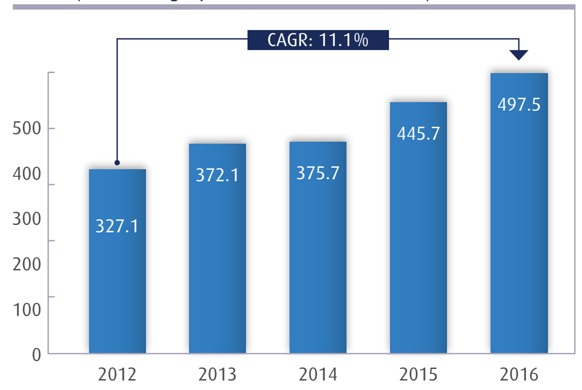
Sales growth of the Group (continuing operations) over the past years is presented as follows: see below

Profitability

The goal to effectively increase the value of the company assumes profitability, in addition to growth. The EBITDA margins that can be achieved play a crucial role in planning at all levels of the Group. This is even more applicable, since the EBITDA margin in the past two years decreased for the reasons explained in this management report.

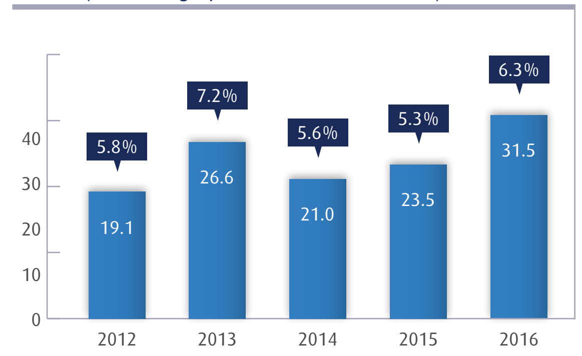
The development of EBITDA and the EBITDA margin for the Group and the specific segments developed as follows: see right.

SALES (continuing operations in EUR million)

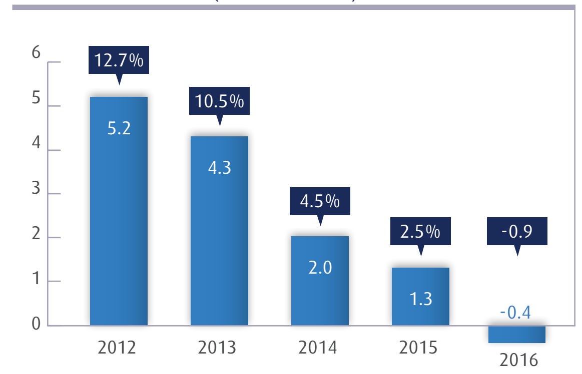


EBITDA/EBITDA MARGIN

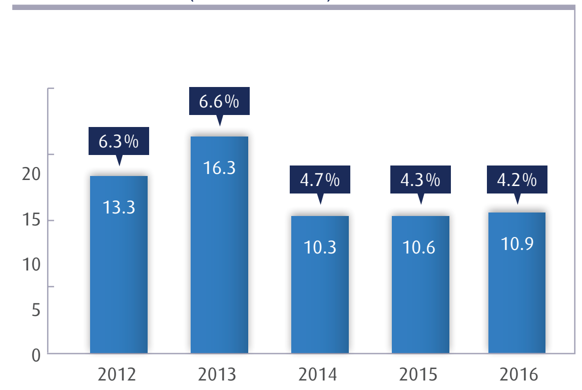
GROUP (continuing operations in EUR million)



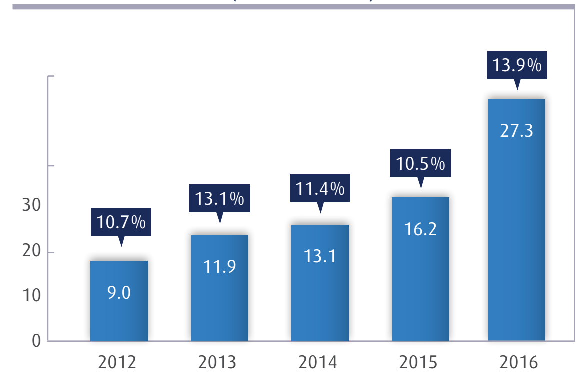
SOLUTIONS SEGMENT (in EUR million)



EXPERTS SEGMENT (in EUR million)



TECHNOLOGY SEGMENT (in EUR million)



GROUP MANAGEMENT REPORT

Net debt

Net debt is highly relevant for valuation of the enterprise on the capital market and for further financing capability. Some financing agreements call for compliance with certain net debt levels. Consequently, planning and controlling net debt play a crucial role in the overall structure of corporate planning and for financing decisions. Net debt is calculated as financial liabilities less cash and cash equivalents. In the past financial year the Group's net financial liabilities increased to EUR 37.3 million (prior-year: EUR 27.0 million). The slight decline in financial liabilities from EUR 110.7 million at the end of 2015, to EUR 109.1 million as of 31 December 2016, is compared to a decrease in cash and cash equivalents from EUR 83.7 million in the prior-year to EUR 71.8 million on the valuation date.

As of 31 December 2016, net debt as a ratio to EBITDA of the entire Group (from continuing operations and discontinued operations) increased to a value of 1:23 (prior-year: 1:00). However, as of 31 December 2016, in continuing operations net debt as a ratio of EBITDA at a value of 1:17 relative to the prior-year, did not significantly increase (prior-year: 1.14).

Growth through acquisitions

Another indicator of our Group development is the ability to take advantage of market consolidation through acquisitions. This speeds up growth, as well as the possible alignment or focusing of business activities. Allgeier has more than ten years of in-depth experience in the implementation of acquisition projects. We have built up market recognition of ourselves as a potential purchaser of medium-size enterprises in Germany and abroad, that has proven its ability to successfully integrate companies in a sustainable process, and to develop more growth. Over the years, we have constantly improved the process, which ranges from recording all acquisition candidates submitted or actively sought by us, to selection, and extends to concrete realisation of specific transactions. This process is supported by software tools and, in the meantime, is not handled solely by Allgeier SE; it is rather executed with the involvement of the Group's divisions and business units.

Our goal is to also grow through acquisitions in the future. Specifically transactions of recent years included:

2.4.2 Non-financial performance indicators

Employee satisfaction

Our employees are our most valuable asset. Their know-how and motivation drive our business forward every day. It is they who enjoy the trust of our customers. In the competition for new employees it is imperative to be an attractive employer for candidates. In order to combine different needs, different education levels, and different expectations, an increasing measure of intelligent and flexible organisation and diversification is required. Here the various models for involving employees in customer projects play an important role as well: This includes service agreements, contracts for work and labour, the supply of temporary workers, project outsourcing, onshore, nearshore and offshore models, and much more. Development of existing employees and recruiting of new employees are key success factors for the development of the entire Group. Accordingly satisfaction of the employees within the Group is an essential performance indicator.

TRANSACTIONS

2012	AX Solutions GmbH, Braunschweig Skytec AG, Oberhaching b+m Informatik AG, Melsdorf b+m Informatik GmbH, Hamburg tecops personal GmbH, Munich Oksijen İnsan Kaynakları Seçme ve Değerlendirme Hizmetleri Anonim Şirketi, Istanbul, Turkey SF Software & Friends GmbH, Leipzig (now merged with mgm technology partners, Munich)
2013	OPUS Solution AG, Root Längenbold, Switzerland German Doctor Exchange GmbH, Bonn WK EDV GmbH, Ingolstadt innocate solutions GmbH, Düsseldorf (now: Allgeier Productivity Solutions GmbH, Düsseldorf)
2014	recompli GmbH, Grasbrunn DIGIDOK GmbH, Essen (Asset Deal) Hexa Business Services GmbH, Vienna, Austria (now: Nagarro GmbH, Vienna, Austria) eHealthOpen Ltd., Birmingham, United Kingdom/Schliersee, Germany Metasonic AG, Pfaffenhofen (now merged with Allgeier IT Solutions GmbH, Bremen) SecureNet GmbH, Munich (now: mgm security partners GmbH, Munich) Corisecio GmbH, Darmstadt (now merged with Allgeier IT Solutions GmbH, Bremen)
2015	MOS-Tangram AG, Boswil, Switzerland (now: mgm technology partners schweiz ag, Boswil, Switzerland) Talentry GmbH, Munich SearchConsult GmbH, Düsseldorf networker, Projektberatung GmbH, Kronberg im Taunus
2016	Conduct AS, Oslo, Norway (now: Nagarro AS, Oslo, Norway) Mokriya Inc., Cupertino, USA Betarun, Buckow (Asset Deal) (now part of: Goetzfried Professionals GmbH, Wiesbaden) GDE Group, Munich

2.5 HUMAN RESOURCES

Allgeier counts on dedicated and loyal employees.

Highly qualified and motivated employees are an essential success factor for the development of our Group. Each enterprise of the Allgeier Group essentially lives from the technical knowledge, the competencies, as well as the loyal commitment of its employees. Our employees are in constant contact with customers, providing the agreed consulting and other services, and develop innovative solutions for complex challenges. The strategy of our Group will also live in the future from the commitment of the employees and the capacity to recruit new high-performance employees in the competition of the markets and keep them in the Group.

Continuously promoting and further developing the willingness to perform and the abilities of our personnel are therefore key objectives of our human resources policies. Allgeier made good progress this year by harmonising measures for employee recruitment and retention within the divisions. We have expanded our international presence significantly in past years, gaining access to what is now more than 3,000 extremely well-trained software developers at our sites in India. However, in our core market, meaning German-speaking Europe, we recognise increasing bottlenecks relative to well-qualified experts. This is another reason why we are continuously investing in our employees in order to ensure the sustained growth of our Group and to keep valuable knowledge in the enterprise. In the future this will be associated with further increased investment in employee training and qualification.

We believe that the attractiveness of our company – both for existing staff and for suitable applicants – is becoming an increasingly stronger competitive factor. Given the high dynamics of the IT sector, ongoing technical training of employees is a crucial success factor in competing for the best employees. Always staying on the ball technically is also crucial in order to meet rising customer requirements and to help in shaping important innovations within the industry. On the other hand, our employees of the various Group companies benefit from the growth and the increasing size and stability of the Group. Thus the existing jobs in the Group are becoming more secure, and at the same time new jobs are created. New challenging orders from interesting customers provide exciting technical perspectives and good possibilities for individual development.

Organic employee growth: The number of employees increased again significantly

At the end of financial year 2016, the Allgeier Group had a total of 7,699 employees and freelance experts (prior-year: 7,051) – 6,388 hired employees and 1,361 freelance experts (prior-year: 5,717 hired employees and 1,334 freelance experts). At the end of the financial year, Allgeier had a total of 4,097 employees and freelance experts in Germany (prior-year: 3,980) and 3,602 foreign employees and freelance experts at the end of the year (prior-year: 3,071). Thus 53.2% of all employees and freelance experts of the continuing operations worked in Germany at the end of the financial year (prior-year: 56.4%). In this manner, overall Allgeier increased the number of employees and freelance experts by 648 (prior-year: 944 employees and freelance experts) in continuing operations. The number of hired employees in continuing operations grew by 621 employees (prior-year: 821 employees). Again, this constant high growth was primarily organic: Without the employees gained through the acquisition of new companies, the Group companies have 551 more permanently employed personnel than in the prior-year, i.e. the number of jobs (employees) increased by more than 9% compared to the prior-year.

In the financial year 2016, fortunately Allgeier was able to further increase the proportion of female employees: At year end 2016 in continuing operations the proportion of female employees was 24.9% (prior-year: 24.0%). The Federal Association for Information Technology, Telecommunications and New Media (BITKOM) assumes merely a proportion of 15% female employees as the industry average in the German IT industry. In the past year, likewise we were able to further increase our share of employees with a university degree: As of the valuation date this share was 43.9% (prior-year: 38.5%). Overall, more than 96% of our Group employees have a BA/master's/doctoral degree, state-certified technician/master tradesman certificate or other qualified professional training (prior-year: 96%). In addition to permanent further training and continuing education offerings, it is our aspiration to open

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up to our employees long-term perspectives and attractive personal development possibilities within the Group, through effective compatibility of family and career. The constantly increasing proportion of female employees and employees with higher qualifications, encourage us in this endeavour.

The number of employees in the Allgeier Group (continuing operations) developed as follows in the last five years:

NUMBER OF EMPLOYEES ON DECEMBER 31	2012	2013	2014	2015	2016
Number of permanent employees	3,640	3,924	4,896	5,717	6,338
Number of freelancers	1,494	1,346	1,211	1,334	1,361
Total number of employees	5,134	5,270	6,107	7,051	7,699

3. OVERALL ECONOMIC SITUATION

For Allgeier, the financial year 2016 brought a variety of positive developments with important course settings for the future. Year-on-year the Group reported continuing growth, in overall performance, and in earnings. In this regard the individual segments developed differently.

In the Experts segment we have established a professional and fully-integrated enterprise structure, which with its four business pillars – Contracting, Temp, Perm and Services – is a dynamically growing and market leading unit under the roof of Allgeier Experts SE. The necessary investments – particularly in personnel but also on the marketing and sales side – and the extensive joint efforts are starting to pay off. We were able to win new major customers and increase sales and value creation.

In the Solutions segment we have successfully extended our initial focus to an integrated portfolio of offerings under the new name of Allgeier Enterprise Services. Through the coming together and common appearance of different product and service teams, with Allgeier Enterprise Services we have established a leading service and solutions provider for enterprise customers and medium-sized customers and laid the foundation for future growth. What must be emphasised in this regard is the formation of a significant consulting and project competence in the SAP area.

In 2016, as a Group we again posted considerable and sustainable growth. In their highly competitive markets, the segment's two companies, mgm technology partners Group and Nagarro Group, were both able to achieve clear, sustained, double-digit growth and high profitability. In the financial year 2016 the segment was again the growth driver of the Group.

In the financial year 2016 the Allgeier Group had total growth of 12% in the continuing operations. This growth was achieved almost completely organically. In addition, it was possible to disproportionately increase profitability from customer orders: Accordingly value creation earned in the operative business increased by 18%. In the financial year, EBITDA on the Group level (continuing operations) increased by 34%, whereby the EBITDA margin improved to 6.3%.

Net debt essentially increased to EUR 37.3 million due to valuation date factors and due to the payments for companies newly acquired in 2016, (prior-year: EUR 27.0 million). In 2016, the employee base of Group companies could again be considerably strengthened. The number of hired employees in continuing operations increased from 5,717 employees to 6,338 employees, which corresponds to an organic creation of 551 new jobs. An additional 70 employees were added due to acquisitions of new Group companies. In the financial year, overall the number of workers, including the average number of hired freelance experts, increased to 7,699 as of 31 December 2016. We were able to further increase the above-average proportion of female employees, as well as the proportion of employees with a university degree. In the constant build up of highly qualified employees an investment in the future is also expressed, which in 2016 initially resulted in increased costs. For the future, the following will also apply: to further intensify the cooperation in the Group and to focus on high-growth fields with above-average development potential. In doing so, we will continue to take advantage of our ability to use market consolidation for the targeted expansion and faster development of the segments through value-added acquisitions.

4. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The report on events after the balance sheet date and before finalising the balance sheet is provided in the Consolidated notes (A. VII. Events after the balance sheet date and before finalising the balance sheet).

5. OUTLOOK, OPPORTUNITIES AND RISK REPORT

5.1 OUTLOOK

Expected overall economic development

The organic growth of the Group companies largely depends on the economic environment and, in particular, the development of the software and IT services market in Germany and in the other relevant markets. According to the annual economic report published by the federal government, 2016 showed growth in the price-adjusted German gross domestic product (GDP) of 1.9% and thus the strongest growth since 2011. For the current year 2017 the federal government expects growth of GDP of 1.4%. This does not cloud the economic perspective; the slight decline in growth is primarily due to the fewer workdays as compared to 2016. The continuing decline in the unemployment rate and further increase of jobs with social insurance obligations have a positive effect on the economic situation in Germany. The German labour market benefits in this regard, particularly from the immigration from EU countries. Increasing income with concurrent, moderately increasing prices, further improve the boundary conditions for private households; consumer spending and investment in residential buildings are rising sharply. Moreover, the good position of public budgets, enables increasing state spending for investments and consumption. Corporate investments also continue to increase to service the increasing foreign demand. On the other hand, world trade is still restrained. Furthermore, impairments are threatened through protectionist currents, so that risks in the foreign trade environment remain considerable. However, overall the federal government anticipates a continuation of the steady upward trend. The economic outlook for 2017 is also positive for the other markets that are important for Allgeier, such as the USA, Switzerland and Scandinavia, according to current forecasts (economic forecast summaries of November 2016, from the Organisation for Economic Cooperation and Development (OECD). The worldwide economic outlook should continue to improve; in addition to the positive development in emerging countries and developing countries, the USA and China will again have a strong effect as drivers: In its "World Economic Outlook" (update January 2017), the International Monetary Fund (IMF) anticipates an increase of global GDB by 3.4%, after 3.1% in 2016. The IMF has raised its growth forecasts for China and the USA. However, uncertainties resulted from the policies of the new US administration and their global effects.

Expectations for the IT sector

According to market data published by the Federal Association for Information Technology, Telecommunications and New Media (BITKOM) in March 2017, in the current year the German ITC market should grow by 1.4% (2016: 1.3%) to EUR 152.2 billion (2016: EUR 150.1 billion). According to this analysis the information technology market, which is of particular relevance for Allgeier, is expected to once again exhibit above-average growth of 2.7% to EUR 86.0 billion). This growth is mainly driven by the market for software, where disproportionately high growth continues to be expected at a predicted rate of 6.3%.

The essential growth driver in the IT market also continues to be the advancing digitalisation of the economy, which entails fundamental changes in the market conditions. Above all, market trends and technologies, such as IT security, in particular, cloud computing, big data, as well as digital platforms and mobile applications, are the basis for these developments. These trends and future technologies are already successfully part of Allgeier's expertise and Allgeier's involvement in these trends and future technologies is simultaneously being extended in a targeted manner in accordance with the increasing demand. Most companies anticipate that the cross-sectoral industrialization process will continue over a longer period of time. According to the 50th Industry Barometer of the Federal Association for Information Technology, Telecommunications and New Media of January 2017, 39% of companies assume that the digital transformation is a never-ending process, another third expects that the process will continue for at least the next nine years. According to the BITKOM Industry Barometer the most important market trends in 2017 are IT security, cloud computing, the Internet of Things (IoT), Industry 4.0, i.e. digitalisation of production processes, big data, i.e. solutions for analysis

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and evaluation of large quantities of data in enterprise processes, as well as digital platforms and mobile applications. Allgeier benefits from the strong disproportionate growth of these high tech trends.

According to the market research company, International Data Corporation (IDC), German companies are deriving ever-increasing benefits from the digital transformation. According to IDC a successful cloud strategy is an essential prerequisite for digitalisation in the company. Consequently, more and more companies indicated a willingness to invest in cloud services and cloud technology to assure competitive advantages to themselves. By the end of 2019, on the global scale most companies would be working in a predominantly cloud-based IT environment. Correspondingly, according to IDC, from the summer of 2015 until 2018, the market for cloud computing should reach a volume of EUR 200 billion. According to this forecast the average annual growth rate is 19%. As a matter of fact, for Germany, IDC expects an average annual growth of 23% to EUR 7.9 billion over the years 2015-2020. According to the results in the Worldwide Semi-Annual Big Data and Business Analytics Spending Guide published by International Data Corporation (IDC) in 2016, in the period between 2015 and 2019, the global market for big data and business analytics applications, tools and services will grow by more than 50% from USD 122 billion in 2015 to USD 187 billion in 2019. Thus, the annual growth in the big data market is many times higher than the annual growth in the entire IT market. Fur Allgeier other important high-tech trends, such as enterprise content management, eHealth, business process management, Collaboration/ Enterprise 2.0 and Enterprise Resource Planning (ERP), can also function as additionalgrowth drivers for Allgeier; these are areas in which Group companies have already been taking a strong market position for many years. As a central software system, ERP more or less optimizes business processes, in that it interconnects individual links of the production chain. The megatrends of the industry also boost ERP sales, since ERP software solutions significantly facilitate the controlling and planning processes in companies. The mood among the providers is positive: Thus according to the 5th ERP Barometer of the Federal Association for Information Technology, Telecommunications and New Media, published in the fall of 2016, 78% of German ERP providers expect increasing sales for the current year.

The Management Board expects the dependency on IT in an ever more globalised world to continue increasing. Thus the forecasted growth in the identified future areas, is significantly higher than the overall average. Consequently, IT itself is also subject to rapid change, resulting in an ongoing demand for innovation and investment – fields that were still up-to-date to this point in time, are now being superseded and replaced by other topics. Thanks to its favourable position in essential fields of innovation and fields of the future, Allgeier is convinced of the structural growth opportunities in the IT services and software field.

Expectations of the Allgeier Group

The overall development of the Allgeier Group will be defined by the expectations for the overall economic environment and the IT market discussed above, in Germany as well as in the other relevant markets, particularly in the USA, the Scandinavian countries, in Austria and in Switzerland. Due to the current, sustained good economic situation in Germany, in spite of possible disruptions due to the slow recovery of some national economies consequent to the European debt crisis, and in spite of uncertainties due to a possibly more protectionist policy of some national economies, we project a good initial position for further organic growth. The importance of high-quality and resilient IT solutions is a crucial factor for most commercial enterprises, but it is also a crucial factor for the competiveness i.e. the efficient management of public institutions. In some cases with digitalization new dimensions will be achieved and new fields of business in the area of information technology will open up; whether this affects IT security, the use and evaluation of large quantities of data or digitalization of the industrial world referred to as Industry 4.0 b. According to Allgeier SE's assessment this will continue to support an above-average development of large parts of the industry. Global markets and global service providers as drivers of the technological development will have a continuing internationalization as the result. In addition, there is the scarcity of highly qualified IT specialists in the strong economic markets and price pressure due to global players. This requires an interaction of international know-how and capacities with local presence close to the customer. Allgeier will also continue focusing the business models and optimising the internal organisation in the 2017 financial year. For the Experts segment it remains to be seen how the announced legislative intent will further effect business development in the areas of personnel leasing and service contracts/ work contracts. In past years, the companies of our Experts segment, together with the customers, have been implementing new and improved models of cooperation.

Our expectations for specific performance indicators are as follows:
According to the planning for the year 2017, overall Group sales in continuing operations should grow at a rate of 16%. All three segments will contribute to the planned growth. In addition to the planned growth the Allgeier Group is working on increasing market share in all three segments through acquisitions.

According to the planning, Group EBITDA for continuing operations should grow slightly under-proportionally at a rate of 7 to 8%, in accordance with an EBITDA margin of approximately 6.0%. The background is comprised of the investments in the development of the Experts segment and the Allgeier Enterprise Services business unit that have occurred and will occur in 2017. In this regard, all target figures relate exclusively to development of the existing Group without changes in the portfolio, through additional acquisitions or deinvestments.

We are planning the following sales and earnings development for the specific segments:

- The Solutions segment plans a sales increase of 60 to 70%, with an increase in EBITDA margin of approximately 4%. The SAP business unit, which is still being established, will have an essential influence, which should contribute disproportionately to sales growth, but which will not yet be fully profitable in the financial year 2017.
- The Experts segment likewise plans a sales increase of 4 to 5%. The EBITDA margin decreases due to considerable investments in growth and integration in the financial year 2017 to approximately 3%, before the margin level of approximately 4 to 5% will again be reached.
- The Technology segment plans a sales increase approximately 14%, at a stable EBITDA margin of 10 to 15%.

In 2017, the Allgeier Group expects that net debt of continuing operations without further acquisitions will increase by approximately EUR 5 million relative to the level at the end of financial year 2016, due to the business growth.
In summary, for financial year 2017 the Management Board expects continued, sustained sales growth in the lower double-digit range and a slight decline of the EBITDA margin due to the investments described above. Furthermore, if possible, additional targeted acquisitions are once again intended in 2017, in order to support and accelerate the growth and positioning of the Group and the individual segments in the market. Allgeier will finance the planned investments using its own funds and debt. Existing and new financing will be reviewed on an ongoing basis for this purpose and adapted as required.

Increased integration and focus on growth markets

The following also applies for 2017: The sustainable development of our Group and the company's value is our leading objective. In this regard the Group should become more attractive to employees and customers, with improved performance. As a major mid-market player, we see ourselves as a reliable partner with close proximity to the customer, but with the potential to also offer these qualities in major projects with long terms and increasingly also at the international level. IT has long since become more than a national issue. The ability to perform on the international stage and operate eye-to-eye with regard to technology are the prerequisites; as a rule local proximity is desired.

Our concrete goals for 2017 are to continue focusing on the three segments. This involves continuation of the organizational further development in the divisions of the segments.

In the Solutions segment, above all we are striving for a comprehensive and bundled service portfolio for our enterprise customers that extends from provision of modern software solutions to contiguous operating and support scenarios. The Allgeier Enterprise Servicesbusiness unit continues its development of becoming a fully-integrated IT solutions provider that offers customers a holistic service and product spectrum for digitalization of business processes – from SAP consulting and SAP managed services, and extending to solutions in the areas of Enterprise Content Management (ECM), Enterprise Resource Planning (ERP), as well as security.

In the Experts segment we will position ourselves as a comprehensive partner to our customers for IT, personnel, and project topics. In addition to classic personnel brokering and personnel leasing models for flexible project deployment of IT experts, first and foremost we also offer takeover of project services and managed services extending to provision of services performed as an IT services partner. To do this, we have again positioned ourselves with an improved service offering and provide our customers a single source for professional and partnership-based cooperation.

In the Technology segment we develop business-critical software and IT solutions and support these solutions over many years, which particularly includes the further development and further adaptation to new customer requirements. Innovation relative to the IT and software solutions used has now become a decisive competitive factor for

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the customers. In the course of the massive progressive digitalization of many branches of industry we will thus transition from an IT partner to a strategic partner for many customers, a partner that in part works together with the customer on innovation in the core business.

Targeted acquisitions are expressly part of the growth strategy in all three segments. In this regard we exploit the advancing consolidation of the market, which is driven through technology development and increasing intensity of cooperation with customers.

5.2 RISK MANAGEMENT

5.2.1 Risk management system

The Allgeier Group is exposed to a variety of risks as part of its business activity. We define risks in the broadest sense as the possibility that we may not reach our financial, operational or strategic goals as planned. Identifying risks and eliminating or mitigating them through suitable management measures is essential to ensure the long-term success of the company. We use tiered risk management and control systems on the level of the Management Board and Group controlling of Allgeier SE, on the level of the divisions and Group companies, who support us in identifying early on the risks and developments that threaten the survival of our company. We have combined the elements of a top-down and bottom-up approach. Our risk management and control systems are subject to continuous further development and adaptation to changing requirements for the Group and the environment in which it operates. Moreover, the Supervisory Board of Allgeier SE reviews the effectiveness of the risk management system at least once a year.

On the level of the Group companies, the respective executives and general managers act independently and under their personal responsibility on the basis of their specific business. We have implemented controlling systems and established a management organisation in the individual companies to ensure a high degree of transparency, so that we obtain very timely information about the development of the companies. Division management and Group management also accompany and review the work of the Management Boards and managing directors through the corresponding governing bodies such as Supervisory Boards and shareholders' meetings. The rules of procedure for the management bodies of Group companies define clear information and approval requirements. There is also an intensive and regular exchange of information between the management bodies of the various Group companies, as well as with division management teams and Group management. In addition to the monthly reporting and controlling, quarterly business review meetings take place involving the Management Board of Allgeier SE and the individual division management teams, in which business development, including specified Key Performance Indicators (KPI), market development and strategy, as well as necessary measures for plan adherence are intensively discussed. Group-wide bodies that meet regularly, such as the Management Committee and an annual finance meeting, supplement the regular information exchange.

Corporate controlling and risk management has been implemented on the level of Allgeier SE. We regularly review its function and efficiency, with adaptations to account for changing conditions. Systemically this is based on integrated planning, controlling and reporting instruments that ensure ongoing business analysis of the divisions and individual companies, and that extend to the Group level. Among other things, the system monthly incorporates all key Group figures at the holding level. We monitor and review Group liquidity and the liquidity planning of all Group companies weekly. Furthermore we obtain economic performance data and trends, i.e. sales, orders on hand, incoming orders and the number of employees, in part broken down to the project level, from the individual companies as part of an established routine. These data are recorded in a business intelligence system, which we use to evaluate the data. Annual corporate planning in the sense of the budget for the following financial year – consisting of the income statement, budgeted balanced sheet and financial plan – that is approved by the Supervisory Board of Allgeier SE, is executed on the basis of bottom-up planning for the divisions and individual companies, and is presented and discussed in planning meetings with Group management. The budget is supplemented by two-year planning for the following years. We perform a monthly target-actual analysis, as well as a comparison to the respective prior-year period, which makes it possible for us to adequately manage operative divisions, the individual companies and the Group as well. Analysis results are discussed in quarterly meetings with the management of the individual divisions, possible deviations are examined and decisions are reached on appropriate measures where applicable. We have defined an escalation process for significant planning deviations, calling for an immediate, more detailed examination and the initiation of reorganisation steps. After the end of each quarter of the following financial year, we review the overall planning figures and establish a possible need for adjustments, in-line with a forecast.

We also conduct a risk assessment as an additional risk management tool. For this purpose, using a professional software tool, we regularly request individual risk reports from the responsible Management Boards and managing directors of the Group companies. These are prepared on the basis of a standardised catalogue of risks according to the various risk classes, including likelihood of occurrence and the amount of damage. Group-wide, uniform methods are used so that it is possible to compare the risk assessments across the three segments. Thus the Group specifically has a software-based risk matrix.

Compliance is a topic that is closely linked to risk management. In accordance with the high significance of the topic in Germany and internationally, compliance in the Allgeier Group is a priority of the Management Board and Supervisory Board. An extensive code of conduct applies for the entire Allgeier Group, this is presented in the Allgeier Compliance Basic Handbook that is implemented in all subsidiaries. This handbook sets minimum standards, from which only upward deviation i.e., a more strict individual regulation and definition is permitted for the individual divisions and Group companies. Most Group companies have their own handbooks, which go even beyond the standards of the basic handbook and which are adapted individually to the respective operations of the company or division. Implementation of, and compliance with the basic handbook are ensured, in particular through mandatory semi-annual reporting and review through the appointed compliance contact persons of Allgeier SE.

In reviewing and realising enterprise acquisitions or other transactions, the Management Board of Allgeier SE operates subject to the strict duties of care for decisions of particular importance to the Allgeier Group. The Management Board also utilises the expertise and experience of internal advisers regularly, such as members of the Supervisory Board or select persons from within the Group, as well as external consultants, such as banks, consultants, auditors, tax advisers and lawyers. We conduct an adequate due diligence assessment before executing transactions. Appropriate contract provisions are implemented to protect against specific risks.

Risks are managed and limited by obtaining insurance coverage when we consider this necessary and expedient in view of the economic benefit. In the Allgeier Group there are insurance policies that cover the essential business risks, in particular such as Group-wide public liability insurance and D&O insurance.

The Management Board of Allgeier SE with the support of Group controlling regularly evaluates the available information and initiates timely and suitable measures to counteract developments, as needed. Targeted projects for analysis and initiation of appropriate measures are carried out in certain cases. The Management Board also reports regularly on the Group's current development, as well as specific events and decisions to the Supervisory Board of Allgeier SE and involves it, as specified in the rules of procedure for the Management Board, in decisions that are of special importance for the Group.

5.2.2 Internal control and risk management system with reference to the Group accounting process

Through the characteristics of its internal control and risk management system that are cited below, Allgeier SE for all Group companies ensures that the accounting process captures, processes and recognises relevant circumstances fully and accurately in the accounting records, and that the accounting complies with legal requirements. This also ensures that accounting is able to provide the information required for the purpose of controlling and to meet the internal and external reporting obligations reliably and in a timely manner at all times, and that the existing assets cannot be diverted. The key characteristics of the internal control system and risk management system with regard to our accounting process are as follows:

- Material processes relevant to accounting are subject to regular analytical reviews.
- A defined organisational, controlling and monitoring structure has been established.
- Tasks and responsibilities related to the accounting process are clearly assigned.
- The IT systems used in accounting are protected against unauthorised access.
- Standard software products are mainly used in the IT systems relevant for accounting.
- All persons involved in the accounting process meet high quality standards.
- The integrity and accuracy of accounting data are reviewed regularly on the basis of samples and plausibility checks through manual controls.
- All processes of high relevance to accounting are subject to the principle of dual control.
- The relevant risks are covered.
- Among other things, the Supervisory Board examines material accounting and risk management issues.
- A systematic analysis and the control of risk factors, as well as risks that could threaten the company's survival, are performed through the planning, reporting, controlling and early warning system used in the Group.
- Adequate documentation is assured.

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- Intercompany balances, as well as any unrealised profits on assets, are eliminated. Fully capturing these items is assured by the account structure of the companies and additionally by a reporting procedure.

5.3 RISKS

Significant risks that can have a material, detrimental impact on the Group's net assets, financial position and results of operation, and therefore also on the share price are discussed below. This listing of risks is not exclusive. In addition to those named, our Group may be exposed to additional risks that can impair the business operations of our Group companies. In addition, other potential risks exist that we do not include below because we have identified them as non-essential.

5.3.1 Market and strategic risks

5.3.1.1 Economic conditions

Our market environment is highly dependent on global and local macro economic factors, such as aggregate development in our core markets in Europe and the USA. In particular, the economic situation of our customers, who for the most part likewise depend on economic development in the markets that are relevant for them, also influences their expenditure behaviour with regard to IT expenses, and thus also indirectly influences our business. The same applies for public budgets, which are also influenced by topics, such as state debt and the debt of public budgets. Our business, which mainly consists of providing services for industrial enterprises and trading companies but also public-sector customers, is thus directly and indirectly influenced by general, economic developments to which our customers are exposed and which affect our customers in different ways. A restrained, volatile or even recessive development of the markets, may cause individual customers to stop placing orders or reduce budgets for IT services. This can have a negative influence on our operations, net assets, financial position and results of operations.

