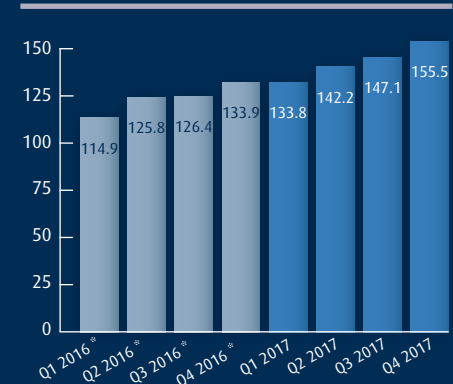
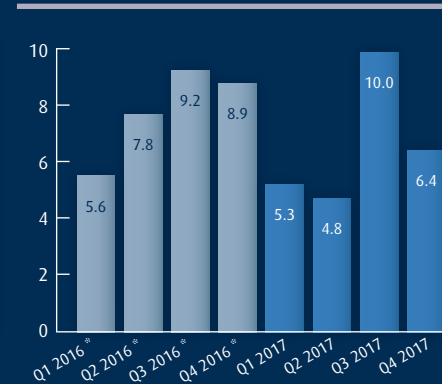




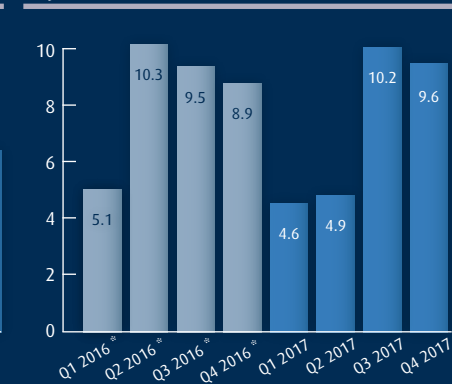
OVERALL PERFORMANCE in euro millions



EBITDA in euro millions



ADJUSTED EBITDA** in euro millions



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



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

Allgeier SE is one of the leading IT companies for digital transformation. With a growth strategy aimed at innovation 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 7,000 salaried employees and more than 1,400 freelance experts, Allgeier is a one-stop shop that offers customers an extensive portfolio of solutions and services. The fast-growing Group, headquartered in Munich, has 120 branches in the DACH region, in nine additional Western European countries, as well as in India, Singapore, Vietnam, Malaysia, Japan, Australia, Mexico and the USA.

In the 2017 financial year, Allgeier achieved consolidated sales of EUR 582 million from continuing operations. The company is listed in the General Standard of the regulated market at the Frankfurt Stock Exchange (WKN A2GS63, ISIN DE000A2GS633). Allgeier SE is ranked first in the 2017 Lünendonk® special analysis, "Leading German midsize IT consulting and system integration firms". According to the Lünendonk® market segment study for 2017, "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 INDICATORS*	2013	2014	2015	2016	2017	CAGR***
Sales revenues	372.1	375.7	445.7	497.5	581.6	11.8%
EBITDA	26.6	21.0	23.5	31.5	26.5	-0.1%
Adjusted EBITDA**	25.4	22.7	25.6	33.8	29.3	3.6%
EBIT	15.6	11.7	11.2	17.8	13.5	-3.5%
EBT	11.7	6.7	7.1	13.9	11.0	-1.5%
Net income for the year	4.9	1.6	1.7	6.7	4.5	-2.1%

Total assets	289.3	329.8	328.0	344.4	337.9	
Equity	94.7	100.7	115.7	116.9	122.8	
Earnings per share (in EUR)	0.42	0.23	1.39	0.50	0.30	
Number of permanent employees	3,924	4,896	5,717	6,338	7,098	16.0%
Number of freelance experts	1,346	1,211	1,334	1,361	1,393	0.9%
Total number of employees	5,270	6,107	7,051	7,699	8,491	12.7%

*In accordance with IFRS, figures in EUR millions (unless shown otherwise)

**EBITDA before effects that from a business perspective are extraordinary or relate to other periods

***Compound Annual Growth Rate

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Overview of the Allgeier year 2017

1st quarter 2017

Allgeier posts further sales growth In the 1st quarter of 2017

In the first three months of the 2017 financial year (01 January 2017 – 31 March 2017), the Group posted consistent sales growth with slightly lower earnings by comparison with results from continuing operations in the previous year. In the first quarter of 2017, the Group's total operating performance stood at EUR 133.8 million which represents a rise of 16 percent over the previous year (PY: EUR 114.9 million). Consolidated adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) for the first three months amounted to EUR 4.6 million (PY: EUR 5.1 million). EBITDA for the period stood at EUR 5.3 million (PY: EUR 5.6 million). These results reflect the Group's investment in expanding the business and staffing levels in the Allgeier Experts segment as well as in the SAP units of Allgeier Enterprise Services. The Group consequently posted EBIT of EUR 2.4 million in the first quarter of 2017 (PY: EUR 2.9 million).

2nd quarter 2017

Allgeier posts double-digit sales growth In the 2nd quarter of 2017

In the second quarter of its 2017 financial year (01 April 2017 – 30 June 2017), the Allgeier Group recorded double-digit growth in its total operating performance. As scheduled,

results in the second quarter are marked by considerable investments in growing the Enterprise Services and Experts segments. First and foremost, the investments went towards a significant expansion in the number of employees and the creation of new corporate structures. Operating earnings were also negatively impacted by comparatively high production costs in the Technology segment due to a rise in the exchange rate of the Indian rupee. In the second quarter of 2017, the Group recorded a year-on-year rise in its overall operating performance of 13 percent to EUR 142.2 million (PY: EUR 125.8 million, all figures for the previous year for comprehensive income relate to continuing operations). Consolidated adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) amounted to EUR 4.9 million which was lower than for the previous year (PY: EUR 10.3 million). Consolidated EBITDA for the second quarter stood at EUR 4.8 million (PY: EUR 7.9 million). Consolidated EBIT (earnings before interest and taxes) came to EUR 1.5 million (PY: EUR 5.2 million).

Acquisitions

In April 2017, Allgeier SE acquired certain assets and contracts from Ciber AG, Heidelberg which is involved in insolvency proceedings and from Ciber Managed Services GmbH, Heidelberg, which is also involved in insolvency proceedings. Both Ciber companies specialized in SAP consulting, SAP implementations and SAP Managed Services for midcaps and major customers. As a result of this transaction, major parts of the operating business of both Ciber companies will be continued by Allgeier and integrated

into Allgeier's portfolio of SAP products and services for the retail, logistics, chemical, pharmaceutical, food and beverage and media sectors. In serving its customers, Allgeier is a long-term, reliable and powerful partner covering the entire range of SAP consulting and SAP services as an SAP full service provider. Allgeier Enterprise Services is among other things a Lighthouse Partner for the Cloud Suite S/4Hana which positions it as one of the few suppliers in the whole world able to distribute the ERP software solution and support customers in the implementation of the solution. Besides Ciber's German business, Allgeier also acquired certain assets and debts of Ciber Denmark in the second quarter of 2017 as well as an SAP consulting and service company operating in the French market in the shape of AI2S-Consulting, Entzheim, France.

Capital increase

On 20 June 2017, the Management Board decided to increase the company's share capital by up to almost 10 percent against cash capital contributions on the basis of authorisations issued by the shareholders' meetings held on 17 June 2014 (Authorised Capital I) and on 23 June 2015 (Authorised Capital II) with the approval of the Supervisory Board. In accordance with these resolutions, the company successfully concluded its capital increase on 21 June 2017. As part of the capital increase, the company made partial use of Authorised Capital I and Authorised Capital II and increased its share capital by EUR 907,149.00 from its previous level of EUR 9,071,500.00 to EUR 9,978,649.00 by issuing a total of 907,149 bearer shares against cash capital contributions excluding shareholders' statutory subscription rights. The new shares will be eligible for dividend from 01 January 2017.

The capital was increased by the highest permissible amount. The placement price defined by the Management Board of the company with the approval of the Supervisory Board was EUR 18.10 per share. The new shares were placed with international institutional investors, members of the company's management bodies and further managers in the Allgeier Group as well as with further selected investors. After the capital increase was recorded in the Commercial Register of the District Court of Munich on 22 June 2017, the new share capital amounts to EUR 9,978,649.00 and divided into 9,978,649 no-par bearer shares. The new shares were admitted for trading on the regulated market at the Frankfurt Stock Exchange (General Standard) on 22 June 2017, listed on 23 June 2017 and included in the existing listing of the company's shares on 03 July 2017. The Group expressed its intention of

using the gross proceeds of the issue to fund further investments in growth as well as to carry out further acquisitions.

Dividend

In the Shareholders' meeting held on 28 June 2017, a resolution was passed that Allgeier SE would distribute a dividend totalling EUR 4,460,150.50 from its accumulated profit for the 2016 financial year in the amount of EUR 24,547,399.30. There were 8,920,301 shares eligible for dividends. The dividend per share was EUR 0.50. The dividend was paid out to the shareholders of Allgeier SE in July 2017.

3rd quarter 2017

Allgeier posts increased earnings and double-digit sales growth in third quarter 2017.

In the third quarter of 2017 (01 July 2017 – 30 September 2017), the Group recorded a year-on-year rise in its overall operating performance of 16 percent to EUR 147.1 million (PY: EUR 126.4 million, all figures for the previous year relate to continuing operations). Consolidated adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) stood at EUR 10.2 million which equates to an increase of 8 percent over the previous year (PY: EUR 9.5 million). Consolidated EBITDA amounted to EUR 10.0 million which exceeded the figure for the third quarter in the previous year by 9 percent (PY: EUR 9.2 million). Consolidated EBIT (earnings before interest and taxes) came to EUR 7.0 million (PY: EUR 6.7 million).

Award: Leading German mid-sized consulting and system integration company

In the current lists and market segment studies published by the market research and market analysis company Lünendonk & Hossenfelder GmbH, Allgeier again takes top positions in 2017. Thus in the Lünendonk list of the "20 Leading German Medium-Sized IT Consulting and System Integration Companies in Germany", Allgeier took first place, as it has done in recent years. In its analysis of medium-sized IT companies, Lünendonk lists the 20 top companies every year which generate more than 60 percent of their sales through IT consultancy, the introduction of standard software, the development of customized software and system integration, have their head office in Germany or the majority of their share capital here and do not belong to any group.

Award: Allgeier Experts among the top 3 IT personnel and project service providers

In the Lünendonk market segment study for 2017 "Market for the Recruitment, Placement and Management of IT Freelancers in Germany", Allgeier once again occupies one of the top spots. The Allgeier Experts Division was again able to significantly increase its volume of business, and won an award as an IT Personnel and Project Service Provider. Digital projects, in particular, were the major growth drivers. At the same time, the demand for integrated personnel solutions from customers is growing. This puts Allgeier Experts in third place in this comparative study as in the previous year. Markus Ley, Sales Director of Allgeier Experts, commented: "The Lünendonk list is a genuine benchmark for our sector. We are very satisfied, therefore, once again to be among the front runners in a highly competitive environment. At the same time, we can look to the future with optimism. One of the most important reasons for the high demand for IT experts is the steadily growing digitalization drive in the Germany economy. The need for external project team members will therefore continue to grow in the coming years." The Lünendonk market segment study is one of the most important market and trend barometers in the IT personnel services sector. German personnel services companies with the highest sales and highest number of employees are listed in the rankings which are published yearly.

4th quarter 2017

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 2017 financial year (01 October 2017 – 31 December 2017). In the fourth quarter, the Group was able to lift its total performance for continuing operations by 16 percent to EUR 155.5 million (PY: EUR 133.9 million). Consolidated adjusted EBITDA (EBITDA before effects that from a business perspective are extraordinary or relate to another tax period) of continuing operations was EUR 9.6 million and thus 8 percent higher than for the same period in the previous year (PY: EUR 8.9 million). Consolidated EBITDA for continuing operations stood at EUR 6.4 million (PY: EUR 8.9 million). Consolidated EBIT for continuing operations stood at EUR 2.6 million (PY: EUR 2.9 million).

Conversion to registered shares

The bearer shares of Allgeier SE (ISIN DE0005086300, WKN 508630) were converted to registered shares in Allgeier SE (ISIN DE000A2GS633, WKN A2GS63) on 02 October 2017. In the process, the bearer shares were converted to registered shares at a ratio of 1:1. The conversion was automatically performed at the level of the depository banks on 04. October 2017. In doing so, Allgeier was implementing a resolution of the regular shareholders' meeting dated 28 June 2017. By converting bearer shares to registered shares, Allgeier is striving to make its shareholder structure more transparent in order to intensify its Investor Relations work with the aim of achieving more direct, more transparent and above all faster communication with the shareholders.

Long-term funding for future growth and acquisitions

In October 2017, Allgeier completely restructured its borrowings and concluded a new credit line amounting to EUR 180 million with six banks, (Bayerische Landesbank, Commerzbank Aktiengesellschaft, ING Bank, a branch of ING-DIBA AG, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale and Norddeutsche Landesbank – Girozentrale). The flexible, revolving credit line amounting to EUR 180 million has an initial term of five years which can be extended twice by one year in each case. This step has created financial planning certainty for many years ahead. Besides the repayment of existing loans, the Group thereby has access to usable funds to match its needs on attractive terms and at a significantly higher volume which are to be used for future growth and acquisitions.

PERFORMANCE OF THE ALLGEIER SE STOCK AND THE DAX FROM 2012 TO 2017



Stock market year 2017: Favourable global climate ensures appreciable growth

In 2017, nearly all forms of investment generated respectable profits for investors apart from cash values. The prices of shares, real estate and raw materials appreciated strongly in the course of the year. After the volatile previous year with the Brexit vote and Trump's election, the stock market enjoyed almost uninterrupted growth in 2017. The DAX recorded 12.5 percent growth which corresponds to roughly double the average for recent decades. Compared with the DAX, the growth posted by the EURO STOXX 50 (6.5 percent) was more moderate, while the German mid-cap index MDAX rose by 18 percent. Some other European exchanges recorded even stronger growth. The US exchanges exhibited particularly strong growth. After nearly every bank had predicted massive losses in the event of Donald Trump winning the Presidential elections, the NASDAQ Composite and the Dow Jones unexpectedly registered growth of 28 percent and 25 percent respectively. After the Dow Jones was still below 20,000 points in mid-January and took until May to crack the 21,000 points mark, the index went from one record to the next over the remainder of the year, almost reaching 25,000 points. Some Asian and South American exchanges also recorded

high growth: for example, the Japanese Nikkei 225 climbed 19 percent. Movement of the Euro over the course of the year also differed from the expectations of many analysts. While many banks were forecasting Euro - Dollar parity, the Euro appreciated considerably against the Dollar over the course of the year.

The decisive factors behind this growth in nearly every market were a combination of robust, global economic growth above the long-term average, persistently low inflation and low rates of interest that look set to continue for the foreseeable future. The 2017 year on the exchanges was therefore one of the most stable and free of fluctuations of the past decades, and came as a positive surprise to nearly all analysts. During the whole of 2017, there were almost no corrections in the stock markets; contrary to expectations, investors remained very calm throughout the entire year. The protectionist policy of the new US President has not inflicted any damage on free trade around the world. Instead, the expectations aroused by the major tax reform announced by Donald Trump and the associated relief for US companies seemed to stoke the markets even

DIVIDEND PAYMENT (in EUR)	2012	2013	2014	2015	2016	2017
per share	0.50	0.50	0.50	0.70 (of which 0.20 as a special dividend)	0.50	0.50

KEY FIGURES PER SHARE 2017 VS. 2016	2016	2017	CHANGE IN %
Earnings per share (in EUR)	0.50	0.30	-40%
Dividend per share (in EUR)	0.50	0.50	0%
XETRA high for the year (in EUR)	18.51	25.67	38.7%
XETRA low for the year (in EUR)	13.80	16.965	22.9%
XETRA end-of-year price (in EUR)	17.30	25.36	46.6%
Number of shares (in units)	9,071,500	9,978,649	10.0%
End-of-year market capitalisation (in EUR million)	156.9	253.1	61.2%
Average XETRA stock market turnover (in number of shares per day)	4,789	10,547	120.2%

ALLGEIER STOCK	
Index	General Standard
ISIN	DE000A2GS633
WKN	A2GS63
Number of shares	9,978,649
Share price (on 29.03.2018)	EUR 25.80
Market capitalization (on 29.03.2018)	EUR 257.4 million

SHAREHOLDER STRUCTURE (AS OF: 31.12.2017)*

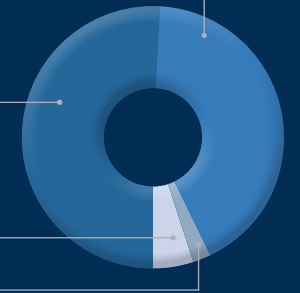
Supervisory Board • Management Board **42%**

Free Float **51%**

Institutional investors **5%**

Treasury shares **2%**

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



further. In Europe, too, sentiment improved in 2017, making the market for investors more attractive. The negative impact expected from Brexit has so far been manageable. Concern over the advancing influence of populist forces was banished for the time being with the defeats suffered by right-wing populists in the Presidential elections in France and the parliamentary elections in the Netherlands. The Eurozone now seems significantly more stable — currently there is no sign of collapse on the horizon. Even in those European countries which were previously in crisis, the economy grew and the high rates of unemployment fell noticeably. Consumer confidence also picked up. Even Italy with its high level of debt, stabilized. The strength of the Euro is a clear indication of how robust economic growth in the Eurozone is now considered to be. In both Europe and the USA, company earnings improved significantly in 2017 following some weaker years. The central banks are supporting this positive climate and continue to act very cautiously: A decade after the financial crisis, they are accomplishing the change in monetary policy but only slowly. Now that the American Federal Reserve is raising the base rate relatively regularly and would like to sell bonds, the European Central Bank will

continue to buy bonds until far into 2018, is keeping the base rate at zero and intends to continue feeding a lot of cheap money into the market until the inflation target of around two percent is hit. In this calm and decidedly positive environment, the leading German index DAX closed the year on 12,918 points (PY: 11,481 points), corresponding to an increase of 12.5 percent (PY: 6.9 percent).

The Allgeier stock

Allgeier's shareholders can look back on a successful year on the stock market in 2017, with the share price at a record high at the end of the year and a marked increase in market capitalization of over 60 percent. Earnings per share were significantly higher than in the previous year and reached nearly 50 percent in 2017 (return from movement in the share price and the 2016 dividend: 6.1 percent) which was due in particular to the positive stock return. The Allgeier stock achieved a stock return of 46.6 percent in 2017 in a stock market environment that was generally positive and especially so for technology stocks, and therefore significantly outperformed the TecDAX (37.7 percent) as well as the DAX (12.5 percent). In the second quarter, Allgeier also carried out a successful capital increase.

In the course of the first half of 2017, Allgeier was already able to record significant increases in the share price amounting to nearly 20 percent. On 2 January 2017, the Allgeier stock opened at a price of EUR 17.30, corresponding to a market capitalization of EUR 156.9 million). After a modest start to the year with a low for the year on 20 January (EUR 16.965), the stock closed above EUR 18 for the first time on 27 January. It hovered around this mark until the end of February. This was followed by a move to the upside in which the price passed the EUR 20 mark for the first time on April 10. By the beginning of June, the price had fallen again to around the EUR 18 mark. With the announcement of the intention to carry out a capital increase, the stock became noticeably stronger, and on 21 June, it re-passed the EUR 20 barrier. After the successful capital increase, the new shares were listed on 23 June. The Allgeier stock showed good growth thereafter and climbed above the EUR 23 mark on 28 July. In the following months in the second half of 2017, the stock gave back some of its gains and between mid-August and mid-November, it hovered around EUR 21 or slightly higher. On 8 December, the stock then broke out significantly above the EUR 23 mark (daily high: EUR 23.50), but in the following week, it fell

again to EUR 21.84 (15 December). Then the stock closed the year with a final spurt. On 19 December, the stock reached an intraday high of over EUR 25 for the first time, and on the last day of trading on 29 December 2017, it hit its high for the year of EUR 25.67. The Allgeier stock closed the year on the XETRA platform at EUR 25.36 and a market cap of over EUR 230 million.

Measured against the closing price for the year 2016 (EUR 17.30), including the dividend of EUR 0.50 paid out in June, the Allgeier stock therefore generated a stock return of 49.5 percent in 2017 trading.

Group management report, Corporate Governance

OF ALLGEIER SE 2017

Group management report

1. BASIS OF THE GROUP

1.1 BUSINESS MODEL OF THE ALLGEIER GROUP

ALLGEIER, MUNICH			
ENTERPRISE SERVICES	EXPERTS	TECHNOLOGY	NEW BUSINESS AREAS
Allgeier Enterprise Services, Bremen	Allgeier Experts, Wiesbaden	mgm technology partners, Munich	GDE Group, Munich
		Nagarro Group, Munich	Allgeier One, Munich

1.1.1 Business and structure of the Allgeier Group

The Allgeier Group comprises 69 fully consolidated companies as of the end of the reporting period (previous year: 63 fully consolidated companies). To these are added Talentry GmbH, Munich, which is equity accounted. The Group's business operations are structured within the four operating segments of "Enterprise Services" (previous year: "Solutions"), "Experts", "Technology" and "New Business Areas", which are subdivided into five operating divisions. Operational business units are groups of subsidiaries with their own business operations. The Allgeier Group's divisions comprise Enterprise Services (corresponding to the Enterprise Services segment), Experts (corresponding to the Experts segment), Nagarro and mgm technology partners (together corresponding to the Technology segment), as well as the GDE Group and Allgeier One (together corresponding to the New Business Areas segment).

The simplified organisational chart shown above provides an overview of the four segments with their respective operative business units.

1.1.2 Tasks of Allgeier SE

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

- The strategic orientation and ongoing review of the Group's strategy, segments and participating interests based on value-oriented corporate 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 both domestic and foreign based on the Group strategy
- Negotiation and execution of purchase as well as disposal 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 for the management of the Group companies and divisions
- Integration of the various participating interests into the corporate Group
- Organisation and coordination of Group-wide committees and processes
- Coordination of Group-wide project and sales activities
- Management of Group-wide communications (public relations, investor relations, internal communication) and marketing

1.1.3 Business operations of the segments

Enterprise Services segment

The companies in the Enterprise Services (previously: 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 this end, the segment's companies utilise their own software products, as well as software products and software platforms of well-known manufacturers, such as Microsoft, SAP, IBM and Oracle. The employees combine in-depth technical expertise with special industry know-how to analyse and optimise customers' business processes in order to implement IT solutions. The segment comprises two sub-segments: firstly, the Enterprise Services IP unit with the solutions business and a focus on software products developed in-house (IP), and the Solutions SAP unit which supports global groups and medium-sized companies with SAP solutions and services in digital transformation and in the optimisation of companies' digital business processes along the entire value chain.

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

- SAP: Allgeier Enterprise Services, with its products and services maps the entire SAP lifecycle and is consequently considered one of the most capable SAP full-service providers in the German-speaking region. The portfolio in this area extends from strategy and process consulting, through to the complete introduction of SAP system landscapes and operation of complex SAP solution scenarios such as SAP HANA. The performance spectrum is supplemented by extensive consulting and managed services. The emphasis is on the segments of wholesale/retail, logistics, chemicals, pharmaceuticals, food and beverage, as well as media.
- Enterprise Resource Planning: The original roots of the Allgeier Group's enterprise services business lie in this area. With its in-house development syntona logic® as well as with 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. The entire value chain of the editing process, from detection, read-out and editing of content in professional workflow sequences, through to revision-proof archiving, is 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.