5.3.1.2 Market development in the industry environment

Moreover, in the IT industry there are additional factors that have a considerable influence on our business development, such as the dynamic development of technology trends, high competitive pressure and price pressure, as well as scarcity of personnel. In the IT sector the technology transformation is extensive and is quickly advancing, which can mean both opportunity and risk. Those who cannot keep pace, or who rely too long on technologies and market segments, whose future is being superseded through new trends, can thereby suffer considerable disadvantages, and in some cases even existential disadvantages. The worldwide IT market, as well as the German IT market, are subject to constant change and an associated consolidation. In particular, large customers with rigorous requirements and large order volumes strive to consolidate their suppliers, on one hand, in order to improve the performance and quality, but on the other hand, in order to considerably reduce costs. This increases competition in the industry and confronts us with the challenge of withstanding cost pressure and competition, and if necessary even profiting from these factors. Some of our competitors are significantly larger and have higher sales than we do and have more extensive resources at their disposal. In some cases smaller competitors are more specialized than we are. It is also possible that in specific cases competitors could respond to new market opportunities more effectively and more quickly. The scenarios identified above each can lead to reduced sales, decreasing margins or a negative impact on our market share. On the other hand, we expect that the trend among our customers in favour of outsourcing IT services to a high-performance, flexible partner will continue to intensify. The cost reduction efforts of large corporate groups, in particular, will however also mean that some IT services will continue to be awarded to lower-cost companies in the emerging markets, especially India. With more than 3,000 highly qualified software developers at nearshore and offshore sites, Allgeier is also in a position to possibly benefit from this development. Nevertheless The occurrence of the risks cited above can have a negative influence on our operations, net assets, financial situation and results of operations.

5.3.2 Operational risks

5.3.2.1 Personal

The dedicated, entrepreneurial employees constitute a key success factor for our companies. This applies for the members of the management teams, as well as other leading persons and also to all employees and know-how carriers of the Group companies. In the management area, for further growth we are confronted with the risk of promoting our own prospective managers, or on a case-by-case basis recruiting additional employees from outside. In the case of changing generations, timely successor solutions must be developed. In the employee area in general the ongoing task at hand is to find IT specialists and employees with other orientations, such as sales, in adequate numbers and with high qualifications. This is a challenge, particularly in the boom regions where we are active. Likewise, it is essential for us to tie these persons to us for the long term. A lack of management and IT personnel can negatively impair our business development, and thus our net assets, financial situation and results of operations, as well.

5.3.2.2 Customers

Maintaining the relationships with our customers through excellent work and ongoing, good and competent support and acquiring new customer orders are crucial success factors. As a Group we have the possibility of offering customers the greatest possible technical and regional coverage through cooperation between several Group companies, in addition to the expertise and long-term reliability of the individual companies. Nevertheless, there is a risk that we may lose key customers, for example due to economic difficulties on the customer side or because of competing offers, or the fact that projects can only be continued with a reduced scope. In addition to a large number of mid-size customers, we also work for international corporate groups involved in large projects (with each of 78 customers, in 2016 we generated annual sales exceeding EUR 1 million). It has already been shown in prior-years that the loss of parts of such large projects can have significant effects on the respective Group company. However, experience has also shown that the Group as a whole, can handle such a scenario and replace the loss with new business relatively quickly. If we do not succeed in this endeavour or do not succeed quickly enough, this can have a negative influence on our operations, net assets, financial position and results of operations.

5.3.2.3 Products, technology and know-how

IT trends and technology leadership continue to constitute both opportunity as well as risk. Timely identification and use of these trends are tremendously important in maintaining competiveness. Technological transformation and changing requirements imposed on IT security and data protection, for example, require constant innovation at the appropriate speed. This also applies for the further development of our own software products. For our own software products there is the additional risk that in the event of improper function, or function that is not as agreed in the contract, liability and warranty obligations can occur. In this area Allgeier relies on the know-how of its employees and devotes great care to the development of products and solutions. The resources in other geographic areas, such as India, also help in providing a sufficiently high performance capacity and quality. At some points the companies must rely on partner firms or subcontractors. If we cannot adequately fulfil the changing requirements, our business situation, net assets, financial situation and results of operations can be negatively impaired.

5.3.2.4 Contracts and projects

With respect to business operations, our Group companies in certain cases assume contractual liability and warranties in contracts with their customers, e.g. with respect to fixed price calculations for project orders or to maintain certain service levels. Good company organisation and project control, including risk management, are crucial in this regard. Concrete legal risks can be partially covered by insurance or claims against third parties. However, the possibility cannot be excluded that in the specific case rework or increased expenses will be required that can negatively influence the financial result arising from the order in question, or can mean loss contributions. Also liability risks arising from projects cannot be completely excluded. Appropriate provisions are formed for the respective companies for relevant legal risks, in particular insofar as concrete risks arise from contractual liability. Occurrence of such contractual and project risks can have a negative impact on the business, financial situation or results of operations.

5.3.2.5 Company transactions

In addition to the organic further development of Group companies, our strategy also encompasses strengthening the Group through additional acquisitions. Every transaction is associated with significant investments and costs, and bears the risk that the acquired company may not develop as planned, or in spite of all care, negative consequences from the past are also taken on along with the transaction. There is a risk that assets including goodwill that are recognised based on the transaction may have to be written off due to unforeseen developments, which can have a significant impact on annual results. In addition, there is the risk that the newly acquired company contributes losses to the Group result and that a restructuring that becomes necessary ties up resources and funds, which then cannot be used for the further development of the Group. Financing risks also exist when a transaction is financed in part by debt. This can negatively impact our operations, net assets, financial situation and results of operations. The same also applies for the decision to sell parts of the business. As a rule, these decisions are made to pursue a changed strategic direction or to give up operations that do not adequately contribute to the future development of the Group. Contractual risks can also arise from such transactions. In addition, the decision to dispose of a company or part of a company is associated with strategic risks – the decision can be made too late, or it can negatively impact the perception of the Group in the market and among customers. Ultimately enterprise-internal structural measures, such as mergers and integration projects, also involve risks that can negatively impact the business, financial situation

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or results of operations, particularly if the planned success does not occur or does not occur in the anticipated manner, or if due to these factors growth slows or employees leave the company.

5.3.3 Financial risks

5.3.3.1 Liquidity and credit risks

On the one hand, the Allgeier Group continues to hold a high level of cash and cash equivalents in the amount of EUR 71.8 million on 31 December 2016 (31 December 2015: EUR 83.7 million). On the other hand, financial liabilities exist in the amount of EUR 109.1 million (31 December 2015: EUR 110.7 million), consisting primarily of liabilities for the borrower's note loans taken on. Redemption of these loans when due will either require refinancing, which is yet to be concluded, or it must be covered by company funds. The risk exists that when a redemption becomes due it is not possible to pay off the liability completely with the Group's own funds, and a refinancing does not succeed in adequate scope and at the proper time.

The financial liabilities are generally associated with interest risk and contract risk due to premature repayment obligations. There are also risks of compliance with balance sheet and income statement indicators and ratios, as well as other requirements, which can lead to the termination of loans and make borrowings come due for immediate repayment in the event of of non-compliance. Also the worsening of the Group's rating due to negative business developments can considerably influence the financing capability of the Group and the conditions that can be obtained. For further information please consult the more detailed description of liquidity risks in the Notes to the consolidated financial statements. The Group manages its financial risks with the help of accounting ratios, as well as ongoing income and balance sheet forecasts, focusing in particular on the short and medium-term development of liquidity. Planned acquisitions of Group companies are only carried out when financing these companies does not lead to liquidity and credit risks. The effects of planned acquisitions on the liquidity and credit situation are simulated and tested for feasibility in the course of integrated financial planning. Nevertheless, an unforeseen poorer development of an acquired company can be problematic relative to financing and compliance with contractual financial key indicators.

We conduct talks and negotiations on an ongoing basis to evaluate and examine additional financing for acquisitions and the growth of the Group. To the extent that new debt or equity financing is required for our future growth, we depend on the development of the financial and capital markets as well as the ability to access new debt or equity financing.

The future cash flows and the Group's liquidity situation can also be negatively influenced by altered customer payment habits, e.g. longer payment terms or default. The default risk for some subsidiaries is also covered by insurance. The occurrence of one or more of the risks cited above can have a considerable negative impact on our business, financial situation or results of operations.

5.3.3.2 Hedging policy and financial instruments

The Allgeier Group is exposed to price, interest rate and currency fluctuations with respect to its business activities. The potential for currency risks increases through the intensifying internationalisation. We continuously monitor and evaluate these risks. In certain cases we have limited or avoided these risks through hedging, although the hedging relationships do not always fulfil the prerequisites for hedge accounting as stipulated in IAS 39. The Allgeier Group hedges a portion of the cash flows from Group-internal disposal and acquisition transactions to cushion foreign currency risks. On 31 December 2016 there were hedges of the US dollar relative to the Indian rupee in the amount of USD 16.9 million (prior-year: USD 21.5 million), of the euro against the Indian rupee in the amount of EUR 5.3 million (prior-year: USD 8.2 million), of the Swedish Crown (SEK) against the Indian rupee in the amount of SEK 18.0 million (prior-year: SEK 20.9 million), of the British pound (GBP) against the Indian rupee in the amount of GBP 0.8 million (prior-year: GBP 1.0 million).

An implemented liquidity planning and controlling tool along with cash management systems makes possible liquidity bottlenecks transparent in a timely manner, so that appropriate steps can be taken. Cash and cash equivalents, as well as working capital financing in the form of credit lines totalling EUR 7.9 million (prior-year: EUR 5.5 million) are available for financing of the working capital requirement. Foreign currency fluctuations that exceed the existing hedges, or losses arising through concluded hedges could have negative effects on our business, financial situation or results of operations.

5.3.4 Legal and regulatory risks

5.3.4.1 Legal risks

As part of the operative business there are legal risks in the contracts with customers. These can be liability and warranty risks, as well as risks of costs in individual projects being exceeded (see number 5.3.2.4 above). Depending on the type of project, risks can occur arising from topics such as data privacy violations or data losses, as well as damages due to loss of production on the customer side. If contractual obligations relative to or arising from enterprise transactions are violated, ultimately legal disputes can occur. Depending on the judicial are in which the disputes occur, the risk can be increased through local conditions. Topics of the contract formulation, e.g. for outsourcing or work contracts can, in the specific case, regardless of the underlying regulatory issues, trigger legal risks if the requirements imposed on such contracts are not sufficiently taken into account and implemented. If we are not able to meet the legal risks in an appropriate manner, this can have a negative impact on our business, financial situation or results of operations.

5.3.4.2 Regulatory and compliance risks

Changes to laws or their interpretation may affect the sales and profitability of the companies of the Group. Should legal conditions change in Germany, e.g. in the areas of taxation and social insurance, employment law, service contracts and contracts for work and labour, this may lead to higher costs or elevated liability risks for the companies. The political debate, which recommenced in 2014, regarding part-time work and employment on the basis of contracts for work and labour, which has become specified in the corresponding draft legislation, comes to mind here in particular The time limit on the supply of temporary workers, which is currently being discussed, must be evaluated critically in respect to IT projects, since these projects are of a long-term nature in many cases. Individual solutions are already being coordinated with customers on a case-by-case basis. Effects on the industry as a whole over the medium term cannot be adequately quantified as of today. The regulatory prerequisites for the activity of independent IT experts as subcontractors is also subject to discussion and transformation that are difficult to foresee in the specific case. At this point, due to loopholes, to some extent there is no sufficient legal security. The Group companies affected in this regard, in particular in the Experts segments, review the respective requirements very carefully and track each announced change, however even through very extensive measures and precautions the possibility of regulatory and compliance risks cannot be excluded with certainty.

Due to the international expansion of our business activities, which is reflected in the increased foreign sales in the amount of EUR 128 million in 2016 (continuing operations) (prior-year: EUR 102 million), regulatory risks in other European countries, the USA or India will also become more relevant. Accordingly greater emphasis is being placed on these countries in future business activities. In specific cases there are tax issues related to the exchange of goods and services and the settlement of the same with respect to transfer pricing. Primarily these risks relate to the Technology segment, due to the international alignment of its business activity. There are also risks associated with the financing of Group companies and the related rules for the declaration of loans and the deductibility of interest on such financing instruments. If we cannot adequately fulfil these requirements, the consequences can negatively impact our business, financial situation or results of operations.

5.3.5 Overview of the Group's risk position

The most relevant risks for the Allgeier Group were presented in the four preceding sections "5.3.1 Market and strategic risks", "5.3.2 Operational risks", "5.3.3 Financial risks" and "5.3.4 Legal and regulatory risks". With regard to the likelihood of their occurrence and their possible effect we believe that the risks resulting from the economic environment and the development of the market are currently the most significant. With our risk and control system, which is subject to ongoing review and adaptation, from our perspective we take the risk situation of the Group appropriately into account. Overall the risk landscape for Allgeier has not changed significantly in the past financial year, as compared to the prior-year. At this point we have not identified any risks that on their own or if they materialise together, could endanger the continued survival of our Group. Therefore the Management Board is convinced that Allgeier can continue to successfully master the challenges resulting from the above-mentioned risks.

5.4 OPPORTUNITIES

In addition to the risks described above, beyond the business development already planned, there are additional opportunities for the Allgeier Group for improving the services offered and the competitive position. The Management Board sees these opportunities particularly in the following aspects:

Acquisitions

In the corporate planning for the 2017 financial year there are no concrete acquisitions, since these usually cannot be planned in advance on a case-by-case basis. Nevertheless, acquisitions should constitute an integral element of further company development. Corresponding to the risks from acquisitions described above, these also constitute a significant opportunity to speed up growth and pursue the further selective and strategic expansion of the Group. Accordingly, other portfolio switching, such as the disposal of individual business areas, can represent opportunities for a new alignment of the Group.

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Employees
As the Group grows, the factors that make our company attractive for new employees are improved as well. Increased international cooperation and working on complex, challenging projects with the associated more extensive know-how form an increasing incentive for new employees to work for Allgeier. The prospect of being able to actively help shape future value creation and success primarily attracts managers who represent a significant enrichment of our teams and strengthen the Group. This also applies to the colleagues gained through acquisitions. In this context it will also be essential to establish or further develop the right incentive system in the Group.

Technologies and markets
The possibility of developing or expanding technology know-how, especially for trend technologies, constitutes another opportunity that gains importance with the ongoing development of the Group. The IT industry is subject to considerable transformations, which represent incredible future opportunities, in addition to the described risks. Totally new fields of business with major growth possibilities and opportunities for differentiation in the competition are emerging. Once again acquisitions, in addition to organic growth, can play a crucial role in dynamic further development. The same applies to entry in new market segments and the development of these new market segments – regionally and with regard to industries. Once again new opportunities are created here through growth and acquisitions.

Processes and systems
Finally, we also see opportunities for our future development in the continuous improvement of our internal organisation and cooperation through the improvement of the systems and defined processes that are used. Coming from an environment that is very much defined by mid-size companies, investments in uniform systems only become expedient and affordable with increasing size. This can support the realisation of synergies and shared potential or make it possible and meaningful in the first place. The continuous improvement of internal company processes is closely related. This applies to internal cooperation within the Group, for example in aspects of know-how, available resources or customer relationships, and to the more efficient implementation of customer projects and the quality of our work.

6. COMPENSATION REPORT

6.1 COMPENSATION FOR MEMBERS OF THE MANAGEMENT BOARD
Compensation for members of the Management Board is based on the Group's economic and financial development, taking into account the responsibilities and performance of the respective Management Board member. It offers incentives for successful company management aimed at sustainability. The Management Board compensation system is approved and reviewed at regular intervals by the Supervisory Board.

In the financial year 2016 the compensation of the members of the Management Board was comprised of the following components: (i) a fixed annual salary and (ii) variable compensation in the form of a bonus linked to consolidated earnings. One-twelfth of the fixed annual salary is paid out as a monthly salary. Caps on variable compensation are established for all members of the Management Board.

The Management Board also receives common fringe benefits, such as the use of a company car and health or pension insurance subsidies as permitted by law. In 2016, one member of the Management Board received his compensation via a related company within the framework of a Management Board secondment contract. The expense that arises in this regard is shown in the other operating expenses.

For the year 2016, compensation for the Management Board totalled EUR 2,076 thousand (prior-year: EUR 3,057 thousand. Total compensation (including the compensation structure agreed via a Management Board secondment contract) without stock options is divided into (i) fixed annual salaries totalling EUR 1,058 thousand (prior-year: EUR 1,100 thousand and (ii) variable compensation totalling EUR 1,018 thousand (prior-year: EUR 1,957 thousand). Variable compensation depending on the consolidated results was recognised as a provision and will be paid out after the Allgeier SE 2017 consolidated financial statements are approved.

Three members of the Management Board hold a total of 380,000 stock options, which were issued in 2012. They can first be exercised no sooner than after four years. In the financial year 2016 adjustments in the valuation of the stock options resulted in personnel expenses of EUR 47 thousand (prior-year: EUR 57 thousand).

The disclosure of Management Board compensation, broken down by member, for the reporting periods until 31 December 2019, is omitted according to the resolution of the shareholders' meeting on 23 June 2015.

6.2 COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD
Compensation for the Supervisory Board was established by the shareholders' meeting on 21 June 2011 and is regulated by Section 13 of the company's bylaws. Supervisory Board compensation is based on the tasks and responsibilities of the Supervisory Board and the company's economic and financial development. The compensation of the Supervisory Board consists of (i) fixed compensation (fixed annual salary and attendance fees) and (ii) variable compensation depending on consolidated earnings, subject to a cap. Variable compensation depending on the consolidated results was recognised as a provision and will be paid out after the Allgeier SE 2017 consolidated financial statements are approved. A higher fixed salary is paid to the Chairperson of the Supervisory Board.

Compensation for the Supervisory Board in 2016 totalled EUR 454 thousand (prior-year: EUR 669 thousand). The total compensation is composed of (i) fixed compensation, including attendance fees, totalling EUR 106 thousand (prior-year: EUR 108 thousand) and (ii) variable compensation components totalling EUR 348 thousand (prior-year: EUR 561 thousand). The provision for a variable compensation included in the compensation will be paid out in the financial year 2017. The disclosure of Supervisory Board compensation, broken down by member for the reporting periods until 31 December 2019, is omitted according to the resolution of the shareholders' meeting on 23 June 2015.

In the financial year 2016, as in the prior-year, members of the Supervisory Board did not provide any consulting services.

7. TAKEOVER-RELATED INFORMATION (PURSUANT TO SECTION 289, PARAGRAPH 4 AND SECTION 315, PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)) AND EXPLANATORY REPORT (PART OF THE GROUP MANAGEMENT REPORT)

7.1 COMPOSITION OF SUBSCRIBED CAPITAL
The subscribed capital of Allgeier SE on the reporting date of 31 December 2016 at EUR 9,071,500 (prior-year: EUR 9,071,500) was divided into 9,071,500 no-par bearer shares. The calculated value per share based on capital stock is EUR 1.00. All of the company's no-par shares are of the same class. The shares are fully paid up.

There is only one class of shares. All shares have the same rights and obligations. In particular, each share has one vote in the shareholders' meeting. Shares held by the company constitute an exception, since the company has no rights with regard to these shares. The company's shares are listed on the regulated market of the Frankfurt Stock Exchange (General Standard). Rights and obligations associated with the company's shares are defined in the bylaws and, in addition, the SE-VO and SE Implementation Act as well as the German Stock Corporation Act (AktG).

7.2 RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES
The Management Board is not aware of any restrictions on voting rights or the transfer of shares.

7.3 SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS
The following persons hold direct or indirect investments that exceed 10% of the voting rights of Allgeier SE – measured according to the total number of voting rights at 9,071,500:

The Chairperson of the Supervisory Board, Mr. Detlef Dinsel, Germany, directly and indirectly holds an investment of 11.59%. The Chairperson of the Management Board, Mr. Carl Georg Dürschmidt, Germany, indirectly holds an investment of 27.57%.

Lantano Beteiligungen GmbH, Munich, directly holds an investment of 27.57%. Ms. Dr. Christa Kleine-Dürschmidt, Germany, directly and indirectly holds an investment of

29.99%. Ms. Laura Dürschmidt, Germany, indirectly holds an investment of 27.57%. Ms. Linda Dürschmidt, Germany, directly and indirectly holds an investment of 27.57%.

Other direct or indirect investments that exceed 10% of the voting rights were not reported to the company and are not otherwise known.

7.4 SHARES WITH SPECIAL RIGHTS THAT CONFER CONTROL

The company has no shares that confer special rights, especially rights of control over the company for their owners, as compared to the other shareholders.

7.5 TYPE OF VOTING RIGHTS CONTROL, WHEN EMPLOYEES HOLD AN INTEREST IN SHARE CAPITAL AND DO NOT MAKE USE OF THEIR CONTROL RIGHTS DIRECTLY

The Management Board is not aware of any employee investments in the company's capital, where employees do not exercise the control rights for their investment directly.

7.6 LEGAL REGULATIONS AND PROVISIONS OF THE BYLAWS REGARDING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND CHANGES TO THE BYLAWS

The requirements for appointing and dismissing members of the Management Board and amending the bylaws are defined in the provisions of the bylaws, the SE-VO, the SE Implementation Act and the German Stock Corporation Act. According to Section 6.1 of our bylaws and Article 39 of the SE-VO, the Management Board consists of one or more persons; the number of members of the Management Board is determined by the Supervisory Board. According to Section 6.1 of the bylaws and Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a Chairperson of the Management Board. If a required member of the Management Board is missing, the court, pursuant to Section 85 of the German Stock Corporation Act (AktG), shall appoint the member in urgent cases by application of a shareholder. Pursuant to Article 39 of the SE-VO and Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of members of the Management Board and the Chairperson for an important reason. Pursuant to Article 46 of the SE-VO and Section 6.2 of our bylaws, members of the Management Board are appointed for a maximum of six years. Reappointment is allowable pursuant to Article 46 of the SE-VO and Section 6.1 of our bylaws. The Supervisory Board appoints the members of the Management Board by resolution with a simple majority of votes cast.

Amendments to the bylaws require a resolution by the shareholders' meeting. Pursuant to Article 59 of the SE-VO, Section 51 of the SE Implementation Act and Section 18.2 of the bylaws, a resolution to amend the bylaws, insofar as there are no mandatory legal regulations to the contrary, requires a majority of two-thirds of the votes cast or the simple majority of the votes cast insofar as at least half of the share capital is represented. The bylaws therefore make use of the option pursuant to Section 51 of the SE Implementation Act. A larger majority is prescribed in Section 51 of the SE Implementation Act, e.g. for changing the object of the company or for relocating the registered office to another Member State. The Supervisory Board is authorised pursuant to Section 14.2 of our bylaws and Section 179 of the German Stock Corporation Act (AktG) to pass amendments to the bylaws that only affect the wording.

7.7 AUTHORISATION OF THE MANAGEMENT BOARD TO ISSUE OR REPURCHASE SHARES

7.7.1 Authorised capital

The Management Board is empowered

- with the approval of the Supervisory Board to increase the share capital of the company one or more times until 16 June 2019 by a total of up to EUR 2,267,875 by issuing up to 2,267,875 new no-par shares in exchange for cash contributions or contributions in kind (Authorised Capital I).
- with the approval of the Supervisory Board to increase the share capital of the company one or more times until 22 June 2020 by a total of up to EUR 2,267,875 by issuing up to 2,267,875 new no-par shares in exchange for cash contributions or contributions in kind (Authorised Capital II).

For the authorised capital in both cases, the Management Board with the approval of the Supervisory Board can also exclude statutory shareholder subscription rights for the following cases:

• Authorised capital I

a) For a rights issue for odd lot amounts resulting from the subscription ratio.

b) For a capital increase in exchange for contributions in kind (also indirect) to purchase companies, parts of companies, investments in companies or other assets when the purchase is in the interest of the company.

c) For a capital increase in exchange for cash contributions, for a proportion of authorised capital in the amount of up to a total of EUR 453,575, insofar as the issue price of the new shares does not fall significantly below the stock market price.

• Authorised capital II

a) For a rights issue for odd lot amounts resulting from the subscription ratio.

b) For a capital increase in exchange for contributions in kind (also indirect) to purchase companies, parts of companies, investments in companies or other contributable assets in conjunction with such a purchase, when the purchase is in the interest of the company.

c) For a capital increase in exchange for cash contributions, for a proportion of authorised capital in the amount of up to EUR 453,575 insofar as the issue price of the new shares does not fall significantly below the stock market price. The proportion of share capital allotted to the shares issued in exchange for contributions in kind, calculated in accordance with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10% of share capital existing at the time this authorisation takes effect – or if this value is lower – at the time this authorization is used. Shares which fall within this restriction are shares issued or sold during the term of this authorisation until the time it is used in direct or appropriate application of this regulation, as well as shares, which must be issued or granted due to convertible bond issue that has been floated during the term of this approval excluding the subscription right in accordance with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG).

On 31 December 2016 Allgeier SE had authorised capital with a total nominal value of EUR 4,535,750. Further details are regulated in Section 4 of the bylaws

7.7.2 Conditional capital

By resolution of the shareholders' meeting on 18 June 2013, the share capital of the company is conditionally increased by up to EUR 3,500,000 through issue of up to 3,500,000 new no-par bearer shares (conditional capital 2013). The conditional capital 2013 is intended for serving convertible bonds, warrant bonds and/or income bonds or participation rights with conversion or option rights, which may be issued by the company itself or a company in which it holds a direct or indirect majority by 17 June 2018. Allgeier SE has not issued any corresponding conversion or option rights to date.

The share capital of the company is conditionally increased by up to EUR 460,000 (conditional capital 2010). The conditional capital 2010 is intended for exercising option rights under the stock option plan 2010. By resolution of the shareholders meeting of 17 June 2014 the conditional capital 2010 which with resolution of the shareholders meeting of 17 June 2010 was originally created in the amount of EUR 750,000 was increased by EUR 290,000, as in this respect it had not yet been utilized. The authorization for issuing subscription rights to no-par-value shares of the company from the conditional capital 2010 ended on 16 June 2015.

By resolution of the shareholders' meeting on 17 June 2014, the share capital of the company is further conditionally increased by up to EUR 440,000 through issue of up to 440,000 new no-par bearer shares (conditional capital 2014). The conditional capital 2014 is intended for exercising option rights under the stock option plan 2014 that can be issued by the company until 16 June 2019.

7.7.3 Purchase of treasury shares

Finally, the Management Board by resolution of the shareholders' meeting on 17 June 2014 is authorised to acquire the company's treasury shares until 16 June 2019 with a volume of up to 907,150 shares (10% of the capital stock) subject to the condition that these, together with other treasury shares already acquired and still held by the company or allocated to the company pursuant to Section 71a ff. of the German Stock Corporation Act (AktG), do not exceed more than 10% of capital stock. The treasury shares can be purchased through the stock exchange or a public offer to buy. With the approval of the Supervisory Board the Management Board is authorized to use the shares acquired in accordance with Section 71 Paragraph 1 Number 8 of the Stock Corporation Act (AktG) for all purposes permitted by law, in particular (i) to resell them, (ii) to use them as compensation for a third-party contribution in kind to the company, (iii) to use them for exercising conversion or option rights, (iv) to use them for issuing shares to employees or retract them with no further resolution of the shareholders' meeting.

On 29 July 2014 the Management Board decided to continue the stock repurchase program with a volume of up to 800,000 no-par-value shares, utilising the authorisation described above until 30 April 2015. The main objective of the stock repurchase was to use the shares as compensation for the purchase of companies or parts (assets) of companies or investments in companies.

On the reporting date of 31 December 2016, Allgeier SE and a subsidiary held a total of 151,199 treasury shares (prior-year: 151,199 shares, which unchanged to the prior-year corresponds to a approximately 1.67% of share capital (prior-year: approximately 1.67%).

7.8 IMPORTANT AGREEMENTS OF THE COMPANY THAT ARE CONDITIONAL ON A CHANGE OF CONTROL DUE TO A TAKEOVER OFFER

Some credit agreements contain provisions linking legal consequences to a majority takeover or control exceeding 50%, or a disposal of material company assets.

7.9 COMPENSATION AGREEMENT OF THE COMPANY CONCLUDED WITH THE MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN CASE OF A TAKEOVER OFFER

In case of a change of control, i.e. when a third party obtains control over the company pursuant to Section 29, Paragraph 2, Section 30 of the Securities Trading Act (WpÜG), a member of the Management Board has the right to terminate the employment agreement. Exercising the right results in a gratuity claim limited to one year's compensation. Moreover, Allgeier SE has not entered into any other compensation agreements with members of the Management Board or employees in case of a takeover offer.

8. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) is part of the management report. However, the information it contains is not included in the audit according to Section 317, Paragraph 2, Sentence 3 of the German Commercial Code (HGB). The corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) is found below in the corporate governance report (Section B.1.9).

B. CORPORATE GOVERNANCE

1 CORPORATE GOVERNANCE REPORT

In the following, we are reporting on corporate governance and its principal characteristics in the Allgeier Group, including the statement of compliance with the German corporate governance codex, the compensation report and other disclosures according to the provisions of the German Commercial Code (HGB). Good corporate governance is indispensable for sustained entrepreneurial success. The relevant standards for the corporate governance of Allgeier SE are the regulations of Council Directive (EC) No. 2157/2001 of 8 October 2001 on the statute of the European Union (SE) (SE directive or SE-VO) as well as the SE Implementation Act and the SE Investment Act, the German Stock Corporation Act (AktG), the provisions of the company's bylaws and the rules of procedure for the Management Board and Supervisory Board as well as the provisions of the German Corporate Governance Codex, insofar as we follow its recommendations.

1.1 Corporate charta of the Societas Europaea (SE)

Since the entry in the commercial register on 3 May 2012, Allgeier Holding Aktiengesellschaft is a European company, the Societas Europaea (SE). As a European company, Allgeier SE in addition to the provisions of the German Stock Corporation Act (AktG) is subject to the special European and German regulations for the European company. The essential characteristics of the previous corporate charta, in particular the dual management system consisting of a Management Board and Supervisory Board, were retained.

Cooperation between the Management Board and Supervisory Board is aligned with the interests of the company and the shareholders in the successful further development of the Allgeier Group's existing business and the ongoing increase in the Group's value through further acquisitions. That being said, the Group's strategic direction is also subject to regular reviews and adjustments as required. The Management Board and Supervisory Board work together closely in the interest of the company.

1.2 Supervisory Board

The Supervisory Board of Allgeier SE consists of three members. The current Supervisory Board was elected in the shareholders' meeting on 18 June 2013. For the members of the Supervisory Board of Allgeier SE, the term in office ends with the end of the regular shareholders' meeting for the 2017 financial year but no later than six years after being elected.

The Supervisory Board advises the Management Board in the management of the company and monitors its activities. Due to the number of members, the Supervisory Board has not formed any committees. In addition to the responsibilities established by law, such as appointing the members of the Management Board and establishing the compensation system for members of the Management Board, controlling the company's economic development including planning for future financial years, reviewing risk management and the internal control system as well as reviewing and approving the annual financial statements and the proposed appropriation of accumulated profits, the Supervisory Board mainly deals with matters that require the approval of the Supervisory Board according to the rules of procedure for the Management Board.

Deliberations and decisions regarding proposed acquisitions constitute a focal point of the Supervisory Board's activities. The Supervisory Board is also involved in all decisions that are of fundamental importance for the company, such as strategic further development or important specific matters. For this purpose there is a regular exchange of information between the Management Board and members of the Supervisory Board and especially its Chairperson. The details of cooperation between the Supervisory Board members are established in a code of procedure for the Supervisory Board. The Supervisory Board has set various goals for itself pursuant to Section 5.4.1 of the German Corporate Governance Codex: The primary objective is to ensure that the Supervisory Board properly meets its advisory and monitoring obligations in the proposed composition and that the members have the required knowledge, skills and experience in order to meet their responsibilities optimally and responsibly. For Allgeier SE, whose bylaws call for a Supervisory Board consisting of three members, this means in concrete terms that the following qualifications in particular should be present in the Supervisory Board if possible (competence profile): the qualification as an independent finance expert expressly required by law, the ability to evaluate companies in the service sector (not limited to just the IT business), the ability to evaluate acquisition opportunities domestically and abroad along with corresponding transaction experience, and experience with the organisation and procedures of a fast-growing Group in a holding structure. Due to the ongoing internationalisation of the Allgeier Group, the Supervisory Board shall have a sufficient number of members with international experience. Furthermore, the composition of the Supervisory Board must make it possible for the Supervisory Board to work efficiently and for its members to have adequate capacities for this responsible task.

The Supervisory Board shall have an adequate number of independent members. The Supervisory Board deems that a member is not independent if, for example, the member is in a personal or business relationship with Allgeier SE that may lead to a significant and not only temporary conflict of interests. Due to the current number of three Supervisory Board members, the Supervisory Board shall have at least one independent member pursuant to Section 5.4.2 of the German Corporate Governance Codex. Furthermore, the Supervisory Board shall not have more than two former members of the Management Board. Finally, Supervisory Board members shall not be members of any governing bodies or act in an advisory capacity for major competitors of the company.

Another objective of the Supervisory Board is that, when several candidates with similar, suitable technical qualifications are being considered for future appointments, those candidates are to be preferred that correspondingly enrich the composition in view of their gender, nationality or other characteristics in favour of the desired diversity pursuant to Section 5.4.1, Paragraph 2 of the German Corporate GovernanceCodex. However, the Supervisory Board categorically does not consider rigid quotas to be an adequate tool. Nevertheless, the Supervisory Board welcomes the legal obligation to specify target values for increasing the proportion of women on the Supervisory Board and Management Board. With regard to the specification of an age limit, the company deviates from the recommendations of the German Corporate Governance Codex, since a fixed age limit can constitute an undesirable exclusion criterion.

The Supervisory Board has implemented the objectives it set for itself as described below:

In its resolution regarding the nominations, the Supervisory Board in addition to the applicable legal requirements and the provisions of the German Corporate Governance Codex and rules of procedure for the Supervisory Board, particularly took its established objectives into account. The Supervisory Board is composed of Mr. Detlef Dinsel, Mr. Thies Eggers and Mr. Christian Eggenberger. Mr. Dinsel and Mr. Eggers are Germans and Mr. Eggenberger is a Swiss citizen. They are members of different occupational groups and have been active internationally for many years, especially in the service sector and the M&A business.

The recommendation of the German Corporate Governance Codex was also observed, according to which the Supervisory Board should not have more than two former members of the Management Board; currently the Supervisory Board only

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has one former member of the Management Board, whose board activity is now more than 8 years in the past. In the assessment of the Supervisory Board, all three members of the Supervisory Board are independent in the sense described above.

For further details regarding the composition of the Supervisory Board, see the Consolidated notes under G. Other disclosures IV. Bodies of the parent company. Information on the concrete activities is found in the report of the Supervisory Board.

1.3 Management Board

The Management Board is responsible for the management and leadership of the company. It manages the company on its own responsibility. In the past financial year, the Management Board of Allgeier SE consisted of four members, Mr. Carl Georg Dürschmidt (Chairperson), Mr. Manas Fuloria, Dr. Marcus Goedsche and Mr. Hubert Rohrer.