- 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 email traffic. The company's own IT security software solution JULIA MailOffice is already deployed at numerous ministries, government agencies and large enterprises. EMILY and EMILY SP (SharePoint) ensure secure collaboration.
- Sharepoint: The Microsoft product is no longer being utilised solely for the organisation of document sharing and editing (collaboration); rather, it is deployed to support 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 at their core involve IT-supported execution and optimisation of business processes. Process tools must be particularly flexible in interaction with a variety of software products and with change cycles for software and business processes that are becoming ever faster. With the Metasonic® Suite, BPM software of the latest generation and a platform for dynamic process applications, Allgeier supports customers in producing tailored software solutions in significantly shorter development cycles.

SOLUTION AND SERVICES PORTFOLIO			
ENTERPRISE SERVICES	EXPERTS	TECHNOLOGY	NEW BUSINESS AREAS
SAP	Contracting • Recruiting and support of experts for projects on a service contract basis	High-end software & application engineering • Nearshore/offshore development • Implementation • Management • Testing	IT and data security • IT security services, security consulting & security training, security due diligence • IT forensics: Investigation, verification and clarification of digital security incidents, cyber security
Enterprise Resource Planning			
Document Management (DMS)/Enterprise Content Management (ECM):	Temp • Provision of experts and specialists within the framework of supply of temporary workers	Software lifecycle projects	Recruiting and mediating staff
Security	Perm • Staffing of technical and management positions in permanent employment	Application management services	Recruitment, training and mediation of foreign specialists
Business Process Management (BPM)		Process & IT consulting • IT architectures • E-commerce & portals • Mobile enterprise • Business intelligence/big data • Apps	
Cloud solutions	Services • Responsible concept, sourcing, implementation and support of projects and services		
Mobile			

- 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), Allgeier data centres, or public cloud environments. Top priorities are ascribed to 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 utilised by multinationals and the public sector.
- Mobile: For access to 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.
- During the financial year elapsed, the segment's companies were active in Germany and internationally for more than 2,000 customers. These include large enterprises (e.g. 8 out of the 30 DAX companies) as well as many medium-sized companies of various dimensions. The customers are broadly distributed in a number of different industries. The segment's companies possess special industry know-how in the areas of banking and insurance, industry, chemicals/ pharmaceuticals and medicine.

The companies in the Enterprise Services segment are located at more than 29 sites, of which 23 are in Germany and 6 are in four other European countries (Austria, Switzerland, Denmark, France). In addition, the segment's software developers work in close international partnership with the Technology segment's developers 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 by pronounced project expertise – the division offers customers a differentiated portfolio for the most rigorous requirements. According to the current Lünendonk® market segment study for 2017, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier's Experts segment is one of the top three 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

The more than 400 customers of the Experts segment from 2017 are predominantly large German companies, of which 17 are listed in the DAX 30. The main industries of the segment's customers are the IT and telecommunications sectors, the public sector, as well as banking and insurance.

The companies in the Experts segment are located at 45 sites, of which 39 are in Germany, two in Switzerland, one in the Czech Republic and three in Turkey.

Technology segment

The custom software development operations are situated within 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 include high-availability and secure online applications, and the execution of appropriate projects, from planning of the software architecture to its development, through to implementation and support at the customer's site. Key target markets include the public sector, insurance, wholesale/retail (e-commerce) and the energy supply industry. The subsidiary mgm consulting partners advises and assists at the management level of companies, from developing the strategy, through 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' expertise in the development of modern, highly-scalable and secure web-based, as well as mobile, software technologies.

Nagarro is a provider of disruptive technology services which is active throughout the world. The company specialises in the market segment that Gartner describes as "Change the Business" projects. Under the global brand message "Thinking Breakthroughs", Nagarro offers consulting and extensive technical expertise for the digital transformation of industry-leading companies, and for ambitious medium-sized customers. The highly agile Nagarro enterprise organisation and its processes support customers in quickly and sustainably driving their own innovation agendas forward. Nagarro employs more than 4,000 experts in its international activities around the world at locations in 16 countries on four continents. Nagarro's strategic customer relationships comprise multinational groups, market and sector leaders, the public sector and software vendors of market-leading niche products. The division generates its revenue mainly in North America and Europe with a smaller share coming from the Asia-Pacific region. In the 2016 financial year, Nagarro acquired Conduct, a software developer and IT security expert headquartered in Oslo, and Mokriya, a company specialising in software design and application development from Silicon Valley that makes recourse to 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, the Internet of Things (IoT) and wearables, Nagarro is strengthening its position as a preferred provider of innovative and transformative technology services for customer enterprises worldwide. The business unit is active internationally – often for companies that are leaders in their industry. Besides German-speaking Europe (Germany, Austria and Switzerland), the most important markets are North America and Scandinavia.

During the financial year elapsed, the Technology segment counted almost 450 national and international enterprises among its customers, including 11 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 wholesale/retail and logistics.

The companies in the Technology segment are located at a total of 46 sites on four continents, of which 18 are in Germany, eleven are in ten other European countries (Austria, Switzerland, France, Romania, the Czech Republic, Sweden, Norway, Finland, Denmark and the UK), seven in the USA, three in India, two in Australia as well as one each in Mexico, Singapore, Vietnam, Malaysia and Japan.

As of the December 31, 2017 balance sheet date, 3,910 of the segment's total number of 4,484 salaried employees were engaged outside of Germany.

New Business Areas segment

In this segment, Allgeier bundles business models and participating interests of which we are convinced that they address important future trends and technologies and consequently justify investment. The following companies are currently bundled within the segment:

- At Allgeier One AG, an effective business unit for IT and data security is being established through both organic growth and targeted acquisitions.
- In the companies of the GDE Group, models for the recruitment and training of foreign specialists for the German market are being developed and implemented. Given the shortage of specialists in Germany, this comprises a continuing and fundamental topic.

The segment's operative companies are situated at three locations in Germany.

At-equity investments

The at-equity investment Talentry GmbH, in which the Allgeier Group no longer holds a majority after the entry of investors from the Rocket Internet environment, operates one of the leading software platforms to recruit new staff through mediation via the company's own employees according to the "Employees Recruit Employees" principle.

1.2 MANAGEMENT SYSTEM

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

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

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 benchmark 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 Quarterly business review meetings are held at which the Management Board of Allgeier SE and the management

organisations of the individual divisions discuss business progress, business environment and market trends, strategy, and any necessary measures. If deviations arise, 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 by the Management Board to the Supervisory Board is based on corporate planning and the financial and qualitative parameters referred to above.

1.3 RESEARCH AND DEVELOPMENT

The Allgeier Group pursues further development of its own existing products with a focus on keeping pace with key technology trends and future markets. The various segments' employees, particularly in the Solutions and Technology segments, work closely together in this context. For most of the Solutions segment's own products, further development occurs in close cooperation with colleagues at the locations in India and Romania. Overall, during the period under review, expenses for further development of products as well as product maintenance in a total amount of EUR 0.4 million (previous year: EUR 0.4 million) were incurred. To these is added work to develop products in an amount of EUR 1.9 million (previous year: EUR 2.6 million), which was capitalised. Amortisation amounted to EUR 0.7 million (previous year: EUR 0.1 million). The amortisation rate as the ratio between capitalisation and amortisation amounted to 38 percent in 2017 accordingly (previous year: 4 percent). The capitalisation rate stood at 83 percent (previous year: 87 percent).

Furthermore, the Allgeier Group is involved in numerous customer projects with research and development services. Through these tasks we gain expertise that is not reflected as a dedicated item in the figures for research and development. Various complex and demanding services, such as development services, are also provided in the Experts segment. Such work is generally rendered as part of customer orders, however, and is not recognised as an asset on the balance sheet. Research and development services are essentially performed in the Enterprise Services and Technology segments.

2. ECONOMIC REPORT

2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

2.1.1 Macroeconomic conditions: World economy gathers momentum on a broad basis

In 2017, the German economy reported further year-on-year growth, according to data from the German Federal Statistical Office. In particular, a higher level of private consumption spending, high gross capital expenditure as well as a further increase in exports contributed to the brisk economy. Gross domestic product in 2017 was up by 2.2 percent on a price-adjusted basis (adjusted for growth price and calendar effects by even as much as 2.5 percent), compared with 1.9 percent in the previous year (2015: 1.7 percent). Here, the Germany economy performed even significantly better than the the government had anticipated at the start of last year. In 2017, the unemployment rate fell to its lowest level for over 25 years. Job creation continued on a sustainable basis with net wages and salaries increasing again. In other important markets for Allgeier, such as the USA, Austria, Sweden, Finland and Switzerland, the economic situation in the past year continued its uptrend. Trends in the global economic environment also proved positive over the course of 2017. In its "World Economic Outlook" published in January 2018, the International Monetary Fund (IMF) assumes that global GDP reported growth of 3.7 percent in 2017. The IMF evaluates 2017 as positive overall, noting that the world economy had gained further momentum on a broad basis. More than 120 economies had expanded their growth, while some economies in Europe and Asia delivered positive surprises. In developed economies such as Germany, Japan, South Korea and the United States, the trend in the second half of the year exceeded expectations – as well as in important emerging economies such as Brazil, China and South Africa.

Despite the advancing internationalisation of operating activities over the past years, Germany continued to be the most important market for Allgeier in the 2017 financial year, accounting for almost 75 percent of revenues (previous year: 74 percent), followed by the foreign markets of the USA, Austria and Sweden. The expansion of business in Germany chiefly reflected the marked increase in revenues in the Enterprise Services segment.

Accounting for 11.8 percent of total revenues, the USA continued to be the most significant foreign market for the Allgeier Group (previous year: 12.2 percent). In absolute

figures, the Group increased its revenues from the USA by around 13 percent during the financial year elapsed. The US economy gathered further momentum during the second half of 2017, according to the economic forecast of the OECD. Buoyant asset prices and significant confidence on the part of both business and consumers supported consumption and investment growth. After GDP expanded by 2.2 percent in 2017, the OECD anticipates a further increase in growth to 2.5 percent for 2018, driven by good labour market trends, deregulation and the tax reform that has been implemented.

Accounting for 2.7 percent of total revenues, Austria is the Group's second most important foreign market (previous year: 2.7 percent). In absolute terms, revenues of the Allgeier Group companies in Austria rose by 17 percent during the financial year elapsed. After the Austrian economy had had some weaker years to digest, the growth that started in 2016 gained significant momentum in 2017. A favourable interplay between national and international influencing factors catered for this. After sharp rises in investments and exports, the OECD estimates that the economy will remain on its growth track in 2018. Accordingly, Austrian GDP is set to increase further at a rate of 2.5 percent in 2018, according to the OECD projection (2017: 3.0 percent).

In Sweden, the Group's third most important foreign market, accounting for 1.8% of total revenues (previous year: 2.4%), low interest rates, the improving global economic environment and rapid increases in public spending are firing the current economic boom. Following strong GDP growth of 3.1 percent in 2017, growth slowed only slightly to a rate of 2.8 percent in 2018, according to the OECD estimate. This reflects the full utilisation of economic capacity: a labour shortage and a lack of construction land are negatively affecting investments. Consumption is also growing more slowly than GDP, especially because wages have increased only moderately for reasons of competitiveness.

The Group registered good revenues in other Scandinavian countries: Allgeier companies in Finland generated 1.7 percent of consolidated revenues in 2017 (previous year: 1.8 percent), with absolute revenues from Finnish companies thereby increasing by around 9 percent in 2017. In Norway, revenues in the same period were up by 19 percent, and in Denmark by more than 100 percent.

In Switzerland – also an important foreign market for Allgeier accounting for a 1.2 percent share of revenue (previous year: 1.5 percent) – the OECD estimates that the economy will recover momentum after a weak 2017 with

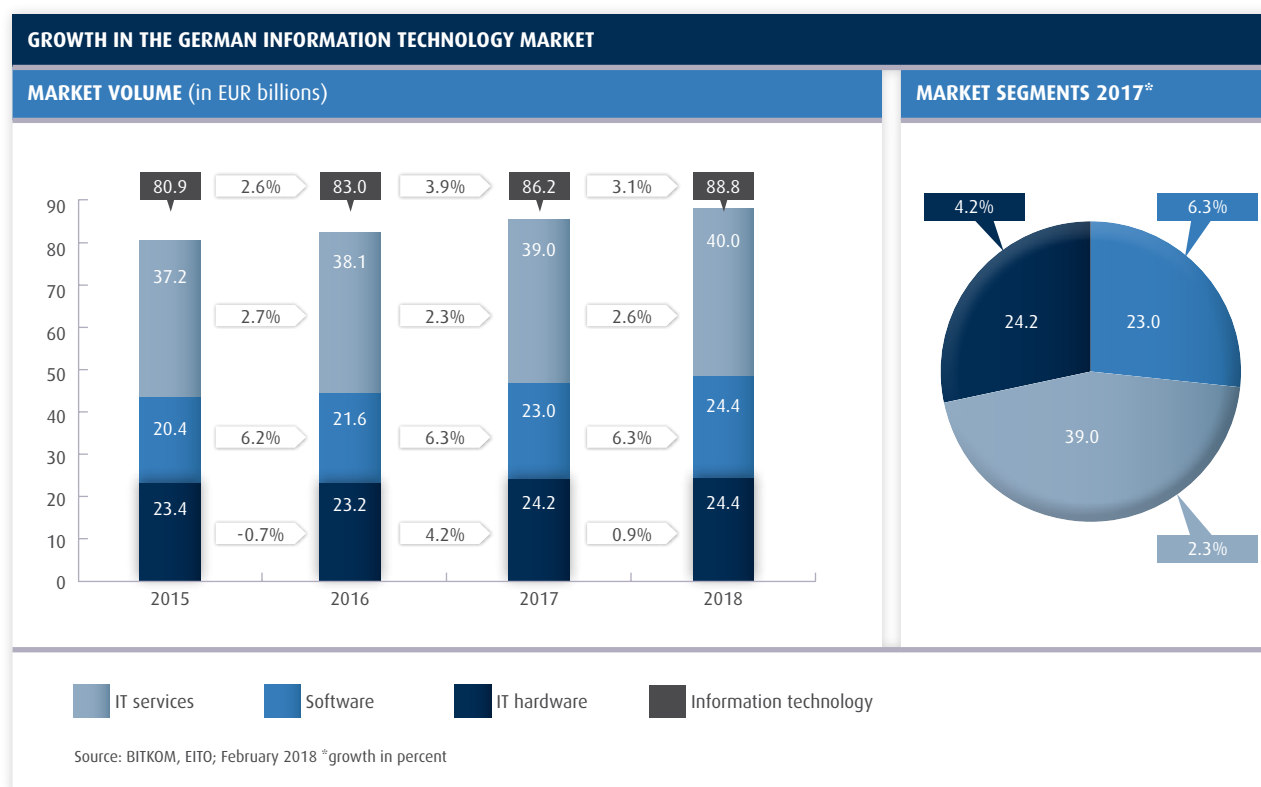
just 0.8 percent GDP growth, especially reflecting improved external conditions and an increase in competitiveness, which should lead to more investments and higher exports. Accordingly, Swiss GDP is forecast to grow by 1.7 percent in the current 2018 year.

In many other countries (such as France, the Netherlands, Belgium, the United Kingdom, Poland, Malaysia and India), Allgeier reported significant revenue growth in the financial year elapsed.

By way of summary, it is to be noted that the situation in the core markets of the Allgeier Group is meanwhile affected to only a minor extent by the after-effects of the European debt crisis. The resultant economic weakness appears to have been overcome in most Eurozone countries. The generally good economic situation worldwide, although especially the continued stable growth and good economic situation in the significant markets for Allgeier companies (especially in Germany, the USA, Austria and Scandinavia) and these markets' above-average forecast growth compared with the Eurozone also give us further reason 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 conducted by the industry association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien) in February 2018, sales of products and services for the overall industry are expected to increase slightly in 2018 by 1.3 percent to EUR 164.0 billion. Constantly above-average growth in the information technology market, which is particularly relevant for Allgeier, of 3.1 percent (previous year: 3.9 percent) to EUR 88.8 billion is especially responsible for this. According to BITKOM, in 2017 the IT market recorded growth to EUR 86.2 billion (2016: EUR 83.0 billion). The IT sector thereby outperformed the overall economy last year. The software market of relevance for Allgeier reported considerably above-average growth last year of 6.3 percent to reach EUR 23.0 billion (2016: growth of 6.2 percent to EUR 21.6 billion). The market for IT services such as consulting and outsourcing also reported an increase of 2.3 percent to EUR 39.0 billion in 2017 (2016: growth of 2.7 percent to EUR 38.1 billion). The advancing digitalisation of virtually all industrial sectors is the main 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. Following a weaker trend in the previous year, the IT hardware market also registered considerable growth, and was up by 4.2 percent to reach EUR 24.2 billion last year (2016: decrease of 0.7 percent to EUR 23.2 billion).

2.2 BUSINESS TRENDS IN 2017

In the 2017 financial year, (January 1, 2017 – December 31, 2017), the Group recorded continued growth in terms of both revenue and value creation. Overall, consolidated revenues grew by 17 percent year-on-year. With this growth, our planning, which forecast total growth of 16 percent, was slightly exceeded. Key earnings figures were especially affected during the first half of 2017 by the planned costs of reorganising the Experts business unit and related hiring as an investment in future growth. Value creation (total performance less cost of sales) increased by 16 percent. Earnings before interest, tax, depreciation and amortisation (EBITDA) in the financial year elapsed were down by 16 percent year-on-year mainly due to the aforementioned planned growth investments. As a consequence, we have failed to attain our expectation of earnings growth at a slightly slower rate than the rate of revenue growth of 7 to 8 percent, corresponding to a margin of around 6.0 percent.

The 2017 year was not (yet) a "year of harvesting" for the Allgeier Group. Rather, we have worked hard in this regard, and "tilled and sowed the field", making very important preparations for the future. The first half of 2017 was characterised by considerable investments in growing and establishing our Experts and Enterprise Services (SAP) business units. We also made considerable investments in technology know-how and new customers in the Technology business unit. We already started to reap the rewards of these growth investments in the second half of 2017.

In June 2017, we successfully implemented the capital increase and acquired many new institutional investors for our share.

In October, we completely restructured our borrowing profile and arranged a new credit line in a volume of EUR 180 million. We have thereby created financial planning security for many years. As a consequence, we have at our disposal funds on attractive terms for future growth and acquisitions, which we can draw down precisely in line with our requirements. We further expanded our customer base and also strengthened it in terms of breadth: Our Group companies meanwhile generate annual revenue of more than EUR 1 million from each of almost 100 national and international customers. These customers comprise large-scale groups, many market and sector leaders, public

sector clients as well as high-performing medium-sized companies from almost all sectors in equal measure.

We are particularly pleased to welcome the 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 7,700 employees and freelance experts at the end of 2016 to almost 8,500 as of the end of 2017. To a significant extent, this reflects not only the SAP consulting units in Germany, France and Denmark which have been newly added to our Group but also many new hires in all our business units. In a market which bemoans a lack of outstanding specialists worldwide, such growth is not simply a matter of fact. Many of our staff work intensively the whole year round on identifying the best individuals worldwide and recruiting them to our Group. We are proud that we can offer our employees attractive working opportunities, exciting customer projects and outstanding personal perspectives.

In 2017, we received a number of awards at the level of both the Group and its divisions and subsidiaries; we ranked first in the Lünendonk® special survey on "Leading German medium-sized IT consultancies and system integrators", for example, and according to the Lünendonk® market segment study for 2017, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier Experts held its place among the top 3 IT personnel service providers in Germany. Silicon Review distinguished our Nagarro division is one of the 10 fastest-growing Microsoft solution providers, receiving several awards for its data analytics and BI project work at the 19th New York City Technology Forum. In December, German weekly business magazine Wirtschaftswoche distinguished Experts company SearchConsult (now: Allgeier Experts Select) as "Sector Champion" in the IT, digitalisation and media area, thereby ranking it among the best personnel consultancies in Germany.

In all business units, we worked intensively this year on many different topics, and with great commitment we established the necessary foundations and structures for further growth:

- In the Experts segment, we have created a new corporate structure over the past two years, 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. In the year under review, we invested intensively in significant hiring and the creation of new organisational structures. Under new management, we created efficient shared service centres and effective sales structures. For this

extraordinary effort, we are thankful to all our colleagues at the respective companies, who brought about quite considerable structural change while business operations were ongoing, and integrated many new colleagues. After the significant investments during the first half of 2017, we have thereby successfully laid the foundation for new business and further growth. During the current financial year, too, we will work on optimising the new structures and especially aim to exploit cross-selling potentials for considerable growth within the customer accounts.

- In the Enterprise Services segment, we continued to focus on an integrated portfolio of offerings during the financial year elapsed, and with Allgeier Enterprise Services we have created a leading service and solution provider for enterprise and medium-sized company customers. We successfully integrated Ciber teams in Germany, France and Denmark and hired a total of more than 400 staff by the end of 2017 – including many highly-qualified SIP specialists who are much sought after in the market. Together with the existing team, the new team developed innovative products and services and acquired many new accounts. The sales pipeline is well filled. Through leveraging synergies and more cross-selling, we aim to strengthen our position as an end-to-end service provider in our target markets during the current financial year and grow significantly further and above the market average growth rate as a first-mover in SAP Cloud offerings.
- In our Technology segment, we, as a Group, look back again on a year of growth in 2017. At the same time, however, we have also, to a quite considerable extent, successfully faced the challenge posed by rapid technological change and the establishment of new teams and customer contacts. The Nagarro division successfully continued its global integration and growth process and entered promising markets with new location – such as in Australia, Japan, Malaysia, South Africa and Finland. Nagarro generated considerable growth with its top clients and successfully expanded its business. In 2018, Nagarro is intensifying its focus on future topics and innovations under its new brand message of "Thinking Breakthroughs", and it is growing further both organically and through value-creating acquisitions. Equally, the mgm technology partners division looks back on a further very successful year of corporate growth. In high-end, large-scale projects, mgm proved its excellent solutions expertise, further developed its in-house know-how in the form of scalable and recyclable solutions, and successfully integrated numerous new colleagues. Following the opening of offices in Vietnam and the USA in previous years, mgm continued its

international expansion during the year under review. In the current year, the division will continue its technical specialisation, further boost efficiency in developing digital applications, and take its IP business further forward. In 2018, the business unit intensified its sales activities in both divisions, especially harnessing the potential shared with the Group's associated companies.

- In the New Business Areas business unit, we created important foundations and structures for future growth and the positive development of the segment's two units.

Key figures

The consolidated revenues of the Allgeier Group under IFRS increased to EUR 581.6 million in the 2017 financial year (previous year: EUR 497.5 million), which corresponds to growth of 16.9 percent. Accordingly, the value creation (defined as total performance less revenues that can be apportioned directly to sales costs and personnel costs) of the operative business was raised. This value creation grew by 15.5 percent to EUR 156.8 million (previous year: EUR 135.9 million), corresponding to a year-on-year unchanged gross profit margin of 27.1 percent.

Adjusted consolidated EBITDA amounted to EUR 29.3 million in the reporting period (previous year: EUR 33.8 million), representing a 13.1 percent reduction. Group-internal adjusted EBITDA is defined as EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period. In this regard, effects on results which occurred as a special effect in the respective financial year, or which on examination cannot be allocated to the operative business trend of the financial year under review, are defined as extraordinary or relate to another tax year. In the 2017 financial year, expenses totalling EUR 11.7 million (previous year: EUR 8.8 million) and income of EUR 8.8 million (previous year: EUR 6.5 million) – and consequently a net surplus of expenses of EUR 2.9 million (previous year: EUR 2.3 million) – were adjusted. The adjustments in the 2017 financial year relate specifically to currency differences in the net amount of EUR 1.3 million (previous year: EUR -0.8 million), one-off personnel expenses of EUR 2.9 million (previous year: EUR 1.1 million), extraordinary consulting costs as part of the refinancing in an amount of EUR 0.7 million (previous year: EUR 0.6 million), costs for acquisition activities of EUR 0.4 million (previous year: EUR 0.2 million), income from adjustments to variable purchase prices for subsidiaries in an amount of EUR 1.0 million (previous year: EUR -0.3 million), income from forward currency transactions of EUR 1.4 million (previous year: EUR 1.5 million), and other extraordinary effects and effects relating to other accounting periods in an amount of EUR -2.5 million (previous year: EUR -0.8 million).

Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) amounted to EUR 26.5 million in the reporting year, 16.0 percent below the result of the 2016 financial year (previous year: EUR 31.5 million). Consolidated EBIT (earnings before interest and tax) for the period stood at EUR 13.5 billion (previous year: EUR 17.8 million), 24.4 percent below the previous year's level. The Group generated EBT (earnings before tax) of EUR 11.0 million (previous year: EUR 13.9 million) – down 21.1 percent on the previous year. The net result for the period amounted to EUR 4.5 million (previous year: EUR 6.7 million), 33.2 percent below the figure for the 2016 financial year.

No subsidiaries or business operations were sold in the 2017 financial year, thereby dispensing with the need to report on discontinued operations. In the previous year, WK EDV GmbH, Ingolstadt, and Talentry GmbH, Munich, were reported as discontinued operations. In the previous year, discontinued operations generated revenues of EUR 3.2 million and a result before tax (EBIT) of EUR -1.7 million. The Group generated a disposal gain of EUR 1.3 million in 2016 from the disposals of both companies.

Performance indicators

For 2017, the Allgeier Group set the following objectives for the individual performance indicators for controlling the company at Group level (see below, 2.4 Financial and non-financial performance indicators):

For consolidated revenues, we had forecast for the 2017 financial year growth of 16 percent overall. With actual revenue growth of 16.9 percent, we slightly exceeded the forecast growth target, taking into consideration the takeover of parts of the operating business of the Ciber companies.

Because we had different growth expectations for the three segments reported in the previous year, we issued differentiated forecasts for the growth of the individual segments in 2017:

- For the Enterprise Services segment we had set ourselves a goal of 60 to 70 percent revenue growth. In fact, the Enterprise Services segment reported revenue growth of 120.6 percent to EUR 103.8 million in the 2017 financial year (previous year: EUR 47.0 million). The strong revenue growth reflected the takeover of parts of the operating business of Ciber Germany, Ciber France and Ciber Denmark, and the growth investments in the SAP business newly established together with the acquired Ciber units. As a consequence, we considerably exceeded our expectation for revenue growth.

Due to the acquisition of parts of the operating business of the Ciber companies, actual business trends cannot be compared with the original planning from the previous year.

- For the Experts segment, we had expected revenue growth in the magnitude of around 4 to 5 percent. After the segment recorded a reduction in revenue during the first half of 2017 as part of the reorganisation, it achieved 3 percent year-on-year revenue growth in the second half of the year. Thanks to the trend turnaround in mid-2017 towards a positive growth trend, the segment achieved revenue almost at the previous year's level at EUR 258.5 million (previous year: EUR 258.5 million), although it fell short of expectations on a full-year basis.
- For the Technology segment (software development), we had expected revenue growth of around 14 percent in the financial year elapsed. Both divisions of the Technology segment together recorded a good organic business trend, and reached revenue growth of 13.9 percent to EUR 223.9 million (previous year: EUR 196.5 million). This revenue growth was thereby within the range of our expectation.
- For the New Business Areas segment, which was newly created 2017, we had not formulated any expectations during the financial year elapsed.

Overall, we partly reached the formulated revenue targets in the segments during the past year, partly exceeded them, and partly failed to attain them: The actual trend in the Enterprise Services segment considerably exceeded our original expectations. The Technology segment performed in line with our expectations, while the Experts segment fell short of the targeted level. Overall, with approximately 17 percent growth in 2017, Allgeier slightly exceeded the formulated objective of achieving 16 percent revenue growth.

Concerning profitability measured in terms of EBITDA growth, as part of last year's forecast reporting for the Group we formulated a slightly above-average growth of between 7 and 8 percent, in accordance with an EBITDA margin of around 6.0 percent. Group-wide, we reached an EBITDA margin of 4.6 percent in the 2017 financial year for the aforementioned reasons. Our expectations across the entire Group have thereby not been fulfilled.

- For the Enterprise Services segment we planned a rise in the EBITDA margin to 4 percent. In fact, we achieved an increase in EBITDA from EUR -0.4 million in the previous year to EUR 4.5 million in the year under review, and consequently a margin of 4.4 percent. The segment's profitability trend was thereby slightly above our expectations.

- For the Experts segment, we assumed an EBITDA margin of around 3 percent for the 2017 financial year due to the planned growth investments. EBITDA amounted to EUR 4.7 million (previous year: EUR 10.9 million) corresponding to an EBITDA margin of 1.8 percent. We thereby failed to attain our profitability target for the segment.
- According to our forecast from last year's annual report, the Technology segment was to report an EBITDA margin of between 10 and 15 percent. In fact, EBITDA of EUR 27.7 million (previous year: EUR 27.3 million) was slightly above the level of the 2016 financial year. The segment's EBITDA margin amounted to 12.4 percent and was thereby in line with our expectations.
- For the New Business Areas segment, we had not formulated any expectations during the financial year elapsed.

While earnings trends in both the Enterprise Services and Technology segments were in line with our budget expectations or slightly above, the growth expectation for Group profitability was not fulfilled over all due to the situation in the Experts segment.

In relation to the net debt performance indicator, we had expressed the expectation that net debt would increase by around EUR 5 million in 2017 compared with the end of the 2016 financial year thanks to the business growth, and excluding further acquisitions. This expectation was not fulfilled: Net debt of EUR 55.8 million as of December 31, 2017 reflected a higher rate of increase than forecast compared with the previous year (EUR 41.8 million). Although financial debt as of the balance sheet date was down by EUR 4.8 million year-on-year, cash also reduced. The increase in net debt is due to the growth investments in establishing the SAP unit and in the Experts segment, as well as a high level of working capital, attributable to factors relating to the reporting date and due to the strong revenue generated in the final quarter of 2017.

Acquisitions

As part of its acquisition activities, during the financial year elapsed Allgeier targeted the establishment and expansion of the SAP business in the Enterprise Services segment. Specifically, the following transactions were executed:

- In April 2017, Allgeier SIE acquired certain assets and contracts from the company Ciber AG, Heidelberg, which was in insolvency proceedings, as well as from the company Ciber Managed Services GmbH, Heidelberg, which was also in insolvency proceedings. The divested companies and business areas were reported under discontinued operations in both the consolidated statement of comprehensive income and in the consolidated cash flow statement. With the transaction,

Allgeier continued significant parts of the operating business of both Ciber companies, and integrated them into the existing SAP product and service portfolio of the Enterprise Services segment. Besides Ciber's German business, in May 2017 Allgeier also acquired certain assets and liabilities of Ciber Denmark as well as in June 2017 with AI2S-Consulting, Entzheim, France, an SAP consulting and service company active in the French market.

Capital market and financing

In the second half of 2017, the shareholders of Allgeier SE received dividends in the amount of EUR 4.5 million (previous year EUR 6.2 million). In the 2017 financial year, profits in the amount of EUR 1.0 million were distributed to non-controlling interests of subsidiaries (previous year: EUR 0.7 million). From the capital increase implemented in June 2017, the Allgeier Group received a cash inflow of EUR 16.0 million (after deducting costs directly connected with the capital increase).

The company did not purchase or sell any treasury shares in the 2017 financial year.

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 (previous year: 21 DAX companies) – as well as for a number of medium-sized enterprises and public clients. The number of customers with annual revenue of more than EUR 1 million each was increased considerably during the financial year elapsed and reflects the further broadening of the customer base: Allgeier now generates annual revenues of more than EUR 1 million each from a total of 98 customers, compared with 78 customers in the previous year.

The Group counts companies and entities from a variety of industries among its customers. In 2017, the segments in which Allgeier Group achieved its highest sales were:

- Industry, including the automotive industry: Industrial companies, at approximately 18 percent (previous year: 26 percent) in terms of revenue, now constitute the largest industry segment, a segment in which Allgeier has been well established for many years. In the financial year elapsed, sales dropped due to the postponement of business in specific industry sectors. On the other hand, revenues from other industries, such as the automotive sector, increased significantly, with the Allgeier Group thereby generating around 37 percent more revenue with industrial

companies than in the previous year. Important Group customers include large automotive manufacturers and significant companies from the automotive supply industry as well as leading companies from various industrial sectors such as aerospace, chemicals and pharmaceuticals, metals and electronics, construction, the timber industry and consumer goods. 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.

- Banks and insurers: Companies in the financial and insurance sector comprise the second largest revenue segment for the Group, accounting for around 17 percent of revenues (previous year: 18 percent). Consolidated revenues generated with banks and insurers increased by almost 10 percent during the financial year elapsed, whereby especially revenue with banks and financial service companies reported a considerable rise. Customers of Allgeier in this sector group include several of the largest German insurance groups as well as important banks and financial service providers.
- Information technology: The Group's activity for large international IT enterprises as a percentage declined slightly in the past financial year. Accounting for an approximately 13 percent revenue share (previous year: 16 percent), IT companies form the third largest sector segment within the Allgeier Group.
- Public sector: The Allgeier Group is active on all levels in virtually all of Germany and Switzerland for public enterprises and corporate entities. A typical of 13 percent of consolidated revenues derive from work rendered for public sector clients (previous year: 8 percent). In the period under review, the Group increased revenues generated with the public sector by approximately 93 percent. This growth derived largely from the Experts segment.
- Wholesale/retail: Wholesale/retail enterprises are constantly increasing in significance within the Group's operations. Primarily the higher sales in the Technology segment with Internet wholesale/retail platforms and shops (e-commerce) are responsible for this development. The Group generated 8 percent of consolidated revenue with the wholesale/retail sector (previous year: 7 percent), representing an increase in absolute revenues of 38 percent.
- Telecommunications: Measured in terms of revenue in the 2017 financial year, this sector represents the sixth largest sector segment. The Group generated 7 percent of its revenue here (previous year: 8 percent). In absolute terms, revenues generated with telecoms

companies reported a slight increase during the financial year elapsed.

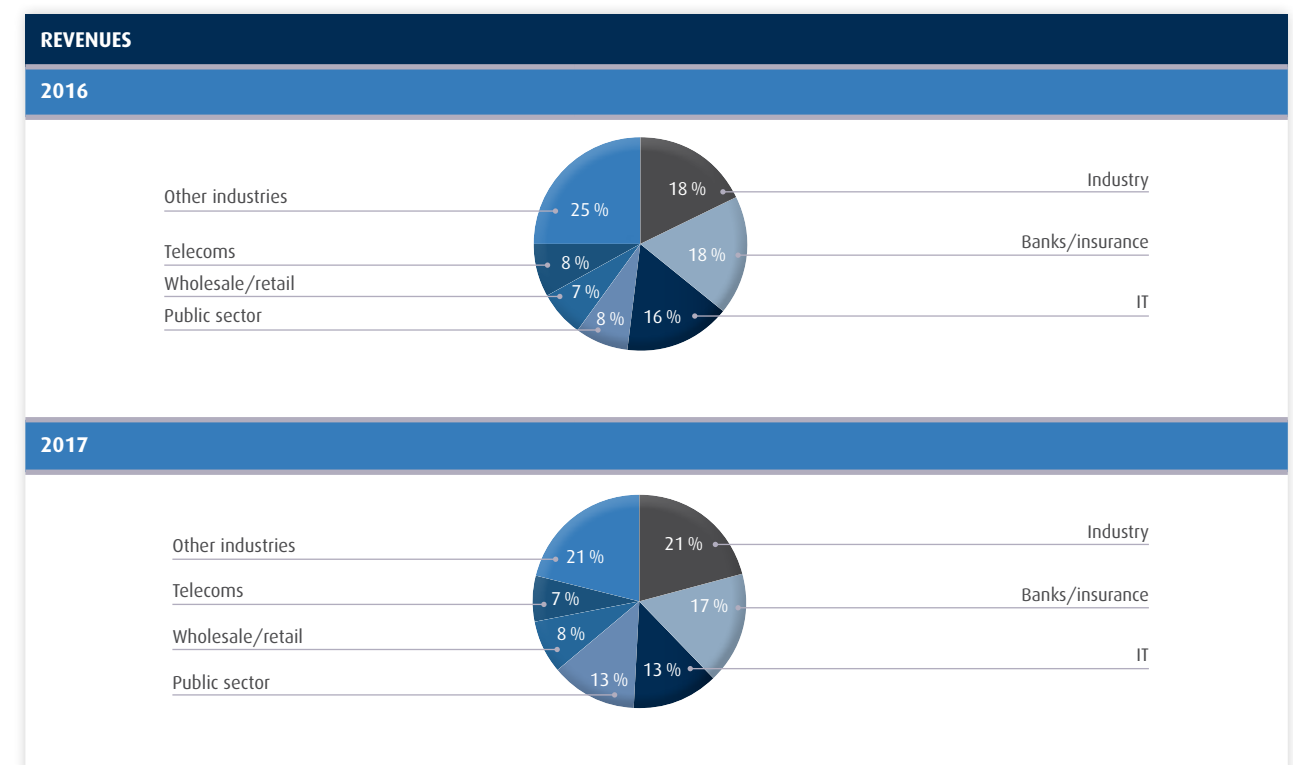
- Other industries: Important sectors such as services, health, logistics and media are aggregated within other industries. Allgeier generated an approximately 21 percent of its consolidated revenues in these sectors (previous year: 25 percent). In absolute terms, Allgeier generated revenues almost at the level of the previous year, whereby especially revenues with companies from the service sector within the Technology segment registered considerable growth.

2.3 THE GROUP'S POSITION

2.3.1 Results of operations

In the 2017 financial year, elapsed (January 1, 2017 to December 31, 2017), the Allgeier Group achieved revenue growth of 17 percent to EUR 581.6 million (previous year: EUR 497.5 million). Especially the Technology segment (with 13.9 percent from EUR 196.5 million in 2016 to EUR 223.9 million in 2017) and the Enterprise Services segment (growth of 120 percent or 56.7 million years) contributed to this revenue growth in the comparative years. Part of the growth in the Enterprise Services segment derives from the acquisition of the business operations of the Ciber Group in the second quarter of 2017.

Adjusted consolidated EBITDA (EBITDA before effects that are extraordinary in relation to the operating business or relate to another tax period) amounted to EUR 29.3 million (previous year: EUR 33.8 million). EBITDA for the period amounted to EUR 26.5 million (previous year: EUR 31.5 million). In this context, the Enterprise Services segment registered an increase in EBITDA of EUR 5.0 million, and the Technology segment recorded a rise of EUR 0.3 million, while the other segments registered decreases. In particular, the Experts segment lost EUR 6.1 million due to the growth investments and measures to expand the business implemented in the first half of the year. The New Business Areas segment recorded a reduction in EBITDA of EUR -1.9 million. From the remaining business (Allgeier SE and Consolidation), a slight decrease in EBITDA of EUR 2.3 million remained. Consolidated earnings were impacted by one-time effects due to effect from previous periods in the amount of EUR -2.9 million (previous year: EUR -2.3 million). Significant special effects to mention here include borrowing costs and one-off personnel expenses, which were offset by income from currency fluctuations and forward currency transactions as well as adjustments, recognised in profit or loss, to purchase prices as part of acquisition activities.



Overall, depreciation and amortisation reduced from EUR 13.7 million in the previous year to EUR 13.0 million in the year under review. A large proportion of the depreciation and amortisation of EUR 4.4 million (previous year: EUR 5.9 million) relates to the amortisation of customer relationships and products capitalised as part of the acquisition of subsidiaries. A total of EUR 5.6 million (previous year: EUR 4.8 million) comprises depreciation, and EUR 3.1 million (previous year: EUR 1.9 million) amortisation.

Impairment losses were not required in the 2017 financial year. In the previous year, impairment losses of EUR 0.7 million were applied to a capitalised customer base, and EUR 1.1 million of impairment losses were applied to the goodwill of Oxygen. As a consequence, the Allgeier Group generated EUR 13.5 million of EBIT in 2017 (previous year: EUR 17.8 million). Excluding the acquisition-related amortisation and the aforementioned one-off effects and items relating to other tax periods, the Group recorded EBIT of EUR 20.8 million in 2017 (previous year: EUR 27.0 million).

Financial income of EUR 1.1 million was up slightly year-on-year, and financial expenses of EUR 2.9 million were slightly below the previous year's level (EUR 1.0 million and EUR 3.4 million respectively). At-equity investments incurred an expense of EUR 0.7 million (previous year: EUR 1.5 million). After deducting interest and the share of earnings from at-equity investments, the Group generated earnings before tax (EBIT) of EUR 11.0 million (previous year: EUR 13.9 million).

The income tax expense amounted to EUR 6.5 million in the reporting period (previous year: EUR 7.2 million). The 59.1 percent ratio of tax expenses to earnings before taxes (previous year: 51.7 percent) reflects non-deductible expenses, unrecognised taxes on losses, non-tax-effective valuations from at-equity investments and tax rate-related changes. After tax, the Group generated earnings of EUR 4.5 million for the period under review (previous year: EUR 6.7 million). Of these earnings, an amount of EUR 2.8 million (previous year: EUR 4.4 million) is attributable to the shareholders of Allgeier SE and EUR 1.7 million (previous year: EUR 2.0 million) is attributable to the non-controlling shareholders at subsidiaries.

Earnings per share for the Allgeier Group amount to EUR 0.30 in the reporting year (previous year: EUR 0.50). Earnings per share adjusted to reflect amortisation from acquisition activities and with normalised taxes amounted to EUR 1.09 in the reporting year (previous year: EUR 1.47).

2.3.2 Financial position

As was the case in previous years, the Allgeier Group reports a solid and balanced financial situation. Due to continued growth, rising working capital requirements and acquisition activities, net debt rose in the 2017 financial year, although this is offset by both significantly higher business volume as well as high growth expectations in the 2018 financial year. With the newly arranged financing facility, considerable funds are still available to finance the Allgeier Group and continue its growth. Over the past years, constant funds were generated for the distribution of dividends to shareholders.

Interest-bearing liabilities rose slightly to EUR 108.8 million as of December 31, 2017 (previous year: EUR 113.6 million). Cash and cash equivalents decreased to EUR 53.0 million (previous year: EUR 71.8 million). The change in cash and cash equivalents reflects the net change in cash flows from operating activities, investing activities and financing activities as well as payments deriving from capital increases and dividends. Besides cash and cash equivalents of EUR 53.0 million, the Allgeier Group had free financial resources of more than EUR 100 million available at the end of 2017 from its newly arranged financing facility and further existing credit lines. Furthermore, a EUR 50 million customer

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 1.09 in 2017 (previous year: EUR 1.47).

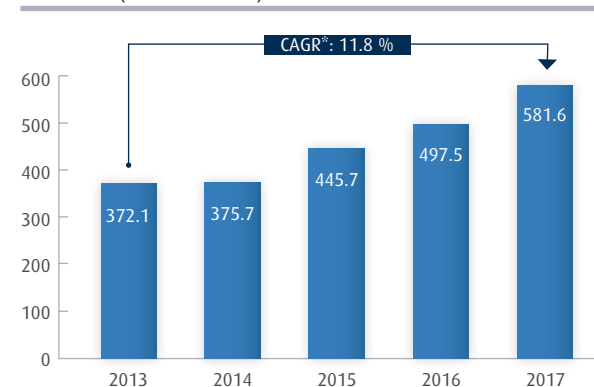
(in EUR millions)	2016	2017
Operating earnings (reported EBIT)	17.8	13.5
Amortisation of intangible assets from corporate acquisitions	5.9	4.4
Goodwill impairment losses	1.1	0.0
Purchase price adjustments recognised in profit or loss	0.3	-1.0
Other one-off effects and effects relating to other periods	2.0	3.9
Financial result	-2.4	-1.7
Result from at-equity investments	-1.5	-0.7
Adjusted earnings before tax	23.1	18.3
Tax rate	35%	35%
Taxes	-8.1	-6.4
Adjusted net income for the period	15.0	11.9
Attributable to non-controlling interests	-2.0	-1.7
Earnings for the calculation of adjusted earnings per share	13.0	10.2
Number of shares outstanding	8,920,301	9,402,457
Adjusted earnings per share in EUR (undiluted)	1.47	1.09

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

- Income from the release of provisions
- Income and losses from disposals of non-current assets
- Income and expenses from changes to valuation allowances on receivables
- Income from the collection of receivables previously written off
- Other income and expenses related to previous 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

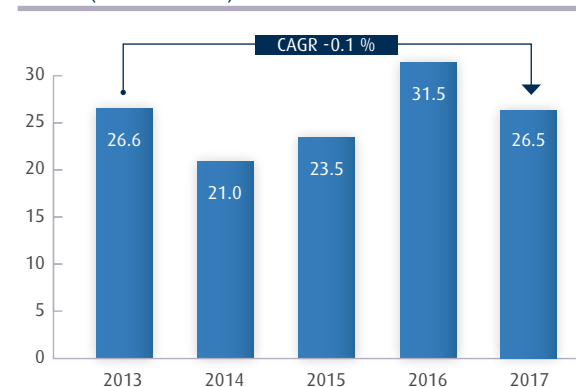
Pursuant to IFRS, new acquisitions are consolidated from the acquisition date in the entire management report and in the grass.

REVENUES (in EUR millions)



*The CAGR (compound annual growth rate) represents the average annual growth.

EBITDA (in EUR millions)



receivable factoring facility exists, unchanged compared with the previous year. An amount of EUR 37.7 million of the factoring facility was utilised as of December 31, 2017 (December 31, 2016: EUR 24.1 million).

The Group generated EUR 34.0 million of cash inflows in the 2017 financial year from operating activities and before working capital changes (previous year: EUR 27.9 million). Capital requirements, affected by reporting dates, to cover working capital fluctuations amounted to EUR 36.9 million as of the balance sheet date due to the higher working capital requirements in connection with the growth. These requirements were above the previous year at EUR 22.4 million. Including the funds tied up in working capital, a negative cash flow from operating activities of EUR 2.9 million remained (previous year: EUR +5.5 million). Working capital, especially including trade receivables, reported an above-average high level at the year-end (in relation to the full course of the year) due to very strong revenue months during the fourth quarter.

The Allgeier Group invested a total of EUR 17.3 million in the 2017 financial year (previous year: EUR 11.9 million). This amount includes payments for investments in the acquisition of subsidiaries and business units in the amount of EUR 9.0 million (previous year: EUR 7.2 million). Outgoing payments for operative investments (including finance leases) of EUR 8.2 million were also incurred in the reporting year (previous year: EUR 6.0 million).

For financing purposes and distributions including the capital increase realised in 2017, the Allgeier Group expended cash in an amount of EUR 3.8 million in the 2017 financial year (previous year: EUR 8.9 million). In 2017, loans in a net amount of EUR 11.2 million (previous year: EUR 1.7 million net) were repaid. The shareholders of Allgeier SE received dividends in the total amount of EUR 4.5 million (previous year: EUR 6.2 million). In the 2017 financial year, the Allgeier Group paid net interest of EUR 3.0 million (previous year: EUR 2.9 million). The Group generated proceeds of EUR 16.0 million from the capital increase which was successfully placed into 2017.

In the 2017 financial year, as the net balance from the cash flows from operational activities, investing activities and financing activities, and the items for correction of currency differences in cash and cash equivalents, the Group generated a surplus of outgoing payments totalling EUR 25.9 million (previous year: EUR 15.5 million). Cash and cash equivalents reduced from EUR 67.3 million on December 31, 2016 to EUR 41.4 million as of the end of the 2017 financial year due to the cash outflows.

Tier 1 liquidity (cash and cash equivalents/current liabilities) reduced to 48 percent on December 31, 2017 (previous year: 56 percent) due to the decline in cash and cash equivalents. Due to the increase in trade receivables, Tier 2 liquidity (cash and cash equivalents and trade receivables/current liabilities) stood at 155 percent on the valuation date (previous year: 130 percent).

2.3.3 Net assets

Changes in the Allgeier Group's asset position generally reflect acquisition activity and the associated addition of new Group companies, the disposal of subsidiaries, as well as the measures implemented to finance the Group. Moreover, the operative business activity and customer payment behaviour, as well as payments to suppliers, also influence the asset position.

During the financial year elapsed, the Allgeier Group acquired the assets and liabilities of the former Ciber companies in Germany, France and Denmark (previous year: acquisition of subsidiaries and the inclusion of one company in full consolidation). With these companies, assets of EUR 6.7 million (previous year: EUR 15.7 million) and liabilities of EUR 5.3 million (previous year: EUR 16.2 million) accrued to the Allgeier Group. Offsetting this, the Group incurred a EUR 1.2 million outflow for the acquisition of these companies and business units (previous year: EUR 5.8 million). Furthermore, the Allgeier Group expended EUR 7.7 million on subsequent purchase price payments in connection with companies acquired in previous years (previous year: EUR 3.7 million). The corporate acquisitions were funded from the Group's liquidity.

During the financial year under review, total assets reduced by EUR 6.5 million as of the December 31, 2017 balance sheet date: Total assets amounted to EUR 337.9 million as of the reporting date (December 31, 2016: EUR 344.4 million), reflecting mainly the reduction in cash, accompanied by a decrease in financial liabilities. Furthermore, currency translation effects led to a lower level of assets and liabilities. On the assets side of the balance sheet, non-current assets reduced by EUR 5.3 million, from EUR 153.4 million in 2016 to EUR 148.1 million in the year under review. Within non-current assets, intangible assets decreased by EUR 4.2 million to EUR 118.0 million (previous year: EUR 122.2 million) and property, plant and equipment reduced by EUR 0.2 million to EUR 13.5 million (previous year: EUR 13.7 million). Other non-current financial assets rose to EUR 6.9 million (previous year: EUR 6.8 million). Deferred tax assets reduced from EUR 6.0 million at the end of 2016 to EUR 5.0 million as of December 31, 2017, mainly reflecting changes in tax rates.

Within intangible assets, goodwill decreased by EUR 4.9 million, from EUR 104.8 million at the end of 2016 to EUR 99.9 million at the end of 2017, due to currency translation effects. The remaining intangible assets increased slightly by EUR 0.8 million to EUR 18.2 million (previous year: EUR 17.4 million). This includes additions from in-house developments, in the amount of EUR 1.9 million (previous year: EUR 2.6 million).

The investment ratio calculated as the ratio of non-current assets to total assets was 43.8 percent in the past financial year (previous year: 44.5 percent).

Current assets at EUR 189.9 million as of the 2017 balance sheet date were at the same level as at the end of 2016. In the same period, trade receivables increased from EUR 20.7 million to EUR 116.6 million (previous year: EUR 95.8 million). Cash and cash equivalents on the balance sheet date decreased by EUR 18.8 million from EUR 71.8 million to EUR 53.0 million. This mainly reflects the funds required in connection with accumulating working capital in the operating business as well as the reduction of debt and liabilities deriving from the acquisition of subsidiaries.

On the equity and liabilities side of the balance sheet, consolidated equity increased by EUR 5.9 million, from EUR 116.9 million as of December 31, 2016 to EUR 122.8 million. Liabilities reduced by EUR 12.4 million, from EUR 227.5 million at the end of 2016 to EUR 215.1 million on December 31, 2017. The equity ratio rose in the 2017 financial year from 33.9 percent as of the end of 2016 to 36.4 percent as of December 31, 2017, thanks to the growth in consolidated equity accompanied by a slight decrease in total assets.

The equity change derives from the net profit for the period of EUR 4.5 million and the EUR 16.0 million capital increase implemented in the 2017 financial year, offset by dividends paid to the shareholders of Allgeier SE and to the non-controlling shareholders of subsidiaries in a total amount of EUR 5.5 million, as well as currency differences in other effects not recognised in profit or loss totalling EUR 9.5 million (previous year: a total of EUR 1.8 million).

Non-current liabilities rose by EUR 7.0 million, from EUR 98.5 million at the end of 2016 to EUR 105.5 million at the end of 2017. Significant portions of the existing borrower's note loans totalling EUR 78.5 million were repaid in 2017 from the newly available master lending agreement. Non-current financial liabilities as of the end of 2017 include the utilised portion of the lending

facility of EUR 77 million and the remaining borrower's note loans in an amount of EUR 19 million. The remaining non-current liabilities reduced by EUR 4.3 million in 2017, from EUR 14.3 million to EUR 10.0 million. This reflects a EUR 1.8 million decrease in non-current liabilities deriving from the acquisition of subsidiaries and a EUR 2.8 million lower level of deferred tax liabilities.

Offsetting this, current liabilities registered a marked increase of EUR 19.5 million to EUR 109.6 million (previous year: EUR 129.1 million). Within current liabilities, financial liabilities were down by EUR 16.1 million to EUR 13.3 million (previous year: EUR 29.4 million) and the remaining current liabilities reduced by EUR 3.4 million, from EUR 99.7 million in the previous year to EUR 96.3 million at the end of the year under review. As a consequence, the debt ratio – the ratio between liabilities and total assets – reduced from 66.1 percent in 2016 to 63.6 percent in the 2017 financial year.

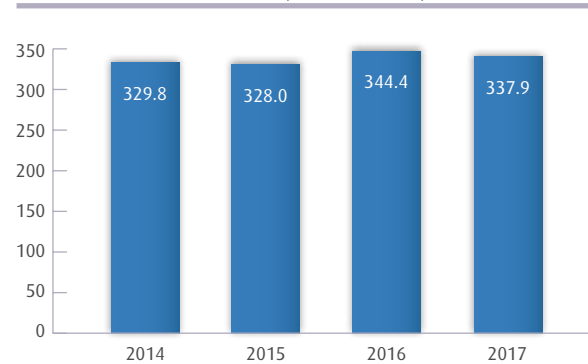
2.3.4 Segments

The segment reporting exclusively contains the segments' continuing operations. The disclosures and explanations that follow include sales and earnings from transactions which the segments realise with each other.

2.3.4.1 Enterprise Services segment

In the period under review, the Enterprise Services segment (previous year: Solutions segment) contributed 18 percent to consolidated revenues (previous year: 9 percent). In turn, the segment consists of the "Intellectual Property" and "SAP" operational business units which contributed to the comprehensive income of the segment with various growth rates and contribution margins.

The Enterprise Services segment registered marked revenue growth of 121 percent in the 2017 financial year to a level of EUR 103.8 million (previous year: EUR 47.0 million). Value creation (total performance less cost of sales and personnel costs directly attributable to revenues) grew by 112 percent to EUR 38.0 million (previous year: EUR 17.9 million), representing a gross margin of 36.4 percent (previous year: 36.9 percent). This revenue growth derived exclusively from the SAP unit, whose revenue increased from EUR 1.9 million in 2016 to EUR 58.9 million in 2017. The business operations of Ciber Germany, France and Denmark, which were acquired in the second quarter of 2017, made a significant contribution to the revenue growth. Both of the segment's operational business units contributed to the value creation growth. Intellectual Property generated an increase of EUR 4.0 million to EUR 22.0 million

TOTAL ASSETS, DECEMBER 31 (in EUR millions)**EQUITY, DECEMBER 31** (in EUR millions)

(previous year EUR 18.0 million) and the SAP unit created value of EUR 16.0 million. In the previous year, the value creation of the SAP area was still slightly negative to the tune of EUR -0.1 million.

The adjusted EBITDA (EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period) increased compared with the previous year to EUR 7.8 million (previous year: EUR 1.2 million). Of this increase, EUR 3.9 million is attributable to the SAP unit and EUR 2.7 million to the Intellectual Property unit.

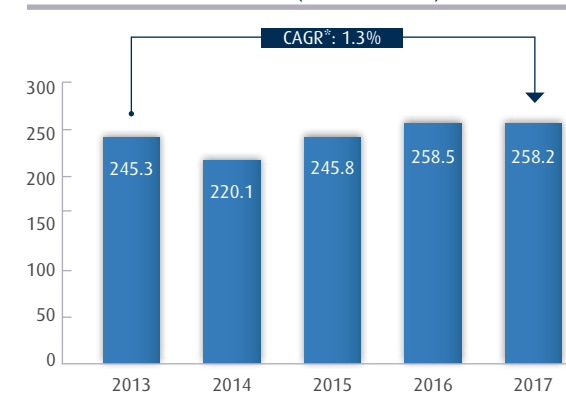
The EBITDA generated by the Enterprise Services segment amounted to EUR 4.5 million (previous year: EUR 0.4 million). In the 2017 financial year, the adjusted effects, which mainly include exchange rate differences from foreign currency conversion, value adjustments applied to receivables and personnel measures, amounted to EUR 3.3 million (previous year: EUR 1.6 million). Segmental depreciation and amortisation amounted to EUR 3.1 million

in the reporting year, above the previous year's level of EUR 2.0 million. Segment EBIT rose accordingly from EUR 2.4 million in 2016, to EUR 1.5 million in the reporting period. The earnings before tax generated by the Enterprise Services segment amounted to EUR 0.2 million (previous year: EUR 2.9 million).

2.3.4.2 Experts segment

Measured by sales and employees, the Experts segment continues to comprise the largest segment in the Allgeier Group. This segment contributes 44 percent to the consolidated revenue of the Allgeier Group (previous year: 52 percent).

The Experts segment generated EUR 258.2 million of revenue in the 2017 reporting year (previous year: EUR 258.5 million), corresponding to a change of 0 percent. Value creation was up by 2 percent year-on-year to EUR 47.9 million (previous year: EUR 46.9 million), raising the gross margin to 18.6 percent (previous year: 18.1 percent).

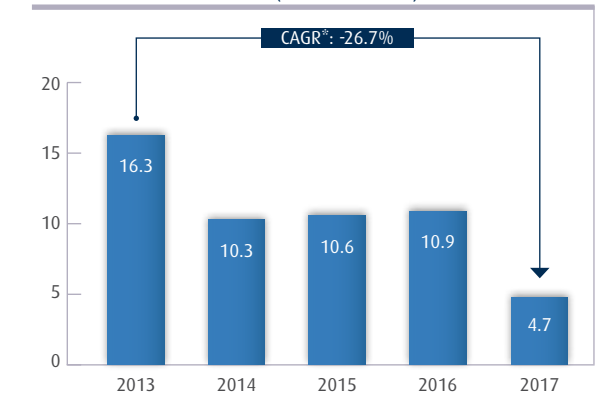
EXPERTS SEGMENT REVENUES (in EUR millions)

The adjusted EBITDA (EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period) decreased to EUR 5.4 million (previous year: EUR 12.0 million).

The Experts segment generated EUR 4.7 million of EBITDA in the 2017 financial year, down compared with the previous year's result (previous year: EUR 10.9 million). In the reporting year, indirect costs rose by EUR 7.6 million a year-on-year, representing a disproportionate percentage increase of 22 percent. This is especially attributable to the high level of growth investments in personnel and an increase in personnel costs of EUR 5.2 million. Accordingly, EBITDA decreased from EUR 5.7 million in the previous year to EUR 1.6 million in the period under review. Before taxes, the segment earned net income of EUR 0.1 million compared to EUR 4.7 million in the previous year.

2.3.4.3 Technology segment

The Technology segment reported further strong and stable growth in the year under review. Accordingly, the segment,

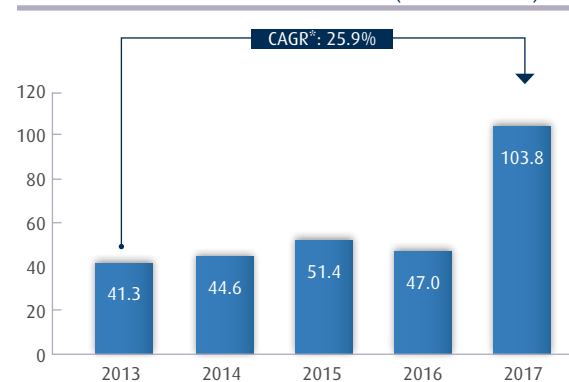
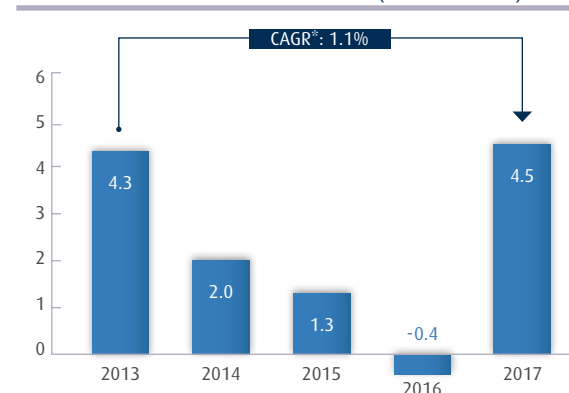
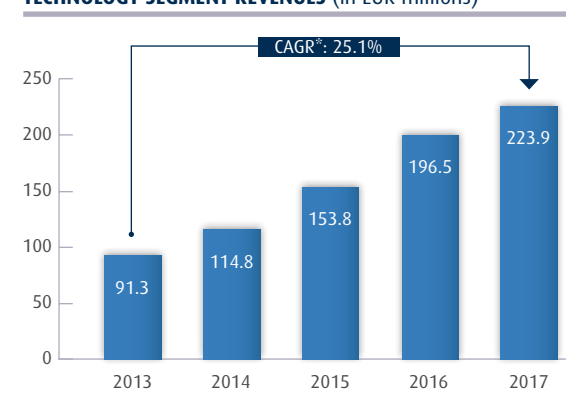
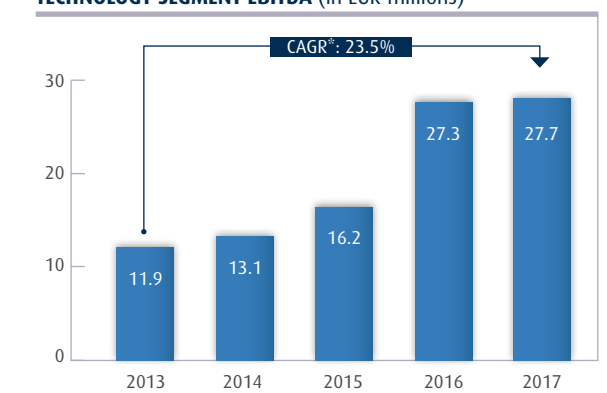
EXPERTS SEGMENT EBITDA (in EUR millions)

which comprises two operative business units (divisions), accounted for a 38 percent share of revenue within the Group in the 2017 financial year, compared to 39 percent in the previous year.

The Technology segment recorded 14 percent revenue growth in the 2017 financial year to a level of EUR 223.9 million (previous year: EUR 196.5 million). The value creation reduced slightly to EUR 71.0 million (previous year: EUR 71.8 million), corresponding to a gross profit margin of 32.4 percent (previous year: 36.4 percent).

Adjusted EBITDA (EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period) decreased to EUR 24.3 million (previous year: EUR 26.5 million).

In the 2017 financial year, the Technology segment recorded an extraordinary result of EUR 3.4 million relating to other tax periods (previous year: EUR 0.9 million). Due to the international alignment of the segment and

ENTERPRISE SERVICES SEGMENT REVENUE (in EUR millions)**ENTERPRISE SERVICES SEGMENT EBITDA** (in EUR millions)**TECHNOLOGY SEGMENT REVENUES** (in EUR millions)**TECHNOLOGY SEGMENT EBITDA** (in EUR millions)

its significant sites, particularly in India and in the USA, segment results are subject to effects arising from exchange rates. The effects, recognised in profit or loss, from exchange rate fluctuations as well as the forward currency transactions to hedge the Indian rupee are adjusted as exceptional items. These amounted to EUR 2.6 million in the financial year elapsed (previous year: EUR 0.6 million). The remaining extraordinary income of EUR 0.8 million (previous year: EUR 0.3 million) mainly comprises income attributable to previous accounting periods.

The segment EBITDA amounted to EUR 27.7 million in the reporting year, compared with EUR 27.3 million in the previous year. This corresponds to an increase of 1 percent. Depreciation and amortisation remained constant at EUR 6.5 million in the reporting year (previous year: EUR 6.5 million), whereby the segment achieved EUR 21.2 million of EBIT after depreciation and amortisation (previous year: EUR 20.8 million) – reflecting an increase of 2 percent. The segment's financial result was EUR 0.4 million (previous year: EUR 1.0 million). The segment's pre-tax net earnings increased by 5 percent from EUR 19.8 million in the previous year to EUR 20.7 million in the period under review.

2.3.4.4 New Business Areas segment

The New Business Areas segment, which comprises two operative units, is the Group's smallest operating segment. The segment contributes 1 percent to the revenues of the Allgeier Group (previous year: 0 percent).

The New Business Areas segment recorded revenue growth in the 2017 financial year to a level of EUR 4.3 million (previous year: EUR 0.4 million). The value creation rose from EUR 0.4 million in the previous year to EUR 1.0 million, corresponding to a gross profit margin of 22.3 percent.

Adjusted EBITDA (EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period) decreased to EUR 1.2 million (previous year: EUR 0.0 million).

The New Business Areas segment generated EUR 1.9 million of EBITDA in the 2017 financial year (previous year: EUR 0.0 million). EBIT amounted to EUR 2.2 million in the reporting period, compared with EUR -0.0 million in the previous year. Before tax, the segment generated a net result of EUR -2.7 million, compared with EUR -0.0 million in the previous year.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

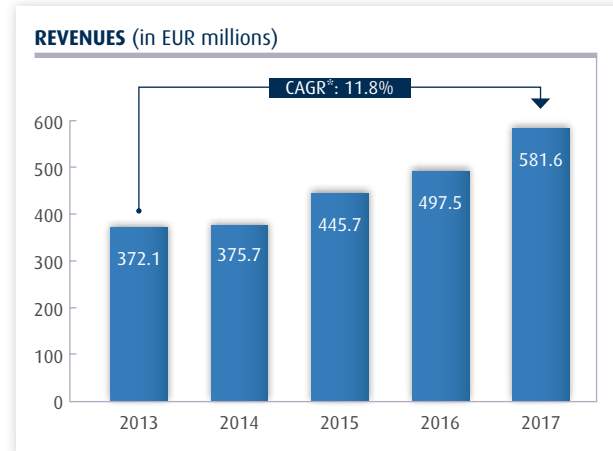
2.4.1 Financial performance indicators

At the Group level, the following financial performance indicators, in particular, form the focus for the management of the company:

Revenue 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. In consequence, we believe it is crucial to keep pace with the market through above-average growth, to also outpace the market at least in some areas, and to take the right steps to accelerate in the years to come. For this reason, growth represents a central topic.

The Group's revenue growth over the past years is as follows:



*The CAGR (compound annual growth rate) represents the average annual growth.

Profitability

Besides growth, the objective of sustainably increasing the company's value presupposes profitability. Achievable EBITDA margins play a crucial role in planning at all Group levels. This is all the more the case insofar as the EBITDA margin has been in decline over the past two years for the reasons explained in this management report.

Trends in the EBITDA and EBITDA margin for the Group as well as its individual segments are as follows (see right):

Net debt

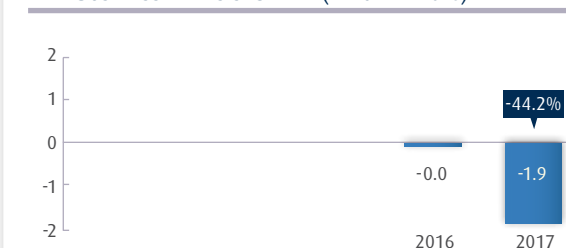
Net debt is of great significance for the valuation of the company in the capital market and for its further funding capability. Individual financing agreements make provision for compliance with certain net debt thresholds. For this reason, the planning and management of net debt play a prominent role within the overall system of corporate planning and in financing decisions. Net debt comprises financial liabilities less cash. The overall Group's net financial liabilities increased to EUR 55.8 million in the financial year elapsed (previous year: EUR 41.8 million). A slight reduction in financial liabilities from EUR 113.6 million at the end of 2016 to EUR 108.8 million as of December 31, 2017 was offset by a decrease in cash from EUR 71.8 million in the previous year to EUR 53.0 million on the reporting date.

Net debt in relation to the Group's EBITDA increased to a level of 2.11 as of December 31, 2017 (previous year: 1.33).

Growth through acquisitions

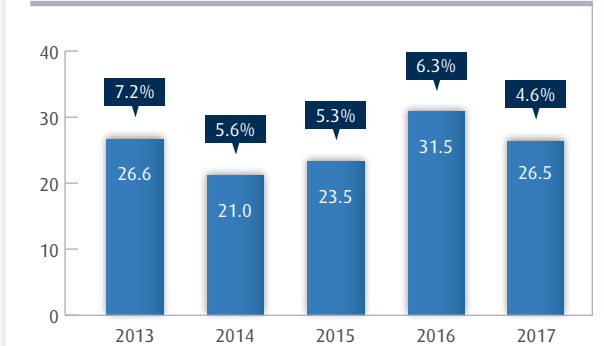
Another indicator of our Group development is the ability to take advantage of market consolidation through acquisitions. This speeds up growth, as well as the possible alignment or focusing of business activities. Allgeier has around 15 years of in-depth experience in the implementation of acquisition projects. We are recognised in the market as a potential purchaser of medium-size enterprises in Germany and abroad, which 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, through to selection as well as the execution of specific transactions. This process is supported by software tools and, in the meantime, is not handled solely by Allgeier SE alone; rather, it is performed with the involvement of the Group's divisions and business units.

NEW BUSINESS AREAS SEGMENT (in EUR millions)

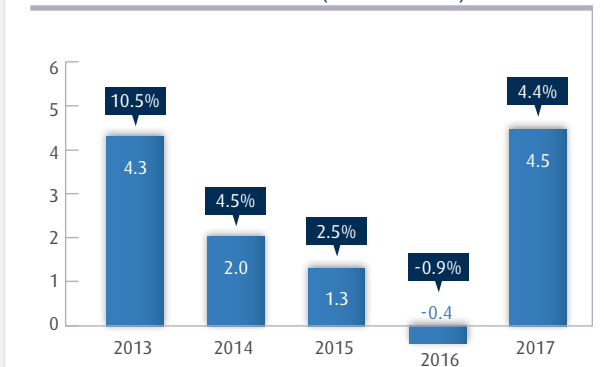


EBITDA/EBITDA MARGIN

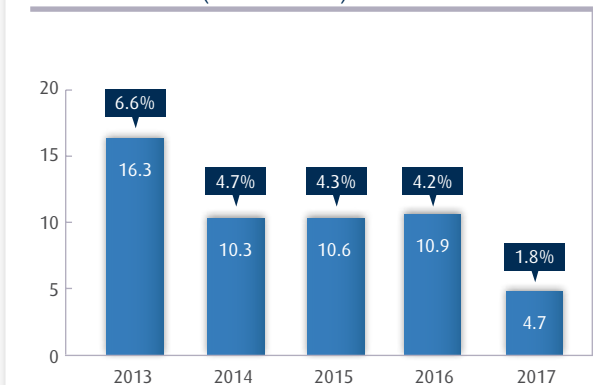
GROUP (in EUR millions)



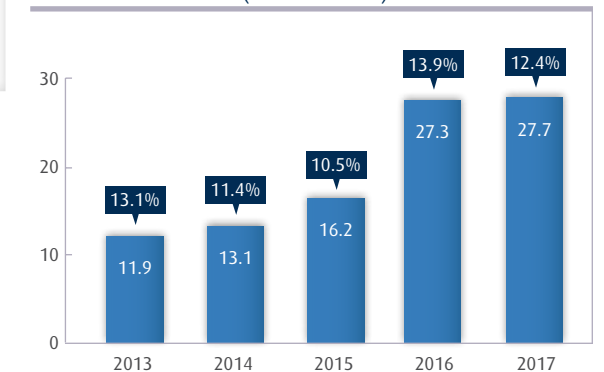
ENTERPRISE SERVICES SEGMENT (in EUR millions)



EXPERTS SEGMENT (in EUR millions)



TECHNOLOGY SEGMENT (in EUR millions)



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

TRANSACTIONS	
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 (now: Allgeier Engineering GmbH, Munich) DIGIDOK GmbH, Essen (Asset Deal) Hexa Business Services GmbH, Vienna, Austria (now: Nagarro GmbH, The entire, Austria) eHealthOpen Ltd., Birmingham, UK/Schliersee Metasonic AG, Pfaffenhofen (meanwhile merged with Allgeier IT Solutions GmbH, Bremen) SecureNet GmbH, Munich (now: mgm security partners GmbH, Munich) Corisecio GmbH, Darmstadt (meanwhile 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 (now Allgeier Experts Select GmbH, Düsseldorf) networker, Projektberatung GmbH, Kronberg im Taunus (now Allgeier Experts Services GmbH, Unterföhring)
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
2017	Ciber AG, Heidelberg (asset deal) Ciber Managed Services GmbH, Heidelberg (asset deal) Ciber France, Entzheim, France Ciber Denmark, Copenhagen, Denmark (asset deal)

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. These are the individuals who enjoy our customers' trust. In competing for new employees, it is important to candidates that we be an attractive employer worldwide. An increasing degree of intelligent and flexible organisation and diversification is required in order to combine different needs, educational levels and expectations. Various models to involve employees in customer projects play an important role in this context: These include contracts for work and labour, the supply of temporary workers, project outsourcing, onshore, nearshore and offshore models and many more. The development of existing staff and the recruitment of new employees representing important factors for the development of the entire Group. Accordingly, satisfaction of the employees within the Group is an essential performance indicator.