Mr. Carl Georg Dürschmidt and Mr. Dr. Marcus Goedsche have individual signing authority. Mr. Manas Fuloria and Mr. Hubert Rohrer have joint signing authority. In its function as the governing body of the Allgeier Group, the Management Board is responsible in particular for the strategy to support the Group's further development and works towards the objective of lasting value creation and increasing the value of the Group. The principle of joint responsibility applies, i.e. the members of the Management Board are jointly responsible for corporate governance as a whole. Based on the corporate structure of the Allgeier Group and the specific position of Allgeier SE as the holding company with the associated tasks, there was no strict assignment of duties within the Management Board in the past financial year, in the manner that is commonly seen in companies with a classic management structure. Nevertheless, the tasks and responsibilities within the Management Board are assigned according to approprate focal points and technical qualifications. The Management Board did not form any committees due to its size.

Key decisions, for example concerning proposed acquisitions, are made by the entire Management Board.

Details regarding cooperation within the Management Board and with the Supervisory Board are established in the rules of procedure for the Management Board. In addition to Section 9 of the Allgeier SE bylaws, the rules of procedure for the Management Board also contain a catalogue of transactions for which the Management Board requires the consent of the Supervisory Board. The Management Board works closely with the managers at Allgeier Management AG and Allgeier One AG (until 7 March 2016: Allgeier Group Executives AG) and with external consultants. Another level of company management within the Allgeier Group is formed by the executives and general managers as well as the supervisory bodies of the various operational Group companies. With respect to the role of a shareholder or in the function of supervisory bodies for the Group companies, the Management Board of Allgeier SE carries out a controlling, coordination and management function to the extent permitted by law.

For further details regarding the composition of the Management Board, see the Consolidated notes under G. Other disclosures IV. Bodies of the parent company.

1.4 Shareholders' meeting

Our shareholders exercise their rights in the shareholders' meeting. The regular annual shareholders' meeting for a past financial year is held within the first six months of the following financial year, in which the Management Board and Supervisory Board answer to the shareholders regarding the past financial year. Each share confers one vote for voting on resolutions. We support voting by our shareholders by providing a voting rights representative, who exercises voting rights solely according to the directives of the respective shareholder.

The shareholders' meeting elects the members of the Supervisory Board. It decides on the appropriation of accumulated profits, relieving the Management Board and Supervisory Board, and appointing the auditor. Furthermore, the shareholders' meeting is responsible for passing resolutions for amending the bylaws, corporate actions, company agreements and the compensation of the Supervisory Board.

1.5 Shareholdings of the Management Board and Supervisory Board

On 31 December 2016 the members of the Management Board directly and indirectly held a total of 2,587,155 (prior-year: 2,550,780) shares of Allgeier SE. On 31 December 2016 the members of the Supervisory Board directly and indirectly held a total of 1,321,313 (prior-year: 1,321,313) shares of Allgeier SE.

1.6 Directors' dealings

Pursuant to Section 15a of the Securities Trading Act (WpHG) that entered into force on 3 July 2016 or pursuant to Article 19 of EU Ordinance no. 596/2014 of 16 April 2014 concerning market abuse (Market Abuse Ordinance) reportable transactions with Allgeier SE shares by a member of the Management Board or Supervisory Board, or a person associated with a member, were properly reported in the past financial year.

1.7 Comprehensive and transparent communication

We inform shareholders, shareholder representatives, analysts, media and the interested public, regularly and in a timely manner, regarding the company's current business development and position. The various groups of persons are treated equally in doing so. With the annual report, half-yearly financial report and two interim business reports, in the past financial year we reported on current business developments, as well as the financial position and results of operations four times a year, in particular to our shareholders. The legal obligation to prepare interim business reports that are noted in the General Standard no longer applies due to changes in legislation. Allgeier SE will review, whether to nevertheless retain the former practice of publishing interim business reports.

We also use our website extensively in order to inform our shareholders and all other persons associated with the company, for example by publishing a financial calendar, ad-hoc releases, investor presentations and press releases in addition to our financial reports.

1.8 Accounting and audits

The individual financial statements of Allgeier SE are prepared according to the German Commercial Code (HGB), the consolidated financial statements of Allgeier SE are prepared according to the International Financial Reporting Standards (IFRS). The individual financial statements and consolidated financial statements were audited by the audit firm LOHR + COMPANY GmbH, Düsseldorf.

1.9 Corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) (part of the Group management report)

The corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) is part of the management report. However, the information it contains is not included in the audit according to Section 317, Paragraph 2, Sentence 3 of the German Commercial Code (HGB).

1.9.1 Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

Statement of the Management Board and Supervisory Board of Allgeier SE on the German Corporate Governance Codex pursuant to Section 161 of the German Stock Corporation Act (AktG): Since issuing the last statement of compliance in April of 2016, Allgeier SE has complied with and will comply with the recommendations of the "Government Commission German Corporate Governance Codex" published by the Federal Ministry of Justice in the version dated 5 May 2015, since their publication, with the following exceptions:

1.9.1.1 Codex Section 3.8 Paragraph 3

"A corresponding deductible shall be defined in DO insurance for the Supervisory Board."

A deductible according to the legal requirements is defined in the DO insurance for the Management Board. For the Supervisory Board, such a deductible is not prescribed by law. There is leeway to assess the appropriateness of such a provision, taking into account the differences in the character and scope of the responsibilities of the Management Board and Supervisory Board. The company shall monitor further developments regarding the appropriateness of the D&O insurance and deductibles going forward and review possible need for changes.

1.9.1.2 Codex Section 4.2.3, Paragraph 4, Sentence 1 and 3

"When concluding contracts for members of the Management Board, provisions shall be put in place to ensure that payments to a Management Board member when that member's Management Board activities end prematurely, including fringe benefits, do not exceed twice the value of the annual compensation (gratuity cap) and do not compensate for more than the remaining term of the employment contract ... The overall compensation in the past financial year and, if applicable, also the expected overall compensation for the current financial year shall be used for the calculation of the gratuity cap."

It is the opinion of the Supervisory Board that appropriate contracts can be drafted without a general gratuity cap depending on the term and other parameters. The premature termination of contracts with members of the Management Board that are concluded for a fixed term with no provision for orderly cancellation has to be evaluated and negotiated based on the circumstances on a case-by-case basis. In evaluating the appropriateness of terms and conditions for terminating a contract prematurely, the question of a gratuity cap is merely one of several aspects that need to be dutifully examined by the Supervisory Board. The Supervisory Board reserves the right to examine and design each aspect individually, since establishing a general cap does not relieve the Supervisory board from this duty to review and evaluate each case.

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1.9.1.3 Codex Section 4.2.4

By way of precaution, the Management Board and Supervisory Board point out that the shareholders' meeting decided not to disclose the compensation of the Management Board individually and by naming each member of the Management Board. In keeping with the applicable legal regulations, disclosure takes place annually in the annual report for the Management Board as a whole, broken down into fixed and variable compensation.

1.9.1.4 Codex Section 4.2.5 Paragraph 3, Sentence 1 and 2

"Furthermore, the compensation report shall present the following for each member of the Management Board for financial years beginning on or after 31 December 2013:

- Benefits granted in the year under review, including fringe benefits; for variable compensation, supplemented by the possible maximum and minimum compensation.
- Amounts received for the period under review including fixed compensation, short-term variable compensation and long-term variable compensation, differentiated by the respective years of receipt.
- For retirement and other pension benefits, the cost of benefits in and/or for the period under review.

The sample tables in the annex are to be used for this information."

The shareholders' meeting decided not to disclose the compensation of the Management Board individually and by naming each member of the Management Board. Disclosure complies with the applicable legal regulations and the recommendations of the Corporate Governance Codex for the Management Board as a whole.

1.9.1.5 Codex Section 5.1.2, Paragraph 2, Sentence 3 and Section 5.4.1, Paragraph 2, Sentence 1

"An age limit shall be established for members of the Management Board."

"The Supervisory Board shall establish concrete objectives for this composition, that ... take an age limit to be established for Supervisory Board members and a control limit for the duration of membership on the Supervisory Board ... into account."

In making decisions to fill Management Board positions and for nominations of Supervisory Board members, evaluating the personal and technical suitability of the candidates for the company is crucial. This evaluation must be performed on a case-by-case basis after an extensive examination of suitability and taking into account all relevant persons. There is no justification for establishing a general age limit, which merely constitutes one criterion. In fact, a rigid age limit could constitute an unwanted criterion excluding qualified Management Board or Supervisory Board members. Nor is there a requirement for a control limit for the duration of membership in the Supervisory Board. The appointment of the members of the Supervisory Board occurs in accordance with Article 46 SE-VO and Section 10.2 of the bylaws of Allgeier SE for a term in office until conclusion of the shareholders meeting that decides concerning the discharge for the fourth financial year after commencement of the term in office. The financial year in which the term in office commences shall not be counted. However the appointment occurs at the longest for 6 years. After expiration of this period. The General Meeting shall decide on a re-appointment.

1.9.1.6 Codex Section 5.4.6, Paragraph 3

"The compensation for members of the Supervisory Board shall be disclosed individually in the notes or the management report, broken down into its elements. Compensation paid by the company to members of the Supervisory Board or benefits granted for personally provided services, in particular consulting and brokerage services, shall also be disclosed individually."

In keeping with the way the disclosure of Management Board compensation is handled, the company also does not consider the individual disclosure of Supervisory Board compensation appropriate and necessary for the size of the company and the Supervisory Board. The provisions for Supervisory Board compensation in the bylaws and the disclosure of overall compensation and its structure, as well as the compensation for other services in the annual report result in adequate transparency.

1.9.1.7 Codex Section 6.3, Paragraph 1

"Beyond the statutory obligation to promptly disclose and publish transactions with the company's shares, the ownership of the company's shares or related financial instruments by the Management Board and Supervisory Board shall be disclosed if it exceeds 1%, directly or indirectly, of the shares issued by the company."

The total number of shares respectively held by the Management Board and Supervisory Board is disclosed separately in the annual report. Furthermore, the company is of the opinion that adequate transparency is assured by the statutory reporting and disclosure obligations for directors' dealings and upon reaching, exceeding or falling below the statutory reporting thresholds.

1.9.1.8 Codex Section 7.1.2, Sentence 4

"The consolidated financial statements shall be available to the public within 90 days after the end of the financial year, the interim reports within 45 days after the end of the reporting period."

The company emphasises the accuracy and integrity of the respective financial statements and reports. Providing the shareholders with the respective financial statements and reports as quickly as possible is an objective of the company. Nevertheless, the company reserves the right to utilise the statutory time limits for publication in every case, if this is required in order to properly prepare and review the financial statements and reports.

1.9.2 Information on company management practices

The company management practices are discussed in greater detail in the corporate governance report above.

1.9.3 Procedures of the Management Board and Supervisory Board

The procedures of the Management Board and Supervisory Board are described in the corporate governance report under sub-points 1.2 Supervisory Board and 1.3 Management Board. The Management Board and Supervisory Board did not form any committees.

1.9.4 Target figures for the legitimate participation of women and men in management positions

1.9.4.1 Target figures for the Supervisory Board and the Management Board (Section 111 Paragraph 5 of the German Stock Corporation Act (AktG)

Allgeier SE advocates and supports the professional development of women in companies. The Supervisory Board consists of three members, who have been elected until the regular shareholders' meeting 2018. The Management Board consists of four members whose contracts run until 2018 or 2019. Changes or supplementations to these bodies are currently not intended. For this reason the specification of the target figures in the Supervisory Board and Management Board by the Supervisory Board for the period until 30 June 2017, in deviation from the status quo, is not possible. Currently no women are represented on the Supervisory Board and Management Board. For future periods after 30 June 2017, the Supervisory Board at the appropriate times will determine new target figures for the Supervisory Board and the Management Board. In this regard, the Supervisory Board will strive, when several candidates with similar, suitable technical qualifications are being considered for future appointments, to prefer those candidates that appropriately enrich the composition in view of their gender, nationality or other characteristics in favour of the desired diversity.

1.9.4.2 Target figures for the management levels below the Management Board (Section 76 Paragraph 4 of the German Stock Corporation Act (AktG))

In addition to members of the Management Board, Allgeier SE employees a total of 4.5 employees who do not have any leadership or management tasks as stipulated in the German Stock Corporation Act (AktG)). Consequently in Allgeier SE there is no management level below the Management Board.

2. COMPENSATION REPORT (PART OF THE GROUP MANAGEMENT REPORT)

The compensation report disclosures are found in the Group management report (Section A.6).

3. TAKEOVER-RELATED INFORMATION (PURSUANT TO SECTION 289, PARAGRAPH 4 AND SECTION 315, PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)) AND EXPLANATORY REPORT (PART OF THE GROUP MANAGEMENT REPORT)

The takeover-related information (pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code (HGB)) and explanatory report are found in the Group management report (Section A.7).

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE FINANCIAL YEAR 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET OF ALLGEIER SE, MUNICH, 31 DECEMBER 2016

CONSOLIDATED BALANCE SHEET (in EUR thousand)

ASSETS	Notes	31 December 2016	31 December 2015
Intangible assets	1	122,206	116,761
Property, plant and equipment	2	13,747	12,817
At-equity investments	3	4,379	0
Other non-current financial assets	4	6,802	12,210
Other non-current assets	5	284	212
Deferred tax assets	6	6,014	3,447
Non-current assets		**153,431**	**145,446**
Inventories	7	7,013	6,020
Trade receivables	8	95,830	70,092
Other current financial assets	4	5,955	11,469
Other current assets	5	4,679	6,470
Income tax receivables		5,750	2,356
Cash and cash equivalents	9	71,774	83,693
Assets held for disposal		0	2,413
Current assets		**191,002**	**182,512**
Assets		**344,434**	**327,959**

CONSOLIDATED BALANCE SHEET (in EUR thousand)

LIABILITIES	Notes	31 December 2016	31 December 2015
Subscribed capital	10	9,072	9,072
Capital reserve	11	17,033	16,986
Retained earnings	12	102	102
Treasury shares	13	-1,379	-1,379
Profit carried forward	14	68,689	62,558
Results for the period		4,442	12,375
Changes in equity recognised directly in equity	15	5,444	10,685
Equity share of shareholders of the parent company		**103,403**	**110,398**
Equity share of shareholders with non-controlling interest	16	13,489	5,261
Equity		**116,891**	**115,659**
Non-current financial liabilities	17	84,193	97,996
Pension provisions	18	632	587
Other non-current provisions	21	2,283	1,518
Other non-current financial liabilities	19	4,603	8,655
Other non-current liabilities	20	464	10
Deferred tax liabilities	6	6,292	7,567
Non-current liabilities		**98,469**	**116,333**
Current financial liabilities	17	24,863	12,733
Other current provisions	21	11,224	12,941
Trade payables		31,954	29,472
Other current financial liabilities	19	43,496	29,719
Other liabilities	20	9,266	5,601
Income tax liabilities		8,270	5,308
Liabilities held for disposal		0	192
Current liabilities		**129,073**	**95,966**
Liabilities		**344,434**	**327,959**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALLGEIER SE, MUNICH, 1 JANUARY TO 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)

		Total		Discontinued operations		Continuing operations	
Income statement	**Notes**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues		500,758	498,908	3,245	53,228	497,513	445,680
Changes in inventory of finished goods and work in progress		910	3,354	0	334	910	3,020
Other capitalised company-produced assets		2,579	2,018	0	0	2,579	2,018
Other operating income	23	8,981	9,404	109	1,179	8,871	8,226
Material costs	24	189,652	190,886	35	13,225	189,617	177,660
Personnel expenses	25	229,744	234,324	3,821	30,777	225,923	203,547
Other operating expenses	26	63,525	61,373	700	7,126	62,824	54,247
Earnings before interest, taxes, depreciation and amortisation		**30,307**	**27,102**	**-1,202**	**3,614**	**31,509**	**23,488**
Depreciation and amortisation	27	14,172	14,427	457	2,111	13,715	12,317
Earnings before interest and tax (EBIT)		**16,134**	**12,674**	**-1,660**	**1,503**	**17,794**	**11,171**
Financial income	28	1,030	662	-2	201	1,033	461
Financial expenses	29	3,422	3,971	19	52	3,404	3,919
Result of at-equity investments	30	-1,520	-601	0	0	-1,520	-601
Earnings before tax		**12,222**	**8,765**	**-1,680**	**1,652**	**13,902**	**7,113**
Income tax results	31	-7,081	-5,640	107	-181	-7,188	-5,459
Net income		**5,141**	**3,124**	**-1,574**	**1,471**	**6,715**	**1,654**
Discontinued operations:							
Earnings from discontinued operations before tax	32	1,303	10,038	1,303	10,038	0	0
Income tax results	31	-30	-404	-30	-404	0	0
Earnings from discontinued operations		**1,273**	**9,634**	**1,273**	**9,634**	**0**	**0**
Net earnings from continuing and discontinued operations:							
Earnings before tax		**13,525**	**18,803**	**-377**	**11,690**	**13,902**	**7,113**
Income tax results		-7,111	-6,044	77	-585	-7,188	-5,459
Net income		**6,414**	**12,759**	**-301**	**11,105**	**6,715**	**1,654**
Attribution of total comprehensive income:							
to parent company shareholders		4,442	12,375	-301	11,105	4,743	1,270
to non-controlling interests		1,972	383	0	0	1,972	383
Other comprehensive income							
Items not reclassified to the income statement:							
Actuarial gains (losses)		-432	-77	0	98	-432	-175
Purchase of shares from non-controlling shareholders above carrying amount		0	-96	0	0	0	-96
Tax effects		146	29	0	-29	146	58
		-287	**-143**	**0**	**69**	**-287**	**-212**
Items that cannot be reclassified to the income statement:							
Currency differences:							
Currency differences before recycling		2,027	7,067	0	492	2,027	6,575
Gains reclassified in the income statement		0	-1,099	0	-1,099	0	0
Currency differences after recycling		2,027	5,968	0	-607	2,027	6,575
		2,027	**5,968**	**0**	**-607**	**2,027**	**6,575**
Other comprehensive income		**1,740**	**5,825**	**0**	**-538**	**1,740**	**6,363**
Net income		**8,154**	**18,584**	**-301**	**10,567**	**8,454**	**8,017**
Attribution of total comprehensive income:							
to parent company shareholders		5,539	18,203	-301	10,654	5,839	7,549
to non-controlling interests		2,615	380	0	-87	2,615	468
Undiluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		8,920,301	8,920,301	8,920,301	8,920,301	8,920,301	8,920,301
Net income per share in EUR	33	0.50	1.39	-0.03	1.24	0.53	0.14
Earnings of the period per share before profits from discontinuation in Euros		0.36	0.31	-0.18	0.16	0.53	0.14
Diluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		9,103,333	9,095,685	9,103,333	9,095,685	9,103,333	9,095,685
Net income per share in EUR	33	0.49	1.36	-0.03	1.22	0.52	0.14
Earnings of the period per share before profits from discontinuation in Euros		0.35	0.30	-0.17	0.16	0.52	0.14

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS OF ALLGEIER SE, MUNICH

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD 1 JANUARY 1 – 31 DECEMBER 2016

		Cost of acquisition and production							Write-offs and value adjustments									Book values	
	Notes	01/01/2016	Currency differences	Additions to the scope of consolidation	Additions	Disposals	Disposals from the scope of consolidation	31/12/2016	01/01/2016	Currency differences	Amortisation: continuing operations	Impairments	Amortisation discontinued operations	Correction of amortisation of Talentry	Disposals	Disposals from the scope of consolidation	31/12/2016	31/12/2016	31/12/2015
Intangible assets	1																		
Licenses, industrial property rights and similar rights, as well as licenses for such rights and assets		38,557	71	5,610	4,264	-13,025	-1,869	33,608	-22,313	81	-7,052	-720	-369	117	13,020	998	-16,238	17,371	16,245
of which purchased		36,540	70	5,610	1,685	-13,025	-1,869	29,011	-22,313	81	-6,943	-720	-369	117	13,020	998	-16,128	12,883	14,227
of which created in-house		2,018	1	0	2,579	0	0	4,598	0	0	-110	0	0	0	0	0	-110	4,488	2,018
Goodwill		108,722	1,256	4,177	0	-1,114	0	113,041	-8,206	0	0	-1,114	0	0	1,114	0	-8,206	104,835	100,516
Intangible assets		**147,279**	**1,327**	**9,787**	**4,264**	**-14,139**	**-1,869**	**146,649**	**-30,518**	**81**	**-7,052**	**-1,834**	**-369**	**117**	**14,134**	**998**	**-24,443**	**122,206**	**116,761**
Property, plant and equipment	2																		
Property, property rights and buildings including constructions on third-party property		5,076	44	0	194	12	0	5,326	-1,551	-8	-192	0	0	0	-12	0	-1,763	3,563	3,525
Financial leasing		4,144	72	0	1,434	-814	0	4,836	-1,570	-42	-1,434	0	0	0	812	0	-2,233	2,604	2,575
Other plant, operating and office equipment		15,761	55	642	3,956	-618	-762	19,034	-9,044	-53	-3,203	0	-88	11	532	392	-11,454	7,580	6,717
Property, plant and equipment		**24,981**	**171**	**642**	**5,584**	**-1,420**	**-762**	**29,196**	**-12,164**	**-103**	**-4,828**	**0**	**-88**	**11**	**1,332**	**392**	**-15,450**	**13,747**	**12,817**
Total		**172,260**	**1,498**	**10,429**	**9,848**	**-15,559**	**-2,631**	**175,846**	**-42,683**	**-22**	**-11,881**	**-1,834**	**-457**	**127**	**15,467**	**1,390**	**-39,893**	**135,953**	**129,578**

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2015

		Cost of acquisition and production							Write-offs and value adjustments							Book values	
	Notes	01/01/2015	Currency differences	Additions to the scope of consolidation	Additions	Disposals	Disposals from the scope of consolidation	31/12/2015	01/01/2015	Currency differences	Amortisation: continuing operations	Amortisation discontinued operations	Disposals	Disposals from the scope of consolidation	31/12/2015	31/12/2015	31/12/2014
Intangible assets	1																
Licenses, industrial property rights and similar rights, as well as licenses for such rights and assets		41,438	1,614	5,766	2,928	-8,920	-4,267	38,557	-23,464	-1,223	-8,067	-1,577	8,920	3,098	-22,313	16,245	17,973
of which purchased		41,438	1,614	5,766	910	-8,920	-4,267	36,540	-23,464	-1,223	-8,067	-1,577	8,920	3,098	-22,313	14,227	17,973
of which created in-house		0	0	0	2,018	0	0	2,018	0	0	0	0	0	0	0	2,018	0
Goodwill		113,927	4,055	8,867	0	0	-18,127	108,722	-9,169	0	0	0	0	963	-8,206	100,516	104,758
Intangible assets		**155,364**	**5,669**	**14,633**	**2,928**	**-8,920**	**-22,394**	**147,279**	**-32,633**	**-1,223**	**-8,067**	**-1,577**	**8,920**	**4,061**	**-30,518**	**116,761**	**122,731**
Property, plant and equipment	2																
Property, property rights and buildings including constructions on third-party property		4,984	12	0	80	0	0	5,076	-1,382	-4	-164	0	0	0	-1,551	3,525	3,601
Financial leasing		2,811	169	0	2,047	-882	0	4,144	-1,185	-75	-1,182	0	873	0	-1,570	2,575	1,625
Other plant, operating and office equipment		15,236	239	335	4,520	-3,078	-1,490	15,761	-9,103	-168	-2,904	-533	3,015	648	-9,044	6,717	6,133
Property, plant and equipment		**23,030**	**419**	**335**	**6,647**	**-3,961**	**-1,490**	**24,981**	**-11,670**	**-247**	**-4,250**	**-533**	**3,888**	**648**	**-12,164**	**12,817**	**11,360**
Other financial investments																	
Investments		34	3	0	0	-37	0	0	-10	0	0	0	10	0	0	0	24
Other financial investments		**34**	**3**	**0**	**0**	**-37**	**0**	**0**	**-10**	**0**	**0**	**0**	**10**	**0**	**0**	**0**	**24**
Total		**178,429**	**6,091**	**14,968**	**9,574**	**-12,918**	**-23,884**	**172,260**	**-44,314**	**-1,470**	**-12,317**	**-2,111**	**12,819**	**4,710**	**-42,683**	**129,578**	**134,115**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALLGEIER SE, MUNICH, 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR thousand)

	Subscribed capital	Capital reserve	Retained earnings	Treasury shares	Profit carried forward	Results for the period	Changes in equity not affecting income	Equity share of shareholders of the parent company	Equity share of shareholders with non-controlling interest	Equity
Balance on 31 December 2014	**9,072**	**16,929**	**102**	**-1,379**	**65,311**	**2,065**	**4,498**	**96,598**	**4,064**	**100,663**
Transfer of prior-year's net income to profit carried forward	0	0	0	0	2,065	-2,065	0	0	0	0
Adjustment of the stock option exercise price	0	57	0	0	0	0	0	57	0	57
Offsetting of actuarial gains and losses from the disposed of b+m Informatik AG with the profit carried forward	0	0	0	0	-358	0	358	0	0	0
Actuarial gains (losses)	0	0	0	0	0	0	-48	-48	0	-48
Addition to equity share of non-controlling interests arising from the purchase of Talentry	0	0	0	0	0	0	0	0	763	763
Addition to equity share of non-controlling interests arising from the purchase of SearchConsult	0	0	0	0	0	0	0	0	123	123
Addition to equity share of non-controlling interests arising from the purchase of MOS Tangram	0	0	0	0	0	0	0	0	9	9
Purchase of shares of non-controlling shareholders of Corisecio	0	0	0	0	0	0	-39	-39	14	-25
Purchase of shares of non-controlling shareholders of mgm security partners Dresden GmbH	0	0	0	0	0	0	-56	-56	-14	-70
Dividends	0	0	0	0	-4,460	0	0	-4,460	-79	-4,540
Net income	0	0	0	0	0	12,375	0	12,375	383	12,759
Currency differences	0	0	0	0	0	0	5,971	5,971	-3	5,968
Balance on 31 December 2015	**9,072**	**16,986**	**102**	**-1,379**	**62,558**	**12,375**	**10,685**	**110,398**	**5,261**	**115,659**
Transfer of prior-year's net income to profit carried forward	0	0	0	0	12,375	-12,375	0	0	0	0
Adjustment of the stock option exercise price	0	47	0	0	0	0	0	47	0	47
Actuarial gains (losses)	0	0	0	0	0	0	-244	-244	-43	-287
Addition to equity share of non-controlling interests arising from the purchase of the GDE Group	0	0	0	0	0	0	0	0	-3,036	-3,036
Addition to equity share of non-controlling interests arising from the purchase of Mokriya	0	0	0	0	0	0	0	0	875	875
Transfer of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	-6,337	-6,337	6,337	0
Payments of non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	0	0	2,282	2,282
Disposal of shares of non-controlling interests of Talentry	0	0	0	0	0	0	0	0	-101	-101
Dividends	0	0	0	0	-6,244	0	0	-6,244	-745	-6,990
Net income	0	0	0	0	0	4,442	0	4,442	1,972	6,414
Currency differences	0	0	0	0	0	0	1,341	1,341	686	2,027
Balance on 31 December 2016	**9,072**	**17,033**	**102**	**-1,379**	**68,689**	**4,442**	**5,444**	**103,403**	**13,489**	**116,891**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT OF ALLGEIER SE, MUNICH, FOR THE PERIOD FROM 1 JANUARY 2016 – 31 DECEMBER 2016

CONSOLIDATED CASH FLOW STATEMENT (in EUR thousand)

		Total		Discontinued operations		Continuing operations	
	Notes	2016	2015	2016	2015	2016	2015
Earnings before interest and tax (EBIT)		16,134	12,674	-1,660	1,503	17,794	11,171
Depreciation of fixed assets		14,172	14,427	457	2,111	13,715	12,317
Expenses from the disposal of non-current assets		122	99	30	0	92	99
Change in non-current provisions		-70	-18	0	-43	-70	25
Non-cash change in provisions		10,760	12,435	32	0	10,728	12,435
Other non-cash expenses and income		-1,383	530	0	951	-1,383	-421
Income tax paid		-11,814	-10,296	-5	-248	-11,809	-10,048
Cash flow from operating activities before changes in working capital		**27,923**	**29,853**	**-1,145**	**4,274**	**29,068**	**25,579**
Cash flow from changes in working capital		-18,865	-16,150	-998	-2,769	-17,867	-13,381
Cash flow from operating activities		**9,058**	**13,703**	**-2,142**	**1,505**	**11,201**	**12,197**
Payments for investments in non-current assets		-5,836	-6,319	-1	-510	-5,835	-5,809
Payments received from the disposal of non-current assets		184	263	57	55	127	208
Payments made for the acquisition of subsidiaries		-3,447	-4,387	0	10	-3,447	-4,396
Payments made for purchase price shares for companies not acquired in the financial year		-3,677	-15,796	0	0	-3,677	-15,796
Payments made for the acquisition of assets and rights		-100	0	0	0	-100	0
Pay-out of borrowings in at-equity investments		-852	-2,810	0	0	-852	-2,810
Payments received from the sale of subsidiaries		2,481	25,549	500	0	1,981	25,549
Decrease in cash and cash equivalents from the sale of subsidiaries with loss of control		-285	-4,181	-285	-4,181	0	0
Payments received from the sale of assets and rights		0	584	0	0	0	584
Payments in non-current financial assets		-300	-300	0	0	-300	-300
Cash flow from investing activities		**-11,833**	**-7,397**	**271**	**-4,626**	**-12,104**	**-2,771**
Proceeds from capital increase		0	0	451	838	-451	-838
Redemption of bonded loans		0	-14,500	0	0	0	-14,500
Drawing down of bank borrowings		601	2,953	200	0	401	2,953
Repayment of bank borrowings		-2,254	-1,310	0	-653	-2,254	-657
Repayment of other borrowings		0	-499	0	0	0	-499
Cash flow from financing of discontinued operations		0	0	870	-1,072	-870	1,072
Interest received		402	238	0	245	402	-7
Interest paid		-3,385	-3,401	-21	-70	-3,364	-3,331
Dividends		-6,244	-4,460	0	0	-6,244	-4,460
Payments made arising from the purchase of shares of non-controlling interests		0	-95	0	0	0	-95
Payments balance with shareholders with non-controlling interests		1,837	-79	0	0	1,837	-79
Cash flow from financing activities		**-9,044**	**-21,153**	**1,500**	**-711**	**-10,544**	**-20,442**
Total cash flow		**-11,818**	**-14,847**	**-371**	**-3,832**	**-11,448**	**-11,015**
Change in cash and cash equivalents attributable to exchange rates		-100	650	0	59	-100	591
Total changes in cash and cash equivalents		**-11,919**	**-14,198**	**-371**	**-3,773**	**-11,548**	**-10,424**
Cash and cash equivalents at the start of the period		83,693	97,890	371	4,144	83,322	93,746
Cash and cash equivalents at the end of the period	E.	71,774	83,693	0	371	71,774	83,322

CONSOLIDATED NOTES

Consolidated notes

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE FINANCIAL YEAR 2016

Consolidated notes of Allgeier SE according to IFRS for the financial year 2016

A. GENERAL INFORMATION

I. Information about the Group and Allgeier SE

The Allgeier Group is a corporate Group offering IT services, IT solutions and products, as well as personnel services, to make process and cost structures more flexible. Allgeier SE is the Group's parent company. Its registered office is Wehrlestraße 12, 81679 Munich, Germany. It is entered in the commercial register of the Munich District Court under HRB 198543. Allgeier SE acquires, holds and disposes of companies in the information technology and service sectors as well as related fields. Furthermore, Allgeier SE provides consulting services and other business management services for companies.

II. Accounting and valuation principles

The consolidated financial statements of Allgeier SE were prepared in compliance with the international financial reporting standards (IFRS) as they apply in the European Union and according to the commercial law regulations pursuant to Section 315a of the German Commercial Code (HGB). These consolidated financial statements of Allgeier SE prepared in accordance with IFRS meet the requirements for the exemption from preparing consolidated financial statements according to Section 290 HGB. They consist of the Consolidated balance sheet, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated cash flow statement and Notes. The consolidated financial statements of Allgeier SE are based on the going concern assumption.

The derivatives and purchase price liabilities from enterprise acquisitions and shares in a venture capital company recognised in the financial assets and liabilities are valued at fair value. All other assets and liabilities are valued at amortised cost.

The applied accounting and valuation methods remain unchanged relative to the prior-year. Unless otherwise specified, all figures in the consolidated financial statements are in EUR thousand In the tables, deviations of +/- EUR 1 thousand are possible due to rounding. The figures reported in the consolidated financial statements for the financial year are presented with comparative figures from the prior-year.

In the Consolidated statement of comprehensive income and in the Consolidated cash flow statement in the discontinued operations, the companies are shown that were disposed of in 2015 and 2016, or that are no longer considered as fully consolidated companies due to share reductions. After the respective prior-year values were reposted to the discontinued operations, the discontinued operations, as well as the continuing operations are no longer comparable with the consolidated financial statements of the prior-year.

III. Accounting regulations applicable for the first time in the current financial year

The application of the following standards and interpretations revised or newly issued by the IASB is mandatory for the first time in the 2016 financial year:

STANDARD/INTERPRETATION	TITLE OF THE STANDARD/INTERPRETATION OR AMENDMENT
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception Application of the consolidation exemption
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions Employee contributions
Improvements to IFRS 2010 - 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Improvements to IFRS 2012 - 2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34

The first-time mandatory application of these amended standards or interpretations had no material effects on the net assets, financial position and results of operations of the Allgeier Group.