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 Allgeier Group company is crucially dependant on its employees' technical knowledge, competencies and loyal commitment. Our employees are in constant contact with customers, providing the agreed consulting and other services, and develop innovative solutions to meet complex challenges. Our Group strategy will also depend in the future on our employees' commitment as well as our capacity to recruit new high-achieving employees in the face of market competition and retain them within the Group.

As a consequence, a central objective of our personnel policy is to continuously foster and further develop our employees' abilities and willingness to perform. Allgeier made good progress this year by further harmonising measures for employee recruitment and retention within the divisions. We have expanded our international presence significantly in past years, gaining access to now more than 3,400 extremely well-trained software developers at our sites in India. In our core market of German-speaking Europe (Germany, Switzerland and Austria), we are increasingly identifying shortages of well-qualified experts at central locations. For this reason, too, 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 a further rise in investment in ongoing employee training and qualification.

We believe that the attractiveness of our company – both for existing staff and for suitable applicants – is becoming an increasingly important competitive factor. Given the high dynamic of the IT sector, ongoing technical training of employees is a crucial success factor in competing for the best employees. Staying on the ball technically is also crucial to meet rising customer requirements and to help shape important innovations within the industry. Equally, staff at the individual Group companies benefit from the Group's constant growth, advancing internationalisation as well as its increasing size and stability. As a consequence, 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 significantly again*

At the end of financial year 2017, the Allgeier Group had a total of 8,491 employees and freelance experts (previous year: 7,699) – including 7,098 hired employees and 1,393 freelance experts (previous year: 6,338 hired employees and 1,361 freelance experts). At the end of the financial year, Allgeier had a total of 4,395 employees and freelance experts in Germany (previous year: 4,097) and 4,096 foreign employees and freelance experts at the end of the year (previous year: 3,602). As a consequence, 51.8 percent of all employees and freelance experts worked in Germany at the end of the financial year (previous year: 53.2 percent). Overall, Allgeier thereby increased the number of employees and freelance experts by 792 (previous year: 648 employees and freelance experts). The number of hired employees in continuing operations grew by 760 employees (previous year: 621 employees). This constantly high growth continues to derive mainly from organic growth: Without the employees gained through the acquisition of new companies, the Group companies have 748 more permanently employed personnel than in the previous year, i.e. the number of jobs (employees) increased by more than 9 percent compared to the previous year (previous year: 9 percent).

We are pleased to report that Allgeier continued to slightly increase the proportion of female employees in the 2017 financial year: The proportion of female employees amounted to 25.0 percent as of the end of 2017 (previous year: 24.9 percent). The Federal Association for Information Technology, Telecommunications and New Media (BITKOM)

assumes merely a proportion of 15 percent female employees as the industry average in the German IT industry. Equally, we continue to have a high proportion of staff with university level qualifications: The proportion of such individuals stood at 40.8 percent as of the reporting date (previous year: 43.9 percent). Overall, more than 96 percent of our employees have a bachelor's/master's/doctoral degree, state-certified technician/master trades certificate or other qualified professional training (previous year: 96 percent). In addition to permanent further training and

continuing education offerings, it is our aspiration to open 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 developed as follows in the last five years:

NUMBER OF EMPLOYEES ON DECEMBER 31	2013	2014	2015	2016	2017
Number of permanent employees	3,924	4,896	5,717	6,338	7,098
Number of freelancers	1,346	1,211	1,334	1,361	1,393
Total number of employees	5,270	6,107	7,051	7,699	8,491

3. OVERALL ECONOMIC SITUATION

The 2017 year was a year of hard work for our Group during which – figuratively – we tilled and sowed our field. We have thereby made very important preparations for the future. The first half of 2017 was characterised by considerable investments in growing and establishing our Experts and Enterprise Services segments. We also made considerable investments in technology know-how and new customers in the Technology business unit. We already started to reap the rewards of these growth investments in the second half of 2017. In June, we successfully implemented the capital increase and acquired many new institutional investors for our share. In October, we entirely restructured our borrowings and arranged a new flexible credit facility. We have thereby created financial planning security for many years. We expanded our customer base and also further strengthened it in terms of breadth.

In the Experts segment, we have created a new corporate structure with a portfolio of services aligned to markets and customers, which today represents a dynamically growing and market-leading unit. We have invested in significant hiring and the creation of new organisational structures and thereby created an efficient shared service centre and effective sales structures. With the significant investments especially during the first half of 2017, we have thereby successfully laid the foundation for new business and further growth. Here, we aim to already start to reap the harvest this year.

The Enterprise Services segment reported strong growth during the financial year elapsed. Firstly, we further expanded our integrated portfolio of offerings and, secondly, successfully integrated many new employees and teams from Ciber in Germany, France and Denmark. The related investments have already started to bear fruit during the course of the year – our new business is profitable. With many new customers acquired and a well filled sales pipeline, we look with confidence to the future and are convinced that we can further boost our profitability. As in other segments, we aim to leverage our cross-selling potentials to a greater extent this year.

In our Technology segment, we, as a Group, look back again on a year of growth in 2017. At the same time, we have also to a quite considerable extent successfully faced the challenge of rapid technological change and the establishment of new teams and customer contacts. We continued our global growth and integration process by entering several new attractive markets, among other measures. 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. The segment was again one of the Group's important growth drivers in the 2017 financial year.

In the New Business Areas segment, we invested in the units in 2017 in order to create foundations and structures for future growth.

Overall, the Allgeier Group recorded revenue growth of 17 percent in the 2017 financial year. This growth was achieved thanks to both organic growth as well as the acquisition of the business of the Ciber units. The profitability of customer contracts was also enhanced: Accordingly, the value creation generated from the operative business increased by 15 percent.

EBITDA at Group level was below the previous year's result, especially due to the growth investments, with the EBITDA margin reducing to 4.6 percent.

Net debt rose to EUR 55.8 million, mainly reflecting factors relating to the reporting date, and due to growth investments in establishing the SAP unit, as well as in the Expert segment (previous year: EUR 41.8 million).

In 2017, the employee base of Group companies was considerably strengthened again. The number of hired employees increased from 6,338 employees to 7,098 employees, which corresponds to an organic creation of 748 new jobs. In the financial year, overall the number of workers, including the average number of hired freelance experts, increased to 8,491 as of 31 December 2017. We reported a further slight increase in our above-sector-average proportion of female employees, and maintained at a high level the proportion of our staff with university qualifications. The constant increase in the number of highly qualified staff members also reflects an investment in the future, which initially led to higher costs in 2017. It remains important to further intensify collaboration within the Group and to place a focus on high-growth areas with above-average development potential. In doing so, we will continue to take advantage of our ability to utilise 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 notes to the consolidated financial statements (A. VII. Events after the balance sheet date and before finalising the balance sheet).

5. OUTLOOK, OPPORTUNITIES AND RISK REPORT

5.1 OUTLOOK

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 German government, Germany recorded growth in price-adjusted German gross domestic product (GDP) of 2.2 percent in 2017. This growth thereby exceeded the good previous year. The German economy remains on a growth track in the current year. The German government expects a further expansion of 2.4 percent for 2018. The return to a more benign global economic environment exerted a beneficial effect on the German economy. The good global economy made a contribution to the pickup in foreign wholesale/retail and investments. Moreover, domestic uptrends continue to provide a solid foundation for the positive macroeconomic trend, which is especially reflected in the labour market and public finances.

For other important markets for Allgeier such as the USA, Switzerland and Scandinavia, the economic prospects are positive for 2018, according to recent forecasts (Economic Forecast Summaries from November 2017) published by the Organisation for Economic Cooperation and Development (OECD). The world economy is set to gather further momentum, whereby the US tax reforms are to act as drivers alongside the general recovery, according to the International Monetary Fund (IMF). Growth figures in many developed economies such as Germany, Japan, South Korea and the USA were higher than forecast. Many important emerging and developing economies such as Brazil, China and South Africa also performed better than predicted. World trade, in particular, reported strong growth, supported by an increase in investments – especially in developed economies – and a rise in production in Asia. In the January 2018 update to its World Economic Outlook, the International Monetary Fund (IMF) forecasts growth in global GDP of 3.9 percent for the current year, compared with 3.7 percent in 2017. The IMF has upgraded its growth forecasts for the USA due to the expected positive effects from the tax reform. Forecasts for many European countries such as Germany, Italy and the Netherlands were also raised. The strong momentum in both domestic and foreign demand proved crucial in this context. The IMF also upgraded its forecasts for other developed nations, responding mainly to the strong growth in developed Asian economies. The forecast was unchanged for emerging and developing economies. A future tightening of the currently easier global conditions for financing would pose a significant risk to growth, in the opinion of the IMF.

Expectations for the IT sector

According to market data published by the Federal Association for Information Technology, Telecommunications and New Media (BITKOM) in February 2018, in the current year the German ITC market should grow by 1.7 percent (2017: 2.2 percent) to EUR 164.0 billion (2017: EUR 161.3 billion). According to this analysis, the information technology market of particular relevance for Allgeier is expected to again report above-average growth of 3.1 percent to EUR 88.8 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 percent.

The main growth driver in the IT market also continues to be the advancing digitalisation of the economy, which entails fundamental changes in market conditions. Market trends and technologies, especially IT security, cloud computing, the Internet of Things and Services, Industry 4.0, big data and digital platforms form the basis for these trends. With its services such as IT and software solutions, Allgeier successfully addresses such trends and future technologies, and is further expanding them on a targeted basis in accordance with a growing market demand. Most companies anticipate that the cross-sectoral industrialisation process will continue over a longer period. According to the 50th Industry Barometer of the Federal Association for Information Technology, Telecommunications and New Media of 2017, 39 percent 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 2018 are IT security, cloud computing, the Internet of Things and Services, Industry 4.0, i.e. digitalisation of production processes, big data, i.e. solutions for analysis 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.

In a new study on the global IT economy published in autumn 2017, market research company International Data Corporation (IDC) emphasises the need for companies to undergo digital transformation. According to IDC a successful cloud strategy is an essential prerequisite for digitalisation in the company. Accordingly, it sees the future in Cloud 2.0. Companies would best be able to accelerate their digital transformation through public clouds and cloud technologies such as artificial intelligence(AI), machine learning, Internet of Things (IoT), Augmented Reality (AR), Virtual Reality (VR) and Blockchain. In the study, IDC

forecasts a massive leap in the number of digital services and digital innovations. It sees a global market for cloud services and cloud technologies doubling to more than USD 530 billion by 2021. According to the 7th annual study on cloud development, the State of the Cloud Report published by cloud service provider RightScale in January 2018, the application of public clouds increased from 89 percent in 2017 to 92 percent in 2018. The application of private clouds also rose in this period from 72 percent to 75 percent. The scope of cloud services will increase considerably in 2018, according to the latest cloud study produced by market research company Forrester Research in November 2017. The study notes that more than half the companies worldwide will utilise at least one public cloud platform. Accordingly, the market for public clouds is to report strong growth, with global sales of USD 178 billion anticipated for this year. This figure in 2017 amounted to just USD 146 billion. IT security solutions and services will play an increasingly important role in this context. In a study published in December 2017, market research company Gartner Inc. forecasts that around USD 90 billion will be spent on IT security worldwide in 2018. This would be 7.6 percent more than in 2016. This figure is to increase even further to USD 113 billion by 2020. The market for big data is also growing in Germany, according to figures from IDC. For 2018, the market research company forecast sales of USD 6.4 billion for hardware, software and services for big data application – representing 10 percent year-on-year growth. Software sales comprise the largest proportion of the big data market. IDC forecast that such sales will grow by 9 percent to EUR 3.1 billion in the current 2018 year. Sales generated from services relating to big data are to report even faster growth this year – of 11 percent compared with the previous year to reach approximately EUR 2.6 billion. Other important high-tech trends, such as enterprise content management, business process management, Collaboration/ Enterprise 2.0 and Enterprise Resource Planning (ERP), can also function as additional growth drivers for Allgeier; these are areas where Allgeier Group companies have already been commanding a strong market position for many years. As a central software system, ERP optimises business processes, in that it interconnects individual links in the production chain. The industry megatrends also boost ERP sales, as ERP software solutions significantly facilitate companies' controlling and planning processes. The sentiment among the providers is positive: According to the 7th ERP Barometer of the Federal Association for Information Technology, Telecommunications and New Media, published in the summer of 2017, 85 percent of German ERP providers expect increasing sales.

The Management Board expects the dependency on IT to continue increasing in an ever more globalised world. As a consequence, the forecast growth in the identified future areas is significantly stronger than in the sector average. In this context, IT itself is also subject to rapid change, resulting in an ongoing demand for innovation and investment – areas that were still up-to-date to this point in time are now being superseded and replaced by other topics. Thanks to the Group's favourable position in important innovation and future areas, 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, Central and Northern Europe and increasingly also in Asia. Despite some uncertainties triggered by potentially more protectionist policy on the part of some economies and potential trade conflicts between the USA and the European Union, we assume a good starting position for further organic growth thanks to the currently continuing good economic situation in Germany. 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 public institutions' competitiveness and efficient management. In some cases new dimensions will be achieved with digitalisation and new business areas in information technology will open up; whether relating to IT security, the use and evaluation of large quantities of data, or the digitalisation of the industrial world referred to as Industry 4.0. In the assessment of Allgeier SE, this will continue to support above-average growth of large parts of the sector. Global markets and global service providers as drivers of the technological development will internationalise further as a consequence. Furthermore, a scarcity of highly qualified IT specialists exists in strong economic markets as well as pricing pressure from global players. This requires an interplay of international know-how and capacities with local presence in proximity to the customer. Allgeier will continue to pursue its policy of further focusing its business models and optimising its internal organisation in the 2018 financial year.

We provide the following forecast for the individual performance indicators:

Current planning for the 2018 financial year reflects a continuation of the positive trend from the second half of 2017. Consequently, we plan consolidated revenue growth of between 18 and 23 percent for the 2018 financial year. All segments will contribute to the planned growth.

In addition to the planned growth, the Allgeier Group is working on continuing to add market share on a targeted basis through acquisitions.

According to the planning, consolidated EBITDA is to grow at a disproportionately fast rate, with the EBITDA margin reaching a level between 6.0 and 6.5 percent. All planning figures relate exclusively to the organic growth of the currently existing Group, including the company acquired in January 2018, Anecon (see A. VII. Events after the balance sheet date and before finalising the balance sheet), excluding further changes to the portfolio.

We plan the following revenue and earnings trends for the specific segments:

- The Enterprise Services segment plans revenue growth of between 13 and 18 percent and an increase in the EBITDA margin to a level at around between 7 and 8 percent. The newly established SAP business unit exerts a significant effect in this context, which in turn is to make a disproportionate contribution to the revenue growth.
- The Experts segment plans revenue growth in a range between 20 and 25 percent. Following the considerable growth investments realised in the previous year, the EBITDA margin is to increase to between 3.5 and 4.5 percent.
- The Technology segment plans revenue growth of between 15 and 20 percent and a stable EBITDA margin in a range of between 10 and 15 percent.
- The New Business Areas segment plans an increase in its revenue of between 25 and 30 percent and an EBITDA margin between 8 and 9 percent. This segment is still being established. For this reason, a greater scope of uncertainty attaches to this forecast.

The Allgeier Group assumes that net debt in 2018 will reduce by round EUR 5 million compared with the level at the end of the 2017 financial year following the acquisition of the company Anecon, although without further acquisitions, and thanks to the business growth.

By way of summary, the Management Board anticipates further sustainable revenue growth for the 2018 financial year, with an increase in the EBITDA margin. Furthermore, where possible, the intention is that additional targeted acquisitions are to accelerate the Group's growth and positioning and support the individual segments in the market. Allgeier will finance the planned investments utilising both its own funds and debt. Existing and new financing will be reviewed on an ongoing basis for this purpose and adapted as required.

Intelligent integration and focus on growth markets

The following continues to apply for 2018: 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 internationally and operate eye-to-eye with regard to technology are the prerequisites; as a rule local proximity is desired.

Our specific goals for 2017 are to continue focusing on the segments. This involves continuing the organisational further development of the segments' divisions.

In the Enterprise Services segment, we are aiming above all for a comprehensive and bundled service portfolio for our enterprise customers extending from provision of modern software solutions to contiguous operating and support scenarios. The Allgeier Enterprise Services segment is continuing its development into a fully fledged IT solution provider, offering customers a comprehensive range of services and products for business process digitalisation as an end-to-end service provider – especially in close interplay with the other segments: The offerings range from SAP advice and SAP-managed services, through to Micro-soft applications and solutions in the areas of Enterprise Content Management (ECM), Enterprise Resource Planning (ERP) as well as security. As a first-mover in groundbreaking SAP cloud offerings, we thereby aim to continue growing faster than the sector average, and advance our internationalisation.

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 mediation 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. Personnel and project services in the engineering area, which comprise an interface to the conventional IT area, represent a high-growth area of this business.

In the Technology segment, we are developing business-critical software and IT solutions for our customers and supporting them in changing their business models as part of digitalisation. We continue to provide support for some of the software solutions we have created over many years, which especially comprises the further development and

further adaptation to new customer requirements. Innovation in terms of deployed IT and software solutions has meanwhile become a quite decisive competitive factor for customers. In the course of the massive progressive digitalisation of many industrial sectors we will consequently transition from an IT partner to a strategic partner for many customers – a partner working together with the customer on innovation in the core business.

We created the new segment of New Business Areas in 2017 as a structural unit. In the future, business will be developed in this segment, of which we are convinced it addresses important future trends and technologies, and consequently justifies investment.

Targeted acquisitions continue to form an express part of the growth strategy in 2018. Here we are harnessing the advancing consolidation of the market, driven by technological development and the 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 company's long-term success. We apply tiered risk management and control systems on the level of the Management Board and Group controlling of Allgeier SE and on the level of the divisions and Group companies, which support us in identifying at an early stage going-concern risks and developments to 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 level 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. An intensive and regular exchange of information also occurs 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 are held involving the Management Board of Allgeier SE and the individual division management teams, in which business development, including specified key performance indicators (KPIs), market trends and strategy, as well as necessary measures for plan adherence are intensively discussed. Group-wide bodies which 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 reflect changing conditions. In system terms, this is based on integrated planning, controlling and reporting instruments that ensure ongoing business analysis of the divisions and individual companies, and extend to Group level. 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 gather economic performance data and trends, i.e. revenues, 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 terms of the budget for the following financial year – consisting of the income statement, budgeted balanced sheet and financial plan – which 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 conduct a monthly budget/actual analysis as well as a comparison of the respective previous year's period, which enables us to suitably manage the operating divisions and individual companies as well as the Group. 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 planning year, we review the overall planning figures and ascertain any need for adjustments, in accordance with a forecast.

We also conduct a risk assessment as an additional risk management tool. For this purpose, utilising a professional software tool, we regularly request individual risk reports from the responsible management boards and managing directors at 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 loss. Group-wide, uniform methods are applied so that it is possible to compare the risk assessments across the four segments. As a consequence, the Group specifically has a software-based risk matrix.

Compliance is a topic that is closely linked to risk management. Companies today are confronted by increasingly complex legislative and regulatory requirements. In accordance with the high significance of the topic in Germany and internationally, compliance in the Allgeier Group is a priority of the Management and Supervisory boards. The compliance management system of the Allgeier Group follows the five-pillar model. At an abstract level, this has aggregated the basic elements of compliance requirements into five pillars:

Leadership

Managers, above all, the Management Board, are responsible for good and responsible leadership in conformity with regulations. For this reason, the Management and Supervisory boards put our values into daily practice and require other Group managers to follow their lead.

Risk assessment

The identification, evaluation and documentation of a company's compliance risks forms a core element in any compliance management system. Company-specific compliance risks affect not only the orientation of the compliance management system depending on the company, but also the effective deployment of corporate resources. All Group companies gather and evaluate their respective compliance risks on a semi-annual basis, and report them to the respective divisional head and to Group management.

Standards & controls

This pillar comprises the building blocks derived from the risk assessment in order to establish the compliance organisation, for a compliance management system integrated

into the management landscape, and the related fixed regulations set down in writing. An extensive code of conduct applies for the entire Allgeier Group. This is published in the Allgeier Compliance Basic Handbook and is implemented in all subsidiaries. This handbook sets minimum standards, from which only upward deviation, i.e. a more stringent individual regulation and definition, is permitted for individual divisions and Group companies. Most Group companies have their own handbooks, which even extend beyond the standards of the basic handbook and which are adapted individually to the respective operations of the company or division, as well as further relevant guidelines and codes of conduct. Implementation of, and compliance with, the basic handbook is ensured especially through mandatory semi-annual reporting and review through the appointed compliance contact individuals at Allgeier SE.

Training & communication

Raising employee awareness about existing risks represents a primary objective of effective compliance training and compliance communication. In the second step, this optimally leads to the minimisation of such risks, as risks are identified and avoided as a consequence. Communication thereby makes the requisite risk monitoring easier, as compliance presence within the company enhances the probability that relevant matters are notified to the compliance function. Employee awareness is raised through both face-to-face and e-training. The topics that are taught generally depend on the respective employees' area of deployment. Moreover, managers and employees are informed quarterly about current compliance topics and developments through a newsletter as well as by a special newsletter when special topics arise.

Monitoring, auditing & response

This pillar directs the focus to relevant topics relating to the monitoring, auditing and assessment of the compliance management system as well as reporting on the compliance management system itself. Fixed routines in terms of an internal audit within the Group, both dependent and independent of specific events, help to identify potential compliance offences at an early stage. If the compliance offence is uncovered, the respective employee is subject to a precise employment law measure, and the compliance management system is reviewed for potential improvement. The Group has a central point to notify compliance offences or corresponding suspicions. Such notifications can also be issued on an anonymous basis.

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 regularly utilises the expertise and experience of internal advisers, 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. Insurance policies exist within the Allgeier Group which cover the main business risks such as, in particular, 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 cited below, Allgeier SE ensures for all Group companies that the accounting process captures, processes and recognises relevant circumstances fully and accurately in the accounting records, and that the financial accounting complies with legal requirements. This also ensures that accounting is able to provide the information required for the purpose of controlling, and fulfils internal and external reporting obligations reliably and in a timely manner at all times, and that the company's assets cannot be misappropriated. 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 applied in accounting are protected against unauthorised access.