IV. Standards and interpretations that have not been applied early

The IASB and IFRIC have issued the following standards, interpretations and amendments to existing standards, the application of which was not yet mandatory for the 2016 financial year according to EU regulations:

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD/ INTERPRETATION OR AMENDMENT	FIRST-TIME APPLICATION
EU endorsement already issued		
IFRS 9	Financial Instruments	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018
EU endorsement pending		
IFRS 16	Leasing / Leases	01.01.2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01/01/2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018
Amendments to IFRS 10, and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not determined
Amendment to IFRS 15	Clarifications to IFRS 15	01/01/2018
Amendments to IAS 7	Disclosure Initiative	01/01/2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017
Amendment to IAS 40	Transfers of Investment Property	01/01/2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Improvements to IFRS 2014 – 2016	Amendments to IFRS 12	01/01/2017
Improvements to IFRS 2014 – 2016	Amendments to IFRS 1 and IAS 28	01/01/2018

CONSOLIDATED NOTES • GENERAL INFORMATION

If the amendments could be significant for the Allgeier Group in the future, the amendments will be explained below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidelines IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidelines for the classification and evaluation of financial instruments, including a new model of the expected credit defaults for calculation of the decrease in value of financial assets, as well as the new general accounting provisions for hedging transactions. It also takes over the guidelines for recognition and derecognition of financial instruments from IAS 39. IFRS 9 – reserving the possibility of adoption in EU law – must be applied for the first time in the financial years that begin on or after 1 January 2018. Premature application is permitted. The Allgeier Group does not foresee any material effects relative to recognition and measurement arising from the application of the new standard.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 specifies a comprehensive framework determination, as to whether, in what amount, and at what point in time revenues are recognised. It replaces existing guidelines for recognising revenues, including IAS 18 revenues, IAS 11 Manufacturing Orders and IFRIC 13 Customer Loyalty Programs. Moreover, the standard provides for extensive disclosure requirements concerning the type, amount, temporal course of revenues and cash flows, as well as their associated uncertainties. The new standard – reserving the possibility of adoption in EU law – must be applied for the first time in the financial years that begin on or after 1 January 2018. Premature application is permitted. The Allgeier Group does not anticipate any material changes arising from the application of the standard, because the provided services are essentially billed monthly and longer-term projects are invoiced in sub-projects.

IFRS 16 – Leasing / Leases

IFRS 16 introduces a uniform invoicing model, according to which leases must be recognised in the balance sheet of the lessee. A lessee recognises a right-of-use asset) that represents his right to use the underlying asset, as well as a debt arising from the leasing relationship, that constitutes his obligation to make leasing payments (balance sheet extension). There are exemptions for short-term leases and leases regarding low-value assets.

IFRS 16 replaces the existing guidelines concerning leases, including IAS 17 Leases, IFRIC 4 Determination whether an agreement contains lease, SIC-15 Operating leases - incentives and SIC 27 Evaluation of the economic content of transactions in the legal form of leases.

The standard – reserving the possibility of adoption in EU law – must be applied for the first time in the financial years that begin on or after 1 January 2019. A premature application is permitted for companies that apply IFRS 15 proceeds from contracts with customers at the time of first application of IFRS 16, or before.

The Group has determined the effects of the application of IFRS 16 on its reported assets and debts. Among other things, ultimately the quantitative effects depend on the selected transition method, the scope in which the Group applies the simplification rules and exemptions for the recognition, and all additional leases, which the Group will yet enter into.

If the Allgeier Group were to already apply IFRS 16 in the financial year, the assets would increase by EUR 56.1 and debts would likewise increase by EUR 56.1 million, and thus the equity ratio would decrease from 33.9% to what would then be 29.2%. We assume that the reduction in the equity ratio will not result in the situation that key figures that have been agreed in loan agreements could no longer be complied with. Regardless of the above, it must be assumed that the key figures in loan agreements that must be complied with, will be adapted to the effects arising from the application of IFRS 16.

Amendments to IAS 7 – Disclosure Initiative

The objective of the amendments is to improve the information concerning the change in the debt situation of the entrepreneur. According to the amendments, an enterprise must make disclosures concerning those financial liabilities, whose incoming and outgoing payments are shown in the Consolidated cash flow statement in the cash flow from financing activities. What must be specified are cash changes, changes from the purchase or disposal of companies, currency-related changes, changes in the fair values and other changes.

IASB recommends presenting the information in the form of an offsetting and reconciliation in the balance sheet until the closing balance, it does however permit other presentations as well.

The changes – reserving the possibility of adoption in EU law – must be applied for the first time in the financial years that begin on or after 1 January 2017; premature application is permitted.

To fulfil the new disclosure obligations, the Group intends to include in the Notes, the presentation of an offsetting and reconciliation between the opening balance and closing balance for debts, and the changes in conjunction with the financing activity.

For the new or amended standards and interpretations that only must be applied in later financial years, the Allgeier Group is not planning early application. These amended standards and interpretations are not expected to have any material impact on the net assets, financial position and results of operations of the Allgeier Group.

V. Consolidation principles

In the Consolidated financial statements of Allgeier SE, Allgeier SE and all companies that are directly or indirectly controlled by Allgeier SE, or for whom Allgeier SE directly or indirectly has the majority of votes, are included and fully consolidated. For all fully consolidated companies Allgeier SE can determine the financial and business policy, and reap the full benefits from the subsidiaries. Associated companies over which Allgeier SE can exercise significant control are included in the Allgeier Group and are recognised according to the equity method.

With the exception of the two subsidiaries in India, all companies of the Allgeier Group prepare their individual financial statements for 31 December. The Indian subsidiaries, who due to statutory regulations have a deviating reporting date, for purposes of the consolidated financial statements, prepare interim financial statements for 31 December.

The Allgeier Group consolidates the newly acquired companies in accordance with the acquisition method. The assets, liabilities and contingent liabilities of the acquired companies were identified, and with disclosure of hidden reserves and liabilities on the respective acquisition dates, and recognised at fair value with the applicable deferred taxes. The shares of non-controlling interests were recognised at the portion of the fair value of the assets and liabilities allocated to them. Any remaining surplus between the acquisition costs of the acquired companies and the fair values of the assets, liabilities and shares of non-controlling shareholders are capitalised as goodwill. Incidental acquisition costs for legal and consulting services and brokerage commissions are recorded as other operating expenses through profit or loss.

The consolidation of the companies newly acquired by the Group occurs starting from the month that control is exercised. From this point on the income and expenses of the acquired companies are included in the consolidated financial statements. Receivables and liabilities, as well as income and expenses between the Group companies are subtracted. Profits and losses that originate from Group-internal disposals, are likewise eliminated. Deferred taxes are recognised on consolidation processes affecting income or loss.

Deconsolidation of subsidiaries occurs as soon as the parent-subsidiary relationship ceases and control over the companies no longer exists. The assets and liabilities of subsidiaries are written off in the month of deconsolidation. The disposed of companies and business areas are shown in the Consolidated statement of comprehensive income and in the Consolidated cash flow statement in the discontinued operations. The prior-year numbers of the discontinued operations have been adjusted in order to present the discontinued operations separately from the continuing operations in all comparison years. For the transactions between the continuing operations and discontinued operations areas, continuation of the relationships is ceased and such relationships are eliminated in the discontinued operations area.

VI. Scope of consolidation

On 31 December 2016 the scope of consolidation of Allgeier SE consisted of 63 fully consolidated companies (prior-year: 55) and one company recognized in accordance with the at-equity method (prior-year: 4). The number of fully consolidated companies of Allgeier SE developed as follows in the financial year 2016:

	FULLY CONSOLIDATED	AVAILABLE FOR SALE	CONSOLIDATED AT-EQUITY	TOTAL
Number on 31 December 2015	**55**	**1**	**4**	**60**
Acquisitions:				
Nagarro AS, Oslo, Norway (formerly Conduct AS)	1	0	0	1
Mokriya Inc., Cupertino, USA	1	0	0	1
Establishments				
Allgeier Midmarket Services GmbH, Bremen	1	0	0	1
mgm technology partners USA Corp., Arlington, USA	1	0	0	1
Nagarro Software SAS, Paris, Frankreich	1	0	0	1
Allgeier Nagarro Beteiligungs GmbH, Munich	1	0	0	1
SPP Co-Investor Verwaltungs GmbH, Munich	1	0	0	1
SPP Co-Investor GmbH & Co. KG, Munich	1	0	0	1
Nagarro SPP GmbH, Munich	1	0	0	1
Mergers:				
MOS-TANGRAM GmbH, Bamberg with mgm technology partners GmbH, Munich	-1	0	0	-1
networker projektberatung GmbH, Kronberg im Taunus, with Allgeier Experts Services GmbH, Unterföhring (formerly Skytec AG)	-1	0	0	-1
Allgeier IT Solutions GmbH, Bremen, with Metasonic GmbH, Pfaffenhofen	-1	0	0	-1
Disposals				
Liquidation of Allgeier IT Solutions Sp.zo.o., Wroclaw, Poland	-1	0	0	-1
Disposal of WK EDV GmbH, Ingolstadt	-1	0	0	-1
Status changes				
First time Full consolidation of the GDE Group	4	0	-4	0
Decrease of the shares of Talentry GmbH, Munich	0	-1	1	0
Number on 31 December 2016	**63**	**0**	**1**	**64**

The changes in scope of consolidation have a significant influence on the net assets, financial position and results of operations of the Allgeier Group. In the comparison of these consolidated financial statements with the consolidated financial statements of the prior-year, the changes have been taken into account appropriately.

Thus calculated, Allgeier SE holds 23.49% of the voting rights of SPP Co-Investor GmbH & Co. KG. Due to the take-over of the liability risks and exercise of operations management, the company was fully consolidated in the Consolidated financial statements of Allgeier Se.

Purchase of Conduct AS, Oslo, Norway,

Allgeier Nagarro Holding GmbH, Munich, acquired on 21 January 2016 all outstanding shares of Conduct AS, Oslo, Norway ("Conduct"). Conduct is a leading provider of IT solutions in Norway that is specialised in the application of open source technologies in the industrial environment.

As purchase price for the company, a fixed purchase price of NOK 10.6 million (EUR 1,123 thousand), a compensation for the non-required cash and cash equivalents existing in the company of NOK 6.2 million (EUR 669 thousand), as well as variable purchase price components totalling NOK 16.8 million (EUR 1,787 thousand), were agreed. A variable component of the purchase price in the amount of NOK 1.3 million (EUR 141 thousand) was made dependent on the acquisition of a major customer, and this was achieved. Of the remaining purchase prices NOK 1.9 million (EUR 206 thousand) was dependent on the target result for 2016, which was not achieved. The remaining variable purchase price component of NOK 13.5 million (EUR 1,440 thousand) is oriented to an earnings threshold for 2017, which presumably according the company's planning will likewise not be exceeded. Accordingly, for the initial consolidation a presumable purchase price of EUR 1933 thousand is recognised. Incidental acquisition costs of EUR 118 thousand were posted as other operating expenses. Of the purchase prices, in the financial year 2016 a total of EUR 1,793 thousand was paid. The residual amount of EUR 141 thousand) is due and payable in the first quarter 2017.

On the date of initial consolidation, 31 January 2016, Conduct recognises assets of EUR 1,942 thousand and liabilities of EUR 925 thousand. Moreover, as part of the initial consolidation, hidden reserves from customer relationships in the amount of EUR 696 thousand and their related deferred tax liabilities in the amount of EUR 195 thousand were recognised. Overall with the addition of Conduct, the Allgeier Group acquired net assets in the amount of EUR 1,518 thousand. The difference between the purchase price and the net asset of EUR 415 thousand was combined with the goodwill of the Nagarro Group. The difference is the added value that arises for Conduct from the merger with the Allgeier Group. In October 2017 the name will be changed to Nagarro AS.

BOOK VALUES AND PRESENT VALUES OF THE NET ASSETS OF CONDUCT ON 31 JANUARY 2016 (in EUR thousand)

	Book values	Allocation	Present values
Intangible assets	22	696	718
Property, plant and equipment	11	0	11
Trade receivables	661	0	661
Other assets	151	0	151
Cash and cash equivalents	1,033	0	1,033
Deferred expenses	39	0	39
Deferred tax assets	25	0	25
Acquired assets	**1,942**	**696**	**2,638**
Deferred tax liabilities	0	195	195
Trade payables	101	0	101
Other provisions	135	0	135
Income tax liabilities	27	0	27
Other liabilities	662	0	662
Acquired liabilities	**925**	**195**	**1,120**
Net assets	**1,017**	**501**	**1,518**

Trade receivables show the gross amounts of the contractual receivables. The receivables were paid in fiscal year 2016.

In the period from February to December 2016 Conduct achieved revenues in the amount of EUR 3,830 thousand and earnings before interest, taxes, depreciation and amortisation of EUR -324 thousand.

Purchase of Mokriya Inc., Cupertino, California, USA

On 18 October 2016, Nagarro Inc., San Jose, California, USA, purchased all shares of Mokriya Inc., Cupertino, California, USA ("Mokriya"). Mokriya is a high-end software development company, which with a highly specialised, global team designs and develops mobile software applications and user-centred solutions for the Internet of Things. Allgeier SE holds 84.35% of the shares of Nagarro Inc.

As purchase price for the company a fixed purchase price of USD 5.25 million (EUR 4,780 thousand) and a variable purchase price component of USD 1.5 million (EUR 1,366 thousand) were agreed. The variable purchase price was dependent on a target result for 2016, which was achieved. Incidental acquisition costs of EUR 138 thousand were posted as other operating expenses. Of the purchase prices, in the financial year 2016 a total of EUR 3,870 thousand was paid. Of the remaining amount, EUR 1,366 thousand is due and payable in the first quarter 2017, and EUR 910 thousand is due and payable in December 2017.

With the purchase of Mokriya, the Allgeier Group obtained assets of EUR 7,864 thousand and liabilities of EUR 2,270 thousand on the date of initial consolidation 31 October 2016. As part of the initial consolidation, this includes identified hidden reserves in customer relationships in the amount of EUR 3,664 thousand and the related tax liabilities in the amount of EUR 1,465 thousand, as well as the tax-allowable capitalised deferred taxes in the amount of EUR 1,833 on goodwill of EUR 4,583, which is tax deductible in the USA. The acquired trade receivables of EUR 1,481 thousand) show the gross amounts of the contractual receivables. With the exception of an amount of EUR 90 thousand, the receivables were fully paid by the end of January 2017.

Overall with the addition of Mokriya, net assets in the amount of EUR 5,594 thousand, were consolidated, of which a proportion in the amount of EUR 875 thousand is attributable to non-controlling interests. The difference between the purchase price and the net assets, and the proportions of the non-controlling interests, totalling EUR 1,427 thousand were combined as goodwill with the goodwill of the Nagarro Group. The goodwill arising from the acquisition of Mokriya valuates the synergies occurring through the merger and through the combination of the service offering with the service offering of the Nagarro Group.

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BOOK VALUES AND PRESENT VALUES OF THE NET ASSETS OF MOKRIYA ON 31 OCTOBER 2016 (in EUR thousand)

	Book values	Allocation	Present values
Intangible assets	0	3,664	3,664
Property, plant and equipment	5	0	5
Trade receivables	1,481	0	1,481
Other assets	7	0	7
Cash and cash equivalents	872	0	872
Deferred expenses	2	0	2
Deferred tax assets	0	1,833	1,833
Acquired assets	**2,367**	**5,497**	**7,864**
Deferred tax liabilities	0	1,465	1,465
Trade payables	116	0	116
Other provisions	73	0	73
Income tax liabilities	551	0	551
Other liabilities	65	0	65
Acquired liabilities	**805**	**1,465**	**2,270**
Net assets	**1,562**	**4,032**	**5,594**
Of which:			
Allocated to non-controlling interests	244	631	875
To be allocated to the shareholders of Allgeier SE	1,318	3,401	4,719

In the period from November and December 2016 Mokriya achieved revenues in the amount of EUR 969 thousand and earnings before interest, taxes, depreciation and amortisation of EUR 460 thousand.

Acquisition of the business operations of Betarun, Buckow

On 20 June 2016 Goetzfried Professionals GmbH, Wiesbaden, acquired the operations of Betarun, in the course of an asset deal. Betarun is a sole proprietorship that specialises in the quality assurance and tests of software systems and software products.

As purchase prices for the acquired assets and employment contracts Goetzfried Professionals GmbH paid a fixed purchase price of EUR 100 thousand and in addition agreed on a variable purchase price proportion in the maximum amount of EUR 650 thousand. The amount of the variable proportion of the purchase price depends on achievement of the profit contributions in the three subsequent years (1 July 2016 until 30 June 2019). The variable purchase prices achieved will be paid yearly according to the determination of the annual financial statements of Goetzfried Professionals. The Allgeier Group assumes that the variable purchase prices will be achieved in the full amount and with interest of the non-current purchase price proportions will result in a total purchase price of EUR 715 thousand at the time of purchase.

With the purchase of Betarun the following assets and liabilities were acquired:

(in EUR thousand)

	Present values
Customer relationships	1,014
Property, plant and equipment	7
Provisions – holiday and flexible working hours	-42
Deferred tax liabilities	-264
Net assets	**715**

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Full consolidation of the GDE Group

At year end 2016 Allgeier SE took over the controlling position for the GDE Group, whereby Allgeier SE increased its influence on the entrepreneurial alignment and the financial dependency. Consequently, as of the valuation date 31 December 2016 the Allgeier Group undertook the full consolidation of the GDE Group. Allgeier SE holds unchanged 50% of the voting rights of GDE Holding GmbH and has a claim to 50% of the net assets of GDE Holding. Up to December 2016 the Allgeier Group recognised the GDE Group as an at-equity investment.

The GDE Group, headquartered in Bonn performs the recruiting, the linguistic and technical training, including the professional preparation of international physicians for the German healthcare system. After the training phase the doctors are brokered to hospitals and in the outpatient supply sector. The participants are financed in the approximately one-year course of training via bank loans, which are paid out to the GDE-Group as a prepayment on the training costs at the commencement of training. The loans are paid back by the doctors after conclusion of their training.

With the initial consolidation of the GDE Group the Allgeier Group obtained net liabilities at the book value of EUR 6,073 thousand. This included goodwill of EUR 1,824 thousand, which was eliminated as part of the revaluation. Moreover, the loan liability of the GDE Group relative to Allgeier SE was compensated at the fair value of EUR 5,539. After the two adjustments for the GDE Group net debt of EUR 5,371 thousand remained, in which non-controlling interests hold a stake of EUR 3,036 thousand. The remaining amount of EUR 2,335 thousand was capitalised as goodwill. The GDE Group is part of the "Experts" cash generating unit and the goodwill of the GDE Group is combined with the goodwill of the "Experts" unit. Capitalisation of the goodwill of the GDE Group is justified through the fact that the start-up phase will soon be concluded and the achievement of the break-even point is anticipated in 2018 at the latest.

BOOK VALUES AND PRESENT VALUES OF THE NET ASSETS OF THE GDE GROUP ON 31 DECEMBER 2016 (in EUR thousand)

	Book values	Allocation	Present values
Intangible assets without goodwill	214	0	214
Goodwill	1,824	-1,824	0
Property, plant and equipment	619	0	619
Inventories	3	0	3
Trade receivables	2,008	0	2,008
Other assets	840	0	840
Cash and cash equivalents	310	0	310
Deferred expenses	145	0	145
Acquired assets	**5,963**	**-1,824**	**4,139**
Trade payables	707	0	707
Other provisions	276	0	276
Other liabilities	463	0	463
Borrowings of Allgeier SE	8,065	-2,526	5,539
Deferred income	2,525	0	2,525
Acquired liabilities	**12,036**	**-2,526**	**9,510**
Net assets	**-6,073**	**702**	**-5,371**
Of which:			
To be allocated to non-controlling interests of the German Doctor Exchange	-701	0	-701
To be allocated to the non-controlling interests of GDE Holding	-2,686	351	-2,335
To be allocated to the shareholders of Allgeier SE	-2,686	351	-2,335

Trade receivables are comprised of receivables from hospitals of EUR 71 thousand from the brokering of participants, and receivables of EUR 2,162 from the participants themselves. Impairments in the amount of EUR 225 thousand are formed on the receivables to the participants.

Disposal of WK EDV GmbH, Ingolstadt

On 29 August 2016, Goetzfried Professionals GmbH disposed of all business shares of WK EDV GmbH, Ingolstadt, ("WK EDV") for a purchase price of EUR 2. In addition, Allgeier companies sold receivables against WK EDV in the amount of EUR 1,235 thousand. For this the companies received a purchase price of EUR 500 thousand. The purchase prices were each paid in the year 2016.

From the disposal of the shares of WK EDV and of the receivables the Allgeier Group incurred a loss in the amount of EUR 1,354 thousand. Of which EUR 735 thousand related to the amortisation on receivables, and on the book value of the sold assets and liabilities of EUR 619 thousand.

Individually the following assets and liabilities were sold on 31 August 2016:

(in EUR thousand)	31.08.2016
Intangible assets	871
Property, plant and equipment	341
Other non-current assets	11
Deferred tax assets	155
Non-current assets	**1,379**
Inventories	7
Trade receivables	550
Other current financial assets	346
Other current assets	145
Income tax receivables	8
Cash and cash equivalents	285
Current assets	**1,342**
Total assets	**2,721**
Other non-current financial liabilities	43
Deferred tax liabilities	257
Non-current liabilities	300
Current financial liabilities	200
Other current provisions	144
Trade payables	22
Other current financial liabilities	1,435
Current liabilities	**1,802**
Total liabilities	**2,101**
Net assets	**619**

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Deconsolidation of Talentry GmbH, Munich

In October 2016 the previous shareholders of Talentry GmbH, Munich "(Talentry"), resolved to increase the share capital of the company from EUR 57,875 thousand to EUR 70,736 thousand, and to issue all new shares to new shareholders. In addition to issuing the new shares, Talentry received a payment into the capital reserve in the amount of EUR 1,987 thousand. With the capital increase, the Allgeier Group's capital share of Talentry was diluted from the former 49.9% to 40.8%. Moreover, Allgeier Enterprise Services AG waived the right to acquire an additional 5.1% of the shares of the company at the total nominal value of EUR 2,952 thousand from the former shareholders. With the capital increase Allgeier Enterprise Services AG lost control of Talentry and undertook the deconsolidation. From the deconsolidation total income of EUR 2,677 thousand was generated that was comprised of the revaluation of the remaining shares in the amount of EUR 4,498 thousand, the sales of the net assets of EUR 1,913, plus the shares of the non-controlling interests. The remaining shares in Talentry were consolidated from 31 October 2016 in accordance with the equity method.

Talentry was already shown in the discontinued operations in the prior-year. The assets and liabilities of the company were combined in one line on the balance sheet and classified as assets and liabilities available for sale. In the consolidated statement of comprehensive income and in all other components of the consolidated financial statements, Talentry was shown within the discontinued operations up to and including October 2016.

Specifically the net assets of Talentry shown in the discontinued operations were shown as:

(in EUR thousand)	31/12/2015	31/10/2016
Intangible assets	2,149	2,066
Property, plant and equipment	24	28
Other non-current financial assets	3	17
Other non-current assets	11	0
Non-current assets	**2,187**	**2,111**
Trade receivables	40	71
Other current financial assets	4	7
Other current assets	1	7
Cash and cash equivalents	182	20
Current assets	**226**	**104**
Total assets	**2,413**	**2,216**
Deferred tax liabilities	130	97
Non-current liabilities	**130**	**97**
Other current provisions	27	30
Trade payables	3	26
Other current financial liabilities	14	45
Other liabilities	17	104
Current liabilities	**61**	**206**
Total liabilities	**192**	**303**
Net assets	**2,221**	**1,913**

Profit and loss transfer agreements

Profit and loss transfer agreements were in effect on 31 December 2016 between the following companies:

- Allgeier SE, Munich, as the controlling company and Allgeier Enterprise Services AG, Munich
- Allgeier SE, Munich, as the controlling company and Allgeier Experts SE, Wiesbaden
- Allgeier Enterprise Services, Munich, as the controlling company and Allgeier ConsultingServices GmbH, Munich
- Allgeier IT Solutions GmbH, Bremen, as the controlling company and BSH IT Solutions GmbH, Bremen
- Allgeier Experts SE, Wiesbaden, as the controlling company and Goetzfried AG, Wiesbaden
- Allgeier Experts SE, Wiesbaden, as the controlling company and tecops personal GmbH, Munich
- Allgeier Experts SE, Wiesbaden, as the controlling company and U.N.P.-Software GmbH, Düsseldorf
- Allgeier Experts SE, Wiesbaden, as the controlling company and Allgeier Dritte Beteiligungs GmbH, Munich
- Allgeier Experts SE, Wiesbaden, as the controlling company and Allgeier Fünfte Beteiligungs GmbH, Munich
- U.N.P.-Software GmbH, Düsseldorf, as the controlling company and U.N.P.-HRSolutions GmbH, Düsseldorf
- Goetzfried AG, Wiesbaden, as the controlling company Goetzfried Professionals GmbH, Wiesbaden
- Allgeier Project Solutions GmbH, Munich, and Allgeier Project MBO GmbH, Munich
- Allgeier Nagarro Holding GmbH, Munich, as the controlling company and Nagarro GmbH, Munich
- German Doctor Exchange GmbH, Bonn, as controlling company and the GPE Academy GmbH, Bonn
- Between the Nagarro Austria Beteiligungs GmbH, Vienna, Austria and Nagarro GmbH, Vienna Austria Group taxation pursuant to Austrian law exists
- Between Nagarro Inc., San Jose, USA, Mokriya Inc., Cupertino, USA, Group taxation pursuant to American law exists.

Pro forma results of the consolidated companies

If the companies acquired in the 2016 financial year had already been consolidated effective 1 January 2016, and the companies acquired in the 2015 financial year had been consolidated in the Allgeier Group, effective 1 January 2015, the Allgeier Group's sales and results would have been as follows:

REVENUE AND EARNINGS (in EUR thousand)	**Continuing operations**		**Discontinued operations**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues	504,875	456,463	3,245	53,759	508,120	510,222
Earnings before interest, taxes, depreciation and amortisation	30,469	24,249	-1,202	3,614	29,267	27,863
Earnings before tax	12,050	7,814	-1,680	1,652	10,370	9,466

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Subsidiaries with non-controlling interest

The table below shows the financial figures of the subsidiaries of the Allgeier Group in which Allgeier SE, does not hold all shares.

FINANCIAL FIGURES OF THE SUBSIDIARIES (in EUR thousand)

	mgm tp Munich (1)		mgm sp Munich		mgm cp Hamburg		Oxygen		Search Consult		GDE Holding	Nagarro Holding
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015 (2)	2016 (2)	2016
Percentage rate non-controlling interests (calculated through)	20.00%	20.00%	44.00%	44.00%	44.00%	44.00%	10.00%	10.00%	20.00%	20.00%	50.00%	15.65%
Non-current assets	10,204	10,197	895	1,189	13	10	91	171	411	664	2,694	62,971
Current assets	25,698	16,761	2,285	1,557	3,619	2,499	914	1,078	2,567	987	3,281	57,289
Non-current liabilities	692	780	226	309	0	0	9	20	129	158	342	5,954
Current liabilities	14,942	9,457	1,131	959	2,521	1,495	71	59	1,391	952	11,706	63,641
Net assets	**20,268**	**16,722**	**1,822**	**1,478**	**1,110**	**1,014**	**925**	**1,169**	**1,459**	**541**	**-6,073**	**50,666**
Book value of the non-controlling interests	**4,309**	**3,603**	**766**	**663**	**229**	**304**	**93**	**117**	**0**	**108**	**-3,036**	**0**
Revenues	59,300	50,710	3,799	2,871	9,674	8,863	1,262	1,348	6,143	2,807	-	137,607
Earnings before interest and tax (EBIT)	8,268	4,706	526	-85	1,631	1,111	-132	-67	1,586	-80	-	12,721
Earnings before tax	8,279	4,667	527	-91	1,608	1,104	-106	-22	1,569	-100	-	11,617
Net income	**5,455**	**2,765**	**344**	**-76**	**1,085**	**733**	**-87**	**-21**	**1,074**	**-74**	**-**	**6,987**
Other comprehensive income	**-8**	**-21**	**0**	**0**	**0**	**0**	**-158**	**-151**	**0**	**0**	**-**	**1,988**
Comprehensive income	**5,447**	**2,743**	**344**	**-76**	**1,085**	**733**	**-244**	**-172**	**1,074**	**-74**	**-**	**8,975**
Cash flow from operating activities	6,232	1,001	724	-174	539	427	42	-67	783	712	-	7,664
Cash flow from i nvesting activities	-2,453	-1,999	-28	-158	-13	-9	-7	5	101	-277	-	-6,711
Cash flow from financing activities	-378	-162	1	-8	-424	-264	26	45	-116	79	-	1,601
of which from dividends to non-controlling interests	-401	-79	0	-2	-401	-257	0	0	-44	0	-	0
of which from payments from non-controlling interests	0	0	0	0	0	0	0	0	0	0	-	2,282
Change in cash and cash equivalents attributable to exchange rates	21	6	0	0	0	0	-120	-103	0	0	-	-77
Net increase (net de-crease) of cash and cash equivalents	**3,421**	**-1,154**	**698**	**-341**	**102**	**154**	**-59**	**-119**	**767**	**515**	**-**	**2,477**

(1) Including subsidiaries; (2) From Group affiliation

Allgeier SE holds 80% of the shares of mgm tp Munich. In turn, mgm tp Munich holds 70% of mgm sp Munich and of mgm cp Hamburg, thus calculated, Allgeier SE holds 56% of the shares of these two companies.

VII. Events after the balance sheet date and before finalising the balance sheet

With the Purchase and Transfer Agreement of 7 April 2017 concerning Blitz 17-72 GmbH, newly founded in 2017, Allgeier SE acquired certain asset objects and contracts of Ciber AG, Heidelberg, which is involved in insolvency proceedings. In addition, with the contract of 7 April 2017, Blitz 17-73 GmbH Munich, likewise a subsidiary of Allgeier SE, newly founded in 2017, acquired certain asset objects and contracts of Ciber AG, Heidelberg, of Ciber Managed Services Heidelberg, which likewise is involved in insolvency proceedings. Both Ciber companies specialise in SAP consulting, SAP implementation and SAP managed services for medium-sized customers and large customers. A total purchase price of EUR 0.5 million was agreed for the taken-over assets, and likewise a purchase price of EUR 0.5 million was agreed for the taken over contracts.

In March 2017, a total of EUR 2.5 million was paid back prematurely from the fixed rate tranches of the borrower's note loan taken out in 2014.

VIII. Currency translation

The functional currency of Allgeier SE and the subsidiaries in the euro area is the euro. The functional currency of all other subsidiaries is their respective national currency. When preparing the Consolidated financial statements, the annual financial statements of the subsidiaries that have been prepared in a foreign currency were converted to euros. The valuation date rate on 31 December 2016 was used for the conversion of the assets and liabilities, and for the income and expenses, the average annual rate from the mean values of monthly closing values of months January 2016 to December 2016 were used. From the differences that occurred in the components included in equity from the conversion from the valuation date ranges and of the year under review and of the prior-year, as well as from the historic rates, equity modifications with no effect on income statement were adjusted.

The following exchange rates applied for the conversion of the figures in the annual financial statements prepared in the foreign currency:

EXCHANGE RATES

		Average rates per 1 EUR		Period-end rates per 1 EUR	
		2016	2015	31/12/2016	31/12/2015
VAE-Dirham	AED	4.050	4.051	3.869	4.012
Swiss francs	CHF	1.090	1.064	1.074	1.083
Czech crowns	CZK	27.026	27.259	27.011	27.011
Danish crowns	DKK	7.445	7.460	7.434	7.462
British pound	GBP	0.823	0.723	0.856	0.737
Indian rupees	INR	74.142	70.858	71.479	72.329
Mexican pesos	MXN	20.670	17.642	21.782	18.887
Norwegian crown	NOK	9.247	-	9.080	-
Polish Zloty	PLN	4.345	4.173	4.410	4.238
Romanian new leu	RON	4.486	4.438	4.531	4.528
Swedish crowns	SEK	9.467	9.341	9.571	9.164
Singapore dollar	SGD	1.523	1.520	1.523	1.545
Turkish lira	TRY	3.342	3.038	3.709	3.182
US dollar	USD	1.103	1.104	1.054	1.093
Vietnamese dong	VND	24,367.675	23,997.167	23,639.700	24,154.600

In the consolidated assets, the acquisition costs were converted using historical exchange rates. Differences from converting the historical rates to period-end exchange rates on 31 December 2016 are shown in a separate column. In the Schedule of provisions the conversion differences that occur from the deviating period-end exchange rates between 31 December 2016 and 31 December of the prior-year, are likewise shown in a separate column.

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The transactions executed in foreign currency in the ongoing business are posted with the daily exchange rate. If from these postings, exchange rate gains or exchange rate losses occur due to payments or valuations at later points in time, these will be reflected in the Income statement. Currency differences from expense and income consolidation will also be recognised in the Income statement

IX. Balance sheet

Intangible assets

The Allgeier Group capitalises orders on hand, customer lists, websites and products that have been acquired as part of enterprise mergers at the fair values. Amortisation of the orders on hand occurs concurrently with revenue recognition of the orders. The acquired products are amortised linearly over 4 years. The customer lists are amortised over a term of 5 years.

In-house developments are recognised as intangible assets, if the development costs can be reliably valuated, and from which an economic benefit from a sale of the services anticipated in the future is probable. The capitalised costs for the in-house developments are valued at cost of acquisition or production minus depreciation and impairment. In-house developments are depreciated for the first time from the month of completion with a term of 4 years. If required, extraordinary impairments are undertaken on the in-house developments.

Purchased software, licenses and rights are valued at their acquisition costs. Brands and domains are written off over a term of 15 years. Otherwise software, licenses and rights are subject to scheduled amortisation over 3 to 6 years. Software, licenses and rights are capitalised if it is likely that the company will obtain a future economic benefit from the asset and the acquisition or production cost of the assets can be correctly determined. On every balance sheet date, the Group reviews whether an unplanned decrease in value on the assets must be recorded. Interest on debt is not included in the cost of production.

Goodwill that occurs as part of enterprise mergers, is recognised as an intangible asset with an indefinite useful life. Goodwill is subject to annual impairment tests. If the recoverability is no longer present, non-scheduled amortisation will be undertaken on the goodwill. Impairment tests are also performed should certain findings indicate a need for necessary adjustments.

Property, plant and equipment

Capital assets are recognised at cost of acquisition or production, less accumulated depreciation. For company-produced assets, the cost of production includes costs that can be directly assigned, pro-rata overhead costs and depreciation. Interest on debt is also included in the cost of production for buildings. Repair and maintenance costs are expensed directly. Straight-line depreciation is recorded over the expected, estimated useful life of the assets. The book values of capital assets are subject to an impairment test as soon as this is indicated. Property, property rights and buildings, including constructions on third-party property, are valued according to the acquisition cost model. Straight-line depreciation on buildings is recognised over a maximum useful life of 50 years. Other plant, operating and office equipment is subject to straight-line depreciation over a period of 3 to 15 years.

Finance-leasing contracts are capitalised with their utilisation value, if the prerequisites of the financial leasing are met. For finance-lease, economic ownership of the leased assets is deemed to be held by the lessee, insofar as the lessee bears the material opportunities and risks associated with ownership of the leased asset. In this case the leased asset is capitalised when the leasing agreement is concluded, at the present value of the lease payments plus incidental costs borne by the lessee. The depreciation of the utility values of the leased assets occurs in accordance with the terms of comparable assets. Payment obligations resulting from future lease payments are recognised as non-current and current liabilities. The lease payments are allocated to financing costs and redemption of the residual debt.

Determination, as to whether an agreement is or contains a leasing relationship is made on the basis of the economic content of the agreement at the time the agreement is entered into. An agreement is or contains a leasing relationship, if the fulfilment of the contractual agreement depends on the use of a specific asset or assets and the agreement transfers a right to use the asset or assets, even if this asset or these assets is not/are not expressly specified in an agreement.

In addition to financial leasing agreements, the Group has entered into leasing agreements that meet the criteria for operating leasing and are not capitalised. This includes, in particular, leasing agreements for company vehicles, usually with a contractual term of 3 years and the subsequent return of the leased assets to the lessor at the end of the lease term. The leasing costs from operating leasing are recorded as other operating expenses. The future obligations arising from these agreements are reported within other financial liabilities.

At-equity investments

Investments in joint ventures and associated companies are recognised according to the at-equity method. According to the at-equity method, the pro-rata share of the annual results leads to a corresponding increase or corresponding decrease of the investment's book value in the consolidated financial statements. Pro-rata losses are written off with the book value of the investment, and amounts greater than the book value are offset with the loan granted on the at-equity investment. Goodwill related to associated companies is not subject to regular amortisation; rather it is part of the book value of the at-equity investment and is subject to an annual impairment test according to IAS 36.

Other financial investments

Other financial investments are recognised at the cost of acquisition using the acquisition cost method.

Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences between values for tax and financial reporting purposes and for consolidation measures affecting profit or loss. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of loss carry-forwards in subsequent years where said utilisation is assured with sufficient certainty.

Deferred taxes are calculated at the applicable or expected tax rates at the time of realisation according to the current legal situation in the respective countries. The deferred taxes are calculated at country-specific rates on the asset and liability differences, as well as realisable loss carry-forwards. The country-specific tax rates are as follows:

COUNTRY	TAX RATE
Germany	30%
Austria	25%
Switzerland	19%
India	34%
USA	40%
Sweden	22%
Great Britain	20%
Norway	24%
France	33.3%
Denmark	22%
Turkey	20%

Offsetting deferred tax assets and liabilities is performed to the extent they can be offset in the relationship with a tax authority. Deferred tax assets and liabilities are reported under non-current assets and con-current liabilities.

Inventories

Inventories are valued at the lower of the cost of acquisition or production and the net realisable value. The weighted average method is used to establish the cost of acquisition. Impairments are recorded if the cost of acquisition or net realisable value has decreased on the reporting date. Production costs include all direct material and manufacturing costs, as well as material and manufacturing overhead costs. General administrative and selling expenses, as well as debt interest, insofar as the requirements of IAS 23 are not met, are not included in inventories. Incomplete services are valued according to the degree of completion based on the specific contract provisions, at the direct costs plus pro-rata production overhead costs.

Trade receivables

Trade receivables are valued at amortised cost. This corresponds to the nominal value of the receivables, less individual allowances for doubtful accounts. Impairments on receivables are recognised when there are indications of default or the receivables have been overdue for an extended period of time. No lump-sum allowances for doubtful accounts are recognised. Trade receivables are written off if payment is no longer expected.

Other financial assets

Other financial assets are recognised at nominal value, less individual allowances for doubtful accounts. Individual allowances for doubtful accounts are recognised when payment default is likely.

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The Allgeier Group uses foreign exchange futures and interest rate swaps as derivative financial instruments to reduce exchange rate risks. These hedging transactions are recognised at market value. Positive market values result in the recognition of a financial asset and negative market values in the recognition of a financial liability. Gains and losses due to changes in present value are recorded through profit or loss, unless the specific regulations for hedge accounting apply. Derivatives are recorded on the respective trading day.

Other assets and income tax receivables

Other assets are recognised at their nominal values.

Cash and cash equivalents

Cash and cash equivalents include cash balances, bank balances and current deposits with original terms of less than three months. They are valued at their nominal values.

Treasury shares

Treasury shares are reported as negative values under equity. The purchase or sale of treasury shares does not affect profit or loss. All consideration received or paid is recorded directly in equity.

Pension provisions

Pension provisions are recognised for defined benefit obligations under pension plans for active or former employees of the Group. Defined benefit obligations are valued by a recognised actuary using the projected unit credit method under consideration of future wage, salary and pension trends. The calculation according to actuarial principles is based on the 2005 G mortality tables according to Heubeck, the individual pension commitments and, as a rule, the following general parameters:

	31/12/2016	31/12/2015
Calculated interest rate candidates	1.90%	2.30%
Calculated interest rate pensioners	1.65%	2.10%
Increase in the current pension	1.50%	1.50%
Fluctuation	0.00%	0.00%

Reinsurance contracts were included in part in order to cover the pension commitments. Insofar as the reinsurance coverage is pledged to the beneficiary, the present value of insurance policies is offset against the pension provisions.

The service cost (current and subsequent service cost, gains or losses due to plan changes or reductions) and interest expenses or revenues on the net obligation (pension obligations less present value of the plan assets) are reported on the income statement. To determine the interest income on plan assets – regardless of whether this is later offset against the interest expenses on the pension obligations or reported under interest income – only a typical interest yield on the plan assets at the discount rate of the fair value of entitlements at the start of the year is allowable.

CONSOLIDATED NOTES • GENERAL INFORMATION

Revaluations due to actuarial gains and losses, as well as income on the plan assets (excluding interest on the net obligation) are recorded directly in other comprehensive income, directly in equity, and are not subsequently reclassified to the income statement. The actuarial gains and losses include the differences between the planned and actual fair value of entitlements at year-end and the effects of changes in the valuation parameters.

Obligations for defined contribution plans are expensed directly after the corresponding job performance of the employees.

Other provisions

Other provisions are recognised when there is a legal or factual obligation to a third party due to a past event, which is expected to result in a future transfer of assets, and this future transfer of assets can be estimated reliably. The provisions are recognised for all identifiable risks and contingent liabilities at the expected amounts. The provisions are not offset against recourse claims. Warranty provisions are recognised based on past and/or estimated future claims. The cost for the recognition of provisions is reported on the income statement after deducting expected reimbursements. The non-current shares of the provisions are discounted.

Financial liabilities

Interest-bearing loans are recognised at the amount received on the date the loan is taken out. Transaction costs are recorded under financial liabilities. Subsequently, the financial liabilities are valued at amortised cost, with transaction costs distributed over the term using the effective interest method. Borrowing costs are expensed directly in the period in which they are incurred.

Trade payables

Trade payables are initially recognised at the settlement amount. Subsequently they are valued at amortised cost.

Other financial liabilities

Other financial liabilities are initially recognised at the settlement amount. Subsequently they are valued at amortised cost. The other financial liabilities include conditional liabilities from enterprise acquisitions that are recognised and subsequently valued at fair value. The non-current portion of other financial liabilities is recognised at the present value of the expected future payments. Market interest rates according to the term are used.

Other liabilities

Other liabilities are initially recognised at the cost of acquisition. Subsequently they are valued at amortised cost.

Financial instruments

Financial instruments are contracts that encompass financial assets, financial liabilities and equity instruments.

The financial assets include financial investments, loans and receivables, derivatives with a positive present value and cash in hand. Based on their characteristics and the purpose for which they were acquired, the financial assets are assigned to the categories "financial assets valued at fair value", "financial assets not valued at fair value".

The financial liabilities include liabilities to financial institutions, trade payables, liabilities under financial leasing and other financial liabilities. Based on their characteristics and the purpose for which they were acquired, the financial liabilities are assigned to the categories "financial liabilities valued at fair value", "financial liabilities not valued at fair value". The fair value option of classifying financial instruments under fair value through profit or loss when they are first recognised is not used by the Allgeier Group.

Financial assets valued at amortised cost are non-derivative financial assets with payments that are fixed or can be determined, and not listed in an active market. After they are first recognised, such financial assets with respect to subsequent valuation are valued at amortised cost less possible decreases in value. A decrease in value is recorded under other operating expenses and a reversal is recorded under other operating income. On every reporting date, the Group conducts a review for indications of the need for impairments. If there are indications that the present value of the expected future cash flows is less than the book value, the impairment loss is the difference between the book value of the financial asset and the present value of its expected future cash flows. The book value of the assets is reduced using an impairment account and the impairment loss is recorded through profit or loss. If the impairment loss is increased or reduced in one of the following reporting periods due to an event that occurs after the impairment is recorded, the previous impairment loss is increased or decreased through profit or loss by adjusting the impairment account. The financial assets valued at fair value through profit or loss include derivatives that are classified as valued at fair value through profit or loss when they are first recognised and shares in an unlisted venture capital company that has been classified as "available for sale". Subsequently these financial assets are valued according to the assignment to this category.

Financial assets valued at amortised cost are non-derivative financial assets with payments that are fixed or can be determined. They are recognised and subsequently valued using the effective interest method. When liabilities are taken off the books, the resulting gains are recorded under other operating income. The financial liabilities valued at fair value through profit or loss include conditional purchase price liabilities from enterprise acquisitions that are classified as valued at fair value through profit or loss when they are recognised. Subsequently these financial liabilities are valued according to the assignment to this category. Effects from the revaluation of conditional purchase price liabilities are recorded through profit or loss.

X. Income statement

The income statement was prepared using the total expenditure format.

Revenues and other income are realised after performance, when the material risks and opportunities are transferred to the beneficiary and it is sufficiently likely that the Group will obtain the economic benefit of performance. Revenues are reduced by rebates, customer discounts and bonuses granted to customers.

Product revenues are realised when the opportunities and risks associated with ownership of the products sold are transferred to the buyer. This is usually the case upon delivery of the product. Service revenues are recorded depending on the contract provisions under consideration of the services provided. This is usually done on the basis of days and hours worked. In case of fixed price contracts, service revenues are recorded based on the degree of order completion and under consideration of realised partial performance. Furthermore, licensing revenues are recorded in the applicable period according to contract provisions.

As compensation for services provided, the Allgeier Group grants managers share-based payments in the form of equity instruments (stock options). Expenses for the job performance of employees who are granted the options to purchase shares of Allgeier SE in exchange are determined according to the fair value of the options on the day they are granted, including market-specific performance conditions. Other performance and market-neutral exercise terms and conditions that lead to the options not being exercised are not included in the fair value calculation. With the exception of subsequent adjustments to the exercise price, market-neutral exercise terms and conditions are taken into account in the assumption of the expected number of options that can be exercised. The calculated total value of the stock options was recorded under personnel expenses on the date of issue since the options do not expire. The offsetting entry is made directly in equity (capital reserve). At the end of each reporting period, the number of options that can be exercised based on market-neutral exercise terms and conditions has to be reviewed. Adjustments are made for subsequent deviations from the initial valuation and recorded on the income statement and in equity. New shares are issued when the options are exercised. Cash that is received, less transaction costs that can be directly assigned, is recorded in subscribed capital (nominal amount) and the capital reserve.

Operating expenses are recorded at the time of performance.

Borrowing costs are expensed in the period in which they are incurred.

Income taxes are determined according to the tax law provisions of the countries where the respective Group company is active.

XI. Estimates and assumptions

Estimates and assumptions were made when preparing the consolidated financial statements that affect the amount and disclosure of the reported assets and liabilities, as well as the disclosure of income and expenses. Even though these estimates and assumptions were made conscientiously, the actual values can deviate. The estimates and assumptions are always being reviewed. Necessary adjustments are recognised prospectively.

The estimates and assumptions mainly relate to the valuation of conditional purchase price components for enterprise acquisitions, recording the impairment of current assets, the calculation of income tax liabilities and the valuation of provisions. If the estimates and assumptions are significant and an essential adaptation could be necessary in the financial year 2016, this will be cited in the Notes to the balance sheet. From today's perspective, material adjustments to the assets and liabilities reported on the consolidated balance sheet are not expected in the following financial year.

B. NOTES TO THE CONSOLDATED BALANCE SHEET

1. Intangible assets

Intangible assets developed as follows:

INTANGIBLE ASSETS (in EUR thousand)

	Orders on hand	Customer lists	Products	Website	Software, licenses & rights	In-house develop-ments	Goodwill	Total
Book value on 31 December 2014	**443**	**12,463**	**1,297**	**93**	**3,677**	**0**	**104,758**	**122,731**
Changes 2015:								
Additions to the scope of consolidation	984	4,146	535	0	101	0	8,867	14,633
Additions	0	0	0	0	910	2,018	0	2,928
Disposals at book values	0	0	0	0	0	0	0	0
Currency differences	0	314	13	6	58	0	4,055	4,446
Regular amortisation and depreciation of the continuing operations	-1,358	-4,921	-477	-40	-1,271	0	0	-8,067
Regular amortisation and depreciation of the discontinued operations	-14	-1,053	-375	0	-135	0	0	-1,577
Disposals from the scope of consolidation	0	-217	-584	0	-368	0	-17,164	-18,333
Book value on 31 December 2015	**55**	**10,732**	**409**	**59**	**2,972**	**2,018**	**100,516**	**116,761**
Changes 2016:								
Additions to the scope of consolidation	490	4,884	0	11	225	0	4,177	9,787
Additions	0	0	0	0	1,685	2,579	0	4,264
Disposals at book values	0	0	0	0	-5	0	0	-5
Currency differences	-3	129	0	0	24	1	1,256	1,407
Regular amortisation and depreciation of the continuing operations	-542	-4,481	-145	-25	-1,749	-110	0	-7,052
Regular amortisation and depreciation of the discontinued operations	0	-245	-111	0	-13	0	0	-369
Minus scheduled amortisation of Talentry included therein	0	0	111	0	5	0	0	116
Impairments	0	-720	0	0	0	0	-1,114	-1,834
Disposals from the scope of consolidation	0	-855	0	0	-14	0	0	-869
Book value on 31 December 2016	**0**	**9,444**	**264**	**45**	**3,130**	**4,488**	**104,835**	**122,206**

The intangible assets include the software, licenses and rights required for business operations, as well as orders on hand, customer lists, products, websites and goodwill identified for companies acquired with respect to enterprise acquisitions.

In the financial year 2016, orders on hand were acquired in the amount of EUR 490 thousand (prior-year: EUR 984 thousand). The orders on hand were valued at their expected net amount determined as the order value for the orders less full costs. Orders on hand are written off when the underlying orders are realised and invoiced.

In the 2016 financial year, customer lists were acquired in the amount of EUR 4,884 thousand (prior-year: EUR 4,146 thousand. To value the customer lists, the historicised sales by regular customers and other customers were examined and analysed to determine what sales with regular customers can be expected to be generated in the next five years. These sales were recognised under customer lists at their expected net amounts on a full cost basis less discounts for possible drops in earnings, risks due to the lapse of time and customer dependencies, and less amounts already included as orders on hand. The customer lists are subject to straight-line amortisation over a useful life of five years. Due to the loss of a customer a non-scheduled decrease in value on the customer lists occurred in the amount of EUR 720 thousand.

The acquired products are valued based on sales planning and the expected net amount for the products less risk discounts due to ageing and technical obsolescence. A planning period of five years was used for valuation. The products are subject to straight-line amortisation over four years.

Websites are subject to regular straight-line amortisation over five years.

Goodwill results from the difference occurring between the purchase costs of the purchased companies and the fair value of the assets, liabilities and contingent liabilities of the acquired companies on the acquisition date. In the financial year 2016 goodwill in the total amount of EUR 4,177 thousand from the newly acquired companies was received. From the conversion of the companies that were not acquired in euro, goodwill increased by a total of EUR 1,256 thousand. The currency differences were recorded in the Consolidated statement of comprehensive income under other comprehensive income. In the financial year 2016 the goodwill of Oxygen was depreciated by EUR 1,114 thousand due to a lack of recoverability.

Goodwill is subject to regular annual impairment tests and, insofar as there are indications of impairment, also on a case-by-case basis. The Allgeier Group uses the value-in-use methods on the basis of the planning calculations for impairment tests. If market prices are present in individual cases, these are used for the valuation. For the valuation of the utility values the value-in-use method accesses the three-year planning of the Cash Generating Unit Cash Generating Unit ("CGU"). For the following years the method carries forward the cash flows of the third detailed planning year for all other years in the future. The cash flows are discounted as a perpetuity with a capitalisation rate of interest after taxes of 2.87% (prior-year: 3.07%). In the planning phase after the third planning year, the interest rates will be reduced by a growth allowance of 1 percentage point respectively. The interest rate takes debt and equity ratios into account that are derived from a Group of comparative companies.

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

The following parameters were incorporated in calculating the capitalisation rate of interest:

CAPITALISATION RATE OF INTEREST	2016	2015
Interest rate for 10-year bonds	0.74%	1.09%
Equity ratio comparison Group	73.79%	66.40%
Debt ratio comparison Group	26.21%	33.60%
5-year beta factor Allgeier SE	0.5186	0.4995
Tax rate	30.00%	30.00%
Interest rate on debt capital	2.27%	2.93%
Risk premium for equity	5.00%	5.00%

In addition to assessing the value in use of the CGUs on the basis of three-year planning, an alternative valuation is prepared assuming steady growth of 2% in all future years based on results for the reporting year adjusted for extraordinary items. This calculation is used in particular when budgets for the current year and the prior-years were not met and there were indications that the corporate planning figures for the three-year planning may not be met either. In case of goodwill where the underlying acquisition of all or significant parts of the company is no more than one year in the past, the purchase price for the shares, which represents the market price, is used as the assessment base. In the financial year 2016, with the exception of Oxygen, all goodwill was considered as having substantial value.

In the financial year 2016 the reporting and monitoring structures were realigned and the Cash Generating Unit was adapted to the new structures. The Allgeier Group reports again in accordance with the following internal structures, in which the cash generating units were combined in 2016:

- Experts
- Nagarro
- Solutions IP
- Solutions SAP
- mgm

In the financial year 2016, the goodwill developed for each of the cash generating units specifically as follows:

GOODWILL (in EUR thousand)	Consolidated 31/12/2016	Impair-ments	Currency differences	Additions	Transfer posting	Consolidated 31/12/2015
Experts	**52,807**	**0**	**20**	**2,335**	**50,452**	**0**
Goetzfried Group	0	0	0	0	-25,282	25,282
tecops	0	0	0	0	-19,078	19,078
networker	0	0	0	0	-4,080	4,080
UNP	0	0	0	0	-2,012	2,012
Nagarro	**43,747**	**0**	**1,421**	**1,842**	**0**	**40,484**
Solutions IP	**4,214**	**0**	**0**	**0**	**4,214**	**0**
Allgeier Schweiz	0	0	0	0	-2,353	2,353
Allgeier Productivity Solutions	0	0	0	0	-1,189	1,189
Allgeier Medical IT	0	0	0	0	-672	672
Solutions SAP	**0**	**0**	**0**	**0**	**0**	**0**
mgm	**4,067**	**0**	**0**	**0**	**4,067**	**0**
mgm tp Munich	0	0	0	0	-3,498	3,498
mgm sp Munich	0	0	0	0	-330	330
mgm cp Hamburg	0	0	0	0	-239	239
Oxygen	**0**	**-1,114**	**-185**	**0**	**0**	**1,299**
	104,835	**-1,114**	**1,256**	**4,177**	**0**	**100,516**

Individually the values in use of the Cash Generating Units are as follows:

VALUES IN USE OF THE CASH GENERATING UNITS (in EUR thousand)	Experts	Nagarro	Solutions IP	mgm
Growth rates and value in use 2015				
Average annual sales growth	15.9%	15.7%	10.3%	11.4%
Average annual growth of the underlying cash flow	25.3%	20.3%	119.9%	-2.2%
Value in use EUR million	**711**	**554**	**272**	**180**
Growth rates and value in use 2016				
Average annual sales growth	9.2%	14.3%	5.0%	11.8%
Average annual growth of the underlying cash flow	1.7%	4.0%	52.3%	-6.7%
Value in use EUR million	**443**	**636**	**149**	**221**

The Nagarro Group and mgm have grown much faster than the market, so that growth significantly above the market continues to be expected for the years of the detailed planning period.

With the exception of "in-house developments", all intangible assets were acquired by purchase.

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

2. Property, plant and equipment

The development of property, plant and equipment was as follows:

PROPERTY, PLANT AND EQUIPMENT (in EUR thousand)	Property, property rights and buildings	Other plant, operating and office equipment	Financial leasing	Total
Book value on 31 December 2014	**3,601**	**6,133**	**1,625**	**11,359**
Changes 2015:				
Additions to the scope of consolidation	0	335	0	335
Additions	0	4,520	2,047	6,567
Disposals at book values	0	-63	-9	-72
Currency differences	88	70	94	252
Regular amortisation and depreciation of the continuing operations	-164	-2,903	-1,182	-4,249
Regular amortisation and depreciation of t he discontinued operations	0	-534	0	-534
Disposals from the scope of consolidation	0	-841	0	-841
Book value on 31 December 2015	**3,525**	**6,717**	**2,575**	**12,817**
Changes 2016:				
Additions to the scope of consolidation	0	642	0	642
Additions	194	3,956	1,434	5,584
Disposals at book values	0	-86	-2	-88
Currency differences	36	2	31	69
Regular amortisation and depreciation of the continuing operations	-192	-3,203	-1,434	-4,829
Regular amortisation and depreciation of the discontinued operations	0	-88	0	-88
Minus scheduled amortisation of Talentry included therein	0	11	0	11
Disposals from the scope of consolidation	0	-371	0	-371
Book value on 31 December 2016	**3,563**	**7,580**	**2,604**	**13,747**

The Allgeier Group use financial leasing to finance parts of the operating and office equipment and the intangible assets. On 31 December 2016 finance-lease agreements existed with a value in use of EUR 2,604 thousand (prior-year: EUR 2,575 thousand). In the 2016 financial year, new leasing agreements with rights of use were added in the amount of EUR 1,434 thousand (prior-year: EUR 2,047 thousand). All contracts have terms of 36 and 60 months. At the end of the term leased assets can be purchased or returned to the lessor.

The minimum lease payments from the financial leases and the present values recognised as liabilities are as follows:

MINIMUM LEASE PAYMENTS & RECOGNISED PRESENT VALUES (in EUR thousand)	**2016**	**2015**
Minimum lease payments:		
Due within a year	1,424	1,305
Due between 1 and 5 years	1272	1,374
Total	**2,696**	**2,679**
Present value of the minimum lease payments:		
with remaining period up to 1 year	1,327	1,198
with remaining term between 1 and 5 years	1,215	1,302
Total	**2,542**	**2,500**

The minimum lease payments were converted with the rate on the balance sheet date of 31 December 2016.

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

3. At-equity investments

Talentry GmbH

In October 2016 the Allgeier Group gave up control of the previously fully consolidated Talentry GmbH, and since then still holds 40.8% of the shares of the company. On 31 October 2016 these shares were added as at-equity investment at fair value in the amount of EUR 4,489 thousand. Fair value is derived from the market price that third parties have paid for shares in the company as part of a capital increase. Talentry develops and sells a cloud-based enterprise software for the recruiting of employees using the contacts and social networks of the existing and participating employees (employees recruiting employees).

The Talentry result must be allocated in the continuing operations area in the months November and December as follows:

TALENTRY GMBH (in EUR thousand)	
Revenues	80
Net income	-270
Net income	-270
Share of the Allgeier Group on the results for the period (40.8%)	**-110**

The at-equity book value of Talentry is comprised as follows:

TALENTRY GMBH (in EUR thousand)	**31/12/2016**	**31/10/2016**
Non-current assets	82	77
Current assets without cash and cash equivalents	202	78
Outstanding capital contribution	0	2,000
Cash and cash equivalents	1,783	19
Other current financial liabilities	-362	-199
Net assets	**1,705**	**1,975**
Share of the Group in net assets (40.8%)	696	806
Goodwill	3,683	3,683
At-equity book value	**4,379**	**4,489**

GDE Group

Until December 2016 the Allgeier Group recognised the GDE Group as an at-equity investment. Until December 2016 Allgeier SE increased its influence on the entrepreneurial alignment and the financial dependency of the GDE Group on Allgeier. With these steps, the Allgeier Group took over the controlling position of the GDE Group, and as of the valuation date 31 December 2016 the Allgeier Group undertook the full consolidation of the GDE Group. Allgeier SE continues to hold 50% of the voting rights of GDE Holding GmbH.

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

In the continuing operations the result of the GDE Group developed as follows:

GDE GROUP (in EUR thousand)	2016	2015
Revenues	2,580	2,534
Regular amortisation and depreciation	174	172
Interest income	0	0
Interest expenses	487	238
Income tax expenses	0	0
Net income	-3,126	-1,370
Net income	-3,126	-1,370
Shares of non-controlling shareholders	306	168
Net income attributable to shareholders of the GDE Holding (100%)	-2,820	-1,202
Share of the Allgeier Group on the results for the period (50%)	**-1,410**	**-601**

The assets and liabilities of the GDE Group and the at-equity book value until directly prior to initial consolidation were comprised as follows:

GDE GROUP (in EUR thousand)	31/12/2016	31/12/2015
Non-current assets	851	779
Current assets without cash and cash equivalents	2,978	1,781
Cash and cash equivalents	310	184
Non-current liabilities	-8,065	-6,716
Current financial liabilities	-3,971	-573
Other current financial liabilities	0	-226
Net assets 100%	**-7,897**	**-4,771**
Less pro-rata net assets of non-controlling shareholders	701	395
Net assets of parent company shareholders 100%	**-7,196**	**-4,376**
Share of the Group in net assets 50%	-3,598	-2,188
Goodwill	1,072	1,072
Value of the joint venture company	**-2,526**	**-1,116**
Losses exceeding the value of the investment	**2,526**	**1,116**
Book value of joint ventures	**0**	**0**

Until just prior to the takeover of the GDE Group into full consolidation, the losses of the GDE Group were offset with the long term loan provided by Allgeier SE to the GDE Group for financing of the business. On 31 December 2016 total amount of the loan was EUR 8,065 thousand (prior-year: EUR 6,722 thousand). The loan bears interest at 3% per annum. The impairment on the loan formed on 31 December 2016 increased to EUR 2,526 thousand (prior-year: EUR 1,116 thousand). The impairment corresponds to the pro rata results for the period of the GDE Group of the years 2014 to 2016. As part of the full consolidation and for preparation of consolidation of liabilities of the GDE Group, the loan payable was written off by Allgeier SE at the book value of the loan.

4. Other financial assets

The other financial assets break down as follows:

OTHER FINANCIAL ASSETS (in EUR thousand)	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Security deposits	2,225	2,088	137	2,166	2,035	131
Loans from the sale of Terna	2,120	2,120	0	4,000	2,000	2,000
Loans from the sale of the Benelux Group	1,200	900	300	1,590	1,200	390
Receivables from employees	886	0	886	822	0	822
Claims from reimbursement of training costs from the participants of the GDE Group	798	0	798	0	0	0
Derivative financial instruments	651	0	651	402	0	402
Other financial assets	612	612	0	258	258	0
Loans to shareholders of mgm cp Hamburg	552	552	0	741	741	0
Receivables from loans	544	0	544	948	20	928
Security to suppliers	508	0	508	886	0	886
Creditors with debit balances	109	0	109	116	0	116
Receivables from factoring	105	0	105	2,987	0	2,987
Receivables from at-equity investments	0	0	0	5,631	5,606	25
Loan from the sale of b+m	0	0	0	900	0	900
Other	2,447	530	1,917	2,232	350	1,882
	12,757	**6,802**	**5,955**	**23,679**	**12,210**	**11,469**

In the financial year 2016, a vendor loan granted to the purchaser of Terna Holding GmbH, Innsbruck in 2015, in the amount of EUR 4 million was repaid with EUR 2 million. On 31 December 2016 the balance due on the loan, including accrued interest was EUR 2,120 thousand. Repayment of the remaining loan balance will occur in years 2019 to 2021. The loan bears interest at a fixed rate of 6% p.a. The interest is due and payable at the end of the loan term.
On 31 December 2016 the vendor loan granted in 2014 arising from the sale of the Benelux Group had a remaining loan balance of EUR 1,200 thousand. The loan must be repaid with a total yearly payment of EUR 300 thousand. The loan bears interest based on the 12-month Euribor plus a margin of 3%. The interest is due and payable at the end of each year. On 31 December 2016 the interest rate was 2.92%.

31 December 2016 the remaining loan balance on the loan granted to the non-controlling interests of mgm cp Hamburg was EUR 552 thousand (prior-year: EUR 741 thousand). In the financial year 2016 a payment on the loan in the amount of EUR 201 thousand was made. The loan has a term until 31 December 2022. The annual interest is based on the 1-year Euribor plus a surcharge of 2%. On 31 December 2016 the interest rate was 1.92%.

The other receivables from loans are interest-bearing. Essentially, these loans were agreed at fixed interest rates between 3% and 5% p.a.

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

5. Other assets

The other assets break down as follows:

OTHER ASSETS (in EUR thousand)

	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Accruals and deferrals	4,066	284	3,782	3,697	212	3,485
VAT receivables	897	0	897	2,985	0	2,985
	4,963	**284**	**4,679**	**6,682**	**212**	**6,470**

6. Deferred taxes

Deferred tax assets and liabilities recognised on temporary differences between values for tax and financial reporting purposes, on consolidation measures affecting profit or loss, and on existing loss carry-forwards and impairments of loans between Group companies apply the following balance sheet items and items on the income statement as follows:

DEFERRED TAXES (in EUR thousand)

	31/12/2016			31/12/2015		
	Deferred tax assets	Deferred tax liabilities	Profit and loss	Deferred tax assets	Deferred tax liabilities	Profit and loss
Intangible assets	1,814	4,767	1,406	504	4,992	1,885
Property, plant and equipment	121	270	-371	458	236	139
At-equity investments	0	28	2	0	0	0
Other financial assets	346	374	-104	231	157	66
Pension provisions	68	2	-1	57	0	-6
Other provisions	2,079	236	179	1,602	74	431
Other financial liabilities	445	0	332	114	1	-102
Temporary differences and profit and loss consolidations	**4,873**	**5,677**	**1,443**	**2,966**	**5,460**	**2,413**
Loss carry-forwards before offsetting	3,680	0	2,282	1,528	0	108
Offsetting	-2,539	-2,539	0	-1,047	-1,047	0
Loss carry-forwards after offsetting	**1,141**	**-2,539**	**2,282**	**481**	**-1,047**	**108**
Impairment of loans to Group companies	0	3,154	0	0	3,154	0
Continuing operations	**6,014**	**6,292**	**3,725**	**3,447**	**7,567**	**2,521**

On 31 December 2016, in the Allgeier Group there were corporate tax loss carry-forwards of EUR 35,175 thousand (prior-year: EUR 20,365 thousand) and commercial tax loss carry-forwards of EUR 27,879 thousand (prior-year: EUR 15,956 thousand). This results in deferred tax claims for the Group totalling EUR 10,000 thousand (prior-year: EUR 5,738 thousand). Of the deferred tax assets, EUR 3,680 thousand (prior-year: EUR 1,528 thousand) was recognised as deferred tax assets and EUR 6,320 thousand (prior-year: (EUR 4,210 thousand) was not recognised as an asset since utilisation is uncertain. The anticipated realization of the deferred tax assets arising from loss carry-forwards resulted from changed allocated earnings due to reorganization of the fiscal entities, as well as from planned start-up losses. The impairment of a loan internal to the Group required deferred tax liabilities totalling EUR 3,154 thousand (prior-year: EUR 3,154 thousand).

Of the deferred tax assets EUR 3,291 thousand (prior-year: EUR 2,926 is current, and of the deferred tax liabilities, EUR 2,774 thousand (prior-year: EUR 4,472 thousand) is current The current deferred taxes are shown within the noncurrent assets or within the noncurrent liabilities.

7. Inventories

Inventories break down as follows:

INVENTORIES (in EUR thousand)

	31/12/2016	31/12/2015
Raw material, auxiliary and working materials	10	12
Unfinished products, incomplete services	6,450	5,352
Finished products and goods	544	654
Advance payments made	9	2
	7,013	**6,020**

On 31 December 2016 the cost of acquisition and production of Inventories recognised for continuing operations is EUR 7,013 thousand (prior-year: EUR 6,066 thousand). No impairments were formed on the inventories. Value recoveries did not occur on the impairments formed in the prior-year in the amount of EUR 47 thousand. The net realisable value of inventories for which the impairments were recorded was EUR 128 thousand in the prior-year. In the 2016 financial year, in the continuing operations the Group expensed inventories valued at EUR 365,148 thousand prior-year: EUR 335,265 thousand). In the discontinued operations the expensed inventories were EUR 2561 thousand (prior-year: EUR 37,534 thousand).

8. Trade receivables

Trade receivables break down as follows:

TRADE RECEIVABLES (in EUR thousand)

	31/12/2016	31/12/2015
Receivables from customers	117,349	88,909
Factoring	-19,529	-17,074
Impairment of receivables from customers	-1,990	-1,743
	95,830	**70,092**

Trade receivables usually have terms between 30 and 90 days. Allowances for doubtful accounts are recorded at 50% for receivables overdue more than 180 days and 100% for receivables overdue more than one year. Impairments usually occur on the amounts reduced by income tax. More recent customer receivables are also impaired in whole or in part as soon as indications of default are identified. Receivables covered by bad debt insurance are impaired at the maximum amount of the deductible. In the financial year 2016, the impaired customer receivables whose contractual conditions were renegotiated, and on which otherwise an impairment would have to have been made, were EUR 1,536 thousand (prior-year: EUR 246 thousand). Trade receivables are non-interest-bearing.

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The delay structure of trade receivables is as follows:

DELAY STRUCTURE (in EUR thousand)								
	As at 31/12/2016	Not overdue	Overdue in days					
			<30	30-60	61-90	91-180	181-360	>360
Customer receivables not impaired	94,857	66,014	15,976	7,460	2,553	2,122	721	11
Gross amount of the value-adjusted trade receivables	2,963	417	0	0	0	61	1,078	1,407
Impairments	-1,990	-225	0	0	0	-4	-481	-1,280
Book value	**95,830**	**66,206**	**15,976**	**7,460**	**2,553**	**2,179**	**1,318**	**138**
	As at 31/12/2015	Not overdue	Overdue in days					
			<30	30-60	61-90	91-180	181-360	>360
Customer receivables not impaired	69,255	50,503	10,275	6,161	1,005	710	523	78
Gross amount of the value-adjusted trade receivables	2,580	69	0	0	0	365	759	1,387
Impairments	-1,743	-65	0	0	0	-194	-369	-1,115
Book value	**70,092**	**50,507**	**10,275**	**6,161**	**1,005**	**881**	**913**	**350**

Impairments of trade receivables developed as follows:

DECREASE IN VALUE (in EUR thousand)	2016	2015
Balance on 1 January	1,743	1,340
Additions to the scope of consolidation	225	91
Additions having an effect on the expenses	648	1,002
Consumption and liquidation	-628	-531
Currency differences	2	21
Disposals from the scope of consolidation	0	-180
Balance on 31 December	**1,990**	**1,743**

After factoring, the theoretical maximum default risk for trade receivables is the recognised gross value of EUR 97,820 thousand (prior-year: EUR 71,835 thousand). This risk is reduced by collateral, credit insurance and other credit rating improvements. Via credit insurance 42% (prior-year: 26%) of the gross receivables from customers is covered.