- Standard software products are mainly utilised 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 utilised in the Group.
- Adequate documentation is assured.
- 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 consequently 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 both global and local macroeconomic factors, such as macroeconomic trends in our core markets in Europe and the USA. In particular, the economic situation of our customers, which for the most part likewise depend on economic growth in the markets of relevance for them, also influences their expenditure behaviour with regard to IT expenses, and consequently also indirectly influences our business. The same applies for public budgets, which are also influenced by issues such as state and public sector debt. Our business, which mainly consists of providing services for industrial enterprises and trading companies but also public-sector customers, is consequently directly and indirectly influenced by general, economic developments to which our customers are exposed and which affect

our customers in different ways. A muted, volatile or even recessive market trend 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 trends in the industry environment

Moreover, in the IT industry additional factors exist 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 advancing rapidly, which can entail both opportunity and risk. Those that cannot keep pace, or that rely for too long on particular technologies and market segments and whose future is being superseded by new trends, can thereby incur considerable disadvantages, and in some cases even incur disadvantages that jeopardise them as a going concern. The worldwide IT market, as well as the German IT market, are subject to constant change and associated consolidation. In particular, large customers with high requirements and large order volumes aim to consolidate their suppliers in order to both improve performance and quality but also considerably reduce costs. This increases competition in the industry and confronts us with the challenge of withstanding cost pressure and competition. We can even benefit from this. 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 specialised 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 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 3,500 highly qualified software developers at nearshore and offshore sites, Allgeier is also in a position to possibly benefit from this development. Nevertheless, the realisation 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 Personnel

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 staff, and also to all employees and experts at our Group companies. For further growth in the management area, we are confronted with the risk of promoting our own prospective managers, or on a case-by-case basis recruiting additional employees from outside. Succession solutions have to be developed in good time ahead of generational changes. In the employee area in general, an ongoing task is to find a sufficient number of IT specialists and staff with other orientations such as sales. This presents 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 consequently also our net assets, financial situation and results of operations.

5.3.2.2 Customers

Maintaining relationships with our customers through excellent work and ongoing, good and competent support and acquiring new customer orders comprise 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, a risk exists that we may lose key customers, for example due to business difficulties on the customer side, personnel changes, especially at the management level of the customer, as well as related changes to business strategies, or because of competing offers, or the fact that projects can only be continued with a reduced scope. We work for international corporate groups involved in large projects (with each of 98 customers, in 2017 we generated annual sales exceeding EUR 1 million). It has already been shown in previous years that the loss of parts of such large projects can exert 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 exert a negative effect 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. The timely identification and exploitation of these trends are extremely important in maintaining competitiveness. 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, the additional risk exists that in the event of improper function, or function that is not as agreed in the contract, liability and warranty obligations can arise. Here, Allgeier relies on its employees' know-how 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. In some cases, 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. Specific 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 exert 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 assumed with the transaction. A risk exists that assets, including goodwill, which are recognised based on the transaction may have to be written off due to unforeseen developments, which can exert a significant impact on annual results. In addition, the risk exists that the newly acquired company contributes losses to the Group result, and that a restructuring that becomes necessary ties up resources and funds which cannot then be deployed for the Group's further development.

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 relinquish 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 in-house structural measures, such as mergers and integration projects, also involve risks that can negatively impact the business, financial situation or results of operations, particularly if the planned success does not occur or does not occur in the anticipated manner, or if growth slows or employees leave the company due to these factors.

5.3.3 Financial risks

5.3.3.1 Liquidity and credit risks

On the assets side of the balance sheet, the Allgeier Group continues to hold a high level of cash and cash equivalents in the amount of EUR 53.0 million on December 31, 2017 (December 31, 2016: EUR 71.8 million). On the equity and liabilities side of the balance sheet, interest-bearing financial liabilities of EUR 108.8 million exist as of the balance sheet date (December 31, 2016: EUR 113.6 million), consisting mainly of liabilities from the borrower's note loan and the revolving credit line. Redemption of these loans when due will either require refinancing, which has yet to be arranged, or will have to be covered by company funds. The risk exists that when a redemption becomes due it is not possible to pay off the liability completely from 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 early repayment obligations. Risks also exist relating to 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 fall due for immediate repayment in the event of non-compliance. The worsening of the Group's rating due to negative business developments can also considerably influence the Group's financing capability 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 by Group companies are only executed 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 worse performance by an acquired company can be problematic in terms of 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 greater level of internationalisation is elevating the potential for currency risks. 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 fulfil the prerequisites for hedge accounting as stipulated in IAS 39. The Allgeier Group hedges some of the cash flows from intragroup disposal and acquisition transactions in order to hedge foreign currency risks.

An implemented liquidity planning and controlling tool along with cash management systems flags potential liquidity squeezes in advance, 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 6.8 million are available as of the December 31, 2017 reporting date for financing of the working capital requirement (previous year: EUR 7.9 million). Various Allgeier companies also have access to a EUR 50 million volume of factoring facilities for customer receivables. Factoring was utilised in an amount of EUR 38 million as of the December 31, 2017 reporting date (December 31, 2016: EUR 24 million). Foreign currency fluctuations extending beyond the existing hedges or potentially arising losses from the hedging

instruments that have been arranged could exert negative effects on our business positioned, net assets, financial position and results of operations.

5.3.4 Legal and regulatory risks

5.3.4.1 Legal risks

As part of the operative business, legal risks exist in 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 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, legal disputes can ultimately occur. Depending on the jurisdiction in which the disputes occur, the risk can be increased through local conditions. Topics relating to 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 taken into sufficient consideration 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 time limitation for the assignment of employees is to be assessed as critical in relation IT projects, as such projects are set up on a long-term basis in many cases. Individual solutions are 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. In this context, to some extent insufficient legal security exists due to the new statutory regulations, in relation to which insufficient secured legal precedence exists. The Group companies affected in this regard, especially in the Experts segment, review the respective requirements very carefully and track each announced change and take into consideration new statutory requirements, although even through very extensive measures and precautions the possibility of regulatory and compliance risks cannot be excluded with certainty.

Due to the continued international expansion of our business activities, regulatory risks in other states in Europe, the USA and India are becoming more relevant, and are finding increasing reflection in future operating 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. Risks are also 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, net assets, financial position and 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 Group's risk position into appropriate account. Overall, the risk landscape for Allgeier has not changed significantly in the past financial year compared to the previous year. As of the present time, we have not identified any risks which either individually or considered together could jeopardise our Group as a going concern. For this reason, the Management Board is convinced that Allgeier can continue to successfully master the challenges resulting from the aforementioned risks.

5.4 OPPORTUNITIES

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

Acquisitions

The corporate planning for the 2018 financial year does not include any specific acquisition plans (apart from the already realised acquisition of Anecon), as these generally cannot be planned in advance in specific cases. 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 accelerate growth and pursue the further selective and strategic expansion of the Group. Accordingly, other portfolio shifts, such as the disposal of individual business areas, can represent opportunities for a new alignment of the Group.

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 actively helping 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 scheme within the Group.

Technologies and markets

The possibility of developing or expanding technology know-how, especially for trend technologies, constitutes another opportunity that is gaining importance with the ongoing development of the Group. The IT industry is subject to considerable transformations which offer enormous 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. Here, too, acquisitions, in addition to organic growth, can play a crucial role in dynamic further development. The same applies to entry into new market segments and the development of these new market segments – regionally and with regard to industries. New opportunities are also 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-sized 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. Changes to the compensation scheme are reported to our shareholders at the Ordinary AGM.

The compensation for the members of the Management Board comprise the following components in the 2017 financial year: (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 2017, 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 2017, Management Board compensation totalled EUR 2,452 thousand (previous year: EUR 2,076 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 1,153 thousand (previous year: EUR 1,058 thousand) and (ii) variable compensation totalling EUR 1,299 thousand (previous year: EUR 1,018 thousand). Variable compensation based on consolidated results was recognised as a provision and will

be paid out after the Supervisory Board has approved the Allgeier SE consolidated financial statements for the 2018 financial year.

Three members of the Management Board hold a total of 520,000 stock options, of which 380,000 were issued in 2012 and 140,000 in 2017. In all cases, they can first be exercised no sooner than after four years. Exercise for 2012 is possible from a share price of EUR 9.71 and for 2014 from a share price of EUR 24.42. A personnel expense of EUR 52 thousand (previous year: EUR 47 thousand) was incurred in the 2017 financial year from adjustments to the valuation of stock options as well as from the initial measurement of the stock options issued in 2017.

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

6.2 COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD

Compensation for the Supervisory Board was established by the shareholders' meeting on June 21, 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 based on the consolidated results was recognised as a provision and will be paid out after the consolidated financial statements for the 2018 financial year for Allgeier SE have been approved. A higher fixed salary is paid to the Chair of the Supervisory Board.

Compensation for the Supervisory Board in 2017 totalled EUR 379 thousand (previous year: EUR 454 thousand). The total compensation is composed of (i) fixed compensation, including attendance fees, totalling EUR 103 thousand (previous year: EUR 106 thousand) and (ii) variable compensation components totalling EUR 276 thousand (previous year: EUR 348 thousand).

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

In the 2017 financial year, members of the Supervisory Board did not provide any consulting services.

7. TAKEOVER-RELATED INFORMATION (PURSUANT TO SECTION 289A AND SECTION 315A 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 December 31, 2017 of EUR 9,978,649 (previous year: EUR 9,071,500) was divided into 9,978,649 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 in.

Only one share class exists. 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) (ISIN DE000A2GS633; German Securities Identification Number/WKN A2GS63). 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 OF THE TRANSFER OF SHARES

The Management Board is not aware of any restrictions affecting the voting rights all the transfer of shares.

7.3 SHAREHOLDINGS EXCEEDING 10 PERCENT OF THE VOTING RIGHTS

The following individuals have notified us (as of December 31, 2017) that their direct or indirect interests exceed 10 percent of the voting rights of Allgeier SE measured in terms of the total number of voting rights of 9,978,649:

The Supervisory Board Chairman, Mr. Detlef Dinsel, Germany, directly and indirectly holds an investment of 11.22 percent. The Management Board Chairman (CEO), Mr. Carl Georg Dürschmidt, Germany, indirectly holds an investment of 26.31 percent.

Lantano Beteiligungen GmbH, Munich, directly holds an investment of 26.31 percent. Christa Kleine-Dürschmidt, Germany, directly and indirectly holds an investment of 28.56 percent. Ms. Laura Dürschmidt, Germany, indirectly holds an investment of 26.31 percent. Ms. Linda Dürschmidt,

Germany, directly and indirectly holds an investment of 26.32 percent.

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

7.4 SHARES WITH SPECIAL RIGHTS CONFERRING 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 THE SHARE CAPITAL AND DO NOT UTILISE 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 AMENDMENTS 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 individuals; 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 lacking, 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. to change the company's purpose of to relocate the registered office to another member state. The Supervisory Board is authorised pursuant to Section 14.2 of the 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 authorised,

- with the approval of the Supervisory Board to increase the share capital of the company on one or more occasions until June 16, 2019 by a total of up to EUR 1,814,300 by issuing up to 1,814,300 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 on one or more occasions until June 22, 2020 by a total of up to EUR 1,814,301 by issuing up to 1,814,301 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 362,860, 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 a total of EUR 362,860, 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 percent of share capital existing at the time this authorisation takes effect – or if this value is lower – at the time this authorisation 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 December 31, 2017, Allgeier SE had authorised capital with a total nominal value of EUR 3,628,601. Further details are regulated in Section 4 of the bylaws

7.7.2 Conditional capital

By resolution of the shareholders' meeting on June 18, 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 to serve 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 June 17, 2018. To date, Allgeier SE has not issued any corresponding conversion and option rights.

By resolution of the shareholders' meeting on June 17, 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 June 16, 2019. In 2017, the Group issued a total of 140,000 option rights from Conditional Capital 2014.

7.7.3 Purchase of Treasury shares

Finally, the Management Board by resolution of the shareholders' meeting on June 17, 2014 is authorised to acquire the company's treasury shares until June 16, 2019 with a volume of up to 907,150 shares (10 percent 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 percent 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 authorised 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 the reporting date of December 31, 2017, Allgeier SE and a subsidiary held a year-on-year unchanged total of 151,199 treasury shares (previous year: 151,199 shares), which unchanged to the previous year corresponds to approximately 1.52 percent of share capital (previous year: approximately 1.67 percent).

7.8 IMPORTANT COMPANY AGREEMENTS SUBJECT TO A CHANGE OF CONTROL DUE TO A TAKEOVER OFFER

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

7.9 COMPENSATION AGREED BY THE COMPANY WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES FOR THE INSTANCE 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 1.9).

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE REPORT

In the following, we report 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 to sustained business 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 Code, insofar as we follow its recommendations.

1.1 Corporate charta of the Societas Europaea (SE)

Allgeier is a European company, a 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 a German public stock corporation, in particular the dual management system consisting of a Management Board and Supervisory Board, were retained.

Cooperation between the Management and Supervisory boards 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. The Group's strategic orientation is also subject to regular reviews and adjustments where required. The Management and Supervisory boards work together closely in the interests 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 June 18, 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 company's bylaws and 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, a regular exchange of information occurs between the Management Board and members of the Supervisory Board, and especially its Chair. 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 Code: The primary objective is to ensure that the Supervisory Board properly fulfils its advisory and monitoring obligations in the proposed composition, and that the members have the required knowledge, skills and experience in order to fulfil their responsibilities optimally and responsibly. For Allgeier SE, whose bylaws call for a Supervisory Board consisting of three members, this specifically means that the following qualifications, in particular, should be present in the Supervisory Board if possible (competency profile): the qualification as an independent finance expert expressly required by law, the ability to evaluate companies in the service sector (not just limited to 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 Code. 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 Governance Code. However, the Supervisory Board categorically does not consider rigid quotas 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 Code, 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 Code 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 Supervisory Board members' CVs are presented on the company's website.

The recommendation of the German Corporate Governance Code 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

has only one former Management Board member, although for this member the cooling-off period has expired. 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 (Chairman), 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, tasks were not assigned stringently within the Management Board in the past financial year, in the manner that is commonly seen in companies with a conventional management structure. Nevertheless, the tasks and responsibilities within the Management Board are assigned according to appropriate focus 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.

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 December 31, 2017, the members of the Management Board directly and indirectly held a total of 2,786,669 (previous year: 2,587,155) shares of Allgeier SE. On 31 December 2017 the members of the Supervisory Board directly and indirectly held a total of 1,413,977 (previous year: 1,321,313) shares of Allgeier SE.

1.6 Directors' dealings

Pursuant to Article 19 of EU Regulation No. 596/2014 of April 16, 2014 concerning market abuse (Market Abuse Regulation), 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 voluntary 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.

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 separate 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) (forming part of the Group management report)

The corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB) forms 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)

Pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code, the Management and Supervisory boards of Allgeier SE declare that since issuing the last statement of compliance in March 2017, Allgeier SE has complied with and will comply with the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the version dated February 7, 2017, since their publication, with the following exceptions:

1.9.1.1 Code Section 3.8 Paragraph 3

"A corresponding deductible shall be defined in D&O insurance for the Supervisory Board."

A deductible according to the legal requirements is defined in the D&O insurance for the Management Board. For the Supervisory Board, such a deductible is not prescribed by law. Leeway exists 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 Code 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 early 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.

1.9.1.3 Code 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, analysed by fixed and variable compensation.

1.9.1.4 Code 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:

- 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 Code for the Management Board as a whole.

1.9.1.5 Code Section 5.1.2, Paragraph 2, Sentence 3 and Section 5.4.1, Paragraph 2, Sentence 2

"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. No justification exists to set 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 Code 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 Code Section 7.1.2, Sentence 3

"The consolidated financial statements and the group management report shall be available to the public within 90 days after the end of the financial year, and the financial information that must be made available during the course of the year within 45 days after the end of the reporting period."

The company prioritises 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 and Supervisory boards

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 have not formed 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 2018 Ordinary AGM. 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 and Management boards by the Supervisory Board for the period until December 31, 2019, in deviation from the status quo, is not possible. The Supervisory and Management boards currently include no women. For future periods, the Supervisory Board at the appropriate times will determine new target figures for the Supervisory Board and the Management Board. Nevertheless, the Supervisory Board will endeavour, 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 employs a total of 4.5 employees who do not have any leadership or management tasks. Consequently, no management level exists below the Management Board at Allgeier SE.

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

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

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

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

Consolidated financial statements

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE 2017 FINANCIAL YEAR

CONSOLIDATED BALANCE SHEET OF ALLGEIER SE, MUNICH, DECEMBER 31, 2017

CONSOLIDATED BALANCE SHEET (in EUR thousand)			
ASSETS	Notes	December 31, 2017	December 31, 2016
Intangible assets	1	118,043	122,206
Property, plant and equipment	2	13,461	13,747
At-equity investments	3	3,632	4,379
Non-current inventories	7	776	0
Other non-current financial assets	4	6,932	6,802
Other non-current assets	5	257	284
Deferred tax assets	6	4,995	6,014
Non-current assets		148,094	153,431
Current inventories	7	774	7,013
Trade receivables	8	116,567	95,830
Other current financial assets	4	6,118	5,955
Other current assets	5	7,324	4,679
Income tax receivables		6,072	5,750
Cash and cash equivalents	9	52,997	71,774
Current assets		189,850	191,002
Assets		337,944	344,434

CONSOLIDATED BALANCE SHEET (in EUR thousand)			
LIABILITIES	Notes	December 31, 2017	December 31, 2016
Subscribed capital	10	9,979	9,072
Capital reserves	11	32,214	17,033
Retained earnings	12	102	102
Treasury shares	13	-1,379	-1,379
Profit carried forward	14	68,671	68,689
Profit or loss for the period		2,801	4,442
Changes in equity recognized directly in equity	15	-5,154	5,444
Equity share of shareholders of the parent company		107,234	103,403
Equity share of shareholders with non-controlling interest	16	15,611	13,489
Equity		122,845	116,891
Non-current financial liabilities	17	95,473	84,193
Pension provisions	18	673	632
Other non-current provisions	20	2,521	2,283
Other non-current financial liabilities	19	3,104	4,603
Other non-current liabilities	21	191	464
Deferred tax liabilities	6	3,490	6,292
Non-current liabilities		105,453	98,469
Non-current financial liabilities	17	13,327	29,385
Other current provisions	20	15,397	11,224
Trade payables	22	36,230	31,954
Other current financial liabilities	19	26,054	38,974
Other current liabilities	21	13,357	9,266
Income tax liabilities		5,282	8,270
Current liabilities		109,647	129,073
Liabilities		337,944	344,434

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALLGEIER SE, MUNICH, JANUARY 1 TO DECEMBER 31, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)							
		Total		Discontinued operations		Continuing operations	
Income statement	Notes	2017	2016	2017	2016	2017	2016
Revenues	24	581,647	500,758	0	3,245	581,647	497,513
Changes in work in progress		-4,672	910	0	0	-4,672	910
Other own work capitalized		1,645	2,579	0	0	1,645	2,579
Other operating income	25	12,314	8,981	0	109	12,314	8,871
Cost of materials	26	199,581	189,652	0	35	199,581	189,617
Staff costs	27	286,378	229,744	0	3,821	286,378	225,923
Other operating expenses	28	78,494	63,525	0	700	78,494	62,824
Earnings before interest, taxes, depreciation and amortization		26,481	30,307	0	-1,202	26,481	31,509
Depreciation and amortization	29	13,030	14,172	0	457	13,030	13,715
Results of operating activities		13,452	16,134	0	-1,660	13,452	17,794
Finance income	30	1,148	1,030	0	-2	1,148	1,033
Finance expenses	31	2,889	3,422	0	19	2,889	3,404
Result of at-equity investments	32	-747	-1,520	0	0	-747	-1,520
Earnings before taxes		10,963	12,222	0	-1,680	10,963	13,902
Income tax results	33	-6,480	-7,081	0	107	-6,480	-7,188
Net income		4,483	5,141	0	-1,574	4,483	6,715
Discontinued operations:							
Earnings from discontinued operations before tax		0	1,303	0	1,303	0	0
Income tax results	33	0	-30	0	-30	0	0
Earnings from discontinued operations		0	1,273	0	1,273	0	0
Total comprehensive income from continuing and discontinued operations:							
Earnings before taxes		10,963	13,525	0	-377	10,963	13,902
Income tax results		-6,480	-7,111	0	77	-6,480	-7,188
Total comprehensive income		4,483	6,414	0	-301	4,483	6,715
Attribution of total comprehensive income:							
to parent company shareholders		2,801	4,442	0	-301	2,801	4,743
to non-controlling interests		1,683	1,972	0	0	1,683	1,972
Other comprehensive income							
Items that cannot be reclassified to the income statement:							
Actuarial gains (losses)		177	-432	0	0	177	-432
Tax effects		-54	146	0	0	-54	146
		123	-287	0	0	123	-287
Items that cannot be reclassified to the income statement:							
Currency differences		-7,192	2,027	0	0	-7,192	2,027
		-7,192	2,027	0	0	-7,192	2,027
Other comprehensive income		-7,068	1,740	0	0	-7,068	1,740
Total comprehensive income		-2,585	8,154	0	-301	-2,585	8,454
Attribution of total comprehensive income:							
to parent company shareholders		-2,171	5,539	0	-301	-2,171	5,839
to non-controlling interests		-414	2,615	0	0	-414	2,615
Undiluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		9,402,457	8,920,301	0	8,920,301	9,402,457	8,920,301
Net income per share in EUR	34	0.30	0.50	0.00	-0.03	0.30	0.53
Earnings of the period per share before profits from disposal in EUR		0.30	0.36	0.00	-0.18	0.30	0.53
Diluted earnings per share:							
Average number of shares outstanding weighted pro rata		9,643,096	9,103,333	0	9,103,333	9,643,096	9,103,333
Net income per share in EUR	34	0.29	0.49	0.00	-0.03	0.29	0.52
Earnings of the period per share before profits from disposal in EUR		0.29	0.35	0.00	-0.17	0.29	0.52

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

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2017														
	Cost of acquisition and production						Write-offs and value adjustments						Carrying amounts	
Notes	January 1, 2017	Currency differences	Additions to the scope of consolida-tions	Addi-tions	Disposals	December 31, 2017	January 1, 2017	Currency differences	Amortization and deprecia-tion expense	Impair-ments	Disposals	December 31, 2017	December 31, 2017	December 31, 2016
Intangible assets	1													
Licenses, industrial property rights and similar rights, as well as licenses for such rights and assets	33,608	-666	4,854	3,837	-1,750	39,884	-16,238	208	-7,445	0	1,750	-21,726	18,159	17,371
Acquired intangible assets	29,011	-660	4,854	1,967	-1,783	33,390	-16,128	206	-6,741	0	1,782	-20,880	12,509	12,883
Intangible assets - in-house developments	4,598	-6	0	1,870	33	6,495	-110	1	-704	0	-33	-845	5,649	4,488
Goodwill	113,041	-4,951	9	0	-9	108,089	-8,206	0	0	-9	9	-8,206	99,884	104,835
Intangible assets	146,649	-5,617	4,863	3,837	-1,759	147,974	-24,443	208	-7,445	-9	1,759	-29,931	118,043	122,206
Property,plant and equipment	2													
Property, property rights and buildings including constructions on third-party property	5,326	-214	0	79	-6	5,184	-1,763	29	-193	0	0	-1,926	3,258	3,563
Finance lease	4,836	-314	0	1,282	-1,061	4,743	-2,233	158	-1,525	0	1,057	-2,542	2,201	2,604
Other equipment, operating and office equip-ment	19,034	-342	220	4,334	-1,081	22,165	-11,454	278	-3,819	-39	871	-14,163	8,002	7,580
Property,plant and equipment	29,196	-871	220	5,694	-2,148	32,092	-15,450	465	-5,536	-39	1,928	-18,631	13,461	13,747
Total	175,846	-6,488	5,084	9,531	-3,907	180,066	-39,893	673	-12,981	-49	3,687	-48,563	131,503	135,953