An unchanged factoring volume in the amount of EUR 50 million is available to the Allgeier Group for factoring of customer receivables. The Allgeier Group recognizes the factoring "off-balance" after the entire default risk of these sold receivables transitions to the trade credit insurer, with whom the receivables, with the exception of receivables from public clients, are insured. Interest on the financed receivables is calculated at Euribor plus a margin of up to 1.3%.

On 31 December 2016 of this volume EUR 24,051 thousand (prior-year: EUR 24,564 thousand) was utilised. Of which, a portion in the amount of EUR 19,528 thousand (prior-year: EUR 17,074 thousand) was offset with the trade receivables and the remaining portion paid by the customers in the amount of EUR 4,523 thousand (prior-year: EUR 963 thousand) was shown within the other current liabilities. In addition, in the prior-year EUR 2,987 thousand was capitalized in the other financial assets as part of a confidential factoring, which in the meantime is no longer in effect. The remaining amount of EUR 3,540 thousand of the volume was retained in the prior-year.

Nagarro Norway uses a full-service factoring with the maximum volume of NOK 2 million (EUR 0.2 million). On 31 December 2016 the receivable from the factoring company was EUR 105 thousand. Nagarro Norway pays 5.2% p.a. on the submitted volume, for the factoring.

9. Cash and cash equivalents

Cash and cash equivalents break down as follows:

CASH AND CASH EQUIVALENTS (in EUR thousand)	31/12/2016	31/12/2015
Bank balance	71,736	83,662
Cash balance	38	31
	71,774	**83,693**

Bank balances include term deposits and current account balances. They are highly liquid and available as means of payment on short notice. The demand funds are not subject to the risk of fluctuations in value, or only subject to such risk to an immaterial extent.

10. Subscribed capital

On 31 December 2016 Allgeier SE had subscribed capital in the amount of EUR 9,071,500.00 (prior-year: EUR 9,071,500.00). The subscribed capital is divided into 9,071,500 no-par bearer shares with a nominal amount of capital stock at EUR 1.00 per share. It is fully paid up.

On 30 December 2016 the stock of Allgeier SE was valued at a closing price of EUR 17.30 in Xetra trading on the Frankfurt Stock Exchange. In the prior-year, on 30 December 2015, the stock closed at EUR 16.97. No preferred shares or other shares with special rights or restrictions were issued.

Authorised capital

By resolution of the shareholders' meeting on 17 June 2014 the Management Board with the consent of the Supervisory Board is authorised to increase the capital stock of Allgeier SE, one or more times until 16 June 2019, by a total of EUR 2,267,875.00 in exchange for cash contributions or contributions in kind (authorised capital I). The Management Board with the approval of the Supervisory Board is authorised to exclude statutory shareholder subscription rights for the following cases:

a) For a rights issue for odd lot amounts resulting from the subscription ratio.

b) For a capital increase in exchange for contributions in kind (also indirect) to purchase companies, parts of companies, investments in companies or other assets when the purchase is in the interest of the company.

c) For a capital increase in exchange for cash contributions, for a proportion of authorised capital in the amount of up to EUR 453,575.00 insofar as the issue price of the new shares does not fall significantly below the stock market price.

By resolution of the shareholders' meeting on 23 June 2015, the Management Board with the consent of the Supervisory Board is authorised to increase the capital stock of Allgeier SE, one or more times until 22 June 2020, by a total of EUR 2,267,875.00, in exchange for cash contributions or contributions in kind (authorised capital II). The Management Board with the approval of the Supervisory Board is authorised to exclude statutory shareholder subscription rights for the following cases:

a) For a rights issue for odd lot amounts resulting from the subscription ratio.

b) For a capital increase in exchange for contributions in kind (also indirect) to purchase companies, parts of companies, investments in companies or other contributable assets in conjunction with such a purchase, when the purchase is in the interest of the company.

c) For a capital increase in exchange for cash contributions, for a proportion of authorised capital in the amount of up to EUR 453,575.00 insofar as the issue price of the new shares does not fall significantly below the stock market price. The proportion of share capital allotted to the shares issued in exchange for contributions in kind, calculated in accordance with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10% of share capital existing at the time this authorisation takes effect – or if this value is lower – at the time this authorization is used. Shares that fall within this restriction are shares issued or sold during the term of this authorisation until the time it is used in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to a convertible bond issue that has been floated during the term of this authorisation, excluding the subscription right in accordance with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG)).

The Management Board did not make use of the authorisation to increase the capital stock by utilising the authorised capital I or authorised capital II in the 2016 financial year.

Conditional capital

By resolution of the shareholders' meeting of 17 June 2010, modified by shareholder meeting resolution of 17 June 2014, the share capital of Allgeier SE is further conditionally increased by up to EUR 460,000 through issue of up to 460,000 new no-par bearer shares (conditional capital 2010). The conditional capital 2010 is intended for exercising 460,000 option rights under the stock option plan 2010, which had been issued by the company until 16 June 2015.

By resolution of the shareholders' meeting on 17 June 2014, the share capital of Allgeier SE is further conditionally increased by up to EUR 440,000 through issue of up to 440,000 new no-par bearer shares (conditional capital 2014). The conditional capital 2014 is intended for exercising of option rights under the stock option plan 2014 that can be issued by the company until 16 June 2019. Allgeier SE has not issued any corresponding option rights to date.

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By resolution of the shareholders' meeting on 18 June 2013, the share capital of the Allgeier SE is conditionally increased by up to EUR 3,500,000 through issue of up to 3,500,000 new no-par bearer shares (conditional capital 2013). The conditional capital 2013 is intended for serving convertible bonds, warrant bonds and/or income bonds or participation rights with conversion or option rights, which may be issued by the company itself or a company in which it holds a direct or indirect majority by 17 June 2018. Allgeier SE has not issued any corresponding conversion or option rights to date.

11. Capital reserves

The capital reserve encompasses amounts above the nominal value of the subscribed capital and is broken down as follows:

FAIR VALUES OF ENTITLEMENT (in EUR thousand)	2016	2015
Capital reserve of Allgeier SE	11,306	11,306
Book gain from the sale of treasury shares	3,584	3,584
Issued share options	2,143	2,096
	17,033	**16,986**

12. Retained earnings

Retained earnings encompass the statutory reserve of Allgeier SE. It remains unchanged from the prior-year and is EUR 102 thousand.

13. Treasury shares

The shareholders' meeting on 17 June 2014 authorised the Management Board to acquire treasury shares until 16 June 2019 with a volume of up to 907,150 shares (10% of the capital stock at the time the resolution was passed) subject to the condition that these, together with other treasury shares already acquired and still held by the company, do not exceed 10% of the capital stock. In the financial year 2016 no use was made of this authorisation, so that the portfolio of 151,199 shares reserved as treasury shares, with a book value of EUR 1,379 thousand on 31 December 2016 did not change as compared to the prior-year. With a valuation at the period-end price on 31 December 2016 (closing price on 30 December 2016 in Xetra trading on the Frankfurt Stock Exchange) of EUR 17.30 per share, the present value of the portfolio of treasury shares is EUR 2,615, and hidden reserves in the treasury shares of EUR 1,236 thousand.

On 31 December 2016 1.67% (prior-year: 1.67%) of the share capital relates to treasury shares. 56,417 of the treasury shares are pledged to secure warranty claims with respect to the purchase of Nagarro Group and deposited with Allgeier Nagarro Holding GmbH. The treasury shares are not entitled to dividends.

14. Profit carried forward

The Group's profit carried forward developed as follows:

PROFIT CARRIED FORWARD (in EUR thousand)	2016	2015
Profit carried forward on 1 January	62,558	65,311
Net profit or loss for the period of the prior-year	12,375	2,065
Offsetting of actuarial gains and losses from the disposal of b+m	0	-358
Dividends to shareholders of Allgeier SE	-6,244	-4,460
Profit carried forward on 31 December as originally reported	**68,689**	**62,558**

The net profit or loss for the period of the prior-year applicable to the shareholders of Allgeier SE in the amount of EUR 12,375 thousand (prior-year: EUR 2,065 thousand) was transferred to profit carried forward.

The shareholders' meeting of Allgeier SE on 30 June 2016 passed a resolution for the distribution of dividends at EUR 0.70 per share (prior-year: EUR 0.50 per share. The total dividend was EUR 6,244 thousand (prior-year: EUR 4,460 thousand). Unchanged from the prior-year 8,920,301 shares were eligible for dividends.

15. Changes in equity recognised directly in equity

The changes in equity recognised directly in equity break down as follows:

CHANGES IN EQUITY RECOGNISED DIRECTLY IN EQUITY (in EUR thousand)	31/12/2016	31/12/2015
Currency differences	12,556	11,216
Actuarial gains and losses	-653	-409
Sales of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	-6,337	0
Proportional acquisition of subsidiaries using treasury shares	1,960	1,960
Purchase of shares of non-controlling interests under book value	696	696
Purchase of shares of non-controlling shareholders above book value	-2,778	-2,778
Changes in equity recognised directly in equity	**5,444**	**10,685**

The other comprehensive income reported in the statement of comprehensive income is reconciled with the statement of changes in equity as follows:

(in EUR thousand)	31/12/2016	31/12/2015
Changes in equity not affecting income on 1 January	10,685	4,498
Other comprehensive income from the statement of comprehensive income	1,740	5,826
Transfer postings of the actuarial gains and losses of the sold b+m in the profit carried forward	0	358
Sales of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	-6,337	0
Shares of non-controlling shareholders included in other comprehensive income on the statement of comprehensive income	-644	3
Changes in equity not affecting income on 31 December	**5,444**	**10,685**

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16. Equity share of shareholders with non-controlling interest

The equity share of shareholders with non-controlling interest represents the equity of subsidiaries held by other shareholders. It developed as follows:

EQUITY SHARE OF SHAREHOLDERS WITH NON-CONTROLLING INTEREST (in EUR thousand)	2016	2015
Balance on 1 January	5,261	4,065
Transfer of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	6,337	0
Payments of non-controlling interests of the Nagarro Group as part of the employee stock purchase program	2,282	0
Net profit or loss for the period attributed to non-controlling shareholders	1,971	383
Purchase of shares of non-controlling shareholders of Mokriya	875	0
Proportion of exchange rate changes not affecting net income	686	-3
Additions of shares of non-controlling shareholders of Talentry and SearchConsult	0	895
Purchase of shares of non-controlling shareholders of Corisecio	0	14
Purchase of shares of non-controlling shareholders of mgm sp Dresden	0	-14
Share of actuarial gains not affecting net income	-42	0
Disposal of shares of non-controlling shareholders of Talentry	-101	0
Pay-outs to non-controlling shareholders	-745	-79
Purchase of shares of non-controlling shareholders of the GDE Group	-3,036	0
Balance on 31 December	**13,488**	**5,261**

In fiscal year 2016 a program for participation of employees of the Nagarro Group was agreed. The program is designed to establish a long-term incentive effect to increase the value of the Nagarro Group. In the financial year 2016, as part of the program, management purchased approximately 10.00% and other employees purchased approximately 5.65% of the shares of Nagarro Holding GmbH. From this transaction the Allgeier Group received payments in the amount of EUR 2,282 thousand and within equity transferred EUR 6,337 into the equity of the non-controlling interests. The program, as currently agreed, prescribes that a maximum of up to an approximate total of 17.38% of the shares of Allgeier Nagarro Holding GmbH can be issued to employees of the Nagarro Group.

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17. Financial liabilities

The financial liabilities break down as follows:

FINANCIAL LIABILITIES (in EUR thousand)

	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Borrower's note loan	97,500	84,000	13,500	97,500	97,500	0
./. Deferred one-time costs	-327	-215	-112	-483	-327	-156
Loans of the Nagarro Group	11,200	0	11,200	12,350	0	12,350
Mortgage loan of Nagarro Enterprise Services Pvt. Ltd.	559	364	195	727	565	162
Investment loan of BSH IT Solutions GmbH	55	0	55	274	55	219
Investment loan of networker	0	0	0	267	134	133
Small business loan of SearchConsult	69	44	25	94	69	25
	109,056	**84,193**	**24,863**	**110,729**	**97,996**	**12,733**

In the years 2012 and 2014 Allgeier SE took out borrower's note loans, which on 31 December 2016 had a book value in the total amount of EUR 97.5 million. The loans are structured in tranches with terms of five and seven years and in parts with variable interest rates and fixed interest rates. For the tranches with fixed interest rates, the interest is due and payable annually in March, and for the tranches with variable interest rates, the interest is due and payable semi-annually in March and September.

TRANCHES (in EUR thousand)	Maturity (months)	Issue	Repayment	Interest	Interest rate 31/12/2016	Interest rate 31/12/2015
13,500	60	March 2012	March 2017	fixed	3.93%	3.93%
4,000	84	March 2012	March 2019	fixed	4.78%	4.78%
55,500	60	December 2014	December 2019	6-month Euribor+1.4 percentage points	1.40%	1.44%
11,000	60	December 2014	December 2019	fixed	1.81%	1.81%
7,000	84	December 2014	December 2021	6-month Euribor+1.7% points	1.70%	1.74%
6,500	84	December 2014	December 2021	fixed	2.33%	2.33%

When the borrowers note loans were issued, one-time costs were incurred, which are deferred over the term of the loans and will be appropriately booked as other operating expense.

Allgeier Nagarro Holding GmbH entered into a framework loan agreement in the amount of USD 11.8 million. The framework agreement has a term until 24 October 2017. The amounts drawn bear variable interest rates, which are due and payable monthly, quarterly or semi-annually. Allgeier SE, Nagarro GmbH and Nagarro Software GmbH are guarantors for compliance with the obligations arising from the loan. Allgeier Nagarro Holding GmbH used the framework agreement on 31 December 2016 with USD 11,800 thousand or converted as EUR 11,200 thousand. On 31 December 2016 the interest rate was 2.7561% (prior-year: 2.97%).

Nagarro Enterprise Services Pvt. Ltd, Jaipur, India, in 2012 took out a mortgage loan issued in US dollar for financing of an office building in Jaipur. On 31 December 2016 the loan had a balance due of USD 589 thousand, i.e. EUR 559 thousand (prior-year: USD 794 thousand or EUR 727 thousand). The 6-month Libor plus a surcharge of 600 basis points was agreed as the interest rate for the loan. The loan is repaid in monthly rates of USD 17 thousand. The fixed assets of the borrower were pledged as collateral. 31 December 2016 the book value of the fixed assets was EUR 2,903 thousand (prior-year: EUR 3,165 thousand). On 31 December 2016 the interest rate was 7.29% p.a.

BSH IT Solutions GmbH received a bank loan to finance an investment. On 31 December 2016 the book value of the loan was EUR 55 thousand (prior-year: EUR 274 thousand). The loan was completely repaid in the first quarter 2017. It bears interest at a fixed rate of 4.45% p.a.

In 2014 SearchConsult GmbH took out a small business loan in the amount of EUR 100 thousand. The loan must be repaid quarterly starting in December 2015, in the amount of EUR 6 thousand per quarter. The loan bears interest at a fixed rate of 2.46% p.a.

There were no defaults on payments during the reporting period nor after the end of the financial year. All financial ratios to which Allgeier SE or companies of the Allgeier Group have obligated themselves as part of the loan and credit agreements were complied with in fiscal year 2016.

18. Pension provisions

As of 31 December 2016 the Allgeier Group had pension commitments for three persons in the form of direct commitments. Of the eligible persons, one is active in the Allgeier Group and two persons are pensioners. The commitments in two cases call for the payment of fixed monthly amounts or fixed one time amounts. In one case a fully dynamic pension with an annual increase of 2% was agreed. The pension payments are made starting at the approved retirement age or in case of disability. For one pension beneficiary a widow's pension is agreed. All commitments are non-lapsable. The number and composition of the beneficiaries remained unchanged as compared to the prior-year reporting date.

Due to the existing direct commitments, the Group is exposed to the following actuarial risks:

Longevity risk	The higher life expectancy is higher than the best possible estimate according to the mortality tables. This increases the subsequent, actual pension obligation.
Investment risk	The calculated interest rate to determine the present value of the pension obligations is derived from the yield on first-class corporate bonds. If the yield on plan assets is below this interest rate, this results in a pension plan deficit.
Interest rate risk	A decrease in interest on corporate bonds leads to an increase in pension obligations, but this can be partly compensated by higher plan assets.
Salary risk	Subsequent, unexpected salary increases lead to an increase in pension obligations linked to remuneration.

In case of larger specific obligations, the risk of beneficiary longevity is covered in whole or at least in part via reinsurance. The plan assets consist exclusively of cash value reinsurance.

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To cover pension obligations from continuing operations, the Allgeier Group recognised provisions of EUR 632 thousand on 31 December 2016 (prior-year: EUR 587 thousand). These amounts are reconciled as follows:

PENSION PROVISIONS (in EUR thousand)	**2016**	**2015**
Transition of fair value of entitlement:		
Fair value of entitlements on 1 January	856	2,621
Change in consolidation scope	0	-1,825
Current service cost	26	97
Interest expenses	19	57
Actuarial gains or losses	32	-70
Pension payments	-24	-24
Fair value of entitlements as at 31 December	**909**	**856**
Reconciliation of plan assets:		
Plan assets fair value as at 1 January	269	740
Change in consolidation scope	0	-509
Returns on plan assets	6	15
Employer contributions	9	29
Paid benefits	-6	-6
Actuarial gains or losses	-1	0
Plan assets fair value as of 31 December	**277**	**269**
Net obligation on 31 December	**632**	**587**
of which pension provisions	632	587
of which assets	0	0

The income and expenses from the change in net pension obligations (pension obligations less reinsurance) affected the Consolidated statement of comprehensive income as follows:

INCOME AND EXPENSES FROM THE CHANGE IN THE NET PENSION OBLIGATION (in EUR thousand)	**2016**	**2015**
Personnel expenses		
Current service cost	26	97
Personnel expenses	**26**	**97**
Financial income		
Income on plan assets (cannot be offset)	0	-1
Other interest and similar income	**0**	**-1**
Financial expenses		
Interest expense on pension obligations	19	58
Income on plan assets (can be offset)	-6	-15
Interest and similar expenses	**13**	**43**
Included in the income statement	**39**	**139**
Gain/loss from the revaluation of the pension obligation		
due to changes in financial assumptions	38	-79
due to empirical adjustments	-6	9
Income/expenses on plan assets without interest income	1	0
Included in other comprehensive income	**33**	**-70**

On 31 December 2016 the weighted average term of the defined benefit pension obligations is as follows:

NUMBER OF PENSION BENEFICIARIES	**Active Employees**	**Pensioners**	**Total**
Balance on 31 December 2015	11.6	10.2	11.0
Balance on 31 December 2016	10.8	10.1	10.5

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The actuarial parameters used for calculating the fair value of entitlements and for the change risks are the calculated interest rate, the expected annual salary increases for commitments linked to remuneration (salary dynamics) and the annual increase in the current pensions (pension dynamics). Under the assumption that the remaining parameters are kept constant, the defined benefit obligations on 31 December 2016 changes according to the following sensitivity analysis:

31/12/2016 (in EUR thousand)	Increase	Decrease
Calculated interest rate (1.00% change)	-88	101
Wage dynamics (0.50% change)	0	0
Pension dynamics (0.25% change)	1	-1

The preceding sensitivity analysis was performed using a method that extrapolates the effects on the defined benefit obligation of realistic changes to the key assumptions at the end of the reporting period.

Payments into the defined benefit plan in 2017 are expected to total EUR 9 thousand (prior-year: EUR 9 thousand).

Employer contributions were made for defined contribution plans in the amount of EUR 11 thousand in the financial year (prior-year: EUR 11 thousand).

19. Other financial liabilities

The other financial liabilities break down as follows:

OTHER FINANCIAL LIABILITIES (in EUR thousand)	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Variable purchase price liabilities from company acquisitions, where the actual amount is not yet known	3,068	2,068	1,000	4,304	4,280	24
Original variable purchase price liabilities from company acquisitions, where the actual amount is not yet known	8,452	698	7,754	5,580	699	4,881
Purchase price liability from the call option to acquire the remaining shares of Allgeier Productivity Solutions	800	0	800	2,551	1,751	800
Pending incoming invoices	6,585	0	6,585	5,911	0	5,911
Payments received on orders	6,377	0	6,377	3,645	0	3,645
Liabilities from wages and salaries	6,290	0	6,290	5,115	0	5,115
Leave entitlements	4,903	63	4,840	4,105	65	4,040
Factored invoices, paid by customers	4,522	0	4,522	963	0	963
Liabilities from finance lease	2,541	1,214	1,327	2,500	1,302	1,198
Liabilities with respect to social security	859	0	859	593	0	593
Working time account	827	0	827	735	0	735
Debtors with credit balances	331	0	331	142	0	142
Derivative financial instruments	59	0	59	95	0	95
Remaining	2,485	560	1,925	2,135	558	1,577
	48,099	**4,603**	**43,496**	**38,374**	**8,655**	**29,719**

Variable purchase price liabilities from enterprise acquisitions where the actual amount is conditional and not known were valued according to the expected future payments, based on the planning calculations of the companies and the agreements between the parties. If the conditional purchase price components turn out to be higher, lower or are eliminated entirely, the differences resulting from the adjustments to the purchase price liabilities are recorded in Consolidated statement of comprehensive income as income or expenses. The non-current purchase price liabilities were recognised at the present value of the expected future payments. Market interest rates published by the German Central Bank were used. For the valuation of the liabilities on 31 December 2016, the interest rates, depending on the repayment period, ranged from 1.61% (prior-year: 2.07%) and 2.17% (prior-year: 2.22%). The non-current purchase price liabilities of EUR 2,766 thousand (prior-year: EUR 6,730 thousand are based on a nominal value totalling EUR 3,182 thousand (prior-year: EUR 6,931 thousand). The other non-current financial liabilities have terms from one to five years.

Invoices for goods and services obtained in the financial year were not yet received before closing the books for the fiscal year are recorded as outstanding purchase invoices.

Liabilities from wages and salaries include the payment obligations for wage and church tax due in January of the following year for the past financial year.

The obligations for unused leave days granted to employees of the Allgeier companies for the financial year are deferred as leave entitlements. Expenditures per leave day are calculated according to the individual average salary (excluding one-time payments) of the employees in the financial year, including social security contributions. Claims for leave days of the subsequent year taken in advance are not offset.

The working time accounts represent obligations for working hours accumulated by employees of the Group companies. Time accounts are valued at the individual average salaries of the employees, including social security contributions, without taking leave days, sick leave and holidays as well as one-time payments into account.

20. Other liabilities

The other liabilities break down as follows:

OTHER LIABILITIES (in EUR thousand)	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Liabilities from VAT	5,374	0	5,374	4,100	0	4,100
Accruals and deferrals	4,098	464	3,634	1,449	10	1,439
Other	258	0	258	62	0	62
	9,730	**464**	**9,266**	**5,611**	**10**	**5,601**

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

21. Other provisions

The other provisions break down as follows:

OTHER PROVISIONS (in EUR thousand)

	31/12/2016			31/12/2015		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Royalties and bonuses	7,866	0	7,866	9,428	0	9,428
Gratuity obligation	2,213	1,989	224	1,383	1,224	159
Preparation and audit of annual financial statements	989	0	989	957	0	957
Professional association	600	0	600	582	0	582
Storage	352	294	58	382	294	88
Gratuities	171	0	171	207	0	207
Warranties	170	0	170	90	0	90
Disability levy	164	0	164	140	0	140
Possible liabilities arising from the sale of SearchConsult	0	0	0	230	0	230
Other	983	0	983	1,060	0	1,060
	13,508	**2,283**	**11,225**	**14,459**	**1,518**	**12,941**

The other provisions developed as follows:

OTHER PROVISIONS (in EUR thousand)

	As at 31/12/2015	Additions to consolidation scope	Consumption	Liquidation	Disposal from the scope of consolidation	Additions	Discounting / currency effects	As at 31 December 2016
Royalties and bonuses	9,428	236	-9,283	-336	-43	7,890	-26	7,866
Gratuity obligation	1,383	0	-114	0	0	898	46	2,213
Preparation and audit of annual financial statements	957	25	-731	-74	-25	836	1	989
Professional association	582	7	-524	-22	-22	579	0	600
Storage	382	9	-4	-69	-21	56	-1	352
Gratuities	207	42	-150	-41	0	113	0	171
Warranties	90	0	0	0	-38	118	0	170
Disability levy	140	0	-78	0	-12	114	0	164
Possible liabilities arising from the sale of SearchConsult	230	0	-176	-54	0	0	0	0
Other	1,060	160	-964	-7	0	727	7	983
	14,459	**479**	**-12,024**	**-603**	**-161**	**11,331**	**27**	**13,508**

The provision for royalties and bonuses is recognised for agreed performance-based compensation to management and the employees of the Allgeier companies.

The Indian companies have obligations for future gratuity payments to employees (gratuity obligations) that become payable when employees depart, regardless of termination by the employer or employee. These gratuity payments constitute a defined benefit plan according to IAS 19 and are valued using actuarial methods. Calculating the fair value of entitlements using actuarial principles is based on country-specific mortality tables for India and the following general parameters:

(in EUR thousand)	31/12/2016	31/12/2015
Calculated interest rate	6.60%	7.95%
Salary increase p.a.	12.00%	12.00%
Fluctuation p.a.	20.00%	20.00%
Remaining term of service to retirement in years	31	31

The gratuity obligations, as well as income and expenses from change in the gratuity obligations, are reconciled as follows:

GRATUITY OBLIGATIONS (in EUR thousand)	2016	2015
Fair value of entitlements on 1 January	1,383	881
Income statement		
Current service cost	416	319
Interest expenses	101	73
	517	**392**
Other comprehensive income		
Actuarial gains or losses	381	135
of which from financial assumptions	155	3
of which from empirical adjustments	226	132
Pay-out upon departure	-114	-78
Currency	46	53
Fair value of entitlements as at 31 December	**2,213**	**1,383**

Changes to the actuarial parameters only have an immaterial effect on the fair value of entitlements.

The provision for financial statement costs includes external and internal costs expected to be incurred with respect to the preparation and audit of the annual financial statements and the consolidated financial statements as well as preparation of the tax returns. The internal expenditures include the direct costs for the Group's own personnel plus social security contributions. This provision also includes pro-rata legal and consulting fees expected to be incurred with respect to future audits.

The storage provision covers the cost for statutory storage requirements. It is calculated based on renting storage space for a 10-year retention period with discounting on the basis of an average market interest rate for the last seven years.

Gratuities and the continued payment of salaries for former employees are recorded in the gratuity provision.

Warranties include provisions for individually recorded warranty claims.

Discounting of non-current provisions resulted in income of EUR 1 thousand (prior-year: EUR 2 thousand).

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

22. Financial instruments

The book and market values of financial instruments listed according balance sheet items, valuation categories, classes and hierarchy levels are as follows:

BOOK AND MARKET VALUES OF THE FINANCIAL INSTRUMENTS (in EUR thousand)

	Book values				Book values		Fair value			
31/12/2016	**Hedging instruments**	**Determined at fair value**		**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued at fair value										
Currency futures that are used for hedging purposes	651	0		0	0	651	0	651	0	651
Other financial assets	0	612		0	0	612	0	612	0	612
	651	**612**		**0**	**0**	**1,263**	**0**	**1,263**	**0**	**1,263**
Financial assets not valued at fair value:										
Trade receivables	0	0		95,830	0	95,830				
Other financial assets	0	0		12,757	0	12,757				
Cash and cash equivalents	0	0		71,774	0	71,774				
	0	**0**		**180,361**	**0**	**180,361**				
Financial assets	**651**	**612**		**180,361**	**0**	**181,624**				
Financial liabilities valued at fair value										
Conditional purchase price liabilities	0	11,565		0	0	11,565	0	0	11,565	11,565
Currency futures	59	0		0	0	59	0	59	0	59
	59	**11,565**		**0**	**0**	**11,624**	**0**	**59**	**11,565**	**11,624**
Financial liabilities not valued at fair value:										
Financial liabilities	0	0		0	109,056	109,056				
Trade payables	0	0		0	31,954	31,954				
Leases	0	0		0	2,542	2,542				
Other financial liabilities	0	0		0	33,179	33,179				
	0	**0**		**0**	**176,731**	**176,731**				
Financial liabilities	**59**	**11,565**		**0**	**176,731**	**188,355**				

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

BOOK AND MARKET VALUES OF THE FINANCIAL INSTRUMENTS (in EUR thousand)

		Book values				Book values				Fair value
31/12/2015	**Hedging instruments**	**Determined at fair value**		**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets valued at fair value										
Currency futures that are used for hedging purposes	402	0		0	0	402	0	402	0	402
Other financial assets	0	258		0	0	258	0	258	0	258
	402	**258**		**0**	**0**	**660**	**0**	**660**	**0**	**660**
Financial assets not valued at fair value:										
Trade receivables	0	0		70,092	0	70,092				
Other financial assets	0	0		23,020	0	23,020				
Cash and cash equivalents	0	0		83,693	0	83,693				
	0	**0**		**176,805**	**0**	**176,805**				
Financial assets	**402**	**258**		**176,805**	**0**	**177,465**				
Financial liabilities valued at fair value										
Conditional purchase price liabilities	0	11,680		0	0	11,680	0	0	11,680	11,680
	0	**11,680**		**0**	**0**	**11,680**	**0**	**0**	**11,680**	**11,680**
Financial liabilities not valued at fair value:										
Financial liabilities	0	0		0	110,729	110,729				
Trade payables	0	0		0	29,472	29,472				
Leases	0	0		0	2,500	2,500				
Other financial liabilities	0	0		0	24,194	24,194				
	0	**0**		**0**	**166,895**	**166,895**				
Financial liabilities	**0**	**11,680**		**0**	**166,895**	**178,575**				

For determination of the fair value of assets and liabilities, to the extent possible the Allgeier Group uses prices that can be observed on the market. Depending on the input factors, the fair value is classified in different levels of the valuation hierarchy:

Level 1 Prices for identical assets and liabilities are used that are available in active markets.

Level 2 Other valuation factors are used for an asset or liability that can be observed directly or indirectly, or that can be derived from market prices.

Level 3: Valuation factors are used that are not based on observable market data

There were no regroupings between the valuation categories and hierarchy levels.

Financial instruments categorised in level 3 are derived as follows via:

FINANCIAL INSTRUMENTS CATEGORISED IN LEVEL 3 (in EUR thousand)

	Development of the conditional purchase price liabilities valued at fair value
Balance on 31 December 2014	**16,741**
Additions	6,852
Fair value changes recorded through profit or loss	130
Decreases due to payments	-13,651
Interest effect	272
Currency differences	1,336
Balance on 31 December 2015	**11,680**
Additions	3,033
Fair value changes recorded through profit or loss	291
Fair value changes recorded directly in equity	96
Decreases due to payments	-3,677
Interest effect	137
Currency differences	5
Balance on 31 December 2016	**11,565**

For evaluation of the conditional purchase price liabilities the planning of the companies was referenced. The planning and the targets agreed in the purchase contracts were compared and the fair value of the conditional purchase price liabilities was determined on this basis. In fiscal year 2016 it was necessary to increase the purchase price arising from the acquisition of the outstanding shares of recompli by EUR 2,609 thousand in a manner that affects net income. In a counter-move, purchase price components arising from the acquisition of networker in the amount of EUR 2,221 thousand, SearchConsult in the amount of EUR 78 thousand and from the acquisition of DIGIDOK in the amount of EUR 19 thousand were written off in a manner that affects net income.

For the fair value of the conditional consideration, a change to the input factors while keeping the remaining input factors constant has the following effects:

EFFECTS OF A CHANGE IN THE INPUT FACTORS ON FAIR VALUE (in EUR thousand)

	Gain or loss	
	Increase	Decrease
Change in the contribution margin of years 2016 to 2018 from specific sales for determination of the conditional purchase price of network, 10% relative to plan	0	0
Change in the contribution margin as basis for the conditional purchase price of Betarun, 10% relative to plan	0	38
Change in the earn-out relevant EBITDA of recompli, 10% relative to plan	0	0
Change in the earn-out relevant EBITDA of Conduct, 10% relative to plan	0	0
Change in the discount rate by 1%	44	46

Derivative financial instruments

The Allgeier Group concludes foreign exchange futures to hedge foreign currency risks of future cash flows. Whether the derivative is designated as a cash flow hedge is determined when the contract is concluded.

In the Nagarro Group, the euro (EUR) and US dollar (USD), the Swedish Krona (SEK) and the British pound (GBP) are the currencies that are primarily used to invoice customers for services provided are exchanged for Indian rupees (INR) in which the delivery costs (personnel expenses and the purchase of third-party services) are incurred. The maturity of the foreign exchange futures is less than one year respectively. No hedging relationships were designated for the transactions concluded. Since the requirements for the application of hedge accounting according to IAS 39 are not fully met, in spite of a hedging intent, changes in the value of these futures were recorded entirely through profit or loss.

In summary, the foreign exchange futures are as follows:

FOREIGN EXCHANGE FUTURES (in EUR thousand)

	31/12/2016			31/12/2015		
	Nominal	Assets	Liabilities	Nominal	Assets	Liabilities
INR / EUR	EUR 5,250 thousand) is current	376	0	EUR 8,215 thousand	225	3
INR / USD	USD 16,920 thousand	129	51	USD 21,535 thousand	99	46
INR / SEK	SEK 18,000 thousand	71	4	SEK 20,920 thousand	8	46
INR / GBP	GBP 836 thousand	75	4	GBP 1,045 thousand	70	0
		651	**59**		**402**	**95**

Insofar as income and/or expenses for the foreign exchange futures are accepted for tax purposes, deferred taxes were recorded.