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2016																				
Cost of acquisition and production																	Write-offs and value adjustments		Carrying amounts	
Notes	January 1, 2016	Currency differences	Additions to the scope of consolidations	Additions	Disposals	Disposals from the scope of consolidations	December 31, 2016	January 1, 2016	Currency differences	Amortization continuing operations	Impairments	Amortization discontinued operations	Correction of amortization of Talentry	Disposals	Disposals from the scope of consolidation	December 31, 2016	December 31, 2016	December 31, 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		
Finance lease	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 equipment, 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 EQUITY OF ALLGEIER SE, MUNICH, DECEMBER 31, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR thousand)										
	Subscribed capital	Capital reserves	Retained earnings	Treasury shares	Profit carried forward	Profit or loss 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 December 31, 2015	9,072	16,986	102	-1,379	62,558	12,375	10,685	110,398	5,261	115,659
Transfer of previous 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 addition 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 the 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 December 31, 2016	9,072	17,033	102	-1,379	68,689	4,442	5,444	103,403	13,489	116,891
Transfer of previous year's net income to profit carried forward	0	0	0	0	4,442	-4,442	0	0	0	0
Stock options from the 2010 Stock Option Plan issued in the financial year	0	17	0	0	0	0	0	17	0	17
Stock options from the 2014 Stock Option Plan issued in the financial year	0	35	0	0	0	0	0	35	0	35
Capital increase	907	15,129	0	0	0	0	0	16,036	0	16,036
Actuarial gains (losses)	0	0	0	0	0	0	123	123	-12	111
Addition of outstanding shares of non-controlling shareholders of the GDE Group	0	0	0	0	0	0	-3,538	-3,538	3,538	0
Return of shares in non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	8	8	-8	0
Sale of shares in mgm consulting partners GmbH	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	-4,460	0	0	-4,460	-993	-5,453
Net income	0	0	0	0	0	2,801	0	2,801	1,683	4,483
Currency differences	0	0	0	0	0	0	-7,192	-7,192	-2,085	-9,277
Balance on December 31, 2017	9,979	32,214	102	-1,379	68,671	2,801	-5,154	107,234	15,611	122,845

CONSOLIDATED CASH FLOW STATEMENT OF ALLGEIER SE, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

CONSOLIDATED CASH FLOW STATEMENT (in EUR thousand)						
Notes	Total		Discontinued operations		Continuing operations	
	2017	2016	2017	2016	2017	2016
Results of operating activities	13,452	16,134	0	-1,660	13,452	17,794
Depreciation and amortization on fixed assets	13,030	14,172	0	457	13,030	13,715
Expenses from the disposal of fixed assets	220	122	0	30	220	92
Change in non-current provisions	349	-70	0	0	349	-70
Non-cash reversals and additions to provisions	14,197	10,760	0	32	14,197	10,728
Other non-cash expenses and income	4,593	-1,383	0	0	4,593	-1,383
Income taxes paid	-11,818	-11,814	0	-5	-11,818	-11,809
Cash flow from operating activities before changes in working capital	34,023	27,923	0	-1,145	34,023	29,068
Cash flow from changes in working capital	-36,878	-22,435	0	-998	-36,878	-21,437
Cash flow from operating activities	-2,854	5,488	0	-2,142	-2,854	7,630
Payments for investments in fixed assets	-6,619	-4,403	0	-1	-6,619	-4,403
Payments from finance leases	-1,599	-1,547	0	0	-1,599	-1,547
Payments received from the disposal of fixed assets	138	184	0	57	138	127
Payments made for the acquisition of subsidiaries	87	-3,447	0	0	87	-3,447
Payments made for purchase price components for companies not acquired in the financial year	-7,724	-3,677	0	0	-7,724	-3,677
Payments made for the acquisition of assets and rights	-1,328	-100	0	0	-1,328	-100
Payments of loans to at-equity investments	0	-852	0	0	0	-852
Payments received from the sale of subsidiaries	156	2,481	0	500	156	1,981
Decrease in cash and cash equivalents from the sale of subsidiaries with loss of control	0	-285	0	-285	0	0
Payments in non-current financial assets	-400	-300	0	0	-400	-300
Cash flow from investing activities	-17,287	-11,947	0	271	-17,287	-12,219
Payments from capital increase	16,036	0	0	451	16,036	-451
Repayment of borrower's note loan	-78,500	0	0	0	-78,500	0
Drawing down bank borrowings	78,759	601	0	200	78,759	401
Repayment of bank borrowings	-11,489	-2,254	0	0	-11,489	-2,254
Cash flow from financing discontinued operations	0	0	0	870	0	-870
Interest received	221	402	0	0	221	402
Interest paid	-3,200	-3,259	0	-21	-3,200	-3,239
Dividends to shareholders of Allgeier SE	-4,460	-6,244	0	0	-4,460	-6,244
Payments balance with shareholders with non-controlling interests	-1,214	1,837	0	0	-1,214	1,837
Cash flow from financing activities	-3,846	-8,918	0	1,500	-3,846	-10,418
Total cash flow	-23,988	-15,377	0	-371	-23,988	-15,007
Change in cash and cash equivalents attributable to exchange rates	-1,914	-100	0	0	-1,914	-100
Total changes in cash and cash equivalents	-25,902	-15,477	0	-371	-25,902	-15,107
Cash and cash equivalents at beginning of period	67,252	82,729	0	371	67,252	82,359
Cash and cash equivalents at end of period	E. 41,350	67,252	0	0	41,350	67,252

GROUP SEGMENT REPORTING FOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

SEGMENTS (in EUR thousand)	Segment Enterprise Services		Segment Experts		Segment Technology		Segment New Business Areas		Other		Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	101,686	46,405	254,975	256,107	221,709	194,912	3,277	0	-1	88	581,647	497,513	0	3,245	581,647	500,758
Revenues with other segments	2,081	639	3,201	2,417	2,178	1,621	991	426	-8,451	-5,103	0	0	0	0	0	0
Cost of materials	28,402	16,608	146,205	145,726	30,170	30,117	1,238	0	-6,434	-2,834	199,581	189,617	0	35	199,581	189,652
Staff costs	56,994	24,566	95,397	90,170	129,267	107,764	1,516	437	3,204	2,986	286,378	225,923	0	3,821	286,378	229,744
Depreciation and amortization	3,045	1,990	3,162	3,354	6,501	6,501	270	0	4	35	12,981	11,881	0	457	12,981	12,338
Extraordinary amortization and depreciation	9	0	0	1,834	0	0	39	0	0	0	49	1,834	0	0	49	1,834
Segment results from operating activities	1,478	-2,428	1,557	5,667	21,167	20,828	-2,245	-11	-8,506	-6,264	13,452	17,794	0	-1,660	13,452	16,134
Finance income	724	745	187	155	935	262	7	2	-705	-132	1,148	1,033	0	-2	1,148	1,030
Finance expenses	1,274	1,147	1,803	2,130	1,380	1,326	667	7	-2,235	-1,206	2,889	3,404	0	19	2,889	3,422
Result of at-equity investments	-747	-110	0	0	0	0	0	0	0	-1,410	-747	-1,520	0	0	-747	-1,520
Segment results before income taxes	181	-2,939	-59	4,659	20,722	19,764	-2,904	-15	-6,977	-7,567	10,963	13,902	0	-1,680	10,963	12,222
Income tax results	-576	-179	402	-959	-8,259	-7,453	118	0	1,836	1,403	-6,480	-7,188	0	107	-6,480	-7,081
Segment results before profit transfer	-395	-3,119	343	3,701	12,463	12,311	-2,786	-15	-5,141	-6,163	4,483	6,715	0	-1,574	4,483	5,141
Other non-cash expenses (+) and income (-)	4,221	527	267	3,609	10,902	4,931	669	20	4,677	1,209	20,736	10,297	0	62	20,736	10,359
Segment assets	62,176	52,951	113,540	133,421	153,775	155,940	7,254	6,034	1,199	-3,912	337,944	344,434	0	0	337,944	344,434
Segment liabilities	63,534	51,923	94,146	112,674	75,815	82,381	15,910	12,104	-34,306	-31,540	215,099	227,542	0	0	215,099	227,542
Additions to property, plant and equipment and intangible assets	8,144	6,400	1,794	2,058	4,739	11,647	65	2,641	-127	-2,468	14,615	20,277	0	14	14,615	20,291
Cash flow from operating activities	-466	-1,856	-991	3,819	10,750	11,969	-3,645	1,061	-8,503	-7,362	-2,854	7,630	0	-2,142	-2,854	5,488
Cash flow from investing activities	-3,495	-221	-6,517	-2,983	-7,984	-7,506	-39	-2,641	748	1,132	-17,287	-12,219	0	271	-17,287	-11,947
Cash flow from financing activities	-4,376	-22,352	-3,319	-4,729	-4,145	3,211	2,931	7,351	5,063	6,101	-3,846	-10,418	0	1,500	-3,846	-8,918

Notes to the consolidated financial statements

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE 2017 FINANCIAL YEAR

Notes to the consolidated financial statements for Allgeier SE according to IFRS for the 2017 financial year

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 business combinations and shares in a venture capital company recognized in the financial assets and liabilities are recognized at fair value. All other assets and liabilities are recognized at amortized cost.

With the following exceptions, the applied accounting and valuation methods remain unchanged relative to the previous year. In the 2017 financial year, the payment difference between customer payment and transfer in the context of factoring customer receivables was not shown in other financial liabilities as was the case in the previous year, but as part of financial liabilities. In the cash flow statement, cash flows from finance leases were shown separately. In both cases the previous year figures were changed in order to allow comparability. The adjustment also related to segment reporting and the information on subsidiaries with non-controlling interests.

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 previous 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 2017 financial year:

STANDARD/INTERPRETATION	TITLE OF THE STANDARD, INTERPRETATION OR AMENDMENT
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Improvements to IFRS 2014 – 2016	Amendments to IFRS 12

Amendments to IAS 7 – Disclosure Initiative

With the amendment, information concerning the change in the debt situation of the entrepreneur is improved. The company makes disclosures concerning those financial liabilities, whose incoming and outgoing payments are shown in the cash flow statement in the cash flow from financing activities. Specified are cash changes, changes from the acquisition or disposal of companies, currency-related changes, changes in fair values and other changes. Allgeier Group presents the differences between the opening and closing balance of the relevant financial liabilities in a reconciliation.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The changes show the accounting of deferred tax assets for unrealized losses for investment securities measured at fair value. The changes have no impact on the Allgeier consolidated financial statements.

Improvements to IFRS 2014 – 2016

As a result of the Annual Improvements to IFRS 2014-2016, three IFRSs were amended, of which only the following were to be applied in 2017:

IFRS 12 clarifies that in principle the information in accordance with IFRS 12 also applies to such interests in subsidiaries, joint ventures or associates which are classified as held for sale within the meaning of IFRS 5. An exception here is the information in accordance with IFRS 12.B10-B16 (financial information). The change has no impact on the Allgeier Group.

The first-time mandatory application of these amended standards or interpretations had no impact on the net assets, financial position and results of operations of the Allgeier Group. Only additional information is shown in the notes to the consolidated financial statements.

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 2017 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	January 1, 2018.
IFRS 15	Revenue from Contracts with Customers	January 1, 2018.
IFRS 16	Leases	January 1, 2019.
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018.
Amendment to IAS 40	Transfers of Investment Property	January 1, 2018.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018.
Amendment to IFRS 15	Clarifications to IFRS 15	January 1, 2018.
Improvements to IFRS 2014 – 2016	Amendments to IFRS 1 and IAS 28	January 1, 2018.
EU endorsement pending		
IFRS 14	Regulatory Deferral Accounts	January 1, 2016. EU endorsement not planned
IFRS 17	Insurance Contracts	January 1, 2021.
Amendments to IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinite
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018.
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019.
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019.

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 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.

The Group is required to apply IFRS 9 Financial Instruments from January 1, 2018. The Group will deploy the option of not adjusting comparable information for previous periods in respect to classification and measurement changes. If there are differences between the carrying amounts of the financial assets and financial liabilities due to the application of IFRS 9, in financial year 2018 these are recognized in principle in retained earnings as at January 1, 2018 in line with the modified retrospective method. However, as at January 1, 2018, the Allgeier Group does not anticipate any 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 recognized. It replaces existing guidelines for recognizing 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 Group is required to apply IFRS 15 as at January 1, 2018. We do not anticipate any material changes against current accounting practice in line with IAS 18 and IAS 11, as the services provided are largely billed on a monthly basis and longer-term projects are invoiced in sub-projects.

In making the transition to IFRS 15, the Allgeier Group decided to apply the modified retrospective method as at January 1, 2018. Thus the previous year figures in the 2018 consolidated financial statements are shown without change in line with IAS 11 and IAS 18. The impact from the transition to IFRS 15 relates only to balance sheet disclosures. In contract to the previous method, positive and negative contract values arising for customer-specific construction contacts are not shown under trade receivables or trade payables, but from the 2018 financial year are shown as separate balance sheet items.

IFRS 16 – Leases

IFRS 16 introduces a uniform invoicing model, according to which leases must be recognized in the balance sheet of the lessee. A lessee recognizes 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 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard applies for annual periods beginning on or after January 1, 2019. Early application is permitted. The Group intends to apply IFRS 16 for the first time in the 2019 financial year, using the full retrospective method (including adjustment of previous year figures). The cumulative effect from the IFRS 16 is recognized as an adjustment of the opening balances in the earnings reserves as at January 1, 2018.

The Allgeier Group has determined the effects of the application of IFRS 16 on its reported assets and liabilities. Among other things, the quantitative effects ultimately 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 has yet to enter into. If the Allgeier Group were to apply IFRS 16 in the 2017 financial year, the assets would increase by EUR 55.1 million and liabilities would increase by EUR 58.5 million. Thus the equity ratio would decrease from 36.4% to what would then be 30.5%. Furthermore, the type of expenses from leases will change, as IFRS 16 replaces other operating expenses for operating leases with amortization for right-of-use assets and interest expense for lease liabilities. 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 can 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.

Amendment to IFRS 15 – Clarifications to IFRS 15

The amendments contain clarifications on various regulations of IFRS 15 and simplifications for the transition to the new standard. The amendment standard contains two further options to reduce complexity and costs of the transition to the new standard. They relate to options in presenting contracts concluded either at the start of the earliest reported period or changed before the start of the earliest period shown. The amendments are to be applied as at January 1, 2018. The Allgeier Group does not anticipate any material impact from the exempting provision.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a known inconsistency between the regulations of IFRS 10 and IAS 28 (2011) in the case of a disposal of assets in an associate or a joint venture or the contribution of assets in an associate or a joint venture. According to IAS 10 a parent company must recognize in full the profit or loss from the disposal of a subsidiary in the case of a loss of control in the income statement. On the hand hand, the currently applicable IAS 28.28 demands that the disposal gain in disposal transactions between an investor and an at-equity investment – whether an associated or a joint venture – is to be recognized only at the level of the investment of the other in this entity. In future the entire profit or loss from a transaction may be recognized only when the disposed or transferred assets represent a business within the meaning of IFRS 3.

This applies irrespective of whether the transaction is a share deal or an asset deal. But if the assets do not constitute any business, only a pro rata recognition of the gains and losses is allowed.

IASB put back the date of the initial application of the amendments to an indefinite time.

Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments contain a clarification that IFRS 9 applies to non-current interests in associates or joint ventures whose accounting is not on the basis of the equity method. Subject to adoption in EU law, the amendments are to be applied for the first time on January 1, 2019. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC addresses an application issue in respect to IAS 21 The Effects of Changes in Foreign Exchange Rates; It is clarified on which date the exchange rate is determined for the translation of transactions in foreign currencies which include consideration paid or received. Decisive for the determination of the exchange rate for the underlying asset, income or expense is the point in time at which the resulting asset or liability resulting from the advance consideration is recognized. Subject to adoption in EU law, the interpretation is to be applied for the first time on January 1, 2018. Earlier application is permitted. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments

The tax treatment of certain items and transactions may depend on the future recognition by the tax administration and the tax courts. IAS 12 Income Taxes regulates how current and deferred taxes are to be recognized. IFRIC 23 supplements the regulations in IAS 12 regarding the consideration of uncertainties regarding the income tax treatment of items and transactions.

Subject to adoption in EU law, the interpretation is to be applied for the first time on January 1, 2019. Earlier application is permitted. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

Improvements to IFRS 2015 – 2017

As a result of the Annual Improvements to IFRS 2015-2017, four IFRSs were amended.

In IFRS 3 it is clarified that when an entity obtains control of a business in which it was previously invested in the context of a joint operation, the principles of a business combination achieved in stages are to be applied. The share previously held by the acquirer must be remeasured.

In IFRS 11 it is determined that when a party obtains joint control in a business in which it was previously invested in the context of a joint operation, the previously held share is not to be remeasured.

IAS 12 is changed to that extent that all income tax consequences from dividend payments are to be recognized as the income on which the dividends are based.

Finally, IAS 23 states that in determining the capitalization rate, if an entity generally borrows funds for obtaining a qualifying asset, the borrowing costs specifically in connection with obtaining a qualifying assets are not to be recognized until completion.

Subject to adoption in EU law, the amendments are to be applied for the first time on January 1, 2019. Earlier application is permitted. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

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 benefit economically from the subsidiaries. Associated companies over which Allgeier SE can exercise significant control are included in the Allgeier Group and are recognized 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 as at December 31. The Indian subsidiaries, which have the deviating reporting date of March 31, for purposes of the consolidated financial statements, prepare interim financial statements as at December 31.

The Allgeier Group consolidates the newly acquired companies in accordance with the acquisition method. The assets, liabilities and contingent liabilities of the acquired companies are identified at the time of acquisition, and the hidden reserves and liabilities are recognized at fair value and the applicable deferred taxes reported in the Group. The shares of non-controlling interests are recognized 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 capitalized as goodwill. Incidental acquisition costs for legal and consulting services and brokerage commissions are recognized 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 in time, 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 recognized 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 derecognized in the month of deconsolidation. The disposal of companies and business areas are shown in the consolidated statement of comprehensive income and in the consolidated cash flow statement in discontinued operations. The previous year numbers of discontinued operations are adjusted in order to present discontinued operations separately from continuing operations in all comparison years. For the transactions between 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 December 31, 2017 the scope of consolidation of Allgeier SE consisted of 69 fully consolidated companies (previous year: 63) and with no changes one company recognized in accordance with the at-equity method (previous year: one). The number of fully consolidated companies of Allgeier SE developed specifically as follows in the 2017 financial year:

	FULLY CONSOLIDATED	CONSOLIDATED AT-EQUITY	TOTAL
Number on December 31, 2016	63	1	64
Acquisitions:			
Allgeier Business Services GmbH, Munich (formerly Blitz 17-72 GmbH)	1	0	1
Allgeier Business Services GmbH, Munich (formerly Blitz 17-73 GmbH)	1	0	1
Allgeier ES France SAS, Entzheim, France (formerly AI2S - Consulting SAS)	1	0	1
Blitz 17-11 GmbH, Munich	1	0	1
Establishments:			
Allgeier Enterprise Services Denmark A/S, Copenhagen, Denmark	1	0	1
Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic	1	0	1
Nagarro Oy, Espoo, Finland	1	0	1
Nagarro Pty. Ltd., Sydney, Australia	1	0	1
NAGARRO SDN. BHD., Kuala Lumpur, Malaysia	1	0	1
Nagarro K.K., Tokyo, Japan	1	0	1
Mergers:			
Allgeier Business Services GmbH, Munich, with Allgeier Consulting Services GmbH, Munich	-1	0	-1
Allgeier Managed Services GmbH, Munich, with Allgeier Midmarket Services GmbH, Bremen	-1	0	-1
Apentia Consulting UG, Munich, with Allgeier Experts Select GmbH, Düsseldorf (formerly SearchConsult GmbH)	-1	0	-1
Deletions			
mgm security partners Dresden GmbH i.L., Dresden	-1	0	-1
Number on December 31, 2017	69	1	70

The changes in scope of consolidation have no significant influence on the net assets, financial position and results of operations of the Allgeier Group in the 2017 financial year.

Thus calculated, Allgeier SE holds 23.49% (previous year: 23.49%) of the voting rights of SPP Co-Investor GmbH & Co. KG. Due to the assumption of the liability risks and exercise of operations management, the company was fully consolidated in the consolidated financial statements of Allgeier SE.

Acquisition of the business operations of the former “Ciber Germany”

On April 6, 2017, Allgeier Enterprise Services AG, Munich acquired all business shares in Blitz 17-72 GmbH, Munich, and Blitz 17-73 GmbH, Munich. The purchase price for both companies was EUR 54 thousand. At the time of acquisition, the companies each had equity and cash and cash equivalents of EUR 48 thousand. The difference between the purchase price and the equity of EUR 6 thousand was written off. With the two companies, on April 7, 2017 the Allgeier Group acquired specific assets and contractual relationships of Ciber AG, Heidelberg which is involved in insolvency proceedings and also Ciber Managed Services GmbH, Heidelberg (“Ciber Germany”) which was also involved in insolvency proceedings. Both Ciber companies specialize in SAP consulting, SAP implementation and SAP managed services for medium-sized customers and large customers. A purchase price of EUR 1.0 million was agreed for the assets assumed. In connection with the transaction there were costs of EUR 291 thousand which were recognized in other operating expenses.

With the purchase of business operations, the following assets and liabilities were acquired:

(in EUR thousand)	
	Fair values
Intangible assets	4,400
Property, plant and equipment	183
Deferred tax assets	99
Deferred tax liabilities	-99
Other provisions	-3,450
Other liabilities	-133
Net assets	1,000

In the 2017 financial year, Blitz 17-72 GmbH, Munich, and Blitz 17-73 GmbH, Munich, were merged with Allgeier Consulting Services GmbH, Munich and Allgeier Midmarket Services GmbH, Bremen. No information is provided on the share of revenues and results in the period between April and December 2017 relating to the business acquired, because due to mergers this would have entailed a disproportionate expense.

Acquisition of the business operations of Ciber Denmark

With the sale and purchase agreement dated May 5, 2017, Allgeier Enterprise Services Denmark A/S, Copenhagen, Denmark, acquired the operations of Ciber Denmark in the context of an asset deal. Ciber Denmark is the developer of the SAP add-on solution, Ciber Compliance Suite (CCS) and the ComplianceNow (CN) solution and provides these solutions for deployment at more than 100 international customer companies. The ComplianceNow solution currently consists of five highly effective individual products to optimize and manage complex, modern processes in companies with an SAP environment. The unit thus makes a material contribution to the sharper focus of Allgeier Enterprise Services on the important growth areas of SAP Compliance. For the acquired assets and liabilities and the assumed employees, a purchase price of DKK 2,438 thousand (EUR 328 thousand) was agreed. Further expenditure in the form of transaction costs of EUR 106 thousand were recognized as expenses.

With the purchase of business operations, the following assets and liabilities were acquired:

(in EUR thousand)	
	Fair values
Intangible assets	454
Property, plant and equipment	38
Trade receivables	435
Other assets	245
Deferred expenses	8
Provisions	-195
Other liabilities	-657
Net assets	328

In the 2017 financial year, Allgeier Enterprise Services Denmark A/S generated revenues of EUR 2,453 thousand and earnings before interest, taxes, depreciation and amortization of EUR -301 thousand. The trade receivables acquired were paid in the 2017 financial year.

Acquisition of Allgeier ES France SAS, Entzheim, France (formerly AI2S-Consulting SAS)

On June 21, 2017, Allgeier Midmarket Services GmbH, Bremen, acquired all shares in AI2S-Consulting SAS, Entzheim, France. Allgeier ES France provides IT consultancy and managed services in the SAP environment. The purchase price for the company was EUR 10 thousand.