The following sensitivity analysis (to the right) illustrates the effects of the foreign exchange futures on the income statement and equity if one these currencies changes by 5% respectively compared to the euro as the Group's currency. The analysis assumes that all influencing factors such as the remaining currencies and the interest rate remain constant.

EFFECT (in EUR thousand)	Income statement		Equity	
	5% increase	5% reduction	5% increase	5% reduction
INR	1,208	-1,208	1,208	-1,208
USD	-803	803	-803	803
SEK	-94	94	-94	94
GBP	-49	49	-49	49

Shares of a non-listed venture capital company, Speedinvest II EuVECA GmbH & Co. KG, Wien, Austria, are included in the financial assets. The shares are classified as "available-for-sale". By the end of fiscal year 2016, of the capital commitment in the total amount of EUR 2,000 thousand, overall EUR 600 thousand had been paid in. At the end of 2016, according to the quarterly report of 31 December 2016, the fair value of the "total value to paid-in capital" calculated by the venture capital company was EUR 612 (prior-year: EUR 258 thousand at an inpayment of EUR 300 thousand).

CONSOLIDATED NOTES • NOTES TO THE BALANCE SHEET

The net gains and losses on financial instruments break down as follows:

	2016					2015				
NET PROFIT AND LOSS FROM THE FINANCIAL INSTRUMENTS (in EUR thousand)	**Other operating income**	**Other operating expenses**	**Financial income**	**Financial expenses**	**Total**	**Other operating income**	**Other operating expenses**	**Financial income**	**Financial expenses**	**Total**
Consolidated										
Cash in hand	0	0	317	0	317	0	0	201	0	201
Loans and receivables	668	-2,019	0	0	-1,351	611	-1,298	0	0	-687
of which decrease in value	0	-670	0	0	-670	0	-1,002	0	0	-1,002
Other financial assets	0	0	54	0	54	0	0	0	-42	-42
Factoring	0	0	0	-276	-276	0	0	0	-216	-216
Derivative financial instruments	1,463	0	0	0	1,463	1,588	0	0	0	1,588
Securities	0	0	0	0	0	5	0	30	0	35
Leases	0	0	0	-126	-126	0	0	0	-121	-121
Financial liabilities at fair value	2,319	-2,609	0	0	-290	348	-478	0	-272	-402
Other liabilities	0	-593	0	-2,625	-3,218	0	-399	0	-3,114	-3,513
Total net profit / loss from financial instruments	**4,450**	**-5,221**	**371**	**-3,027**	**-3,427**	**2,552**	**-2,175**	**231**	**-3,765**	**-3,157**

C. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated statement of comprehensive income includes the results of the newly acquired subsidiaries on a pro-rata basis from the date of first-time consolidation.

23. Other operating income

The other operating income breaks down as follows:

OTHER OPERATING EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Liquidation of liabilities from enterprise acquisitions	2,318	347	0	0	2,318	347
Taxation of employee remuneration in kind	1,714	1,525	20	363	1,734	1,888
Proceeds of hedging instruments	1,463	1,588	0	0	1,463	1,588
Consumption and liquidation of allowances for doubtful accounts	628	352	0	179	628	531
Liquidation of provisions	603	363	30	97	633	460
Proceeds of currency translation	472	2,102	0	83	472	2,185
Collection of derecognised receivables	39	80	0	0	39	80
Other	1,634	1,869	59	457	1,694	2,325
	8,871	**8,226**	**109**	**1,179**	**8,981**	**9,404**

24. Material costs

The material costs break down as follows:

MATERIAL COSTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Raw material, auxiliary and working materials	15,141	17,928	-26	11,860	15,115	29,788
Purchased services	174,476	159,732	61	1,365	174,537	161,098
	189,617	**177,660**	**35**	**13,225**	**189,652**	**190,886**

The purchased services encompass external employees and subcontractors engaged on a project-specific basis or employed by other companies with respect to the recruitment and brokerage of IT specialists and engineers.

CONSOLIDATED NOTES • NOTES TO THE CONSOLIDATED INCOME STATEMENT

25. Personnel expenses

The personnel expenses break down as follows:

PERSONNEL EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Salaries and wages	183,495	165,078	3,176	24,701	186,672	189,779
Royalties and bonuses	15,771	13,463	42	610	15,813	14,073
Social insurance contributions	26,657	25,006	603	5,466	27,260	30,472
	225,923	**203,547**	**3,821**	**30,777**	**229,744**	**234,324**

The number of employees in the Allgeier Group by areas of activity is as follows:

NUMBER OF EMPLOYEES	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Average:						
Working for customer orders	5,176	4,731	33	298	5,209	5,029
Working in other areas	933	856	7	103	940	959
	6,109	**5,587**	**40**	**401**	**6,149**	**5,988**
Valuation date:						
Working for customer orders	5,297	4,852	0	278	5,297	5,130
Working in other areas	1,041	865	0	92	1,041	957
	6,338	**5,717**	**0**	**370**	**6,338**	**6,087**

Average values were determined based on the number of employees on 31 March, 30 June, 30 September and 31 December. The reported number of employees includes executives, general managers and trainees. For determination of the average values in the discontinued operations, in addition to the quarterly reporting dates, the number of employees in the month the company left the scope of consolidation was also included in the calculation.

In the continuing operations of the Allgeier Group, for activities related to the maintenance and further development of products, the Allgeier Group incurred costs that cannot be capitalised in the amount of EUR 372 thousand (prior-year: EUR 150 thousand).

CONSOLIDATED NOTES • NOTES TO THE CONSOLIDATED INCOME STATEMENT

Share-based payments

The stock option programs of the Allgeier Group should additionally motivate executives with compensation components that are effective over the long term. As the basis for authorisation to issue option rights for the purchase of one no-par share of Allgeier SE each, the share capital was conditionally increased by EUR 1.00 per option right.

In the financial year 2016 the issued stock options or the authorizations granted to the Management Board and the Supervisory Board to issue stock options are shown unchanged, as follows:

	Conditional capital	Options issued	Issue date
Stock option plan 2010	EUR 460,000 thousand	460,000	19 November 2012
Stock option plan 2014	EUR 440,000 thousand	-	by 16 June 2019 at the latest

The exercise price of the previously issued option, according to the conditions of the 2010 stock option plan corresponds to a premium of 10% on the average share price in the last five days before the options were granted. The options that were granted can first be exercised no sooner than four years after they were issued (holding period). After that, exercising the options is generally limited to a period of two weeks after each regular shareholders' meeting and after the publication of annual, semi-annual and quarterly figures. The options are also subject to an exercise limit (cap) that limits the maximum number of options exercised per beneficiary to an exercise gain (share price less exercise price) of EUR 1.0 million per calendar year. To prevent dilution effects, the exercise price is also adjusted in case of changes to the capital stock and dividends that exceed the earnings per share (not considering the disposal of companies). The option rights expire ten years after they are issued or granted.

The total value of the stock options granted was determined for the first time on 19 November 2012 using an option price valuation model in accordance with IFRS 2. A multi-stage binomial model (Cox-Ross-Rubinstein model) was used for cost determination. In this regard the following valuation parameters served as the basis:

PARAMETERS OF THE BINOMIAL MODEL	2016	2015	Issue date
Exercise price per share	EUR 9.85	EUR 10.24	EUR 10.89
Expected volatility of the share	41.16%	41.16%	41.16%
Risk-free interest rate	1.30%	1.30%	1.30%

The expected volatility corresponds to the annualised historical standard deviation of the continuously interest-bearing earnings per share. Volatility estimates are based on a statistical analysis of the share prices, taking into account dividend payments, on a weekly basis over an average expected exercise period of seven years for the options. Future expected dividend payments were incorporated in the valuation model as well.

The dividends declared in the shareholders meetings in the financial years 2013 to 2016 in each case resulted in adjustments of the exercise price The updated valuations of the option issued option rights occurred, in each case with the new exercise price, and all other aspects however with the parameters used since the date of issue. In the financial year 2016 this resulted in personnel expenses of EUR 47 thousand (prior-year: EUR 57 thousand).

The development of the outstanding stock options is as follows:

NUMBER OF STOCK OPTIONS	2016	2015
Balance as at 1 January	460,000	460,000
Options granted	0	0
Options exercised	0	0
Options expired	0	0
Balance on 31 December	**460,000**	**460,000**

Stock options outstanding on 31 December 2016 expire on 19 November 2022.

26. Other operating expenses

The other operating expenses break down as follows:

OTHER OPERATING EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Land and building expenses	13,676	10,891	299	1,872	13,975	12,763
Travel expenses	10,744	9,198	25	1,655	10,769	10,853
Transportation expenses	7,442	5,569	84	1,075	7,526	6,644
Maintenance	2,882	2,309	9	101	2,891	2,410
Services	2,672	2,839	33	179	2,705	3,018
Advertising expenses	2,516	2,447	48	333	2,564	2,780
Other personnel expenses	2,380	2,023	36	273	2,416	2,296
Legal and consulting expenses	2,191	2,007	10	85	2,201	2,092
Insurance, contributions	2,105	1,783	18	191	2,123	1,974
Derecognitions and impairment of receivables	2,020	1,043	0	255	2,020	1,298
Communication expenses	2,011	1,882	44	368	2,055	2,250
Exchange losses on payment transactions and period-end translation	1,246	4,201	0	147	1,246	4,348
Direct selling expenses	1,065	1,283	0	20	1,065	1,303
Year-end closing costs	940	775	19	103	959	878
Office supplies	827	685	30	197	857	882
Entertainment expenses	712	636	1	31	713	667
Financing expenses	593	399	0	0	593	399
Supervisory Board compensation	464	687	0	0	464	687
Expenses from acquisition activities	222	594	0	0	222	594
Remaining	6,116	2,996	44	241	6,161	3,237
	62,824	**54,247**	**700**	**7,126**	**63,525**	**61,373**

CONSOLIDATED NOTES • NOTES TO THE CONSOLIDATED INCOME STATEMENT

The other operating expenses include fees for the auditor of these consolidated financial statements as of 31 December 2016 as follows:

AUDIT FEES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Audits	409	355	0	14	409	369
Tax consulting services	103	93	0	0	103	93
Other services	52	106	0	0	52	106
Other confirmation or review services	3	33	0	3	3	36
	567	**587**	**0**	**17**	**567**	**604**

27. Depreciation and amortisation

Depreciation and amortisation breaks down as follows:

DEPRECIATION AND AMORTISATION (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Amortisation:						
Acquired customer relationships and customer lists	4,481	4,921	245	1,053	4,726	5,974
Other plant, operating and office equipment	3,203	2,903	88	534	3,291	3,437
Acquired software, licenses and rights	1,749	1,271	13	135	1,762	1,406
Financial leasing	1,434	1,182	0	0	1,434	1,182
Acquired orders on hand	542	1,358	0	14	542	1,372
Land and buildings	192	164	0	0	192	164
Acquired marketable products	145	477	111	375	256	852
In-house generated intangible assets	110	0	0	0	110	0
Acquired websites	25	40	0	0	25	40
	11,881	**12,316**	**457**	**2,111**	**12,338**	**14,427**
Impairments						
Goodwill	1,114	0	0	0	1,114	0
Acquired customer relationships and customer lists	720	0	0	0	720	0
	1,834	**0**	**0**	**0**	**1,834**	**0**
	13,715	**12,316**	**457**	**2,111**	**14,172**	**14,427**

28. Financial income

The financial income breaks down as follows:

FINANCIAL INCOME (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Interest income on at-equity investments	387	238	0	0	387	238
Interest income on bank balances	317	200	-2	4	315	204
Interest income on security deposits	133	121	0	0	133	121
Income from the fair value assessment of the Speedinvest shares	54	0	0	0	54	0
Financial income from bank loans	0	30	0	0	0	30
Interest income with disposed of affiliated companies	0	-191	0	191	0	0
Other financial income	142	63	0	6	141	69
	1,033	**461**	**-2**	**201**	**1,030**	**662**

29. Financial expenses

The financial expenses break down as follows:

FINANCIAL EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2015	2015	2016	2015
Interest on borrower's note loan	1,985	2,506	0	0	1,985	2,506
Factoring interest	276	216	0	0	276	216
Compounding of non-current liabilities	137	272	0	0	137	272
Interest on financing lease agreements	126	121	0	0	126	121
Interest portion of additions to gratuity provisions	101	0	0	0	101	0
Interest portion of additions to pension provisions	13	12	0	31	13	43
Other interest expenses	766	792	19	21	784	813
	3,404	**3,919**	**19**	**52**	**3,422**	**3,971**

CONSOLIDATED NOTES • NOTES TO THE CONSOLIDATED INCOME STATEMENT

30. Result of at-equity investments

The at-equity investments break down as follows:

AT-EQUITY INVESTMENTS (in EUR thousand)	2016	2015
Decrease in value on loans of the GDE Group until full consolidation	-1,410	-601
Pro-rata annual result of Talentry	-110	0
	-1,520	**-601**

31. Income tax results

The income tax expense breaks down as follows:

INCOME TAX EXPENSE (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Current taxes	10,806	7,820	0	341	10,806	8,161
Deferred taxes	-3,618	-2,361	-107	-160	-3,725	-2,521
	7,188	**5,459**	**-107**	**181**	**7,081**	**5,640**

Income taxes are calculated based on the current or expected tax rates of the states and municipalities, in which the Group companies are located. In the tax reconciliation that follows, the expected income tax results are reconciled with the actual tax results. The expected tax results are based on a corporate tax rate of 30%.

TAX RECONCILIATION (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Results before income taxes	13,902	7,113	-1,680	1,652	12,222	8,765
Corporate tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Expected income tax results	**-4,171**	**-2,134**	**504**	**-496**	**-3,667**	**-2,630**
Deviations due to tax rates	-920	-680	0	149	-920	-531
Tax effects of non-deductible expenses	-626	-541	-1	-23	-627	-564
Remaining tax-free income	78	300	0	7	78	307
Losses for which deferred tax assets were not recognised	-690	-1,449	-396	-188	-1,086	-1,637
Use of losses for which deferred tax assets were not recognised	328	30	0	167	328	197
Liquidation of impairments on deferred tax assets	0	492	0	0	0	492
Value adjustments of recognised deferred tax assets	0	-965	0	0	0	-965
Impairment of goodwill	-334	0	0	0	-334	0
Adjustment of earn-out liabilities	-128	-325	0	0	-128	-325
Incidental acquisition costs not deductible for tax purposes	-49	-52	0	0	-49	-52
Restructuring internal to the Group	-32	-10	0	0	-32	-10
Distribution of dividends internal to the Group	-85	-39	0	0	-85	-39
Expenses for share-based payments (stock options)	-14	-17	0	0	-14	-17
At-equity valuation	-454	-180	0	0	-454	-180
Effects – company audit	45	47	0	0	45	47
Disposal – deferred taxes from the sale of controlled entities	0	-156	0	0	0	-156
Taxes applicable to other periods	-146	207	0	213	-146	420
Other deviations	10	13	0	-10	10	3
Actual income tax results	**-7,188**	**-5,459**	**107**	**-181**	**-7,081**	**-5,640**
	51.7%	**76.7%**	**6.4%**	**11.0%**	**57.9%**	**64.3%**

Income taxes of EUR 30 thousand were incurred on the earnings from discontinued operations in the amount of EUR 1,303 thousand (effective tax burden -2.30%). Income taxes of EUR 404 thousand were incurred on the earnings from discontinued operations of the prior-year in the amount of EUR 10,038 thousand (effective tax burden 4.02%).

32. Earnings from discontinued operations before tax

Earnings from discontinued operations before tax break down as follows:

EARNINGS FROM DISCONTINUED OPERATIONS BEFORE TAX (in EUR thousand)	2016	2015
WK EDV GmbH, Ingolstadt	-1,354	0
Talentry GmbH, Munich	2,677	0
Terna Holding GmbH, Innsbruck	0	9,681
b+m Informatik AG, Melsdorf	0	2,282
Business operation "Storage" of Allgeier Switzerland AG, Thalwil	0	-2,000
DIDAS Business Services GmbH, Langenfeld	0	115
Benelux Group	-20	-40
	1,303	**10,038**

33. Earnings per share outstanding

In the 2016 financial year, the Allgeier Group generated undiluted earnings per share outstanding of EUR 0.50 (prior-year: EUR 1.39). Of which EUR 0.53 is attributed to continuing operations (prior-year: EUR 0.14) and EUR -0.03 is attributed to discontinued operations (prior-year: 1.24). The earnings per share outstanding are calculated based on the results for the period applicable to the shareholders of the parent company at EUR 4,442 thousand (prior-year: EUR 12,375 thousand) divided by the average number of shares outstanding of 8,920,301 shares is unchanged compared to the prior-year.

The diluted earnings per share are determined under the assumption that all outstanding option rights are exercised (maximum dilution potential). In addition to exercising the options, the exercise price payable for the fictitious exercising of the options is assumed as well. The amount payable upon exercising the options is compared to the value of the shares granted at the average price for the year of EUR 16.36 (prior-year: EUR 16.55). Dilution exists when the value of the 460,000 shares granted exceeds the value of the consideration (exercise price) of EUR 9.85 per share (prior-year: EUR 10.24). The calculated issue of 183,032 bonus shares (prior-year: 175,384 shares) is assumed.

The number of shares breaks down as follows:

NUMBER OF SHARES	31/12/2016	31/12/2015
Shares outstanding	8,920,301	8,920,301
Treasury shares	151,199	151,199
	9,071,500	**9,071,500**

The Management Board of Allgeier SE intends to propose to the shareholders' meeting, which will presumably take place on 28 June 2017, to distribute a dividend for the 2016 financial year from the net profit of Allgeier SE in the amount of EUR 0.50 per share. The treasury shares are not entitled to dividends.

D. SEGMENT REPORTING

Reporting to the top decision makers of the Allgeier Group occurs according to the following segments: "Solutions", "Experts", "Technology" and "Other". The segments differ according to the type of products and services, as well as value creation, and consist of independent companies. The accounting and valuation methods of the Group apply to the segments. In the prior-year the "Technology" segment was designated as the "Projects" segment.

The Allgeier "Solutions segment" designs, realizes and operates complete IT solutions for the implementation and support of enterprise-critical business processes of the customers on the basis of standard business software products and platforms from leading manufacturers, such as Microsoft, SAP, IBM and Oracle, as well as the segment's own software products. With its consulting, development, project planning, implementation and support services, the segment provides IT solutions in the essential core areas for business software, such as Enterprise Resource Planning open (ERP), document management (DMS)/Enterprise Content Management (ECM), security, SAP consulting and SAP managed services, mobile and cloud solutions.

With its companies, the Experts segment of the Allgeier Group is one of the leading providers of flexible personnel services in Germany, especially in the IT field. As a full-service personnel service provider – supplemented with a strong project expertise – the division offers customers a differentiated portfolio for the most rigorous requirements. The services offered include recruitment and support of temporary freelance IT experts, as well as takeover of projects that are executed by subcontractors (contracting & subcontractor), the responsible concept, sourcing, as well as implementation and support of projects and services (services and consulting, the leasing of permanently employed IT professionals, experts and executives (employee leasing) as well as professional & executive search of IT experts and managers for the staffing of technical and leadership positions in permanent employment (recruiting & personnel mediation).

The custom software development operations of the Allgeier Group are organized in the Allgeier "Technology" segment. Segment specializes in innovative and transformative technology services for the digital transformation and optimization of complex business processes. In addition to software development, software architecture and IT consulting, other focus areas focus areas include high-availability and secure online applications, and the execution of corresponding projects, from the planning of the software architecture to its development and extending to implementation and support at the customer site.

The holding and service companies Allgeier SE, Allgeier Management AG, and Allgeier One AG which are not charged to the segments and the consolidation effects between these companies and segments form the "Other" segment. Transactions between the segments are offset at market prices. In subcontractor transactions between the segments, the results largely remain in the segment providing services.

CONSOLIDATED NOTES • SEGMENT REPORTING

Segment results are as follows:

SEGMENTS (in EUR thousand)	Solutions segment		Experts segment		Technology segment		Remaining		Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External revenues start here	46,405	50,131	256,107	243,633	194,912	152,367	88	-505	497,513	445,626	3,245	53,282	500,758	498,908
Revenues with other segments	639	1,260	2,417	2,597	1,621	1,386	-4,677	-5,189	0	54	0	-54	0	0
Material costs	-16,608	-19,020	-145,726	-139,955	-30,117	-22,751	2,834	4,066	-189,617	-177,660	-35	-13,225	-189,652	-190,886
Personnel expenses	-24,566	-24,908	-90,170	-85,734	-107,764	-89,132	-3,423	-3,772	-225,923	-203,547	-3,821	-30,777	-229,744	-234,324
Regular amortisation and depreciation	-1,990	-2,744	-3,354	-3,968	-6,501	-5,532	-35	-72	-11,881	-12,317	-457	-2,111	-12,338	-14,427
Extraordinary amortisation and depreciation	0	0	-1,834	0	0	0	0	0	-1,834	0	0	0	-1,834	0
Segment results from operating activities	**-2,428**	**-1,447**	**5,667**	**6,595**	**20,828**	**10,650**	**-6,274**	**-4,627**	**17,794**	**11,171**	**-1,660**	**1,503**	**16,134**	**12,674**
Financial income	745	753	155	446	262	245	-130	-982	1,033	461	-2	201	1,030	662
Financial expenses	-1,147	-1,825	-2,130	-3,324	-1,326	-1,365	1,199	2,595	-3,404	-3,919	-19	-52	-3,422	-3,971
Result of at-equity investments	-110	0	0	0	0	0	-1,410	-601	-1,520	-601	0	0	-1,520	-601
Segment results before income taxes	**-2,939**	**-2,519**	**4,659**	**3,718**	**19,764**	**9,529**	**-7,582**	**-3,615**	**13,902**	**7,113**	**-1,680**	**1,652**	**12,222**	**8,765**
Income taxes	-179	1,263	-959	-1,181	-7,453	-5,436	1,403	-105	-7,188	-5,459	107	-181	-7,081	-5,640
Segment results	**-3,119**	**-1,256**	**3,701**	**2,536**	**12,311**	**4,093**	**-6,178**	**-3,720**	**6,715**	**1,654**	**-1,574**	**1,471**	**5,141**	**3,124**
Other non-cash expenses (+) and income (-)	527	1,587	3,609	3,222	4,931	8,115	1,229	-83	10,297	12,842	62	952	10,359	13,793
Segment assets	52,951	77,799	133,421	125,606	155,940	121,458	2,122	3,095	344,434	327,959	0	28,351	344,434	356,310
Segment liabilities	51,923	74,097	112,674	100,462	82,381	64,647	-19,437	-26,906	227,542	212,300	0	11,366	227,542	223,666
Additions o property, plant and equipment and intangible assets	6,400	5,636	2,058	13,647	11,647	5,469	173	-209	20,277	24,542	14	0	20,291	24,542
Cash flow from operating activities	-1,856	1,688	7,378	13,077	11,979	4,057	-6,300	-6,625	11,201	12,197	-2,142	1,505	9,058	13,703
Cash flow from investing activities	-221	23,279	-2,983	-4,437	-7,391	-19,448	-1,509	-2,166	-12,104	-2,771	271	-4,626	-11,833	-7,397
Cash flow from financing activities	-22,352	2,877	-4,729	-4,402	3,085	14,557	13,451	-33,473	-10,544	-20,442	1,500	-711	-9,044	-21,153

The results from at-equity investments of EUR -1,520 thousand (prior-year: EUR -601 thousand) is the pro rata annual result of the at-equity investments that were apportioned to the Allgeier Group.

External sales are broken down by products and services as follows:

EXTERNAL SALES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Service revenues	474,061	421,162	2,777	40,624	476,838	461,786
Product revenues	12,142	13,394	202	5,989	12,344	19,383
Licence revenues	11,310	11,124	266	6,615	11,576	17,739
	497,513	**445,680**	**3,245**	**53,228**	**500,758**	**498,908**

External sales are broken down by countries as follows:

EXTERNAL SALES broken down by countries (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Germany	369,975	343,765	3,245	28,760	373,220	372,525
USA	60,831	46,865	0	0	60,831	46,865
Austria	13,555	13,526	0	7,374	13,555	20,900
Sweden	11,898	8,975	0	106	11,898	9,081
Finland	9,020	5,026	0	0	9,020	5,026
Switzerland	7,711	8,785	0	16,650	7,711	25,435
UK	4,571	4,768	0	0	4,571	4,768
India	3,740	2,702	0	0	3,740	2,702
Norway	3,620	0	0	0	3,620	0
Netherlands	3,100	2,793	0	0	3,100	2,793
Turkey	1,291	1,348	0	0	1,291	1,348
Denmark	1,216	23	0	0	1,216	23
Japan	1,023	1,016	0	0	1,023	1,016
Other	5,962	6,088	0	338	5,962	6,426
Abroad total	**127,538**	**101,915**	**0**	**24,468**	**127,538**	**126,383**
	497,513	**445,680**	**3,245**	**53,228**	**500,758**	**498,908**

The assignment of external sales is based on the registered office of the recipient company.

CONSOLIDATED NOTES • SEGMENT REPORTING

Revenues generated with the largest single customer in the 2016 financial year totalled EUR 14.1 million (prior-year: EUR 18.1 million). As compared to the prior-year, the Group's share of total sales decreased from 3.6% in 2015 2.8% in 2016. Sales with this customer were mainly generated in the "Experts" segment.

The non-current assets are broken down by domestic and foreign as follows:

NON-CURRENT ASSETS broken down by countries (in EUR thousand)		
	31/12/2016	**31/12/2015**
Germany	133,678	129,735
India	8,707	8,463
USA	3,597	733
Norway	564	0
Austria	269	2,024
Switzerland	221	584
Czech Republic	119	13
France	113	116
Turkey	82	171
Sweden	0	129
Other	67	32
Abroad total	**13,739**	**12,265**
	147,417	**142,000**

Other financial assets and deferred tax assets are not included in the noncurrent assets shown by country.

CONSOLIDATED NOTES • CASH FLOW STATEMENT

E. CASH FLOW STATEMENT

In the Consolidated cash flow statement, the Allgeier Group reports the cash flows from operating activities using the indirect method and all other cash flows using the direct method. Interest paid and received is included under cash flows from financing activities.

In the financial year 2016 the Group acquired the shares of Conduct and Mokriya, as well as the business operations of Betarun. Moreover, in the financial year 2016 the Allgeier Group undertook the full consolidation of the GDE Group, which previously was held as an at-equity investment. Cash and cash equivalents of EUR 3,547 thousand were paid for the acquisition of the companies in the 2016 financial year The purchase prices and the cash flows arising from the mergers are as follows:

PURCHASE PRICE AND CASH FLOWS (in EUR thousand)

	Conduct	Mokriya	Betarun	GDE Group	Total
Acquisition costs	1,933	6,146	715	0	8,794
Portion not payable in 2016	-141	-2,276	-615	0	-3,032
Purchase price payable in cash	**1,792**	**3,870**	**100**	**0**	**5,762**
Acquired cash and cash equivalents	-1,033	-872	0	-310	-2,215
Outflow of cash and cash equivalents	**759**	**2,998**	**100**	**-310**	**3,547**

With the enterprise acquisitions, the Allgeier Group received the following assets and liabilities:

ASSETS AND LIABILITIES (in EUR thousand)

	Conduct	Mokriya	Betarun	GDE Group	Total
Intangible capital assets	718	3,664	1,014	214	5,610
Property, plant and equipment	11	5	7	619	642
Inventories	0	0	0	3	3
Trade receivables	661	1,481	0	2,008	4,150
Other assets	151	7	0	840	998
Cash and cash equivalents	1,033	872	0	310	2,215
Deferred expenses	39	2	0	145	186
Deferred tax assets	25	1,833	0	0	1,858
Deferred tax liabilities	-195	-1,465	-264	0	-1,924
Trade payables	-101	-116	0	-707	-924
Other provisions	-135	-73	-42	-276	-526
Income tax liabilities	-27	-551	0	0	-578
Other liabilities	-662	-65	0	-463	-1,190
Borrowings of Allgeier SE	0	0	0	-5,539	-5,539
Deferred income	0	0	0	-2,525	-2,525
Net assets	**1,518**	**5,594**	**715**	**-5,371**	**2,456**
Shares of non-controlling shareholders	0	-875	0	3,036	2,161
Goodwill	415	1,427	0	2,335	4,177
Total purchase price	**1,933**	**6,146**	**715**	**0**	**8,794**

In the financial year 2016, from the disposal of WK EDV the Allgeier Group received EUR 500 thousand. From companies sold in prior-years the Allgeier Group received a total of EUR 1981 thousand. With WK EDV there was an outflow of cash and cash equivalents in the amount of EUR 285 thousand.

The cash and cash equivalents correspond to the liquid resources of EUR 71,774 thousand (prior-year: EUR 83,693 thousand). As of 31 December 2016 and in the reference month of the prior-year no credit lines were utilized.

F. OTHER DISCLOSURES

I. Operating leases as lessee

The Allgeier Group uses a portion of its real estate, vehicles and other operating and office equipment in the framework of operating leases. The minimum obligations and remaining terms of the non-cancellable rental and leasing relationships are as follows:

OPERATING LEASES AS LESSEE (in EUR thousand)	**31/12/2016**	**31/12/2015**
Due within a year	11,432	12,419
Due between one and five years	27,367	33,334
Due after more than five years	8,718	17,845
	47,517	**63,598**
Present value	**45,854**	**55,333**

A discount rate of 3.0% was applied to determine present values (prior-year: 5.0%).

Total expenses arising from these operating leases were EUR 14,373 in the 2016 financial year (prior-year: EUR 11,889 thousand). After the end of the fixed lease term, leases and rental agreements can usually be extended.

II. Operating leases as lessor

The Allgeier Group leases hardware and software under operating leases to cities and municipalities for the mobile recording of misdemeanours. In the 2016 financial year the Allgeier Group generated revenues of EUR 168 thousand, from this activity (prior-year: EUR 241 thousand). In coming years, the following revenues can be anticipated:

OPERATING LEASES AS LESSOR (in EUR thousand)	**31/12/2016**	**31/12/2015**
Due within a year	150	241
Due between one and five years	132	237
	282	**478**

III. Other contingent liabilities

The Allgeier SE is liable in the amount of EUR 4.2 million for loans that have been issued by the bank to the participants of the GDE Group training program. If a utilization should be adequately probable, the guarantees will be recognized financially as liability.

CONSOLIDATED NOTES • OTHER INFORMATION

IV. Capital management

Through its capital management, the Allgeier Group maintains adequate liquidity at all times and optimises the capital structure. The Allgeier Group achieves these objectives through the solid economic development of business operations, a forward-looking dividend policy and measures to increase equity. Decisions regarding the acquisition and disposal of subsidiaries are made under consideration of the influences on the capital structure and the effects of the transactions on future years. The Group uses debt financing to finance acquisitions. In some cases the financing conditions are variable, and among other things, also dependant on the equity structure and other key indicators. Another objective of the Allgeier Group's capital management is the planned reduction or refinancing of existing debt. Indicators at the level of the subsidiaries and Group are used for controlling in capital management. On 31 December 2016 the equity ratio was 33.9% (prior-year 35.3%) and the debt ratio (financial liabilities less cash and cash equivalents divided by earnings before interest, tax, depreciation and amortisation (EBITDA) was 1.23 (prior-year: 1.0). On 31 December 2016 the Allgeier Group had net debt (cash and cash equivalents less financial liabilities) of EUR 37,282 thousand (prior-year: EUR 27,036 thousand). Capital management is the primary responsibility of Allgeier SE. The capital management objectives, processes and methods remain unchanged from the prior-year.

V. Financial instrument risks

The financial instruments of the Allgeier Group are subject to various risks, such as liquidity risks, default risks and market risks from changes in market prices and exchange rates. For the identification, evaluation and limitation of these risks, Allgeier uses tiered risk management and control systems in the subsidiaries and the Group. Allgeier also takes precautions and implements safeguards for the avoidance and minimisation of risks arising from financial instruments.

Liquidity risks

The liquidity risk is the risk that the Allgeier Group may possibly be in the situation that it is not capable of contractually meeting its financial liabilities. To ensure that at any time adequate liquidity is available, the Group uses instruments to control the cash flows and uses borrowed capital and equity instruments to finance the operative business and its investment activity. On 31 December 2016 the total amount of the Allgeier Group's financial liabilities was EUR 188,355 thousand (prior-year: EUR 178,575 thousand) of which EUR 100,313 thousand (prior-year: EUR 71,924 thousand) is due and payable within one year. The noncurrent financial obligations were covered 73% (prior-year: 130%) by current financial assets of EUR 173,560 thousand (prior-year: EUR 165,254 thousand).

Credit lines in the amount of up to EUR 7.9 million are available to the Allgeier Group (prior-year: EUR 5.5 million), which on 31 December 2016, as well as at the end of the prior-year, were not used. Moreover, a framework for factoring receivables in the amount of up to EUR 50 million is also available to the Allgeier Group (prior-year: EUR 50 million). The factoring framework was utilized with EUR 24.1 million prior-year: EUR 24.6 million).

The Allgeier Group obligates itself to comply with the requirements agreed in the contracts, in the borrowers note loan contract and in other loan contracts. A violation of these requirements can result in the situation that the loans must be repaid prematurely. In particular, the Allgeier Group is obligated to guarantee minimum equity in the amount of EUR 100 million and not to exceed a debt coverage ratio of 2:5. The debt coverage ratio is calculated from the financial liabilities, including liabilities from finance lease and minus cash and cash equivalents divided by an EBITDA adjusted for extraordinary expenses and income. If the key indicators are violated, the creditors are entitled to terminate the loans with immediate effect. In this case, it is possible that sufficient free cash and cash equivalents would not be available on short notice to fully redeem loan. Moreover, the Borrower's note loan requires a minimum result from a liability Group, in which specific Group companies are combined. If the liability Group fails to meet the required criteria, Allgeier SE has obligated itself to increase the number of jointly liable companies in such a manner that the criteria are again complied with. Violation of this obligation likewise entitles the loan issuers to extraordinary cancellation. In the financial year 2016 all key indicators required in the loan contracts were complied with.

CONSOLIDATED NOTES • OTHER INFORMATION

The financial liabilities include interest-bearing financial liabilities totalling EUR 109,383 thousand (prior-year: EUR 111,212 thousand). Of which, EUR 24,975 thousand (prior-year: EUR 12,889) is due for repayment in the 2017 financial year and EUR 84,408 thousand (prior-year: EUR 98,323 thousand) is due for repayment in the subsequent years. The future cash flows associated with the financial liabilities are as follows:

CASH FLOWS (in EUR thousand)

	31/12/2016	Cash flows 2017		Cash flows 2018		Cash flows 2019		Cash flows 2020	
	Book value	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Borrower's note loan	97,500	13,500	1,968	0	1,438	70,500	1,438	13,500	1,028
Loans of the Nagarro Group	11,200	11,200	257	0	0	0	0	0	0
Mortgage loan of Nagarro Enterprise Services Pvt. Ltd.	559	195	34	197	20	167	6	0	0
Investment loan of BSH IT Solutions GmbH	55	55	1	0	0	0	0	0	0
Small business loan of SearchConsult	69	25	1	25	1	19	0	0	0
FINANCIAL LIABILITIES	**109,383**	**24,975**	**2,262**	**222**	**1,459**	**70,686**	**1,444**	**13,500**	**1,028**

Default risks

For financial assets there is a general risk that customers or contracting parties will not honour their obligations and loans and receivables will go into default. The maximum theoretical default risk equals the book value of the Loans and receivable; a total of EUR 180.4 million (prior-year: EUR 176.8 million). On 31 December 2016, the gross amount of all loans and receivables was impaired at EUR 1,990 thousand (prior-year: EUR 1,743 thousand). The impairment ratio on the gross amount of loans and receivables was 1.1% (prior-year: 1.0%).

The Allgeier Group has a broad-based customer structure which minimises larger individual risks. The largest single customer generated less than 5% of revenues of the Allgeier Group in the 2016 financial year and the prior-year.

Loans and receivables are managed and incoming payments tracked decentralised in the subsidiaries. Credit checks occur on a regular basis for customers with whom the Allgeier Group has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made, and information is obtained in specific cases. If customers default on payments, the steps required to collect the loans and receivables are taken in a timely manner. Some subsidiaries have obtained credit insurance to cover unexpected bad debts. Wherever possible trade receivables are subject to retention of title which only expires when the respective receivable is paid. Currently the Allgeier Group has no indications that the risk of default for financial assets exceeds the already adjusted book value.

Interest risks

Some financial liabilities and financial assets are floating rate and are subject to the risk that interest rates can change and thus the results of the Allgeier Group could be influenced.

On 31 December 2016 floating-rate financial liabilities totalled EUR 74,259 thousand. (prior-year: EUR 75,577 thousand). This was offset by floating-rate financial assets in the amount of EUR 1,740 thousand (prior-year: EUR 2,265 thousand). For the financial result 2017, a change in interest rates by 100 basis points p.a. would result in an increase or reduction of the financial result of EUR 707 thousand p.a. (prior-year: EUR 619 thousand). In this case, and by applying a tax rate of 30%, equity would be increased or reduced by EUR 495 thousand (prior-year: EUR 433 thousand).

Currency risks

For the subsidiaries that do not have the euro as functional currency, the Allgeier Group is exposed to the risks arising from the exchange rates between the currencies. Due to the conversion of the financial statements of the subsidiaries that do not prepare their accounts in euro, the assets, the liabilities and the income of these companies are subject to risks arising from currency fluctuations.

The Allgeier Group hedges a portion of the cash flows from Group-internal disposal and acquisition transactions to cushion foreign currency risks. On 31 December 2016 there were hedges of the US dollar relative to the Indian rupee in the amount of USD 16.9 million (prior-year: USD 21.5 million) of the euro against the Indian rupee in the amount of EUR 5.3 million (prior-year: USD 8.2 million) of the Swedish Crown against the Indian rupee in the amount of SEK 18.0 million (prior-year: SEK 20.9 million) of the British pound against the Indian rupee in the amount of GBP 0.8 million (prior-year: GBP 1.0 million).

The sensitivity analysis shows the influence of the currency risks with a strengthening or weakening of the euro by 10% relative to the currencies of the subsidiaries that do not prepare their accounts in euro. "In 2016, if the euro had been 10% stronger relative to the currencies of these countries, the annual result would have been lower by EUR 730 thousand (prior-year: EUR 650 thousand) and equity would have been lower by EUR 9,557 thousand (prior-year: EUR 8,337 thousand compared to the figures reported in these consolidated financial statements. The result effect of the sensitivity analysis by currencies is as follows:

CURRENCY RISKS (in EUR thousand)

	Revenues 2016	Net income for the year 2016	Equity 31/12/2016	Revenues 2015	Net income for the year 2015	Equity 31/12/2015
CHF	777	-3	1,267	2,641	49	1,784
INR	7,528	600	2,596	6,015	428	1,976
USD	6,096	227	5,218	4,678	211	4,036
Other	2,382	-94	476	1,618	-38	541
		730	**9,557**		**650**	**8,337**

VI. Tax risks

Allgeier SE and the subsidiaries of the Allgeier Group are obligated to pay taxes. Assumptions must be made to determine the tax liability, since in many cases the final taxation cannot be conclusively determined. Deviations that appear later between the assumed foreseeable tax liabilities and the final taxation have effects on the tax expense in the period, in which taxation is conclusively determined. Should final income taxes deviate by 10% to the detriment of the values calculated on the income statement, the Allgeier Group would have to increase the tax liability for current income taxes by EUR 1,084 thousand (prior-year: EUR 816 thousand) and for deferred taxes by EUR 372 thousand (prior-year: EUR 252 thousand). The equity of the Allgeier Group would be reduced by the same amount in this case.

VII. Governing bodies of Allgeier SE

Supervisory Board

The members of the Allgeier SE Supervisory Board in 2016 were as follows:

SUPERVISORY BOARD OF ALLGEIER SE

Name	Practiced profession	Residence	Membership on statutorily constituted Supervisory Boards	Membership in comparable domestic or foreign control bodies in commercial enterprises
Dipl.-Ing. Detlef Dinsel MBA (Chairperson)	Managing Partner of IK Investment Partners GmbH and IK Investment Partners Ltd.	Hamburg		· ZytoService GmbH, Hamburg (Chairperson) · Transnorm System GmbH, Harsum (Deputy Chairperson) · IK Investment Partners Ltd., London, UK · Aposan GmbH, Cologne (Chairperson) · SVT Beteiligungen GmbH, Seevetal (Chairperson) · IK Investment Partners S.A.R.L., Luxembourg, Luxembourg · Winkelmann Group, Ahlen (Deputy Chairperson) · Schenck Process GmbH, Darmstadt (Deputy Chairperson)
Mr. Thies Eggers (Deputy Chairperson)	Independent auditor	Pullach im Isartal	· Bayerische Gewerbebau AG, Munich (Chairperson) · Plenum AG, Frankfurt am Main · SBF AG, Leipzig (since 22/01/2016)	
Dipl.-Kfm. Christian Eggenberger	President and CEO of CHE Consulting GmbH	Binningen, Switzerland	· Focus Beteiligungen AG, Basel, Schweiz President of the Administrative Board) · IDALEG AG, Kerzers, Switzerland · doc.coach AG, Basel, Switzerland (Member of the Administrative Board) · Focus Discount AG, Basel, President of the Administrative Board	

The total remuneration for members of the Supervisory Board in the 2016 financial year was EUR 454 thousand (prior-year: EUR 669 thousand). The remuneration includes a provision for variable compensation of EUR 348 thousand (prior-year: EUR 561), which will be paid out in the 2017 financial year. Further details about compensation, are provided in the compensation report in the Group management report under Section 6.

Management Board

The members of the Allgeier SE Management Board in 2016 were as follows:

Mr. Carl Georg Dürschmidt (Chairperson)
Mr. Manas Fuloria (PhD)
Dr. Marcus Goedsche
Mr. Hubert Rohrer

The total remuneration for members of the Management Board in the 2016 financial year was EUR 2,076 thousand (prior-year: EUR 3,057 thousand). Variable compensation depending on the consolidated results is included in the remuneration. It was recognised as a provision and will be paid out after the 2017 consolidated financial statements of Allgeier SE are approved. Three members of the Management Board participate in the Allgeier SE's stock option program. The disclosure of Management Board compensation, broken down by members, is omitted until 31 December 2019, according to the resolution of the shareholders' meeting on 23 June 2015. Further details about compensation, are provided in the compensation report in the Group management report under Section 6.

VIII. Related party transactions

Related parties are defined as persons or companies that can be influenced by the reporting company or can themselves influence the reporting company.

Allgeier SE makes loans available to the subgroup GDE Holding GmbH for financing of the operations of the GDE Group. The loans bears interest at 5% p.a. In the financial year 2016, interest earnings were EUR 387 thousand (prior-year: EUR 238 thousand).

Via Initium AG, Munich, in the financial year 2016, Management Board services in the total amount of EUR 1,259 thousand (prior-year: EUR 1,620 thousand) were invoiced. The compensations were comprised of a fixed compensation in the amount of EUR 532 (prior-year: EUR 580 thousand) and a variable compensation in the amount of EUR 727 (prior-year: EUR 1,040 thousand). The variable compensation has been deferred and presumably will be paid out in the second quarter of 2017. The variable compensation component is a component that depends on the consolidated earnings, for which a maximum limit (cap) has been agreed. Moreover, Allgeier SE granted the use of a company car to the member of the Management Board provided by Initium GmbH.

As part of the program for participation of employees of the Nagarro Group, Mr. Manas Fuloria (PhD), indirectly purchased 5% of the shares of Nagarro Holding GmbH. As part of the participation Mr. Fuloria made an equity contribution in the amount of EUR 1 million.

Business relationships between all companies included in the consolidated financial statements were fully eliminated in the consolidated financial statements.

IX. Publication

Approval of the Consolidated financial statements by the Supervisory Board and the release for publication are planned for 28 April, 2017. The Consolidated financial statements are published in the German Federal Gazette. The companies listed below in the Consolidated financial statements of Allgeier SE partly or fully utilise the exemption pursuant to Section 264, Paragraph 3 of the German Commercial Code (HGB):

Allgeier Enterprise Services AG, Munich
Allgeier IT Solutions GmbH, Bremen
BSH IT Solutions GmbH, Bremen
Allgeier ConsultingServices GmbH, Munich
Allgeier Experts SE, Wiesbaden
Goetzfried AG, Wiesbaden
tecops personal GmbH, Munich
U.N.P.-Software GmbH, Düsseldorf
U.N.P.-HRSolutions GmbH, Düsseldorf
Goetzfried Professionals GmbH, Wiesbaden
Allgeier Dritte Beteiligungs GmbH, Munich
Allgeier Fünfte Beteiligungs GmbH, Munich

CONSOLIDATED NOTES • OTHER INFORMATION

X. Corporate governance codex

The statement on the corporate governance codex prescribed by Section 161 of the German Stock Corporation Act (AktG) was submitted and made accessible to the shareholders on the website of Allgeier SE.

Munich, 13 April 2017

Allgeier SE

Carl Georg Dürschmidt	Manas Fuloria (PhD)	Dr. Marcus Goedsche	Hubert Rohrer
Management Board	Management Board	Management Board	Management Board

REPORTING OBLIGATIONS UNDER GERMAN ACCOUNTING STANDARDS (HGB)

Pursuant to Section 315a of the German Commercial Code (HGB), Allgeier SE which is obligated to apply the international financial reporting standards has to expand its consolidated financial statements with the following note disclosures:

Section 313 Paragraph 2, No. 1 and No. 2 of the German Commercial Code (HGB):

Name and registered office of the companies included in the consolidated financial statements. The share of capital of the subsidiaries that belongs to the parent company and the subsidiaries included in the consolidated financial statements. See the listing of Group companies in the annex.

Section 314 Paragraph 1, No. 4 of the German Commercial Code (HGB):

The average number of employees for the companies included in the consolidated financial statements, during the financial year, and personnel expenses incurred in the financial year. See the explanations under point 25. Personnel expenses in Section C. Notes to the consolidated income statement.

Section 314 Paragraph 1, No. 6 in conjunction with Paragraph 2 Sentence 2 of the German Commercial Code (HGB):

For the members of the Management Board, a Supervisory Board, an advisory board or a similar body of the parent company, respectively for each Group of persons, the total remuneration granted for performing their tasks in the parent company and the subsidiaries in the financial year. In addition to remuneration for the financial year, additional remuneration that was granted in the financial year but has not been included in any consolidated financial statements to date has to be disclosed. See the information under VII. Bodies of the parent company in Section F. Other disclosures.

Section 314 Paragraph 1, No. 8 of the German Commercial Code (HGB):

For every listed company included in the consolidated financial statements, that the statements prescribed pursuant to Section 161 of the German Stock Corporation Act (AktG) have been issued and made available to the shareholders. See the information under X. Corporate governance codex inn Section F. Other disclosures.

Section 314 Paragraph 1, No. 9 of the German Commercial Code (HGB):

The total fee charged by the auditor of the consolidated financial statements for the 2016 financial year, broken down into components for

a. the audit services,
b. other confirmation or review services,
c. tax consulting services,
d. other services,

must be disclosed. The required disclosures are presented under point 26. Other operating expenses in Section C. Notes to the consolidated income statement.

LISTING OF THE GROUP COMPANIES

Listing of the Group companies

LISTING OF THE GROUP COMPANIES

		IFRS share of capital	Equity 31/12/2016			Annual result 01/01/2016 - 31/12/2016						
		31/12/2016	Foreign currency		Euro	Foreign currency		Euro		Profit and loss transfer agreement with	Segment	Disclosure
	Company											
1	Allgeier SE, Munich		113,034,421		113,034,421	-3,660,942		-3,660,942			Remaining	Annual financial statements and Consolidated financial statements in the German Federal Gazette
	Direct shareholdings of Allgeier SE:											
2.	Allgeier Management AG, Munich	100.00%	4,422,283		4,422,283	5,056		5,056			Remaining	German Federal Gazette
3.	Allgeier One AG, Munich (formerly Allgeier Group Executives AG)	100.00%	28,010		28,010	-15,360		-15,360			Remaining	German Federal Gazette
4.	Allgeier Middle East Ltd., Dubai, United Arab Emirates	100.00%	10,000		2,585	0		0			Remaining	
5.	Allgeier Enterprise Services AG, Munich (formerly Allgeier IT Solutions AG)	100.00%	11,145,441		11,145,441	0		0	(1)	1	Solutions	
6.	Allgeier Experts SE, Wiesbaden	100.00%	35,702,827		35,702,827	0		0	(1)	1	Experts	
7.	Allgeier Project Solutions GmbH, Munich	100.00%	58,444,297		58,444,297	3,144,438		3,144,438			Technology	German Federal Gazette
8.	GDE Holding GmbH, Munich	50.00%	-171,217		-171,217	-63,997		-63,997			Experts	German Federal Gazette
	Indirect shareholdings through dependent subsidiaries:											
9.	Allgeier IT Solutions GmbH, Bremen	100.00%	1,500,981		1,500,981	84,066		84,066			Solutions	
10	BSH IT Solutions GmbH, Bremen	100.00%	64,348		64,348	0		0	(1)	9.	Solutions	
11.	Allgeier Document Solutions GmbH, Vienna, Austria	100.00%	140,188		140,188	1,977		1,977			Solutions	
12.	Allgeier Schweiz AG, Thalwil, Switzerland	100.00%	11,285,500	CHF	10,511,438	298,969	CHF	274,357			Solutions	
13.	Allgeier Productivity Solutions GmbH, Düsseldorf)	100.00%	281,625		281,625	-81,935		-81,935			Solutions	German Federal Gazette
14.	Allgeier Medical IT GmbH, Freiburg (formerly Schliersee)	100.00%	782,841		782,841	-454,082		-454,082			Solutions	German Federal Gazette
15.	eHealthOpen Ltd., Birmingham, United Kingdom	100.00%	29,754		29,754	14,254		14,254			Solutions	
16.	Allgeier ConsultingServices GmbH, Munich (formerly: Allgeier Sechste Beteiligungs GmbH)	100.00%	25,000		25,000	0		0	(1)	5.	Solutions	
17.	Allgeier Midmarket Services GmbH, Bremen	100.00%	-1,086,842		-1,086,842	-1,111,842		-1,111,842			Solutions	German Federal Gazette
18.	Goetzfried AG, Wiesbaden	100.00%	8,783,970		8,783,970	0		0	(1)	6.	Experts	
19.	Goetzfried Professionals GmbH, Wiesbaden)	100.00%	3,246,934		3,246,934	0		0	(1)	18.	Experts	
20.	U.N.P.-Software GmbH, Düsseldorf	100.00%	3,056,391		3,056,391	0		0	(1)	6.	Experts	
21.	U.N.P.-HRSolutions GmbH, Düsseldorf	100.00%	25,000		25,000	0		0	(1)	20.	Experts	
22.	SearchConsult GmbH, Düsseldorf	80.00%	1,204,130		1,204,130	1,103,558		1,103,558			Experts	German Federal Gazette
23.	Apentia Consulting UG, Munich	80.00%	-3,066		-3,066	-1,295		-1,295			Experts	German Federal Gazette
24.	recompli GmbH, Grasbrunn	100.00%	3,303,901		3,303,901	1,438,811		1,438,811			Experts	German Federal Gazette
25.	Allgeier Experts Services GmbH, Unterföhring (formerly Skytec AG, Unterföhring)	100.00%	4,654,821		4,654,821	1,748,441		1,748,441			Experts	German Federal Gazette
26.	tecops personal GmbH, Munich	100.00%	8,517,075		8,517,075	0		0	(1)	6.	Experts	
27.	Oxygen Consultancy, Istanbul, Turkey	90.00%	3,300,138	TRY	889,834	-163,720	TRY	-48,992			Experts	
28.	Allgeier Dritte Beteiligungs GmbH, Munich	100.00%	34,909		34,909	0		0	(1)	6.	Experts	
29.	Allgeier Fünfte Beteiligungs GmbH, Munich	100.00%	25,000		25,000	0		0	(1)	6.	Experts	
30.	mgm technology partners GmbH, Munich	80.00%	11,074,777		11,074,777	4,221,776		4,221,776			Technology	German Federal Gazette
31.	mgm technology partners eurl, Grenoble, France	80.00%	1,032,879		1,032,879	400,245		400,245			Technology	
32.	mgm technology partners s.r.o., Prague, Czech Republic	80.00%	73,269,265	CZK	2,712,602	5,245,927	CZK	194,105			Technology	
33.	mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam	80.00%	-4,540,575,530	VND	-192,074	-6,431,741,354	VND	-263,545			Technology	
34.	MOS-Tangram AG, Boswil, Switzerland	80.00%	1,139	CHF	1,061	10,885	CHF	10,374			Technology	
35.	mgm technology partners USA Corp., Arlington, USA	80.00%	265,636	USD	252,132	-134,364	USD	-121,818			Technology	
36.	mgm security partners GmbH, Munich	56.00%	1,184,752		1,184,752	546,781		546,781			Technology	German Federal Gazette
37.	mgm security partners Dresden GmbH i.L., Dresden	56.00%	126,988		126,988	-10,426		-10,426			Technology	German Federal Gazette
38.	MGM Consulting Partners GmbH, Hamburg	56.00%	1,110,462		1,110,462	1,085,460		1,085,460			Technology	German Federal Gazette
39.	Allgeier Project MBO GmbH, Munich	100.00%	23,348		23,348	0		0	(1)	7.	Technology	German Federal Gazette
40.	Allgeier Global Services Asia Pte. Ltd., Singapore	100.00%	-539,022	SGD	-427,713	-190,662	SGD	-125,154			Technology	
41.	Allgeier Nagarro Holding GmbH, Munich	84.35%	15,123,022		15,123,022	-819,308		-819,308			Technology	German Federal Gazette
42.	Nagarro Inc., San Jose, USA	84.35%	10,634,907	USD	9,794,934	2,970,723	USD	2,693,336			Technology	
43.	Mokriya Inc., Cupertino, USA	84.35%	2,038,310	USD	1,934,689	1,193,565	USD	1,084,549			Technology	
44.	Nagarro Software Pvt. Ltd., Gurgaon, India	84.35%	1,771,536,985	INR	24,784,194	431,864,039	INR	5,824,805	(2)		Technology	
45.	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	84.35%	89,846,575	INR	1,256,973	436,511	INR	5,887	(2)		Technology	
46.	Nagarro Software S.A., Monterrey, Mexico	84.35%	-11,745,728	MXN	-539,250	-3,705,967	MXN	-179,296			Technology	
47.	Nagarro Software GmbH, Frankfurt	84.35%	1,866,850		1,866,850	350,033		350,033			Technology	German Federal Gazette
48.	Nagarro Software AB, Stockholm, Sweden	84.35%	9,154,259	SEK	956,441	1,117,903	SEK	118,084			Technology	
49.	Nagarro Software A/S, Hellerup, Denmark	84.35%	-4,613,272	DKK	-620,593	-2,320,920	DKK	-311,756			Technology	
50.	Nagarro Software Ltd., London, Great Britain	84.35%	161,432	GBP	188,507	49,496	GBP	60,175			Technology	
51.	Nagarro AS, Oslo, Norway (formerly Conduct AS)	84.35%	2,982,161	NOK	328,432	-7,069,197	NOK	-760,437			Technology	
52.	Nagarro Software SAS, Paris, Frankreich	84.35%	-120,592		-120,592	-130,592		-130,592			Technology	
53.	Nagarro Austria Beteiligungs GmbH, Vienna, Austria	84.35%	-7,266		-7,266	-68,292		-68,292			Technology	
54.	Nagarro GmbH, Vienna, Austria)	84.35%	311,967		311,967	258,071		258,071			Technology	
55.	Nagarro GmbH, Munich	84.35%	11,107,904		11,107,904	0		0	(1)	41.	Technology	German Federal Gazette
56.	Nagarro Software srl, Timisoara, Romania	84.35%	2,159,388	RON	476,590	477,220	RON	106,377			Technology	
57.	Allgeier Nagarro Beteiligungs GmbH, Munich	50.01%	3,921,924		3,921,924	-103,076		-103,076			Technology	German Federal Gazette
58.	SPP Co-Investor Verwaltungs GmbH, Munich	100.00%	24,452		24,452	-548		-548			Technology	German Federal Gazette
59.	SPP Co-Investor GmbH & Co. KG, Munich	23.49%	292,898		292,898	-1,852		-1,852			Technology	German Federal Gazette
60.	Nagarro SPP GmbH, Munich	62.51%	655,171		655,171	-123,197		-123,197			Technology	German Federal Gazette
61.	GDE Services GmbH, Bonn	50.00%	-3,582		-3,582	-2,786		-2,786			Experts	German Federal Gazette
62.	German Doctor Exchange GmbH, Bonn	45.00%	-7,007,807		-7,007,807	-3,059,142		-3,059,142			Experts	German Federal Gazette
63.	GPE Academy GmbH, Bonn	45.00%	25,000		25,000	0		0	(1)	62.	Experts	German Federal Gazette
	Companies consolidated using the at-equity method:											
64.	Talentry GmbH, Munich	40.81%	-24,745		-24,745	-649,551		-649,551			Solutions	German Federal Gazette

(1) After the transfer of profit or loss | (2) Hypothetical annual result for the financial year from 1 January 2016 – 31 December 2016

Glossary

Allgeier Medical IT	Allgeier Medical IT GmbH, Freiburg (formerly Schliersee)
Allgeier Productivity Solutions	Allgeier Productivity Solutions GmbH, Düsseldorf
Allgeier Schweiz	Allgeier Schweiz AG, Thalwil, Switzerland
Asset deal	Purchase and transfer of assets and liabilities
Benelux Group	Allgeier N.V., Zaventem, Belgium Allgeier Computer BV, Oosterhout, Netherlands Allgeier Ltd., Nicosia, Cyprus Allgeier S.A., Luxembourg ALLGEIER BİLGİ İŞLEM SİSTEMLERİ DANIŞMANLIK VE TİCARET LİMİTED ŞİRKETİ, Istanbul, Turkey
Adjusted EBITDA	EBITDA before effects that from a business perspective are extraordinary or relate to another tax period
Conduct	Conduct AS, Oslo, Norway (from 10 October 2016: Nagarro AS)
DIGIDOK	DIGIDOK GmbH, Essen
Earn-out	Conditional purchase price from enterprise acquisitions
Fair value	Fair value
GDE	German Doctor Exchange GmbH, Bonn
GDE Group	GDE Holding GmbH, Munich German Doctor Exchange GmbH, Bonn GDE Services GmbH, Bonn GPE Academy GmbH, Bonn
Goetzfried Group	Goetzfried AG, Wiesbaden Goetzfried Professionals GmbH, Wiesbaden SearchConsult GmbH, Düsseldorf
Gratuity obligations	Settlement obligations, employees leaving in India
mgm cp Hamburg	mgm consulting partners GmbH, Hamburg
mgm sp Dresden	mgm security partners Dresden GmbH, Dresden
mgm sp Munich	mgm security partners GmbH, Munich
mgm tp Munich	mgm technology partners GmbH, Munich
Mokriya	Mokriya Inc., Cupertino, USA
Nagarro	Nagarro Inc., San Jose, USA Nagarro Software Pvt. Ltd., Gurgaon, India Nagarro Enterprise Services Pvt. Ltd., Jaipur, India (formerly Nagarro Software Jaipur Pvt. Ltd.) Nagarro Software GmbH, Frankfurt Nagarro Software AB, Stockholm, Sweden Nagarro Software S.A., Monterrey, Mexico Nagarro Austria Beteiligungs GmbH, Vienna, Austria Nagarro GmbH, Vienna, Austria Nagarro Software SAS, Paris, Frankreich Nagarro Software A/S, Hellerup, Denmark Nagarro Software Ltd., London, Great Britain Conduct AS, Oslo, Norway (from 10 October 2016: Nagarro AS) Mokriya Inc., Cupertino, USA
networker	networker, Projektberatung GmbH, Kronberg im Taunus
off-balance	Not shown on the balance sheet
Oxygen	Oksijen İnsan Kaynakları Seçme ve Değerlendirme Hizmetleri Anonim Şirketi, Istanbul, Turkey
recompli	recompli GmbH, Grasbrunn
SearchConsult	SearchConsult GmbH, Düsseldorf
Talentry GmbH	Talentry GmbH, Munich
tecops	tecops personal GmbH, Munich
Terna Group	Terna Holding GmbH, Innsbruck, Austria Terna GmbH Zentrum für Business Software, Innsbruck, Austria Terna AG Zentrum für Business Software, Hünenberg, Switzerland
Subsidiaries	Group companies associated with Allgeier SE
UNP	U.N.P.-Software GmbH, Düsseldorf
WK EDV	WK EDV GmbH, Ingolstadt

Responsibility Statement by the Management Board of Allgeier SE

The Management Board of Allgeier SE to the best of its knowledge confirms that, according to the applicable accounting principles, the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations, and that the Group management report presents a true and fair view business development including the results of operations and the position of the Group, as well as describing the significant opportunities and risks in regard to the Group's expected development.

Munich, 13 April 2017

Carl Georg Dürschmidt
Management Board

Manas Fuloria (PhD)
Management Board

Dr. Marcus Goedsche
Management Board

Hubert Rohrer
Management Board

Auditor's report

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Allgeier SE, Munich – consisting of the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes – as well as the Group management report for the financial year from 1 January 2016 to 31 December 2016. Preparation of the consolidated financial statements and Group management report according to IFRS, as applicable in the EU, and the additional commercial law requirements applicable pursuant to Section 315a, Paragraph 1 is the responsibility of the Management Board of Allgeier SE, Munich. Our responsibility is to issue an opinion on the Consolidated financial statements and Group management report based on our audit.

We have audited the consolidated financial statements according to Section 317 of the German Commercial Code (HGB) subject to the German auditing principles established by the Institut der Wirtschaftsprüfer (IDW) (German institute of auditors). Accordingly the audit must be planned and conducted so that errors and violations that have a material impact on the presentation of the net assets, financial position and results of operations in the consolidated financial statements, subject to the applicable accounting rules, and in the Group management report are detected with reasonable certainty. Knowledge of the business activities, the Group's economic and legal environment and the expectations regarding possible errors are taken into account in establishing the audit tasks. With respect to the audit, the effectiveness of the accounting-related internal control system as well as documentation for the disclosures in the consolidated financial statements and Group management report are evaluated, primarily on the basis of samples. The audit encompasses an evaluation of the annual financial statements of the companies included in the consolidated financial statements, the definition of the scope of consolidation, the applied accounting and consolidation principles and the material estimates of the executive as well as an appraisal of the overall presentation of the Consolidated financial statements and Group management report. In our opinion, our audit provides a sufficiently secure basis for our assessment.

Our audit did not lead to any objections.

In our opinion based on the information collected during the audit, the Consolidated financial statements conform to IFRS as applicable in the EU, and also the commercial law regulations according to Section 315a, Paragraph 1 HGB. Subject to these regulations, the financial statements impart a true and fair view of the Group's net assets, financial position and results of operations. The Group management report agrees with the consolidated financial statements, complies with statutory regulations, imparts an overall true and fair view of the Group's position and accurately represents the opportunities and risks of future developments.

Düsseldorf, 18 April 2017
LOHR + COMPANY GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Jörg-Andreas Lohr
Auditor

Dr. Frank Otto
Auditor

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Ladies and Gentlemen,

The Supervisory Board is reporting as follows regarding its activities in the past 2016 financial year:

The Supervisory Board fully met its obligations according to law and the bylaws, and regularly monitored and advised company management through the Management Board. In addition to topics addressed on an ongoing basis, such as current business development, the financial and liquidity position, the acquisition pipeline, risk management and compliance, from the perspective of the Supervisory Board 2016 was mainly dedicated to the following activities:

- The establishment and integration of the Experts division The establishment of the Enterprise Services/ SAP within the Solutions division
- Further development of the Nagarro division with the introduction of a comprehensive, share-based participation for managers and employees and the expansion of the business in the USA with the acquisition of Mokriya and the review of other acquisition candidates in the USA
- Supplementation of the Group financing by obtaining an acquisition line of credit of EUR 30 million, as well as
- towards the end of the financial year, particularly the planning for the integrated Experts division with high investments in new employees, as well as for the Enterprise Services area, that is likewise significantly shaped by investments in the development of operations

The Supervisory Board met for six meetings by personal attendance in the 2016 financial year. For the meetings, all Members of the Supervisory Board were always present. The Supervisory Board also held several other discussions and votes in teleconferences. Members of the Management Board attended all meetings of the Supervisory Board. In the discussions and passing of resolutions on specific topics, in particular regarding the Management Board and its compensation, the Supervisory Board sat and passed resolutions without the Management Board. Between the meetings, the Management Board regularly informed the Supervisory Board or its Chairperson of key developments, by telephone and in part also during personal meetings, and coordinated decisions in advance with the Supervisory Board, in particular with the Chairperson. From the perspective of the Supervisory Board, the Management Board thereby fully met its reporting obligations and duty to inform the Supervisory Board in the past financial year. The Management Board fully informed the Supervisory Board on an ongoing basis about business developments, the position of the company and Group companies as well as significant transactions, both within and outside the meetings of the Supervisory Board. The Supervisory Board did not form any committees due to its size.

Key topics dealt with by the Supervisory Board in its work within and outside the meetings were, in particular:

- The ongoing, current business development of the individual divisions and the performance of the Group in comparison to approved Group planning.
- The ongoing financial and liquidity position.
- The performance of the Group and specific areas with performance deviations
- The financing and capital structure of the Group
- The approval of the Group planning
- Specific acquisition projects and disposals of parts of companies
- Questions regarding the Group's strategic direction.
- Corporate governance and integration within the Group
- Risk management and compliance, as well as board-level topics
- board-level topics

In the financial year 2016 the Supervisory Board was able, through the consultations between the Management Board and Supervisory Board, and based on ongoing information from the Management Board, to confirm that the Management Board managed the affairs of the company properly and in compliance with legal requirements in the financial year. In the past financial year, the Management Board in accordance with the development of the Group further developed the organisation of the Allgeier Group. The Supervisory Board discussed the risk management system deployed in the company with the Management Board and auditors and found it adequate. Insofar as the approval of the Supervisory Board was required for specific company management activities, the respective information was submitted in a timely manner by the Management Board, reviewed by the Supervisory Board and approval was issued. The Supervisory Board is therefore able to confirm that the Management Board did everything required for the ongoing monitoring of the Management Board's activities. The Supervisory Board is confident that the management of the company by the Management Board meets the applicable legal requirements in all respects and that there is no cause for objections by the Supervisory Board. As it does every year, the Supervisory Board also reviewed and improved the efficiency of its own work. There were no changes to the Supervisory Board in the reporting period.

The annual financial statements of Allgeier SE and the consolidated financial statements as of 31 December 2016 as well as the Management Report for Allgeier SE and the Group prepared by the Management Board were audited by LOHR + COMPANY GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf; an unqualified auditor's report was issued. The specified documents and the audit reports of LOHR + COMPANY GmbH were submitted to the Supervisory Board for review. The Supervisory Board examined and reviewed the final financial statements and auditor's report in preparation for the meeting on 21 April 2017. In the meeting on 21 April 2017, the annual financial statements, consolidated financial statements and audit reports were discussed in detail in the presence of the auditor. In the course of the meeting, the auditor reported on key audit findings and noted that no material weaknesses were found in the internal control system and risk management system. Accordingly the Supervisory Board concludes that the annual financial statements and consolidated financial statements as well as the corresponding management reports were properly prepared according to the applicable rules for the respective statements, and that they provide a fair and accurate view of the net assets, financial position and results of operations of Allgeier SE. A review of the audit reports and the discussions with the auditor led to no complaints or objections from the Supervisory Board. Following a detailed examination, the Supervisory Board agrees with the audit results and approves the annual financial statements and consolidated financial statements for the 2016 fiscal year prepared by the Management Board. The annual financial statements are hereby approved.

Furthermore, the Supervisory Board reviewed the proposal of the Management Board for the appropriation of the accumulated profit of Allgeier SE for the 2016 financial year, calling for the distribution of dividends at EUR 0.50 per share. After a careful weighing of interests, in particular the interests of the company to finance its business operations and the further growth of the Allgeier Group on the one hand and the interests of the shareholders in the distribution of dividends on the other hand, the Supervisory Board approves and supports the proposed resolution.

The Supervisory Board would like to thank company management and all employees of the Allgeier Group for their performance in the 2016 financial year.

Munich, 21 April 2017
The Supervisory Board of Allgeier SE

Detlef Dinsel
Chairman of the Supervisory Board

Financial calendar 2017

IMPORTANT DATES AND EVENTS	Date
Publication of the 2016 consolidated/annual financial statements	28 April 2017
Publication of the first-quarter interim business information 2017	19 May 2017
Extraordinary shareholders' meeting in Munich	28 June 2017
Publication of the 2017 half-yearly financial report	31 August 2017
Publication of the third-quarter interim business information 2017	17 November 2017

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Current financial information is found on the Allgeier website in the Investor Relations section under www.allgeier.com/de/investor-relations

ALLGEIER

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