On the date of initial consolidation, May 31, 2017, Allgeier ES France recognized assets of EUR 718 thousand and liabilities of EUR 699 thousand. The difference between the purchase price and the net assets of EUR 19 thousand resulted in a negative difference of EUR 9 thousand, which was posted as goodwill in other operating income and was the result of expected Group synergies.

As of May 31, 2017, the carrying amounts were:

(in EUR thousand)			
	Carrying amounts	Allocation	Fair values
Intangible assets	230	-230	0
Inventories	61	0	61
Trade receivables	445	0	445
Other assets	29	0	29
Cash and cash equivalents	106	0	106
Deferred tax assets	0	77	77
Acquired assets	871	-153	718
Trade payables	389	0	389
Other provisions	14	0	14
Income tax liabilities	165	0	165
Other liabilities	131	0	131
Acquired liabilities	699	0	699
Net assets	172	-153	19

All third party receivables acquired were paid in full in the 2017 financial year. In the period from June to December 2017, the company generated revenues of EUR 2,541 thousand and earnings before interest, taxes, depreciation and amortization of EUR 286 thousand.

Acquisition of Blitz 17-11 GmbH, Munich

On January 31, 2017, Allgeier Enterprise Services AG, Munich acquired all business shares of Blitz 17-11 GmbH, Munich. The company has no operations and was acquired as a shell company in the context of future acquisitions. The purchase price for the company was EUR 27 thousand. For the purchase price there was equity and cash and cash equivalents of EUR 24 thousand. The difference of EUR 3 thousand was written off.

Profit and loss transfer agreements

Profit and loss transfer agreements were in effect on December 31, 2017 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 Consulting Services 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 Allgeier Experts Pro 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 Fünfte Beteiligungs GmbH, Munich
- Allgeier Experts SE, Wiesbaden, as the controlling company and Allgeier Dritte Beteiligungs GmbH, Munich (until December 31, 2017)
- Allgeier Experts SE, Wiesbaden, as the controlling company and Allgeier Engineering GmbH, Grasbrunn
- 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
- 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.

For the 2017 financial year, there were assessment obligations between the following companies:

- Allgeier Enterprise Services AG, Munich and Allgeier IT Solutions GmbH, Bremen
- Allgeier Enterprise Services AG, Munich and Allgeier Midmarket Services GmbH, Bremen
- Allgeier Experts SE, Wiesbaden, and Allgeier Experts Services GmbH, Unterföhring

Pro forma results of the consolidated companies

If the companies acquired in the 2017 financial year had already been consolidated effective January 1, 2017, and the companies acquired in the 2016 financial year had been consolidated in the Allgeier Group, effective January 1, 2016, the Allgeier Group's sales and results would have been as follows:

REVENUES AND EARNINGS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Revenues	582,624	504,875	0	3,245	582,624	508,120
Earnings before interest, taxes, depreciation and amortization	26,679	30,469	0	-1,202	26,679	29,267
Earnings before taxes	11,160	12,050	0	-1,680	11,160	10,370

The companies acquired in the 2017 financial year in the context of insolvency proceedings were not recognized in the pro forma result of the combined companies as there were no past figures.

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 Group		mgm sp Munich		mgm cp Hamburg		Oxygen		Allgeier Ex-perts Select		Nagarro	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Percentage rate non-con-trolling interests (calculat-ed through)	20.00%	20.00%	44.00%	44.00%	44.00%	44.00%	10.00%	10.00%	20.00%	20.00%	15.63%	15.65%
Non-current assets	9,820	10,204	506	895	15	13	43	91	393	411	55,312	62,971
Current assets	26,907	25,698	1,757	2,285	3,842	3,619	849	914	962	2,567	61,119	57,289
Non-current liabilities	617	692	149	226	0	0	9	9	60	129	5,426	5,954
Current liabilities	10,996	14,942	1,427	1,131	1,975	2,521	62	71	1,153	1,391	60,862	63,641
Net assets	25,114	20,268	687	1,822	1,882	1,110	820	925	141	1,459	50,144	50,666
Carrying amount of the non-controlling interests	6,201	4,309	440	766	460	229	82	93	-404	0	9,731	0
Revenues	68,209	59,300	3,468	3,799	9,864	9,674	953	1,262	4,674	6,143	155,741	137,607
Results of operating activities	7,642	8,268	241	526	1,145	1,631	75	-132	-81	1,586	13,409	12,721
Earnings before taxes	7,640	8,279	162	527	1,145	1,608	88	-106	-93	1,569	13,007	11,617
Net income	5,198	5,455	73	344	771	1,085	69	-87	-184	1,074	7,188	6,987
Other comprehensive income	-5	-8	0	0	0	0	-174	-158	0	0	-7,710	1,988
Total comprehensive income	5,194	5,447	73	344	771	1,085	-105	-244	-184	1,074	-522	8,975
Cash flow from operating activities	4,112	6,232	1,010	724	90	539	37	42	458	697	6,659	7,652
Cash flow from investing activities	-1,725	-2,453	88	-28	-13	-13	-8	-7	-119	101	-6,259	-6,826
Cash flow from financing activities	-1,446	-378	-1,286	1	0	-424	13	26	-1,252	-116	-1,429	1,726
of which from dividends to non-controlling interests	-569	-401	-348	0	0	-401	0	0	-645	-44	0	0
of which from payments from non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	2,282
Change in cash and cash equivalents attributable to exchange rates	60	21	0	0	0	0	-138	-120	0	0	-840	-77
Net increase (net de-crease) of cash and cash equivalents	1,002	3,421	-188	698	77	102	-96	-59	-913	681	-1,868	2,477

Allgeier SE holds 80% of the shares in 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 ratifying the annual financial statements

On January 8, 2018, Nagarro Austria Beteiligungs GmbH, Vienna, Austria, acquired all business shares of ANECON Software Design und Beratung GmbH headquartered in Vienna, Austria (“ANECON”). ANECON is an expert for the entire software life cycle and offers top quality for customer IT projects. The approximately 150 employees advise on transformations, develop individual software and secure software quality with on the basis of tests and test automation. In turn, ANECON holds 100% in ANECON Software Design und Beratung GmbH, Dresden.

For the acquisition of the company, including a variable part, a purchase price of EUR 4.5 million was agreed and expected compensation for cash and cash not needed by the company of EUR 0.7 million. In addition, the acquirer undertakes to pay an earn out up to a maximum figure of EUR 3 million. The earn out depends on reaching specified contribution margins in the 2018, 2019 and 2020 financial years.

ANECON was initially consolidated on January 1, 2018. The provisional financial statements of the two ANECON companies in accordance with local accounting regulations show assets of EUR 5 million and liabilities of EUR 3.9 million. In addition, possible hidden reserves and hidden charges which may be recognized in the context of initial consolidation have not yet been quantified.

By contract dated March 23, 2018, Allgeier Enterprise Services AG, Bremen, sold all business shares in Allgeier Medical IT GmbH, Freiburg, including its subsidiary, eHealthOpen Ltd., Birmingham, UK. A purchase price of EUR 3.5 million was agreed for the company. With the disposal, net assets of approximately EUR 1.5 million leave the Allgeier Group. The profits resulting from the disposal will amount to approximately EUR 2.0 million. In the 2017 financial year, Allgeier Medical IT GmbH generated revenues of EUR 3.5 million and earnings before tax of EUR 0.5 million.

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 euro. The rates on December 31, 2017 were used for the translation of assets and liabilities, and for the income and expenses, the average annual rate from the middle monthly closing values of months January 2017 to December 2017 were used. From the differences that occurred in the components included in equity from the translation from the reporting date rates of the year under review and the previous 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 translation of the figures in the annual financial statements prepared in the foreign currency:

FOREIGN CURRENCY EXCHANGE PRICES					
		Average rate per 1 EUR		Period-end rate per 1 EUR	
		2017	2016	December 31, 2017	December 31, 2016
VAE dirham	AED	4.174	4.050	4.399	3.869
Australian dollar	AUD	1.477	...	1.534	-
Swiss franc	CHF	1.116	1.090	1.169	1.074
Czech crown	CHF	26.281	27.026	25.546	27.011
Danish krone	DKK	7.439	7.445	7.444	7.434
British pound	GBP	0.876	0.823	0.888	0.856
Indian rupee	INR	73.734	74.142	76.322	71.479
Japanese yen	JPY	133.008	-	134.960	-
Mexican peso	MXN	21.362	20.670	23.572	21.782
Malaysian ringgit	MYR	4.887	-	4.860	-
Norwegian krone	NOK	9.357	9.247	9.839	9.080
Polish zloty	PLN	-	4.345	-	4.410
Romanian new leu	RON	4.569	4.486	4.652	4.531
Swedish krone	SEK	9.643	9.467	9.833	9.571
Singapore dollar	SGD	1.562	1.523	1.601	1.523
Turkish lira	TRY	4.145	3.342	4.531	3.709
US dollar	USD	1.137	1.103	1.198	1.054
Vietnamese dong	VND	25,592.380	24,367.675	27,120.000	23,639.700

In the consolidated assets, the acquisition costs, accumulated depreciation and valuation adjustments were translated using historical exchange rates. Differences from translating the historical rates to reporting date exchange rates on December 31, 2017 are shown in a separate column. In the schedule of provisions the translation differences that occur from the deviating reporting date exchange rates between December 31, 2017 and December 31 of the previous year, are likewise shown in a separate column.

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 recognized in the income statement. Currency differences from expense and income consolidation are also recognized in the Income statement

IX. Statement of financial position

Intangible assets

The Allgeier Group capitalizes orders on hand, customer lists, websites and products that have been acquired as part of business combinations at fair value. Amortization of the orders on hand occurs concurrently with revenue recognition of the orders. The acquired products are amortized on a straight-line basis over 4 years. The customer lists are amortized over a term of 5 years.

In-house developments are recognized as intangible assets, if the development costs can be reliably valued, and from which an economic benefit from a sale of the services anticipated in the future is probable. The capitalized costs for the in-house developments are measured at cost minus depreciation and impairment. In-house developments are depreciated for the first time from the month of completion on a straight-line basis 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 on a straight-line basis over a term of 15 years. Otherwise software, licenses and rights are subject to scheduled amortization on a straight-line basis over 3 to 6 years. Software, licenses and rights are capitalized 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 recognized. Interest on debt is not included in the cost of production.

Goodwill that occurs as part of business combinations is recognized as an intangible asset with an indefinite useful life. Goodwill is subject to annual impairment tests. If the recoverability is no longer present, impairment is taken on the goodwill. Impairment tests are also performed should certain findings indicate a need for necessary adjustments.

Property, Plant and Equipment

Fixed assets are recognized 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 borrowings is also included in the cost of production for buildings. Repair and maintenance costs are expensed directly. Straight-line depreciation is recognized over the expected, estimated useful life of the assets. The carrying amounts of property, plant and equipment are subject to an impairment test as soon as this is indicated. Land, land rights and buildings, including constructions on third-party property, are measured according to the acquisition cost model. Straight-line depreciation on buildings is recognized 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 lease contracts are capitalized with their utilization value, if the conditions of the finance lease 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 capitalized 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 recognized as non-current and current liabilities. The lease payments are allocated to financing costs and the repayment share of the residual debt.

Determination, as to whether an agreement is or contains a lease 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 lease relationship, if the fulfillment 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 finance lease agreements, the Group has entered into lease agreements that meet the criteria for operating leases and are not capitalized. This includes, in particular, lease 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 leases are recognized 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 recognized 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 carrying amount in the consolidated financial statements. Pro-rata losses are written off with the carrying amount of the investment, and amounts greater than the carrying amount are offset with the loan granted on the at-equity investment. The goodwill related to associates is not amortized, but is part of the carrying amounts of the at-equity investments.

Deferred tax

Deferred tax assets and liabilities are recognized 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 utilization of loss carry-forwards in subsequent years where utilization is assured with sufficient certainty.

Deferred taxes are calculated at the applicable or expected tax rates at the time of realization according to the current legal situation in the respective countries. Deferred taxes are calculated on the temporary differences between the IFRS carrying amounts and the tax base and the realizable loss carry-forwards in line with planning at country-specific tax rates, taking account of company-specific situations (e.g. municipality-dependent trade tax rates in Germany, tax-free start-up phase in India). The country-specific tax rates are as follows:

COUNTRY	TAX RATE	
	2017	2016
Germany	31.00%	30.00%
Austria	25.00%	25.00%
Denmark	22.00%	22.00%
France	33.30%	33.30%
Norway	23.00%	24.00%
Great Britain	20.00%	20.00%
Turkey	20.00%	20.00%
USA	27.00%	40.00%
India	34.00%	34.00%
Switzerland (Zug)	12.50%	12.50%

In Germany, Norway and the USA, the tax rates were changed to the rates applicable in the individual countries in 2017. Deferred tax assets and liabilities are recalculated on the basis of the new tax rates. The effects impacting profit and loss from the tax rate changes are reported in the tax reconciliation in a separate line.

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 non-current liabilities.

Inventories

Inventories are valued at the lower of the cost of acquisition or production and the net realizable value. The weighted average method is used to establish the cost of acquisition. Impairments are recognized if the cost of acquisition or net realizable 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. Customer-specific construction contacts – if material – are recognized in line with IAS 11 in accordance with the percentage-of-completion method (PoC). Revenues are recognized in line with the stage of completion on the reporting date. The stage of completion corresponds to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs as at the reporting date. After deduction of the installments received, with a positive contract total this is recognized under trade receivables and with a negative contract total under trade payables. Borrowing costs are not capitalized in customer-specific orders.

As at December 31, 2018, the value of the customer-specific construction orders recognized in line with the PoC method was EUR 7,490 thousand, EUR 5,916 thousand relating to cost of production and EUR 1,574 thousand to share of profits. In the financial year, a total of EUR 5,453 thousand installments received were offset under receivables and payables from customer-specific construction contracts.

Services in progress, which are not measured in line with the percentage-of-completion method (PoC) are measured based on the specific contract provisions, at the direct costs plus pro-rata production overhead costs. If the expected revenues less the expenses still to be incurred are lower than the cost of acquisition or production, a write-down is recognized on inventories.

Trade receivables

Trade receivables are measured at amortized cost. This corresponds to the nominal value of the receivables, less individual allowances for doubtful accounts. Impairments on receivables are recognized when there are indications of default or the receivables have been past due for an extended period of time. No lump-sum allowances for doubtful accounts are recognized. Trade receivables are derecognized if payment is no longer expected.

Other financial assets

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

The Allgeier Group uses foreign exchange forwards and interest rate swaps as derivative financial instruments to reduce exchange rate risks. These hedging transactions are recognized 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 recognized through profit or loss, unless the specific regulations for hedge accounting apply. Derivatives are recognized on the respective trading day.

Other assets and income tax receivables

Other assets are recognized 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 measured 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 recognized directly in equity.

Pension provisions

Pension provisions are recognized for defined benefit obligations under pension plans for active or former employees of the Group. Defined benefit obligations are measured by a recognized 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:

	December 31, 2017	December 31, 2016
Calculated interest rate for those with vested pensions	1.90%	1.90%
Calculated interest rate pensioners	1.70%	1.65%
Increase in the current pension	1.50%	1.50%
Fluctuation	0.00%	0.00%

To a certain extent life insurance contracts were concluded to cover the pension commitments. Insofar as the life insurance contracts are 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 projected unit credit at the start of the year is allowable.

Remeasurements due to actuarial gains and losses, as well as income on the plan assets (excluding interest on the net obligation) are recognized 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 projected unit credit 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 recognized 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 recognized for all identifiable risks and contingent liabilities at the expected amounts. The provisions are not offset against recourse claims. Warranty provisions are recognized 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 recognized at the amount received on the date the loan is taken out. Transaction costs are recognized under financial liabilities. Subsequently, the financial liabilities are valued at amortized 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 recognized at the settlement amount. Subsequently they are measured at amortized cost.

Other financial liabilities

Other financial liabilities are initially recognized at the settlement amount. Subsequently they are measured at amortized cost. The other financial liabilities include contingent liabilities from business combinations that are recognized and subsequently measured at fair value. The non-current portion of other financial liabilities is recognized at the present value of the expected future payments. Market interest rates according to the term are used.

Other liabilities

Other liabilities are initially recognized at the cost of acquisition. Subsequently they are measured at amortized 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 measured at fair value", "financial assets not measured at fair value".

The financial liabilities include liabilities to financial institutions, trade payables, liabilities under finance leases 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 measured at fair value", "financial liabilities not measured at fair value". The fair value option of classifying financial instruments under fair value through profit or loss when they are first recognized is not used by the Allgeier Group.

Financial assets measured at amortized 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 recognized, such financial assets with respect to subsequent measurement are measured at amortized cost less possible decreases in value. A decrease in value is recognized

under other operating expenses and a reversal is recognized 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 carrying amount, the impairment loss is the difference between the carrying amount of the financial asset and the present value of its expected future cash flows. The carrying amount of the assets is reduced using an impairment account and the impairment loss is recognized 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 recognized, the previous impairment loss is increased or decreased through profit or loss by adjusting the impairment account. Financial assets measured at fair value through profit or loss include derivatives that are classified as recognized at fair value through profit or loss when they are first recognized and shares in an unlisted venture capital company that has been classified as "available for sale". Subsequently these financial assets are measured according to the assignment to this category.

Financial assets valued at amortized cost are non-derivative financial assets with payments that are fixed or can be determined. They are recognized and subsequently measured using the effective interest method. When liabilities are derecognized, the resulting gains are recognized under other operating income. The financial liabilities measured at fair value through profit or loss include contingent purchase price liabilities from business combinations that are classified as measured at fair value through profit or loss when they are recognized. Subsequently these financial liabilities are measured according to the assignment to this category. Effects from the remeasurement of contingent purchase price liabilities are recognized through profit or loss.

X. Income statement

The income statement was prepared using the total expenditure format.

Revenues and other income are realized 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 realized 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 recognized 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 recognized based on the degree of order completion and under consideration of realized partial performance. Furthermore, licensing revenues are recognized 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 an option tranche issue is recognized in profit and loss as staff costs in line with the agreed vesting period over a specified waiting period pro rata and when vested immediately. 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 measurement and recognized in 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 recognized in subscribed capital (nominal amount) and the capital reserve.

Operating expenses are recognized 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

When preparing the consolidated financial statements estimates and assumptions were made 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 recognized prospectively.

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

B. NOTES TO THE CONSOLIDATED 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 developments	Goodwill	Total
Carrying amount as at Dec. 31, 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 carrying amounts	0	0	0	0	-5	0	0	-5
Currency differences	-3	129	0	0	24	1	1,256	1,407
Regular amortization and depreciation of continuing operations	-542	-4,481	-145	-25	-1,749	-110	0	-7,052
Regular amortization and depreciation of discontinued operations	0	-245	-111	0	-13	0	0	-369
Minus scheduled amortization of Talentry included therein	0	0	111	0	0	0	0	116
Impairment	0	-720	0	0	0	0	-1,114	-1,834
Disposals from the scope of consolidation	0	-855	0	0	14	0	0	-869
Carrying amount as at Dec. 31, 2016	0	9,444	264	45	3,130	4,488	104,835	122,206
Changes 2017:								
Additions to the scope of consolidation	321	3,837	454	0	243	0	9	4,864
Additions	0	0	0	0	1,967	1,870	0	3,837
Reclassification	0	0	0	10	-10	0		0
Currency differences	0	-400	-1	0	-53	-5	-4,951	-5,410
Regular amortization and depreciation of continuing operations	-211	-4,097	-212	-9	-2,213	-703	0	-7,445
Impairment	0	0	0	0	0	0	-9	-9
Carrying amount as at Dec. 31, 2017	110	8,784	505	46	3,064	5,650	99,884	118,043

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 business combinations.

In the 2017 financial year, orders on hand were acquired of EUR 321 thousand (previous year: EUR 490 thousand). The orders on hand were measured 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 realized and invoiced.

In the 2017 financial year, customer lists were acquired in the amount of EUR 3,837 thousand (previous year: EUR 4,884 thousand). To value the customer lists, the historicized sales by regular customers and other customers were examined and analyzed to determine what sales with regular customers can be expected to be generated in the next five years. These sales were recognized 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 amortization over a useful life of five years.

The acquired products are measured based on sales planning and the expected net amount for the products less risk discounts due to aging and technical obsolescence. A planning period of five years was used for measurement. The products are subject to straight-line amortization over four years. In the 2017 financial year, products of EUR 454 thousand were added in the context of business combinations (previous year: EUR 0).

Goodwill results from the difference occurring between the purchase costs of the business combinations and the fair value of the assets, liabilities and contingent liabilities of the acquired companies on the acquisition date. From the conversion of the companies that were not acquired in euro, goodwill decreased by a total of EUR 4,951 thousand (previous year: increase by EUR 1,256 thousand). The currency differences were recognized in the consolidated statement of comprehensive income under other comprehensive income. Impairment of EUR 9 thousand was taken on goodwill acquired from the acquisition of Blitz 17-72 and Blitz 17-73.

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 projections for impairment tests. If market prices exist in individual cases, these are used for the measurement. For the measurement of the value in use, the value-in-use method uses the three-year planning of the 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 capitalization rate after taxes of 3.20% (previous year: 2.87%). In the planning phase after the third planning year, the interest rates are reduced by a growth discount of 1 percentage point respectively. The interest rate takes debt and equity ratios into account that are derived from a group of comparative companies.

The following parameters were incorporated in calculating the capitalization rate:

CAPITALIZATION RATE	2017	2016
Interest rate for 10-year bonds	0.95%	0.74%
Equity ratio comparison Group	76.87%	73.79%
Debt ratio comparison Group	23.13%	26.21%
5-year beta factor Allgeier SE	0.5635	0.5186
Tax rate	30.00%	30.00%
Interest rate on debt	1.88%	2.27%
Risk premium for equity	5.00%	5.00%

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 2017 financial year, all goodwill was considered recoverable. Goodwill developed for each of the cash generating units specifically as follows:

GOODWILL (in EUR thousand)			
	Group December 31, 2017	Currency differences	Group December 31, 2016
Experts	52,788	-19	52,807
Nagarro	38,989	-4,758	43,747
Solutions IP	4,040	-174	4,214
Solutions SAP	0	0	0
mgm	4,067	0	4,067
	99,884	-4,951	104,835

Individually the values in use of the cash generating units are as follows:

VALUE IN USE OF THE CASH GENERATING UNITS (in EUR thousand)				
	Experts	Nagarro	Solutions IP	mgm
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 in EUR million	443	636	149	221
Growth rates and value in use 2017				
Average annual sales growth	18.0%	11.3%	10.7%	11.4%
Average annual growth of the underlying cash flow	96.6%	12.6%	6.0%	11.8%
Value in use in EUR million	479	666	174	307

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

2. Property, plant and equipment

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

PROPERTY, PLANT AND EQUIPMENT (in EUR thousand)				
	Land, land rights and buildings	Other plant, operating and office equipment	Financial lease	Total
Carrying amount as at Dec. 31, 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 carrying amounts	0	-86	-2	-88
Currency differences	36	2	31	69
Regular amortization and depreciation of continuing operations	-192	-3,203	-1,434	-4,829
Regular amortization and depreciation of discontinued operations	0	-88	0	-88
Minus scheduled amortization of Talentry included therein	0	11	0	11
Disposals from the scope of consolidation	0	-371	0	-371
Carrying amount as at Dec. 31, 2016	3,563	7,580	2,604	13,747
Changes 2017:				
Additions to the scope of consolidation	0	220	0	220
Additions	79	4,334	1,282	5,695
Disposals at carrying amounts	-6	-210	-4	-220
Currency differences	-185	-64	-156	-405
Regular amortization and depreciation of continuing operations	-193	-3,819	-1,525	-5,537
Impairment	0	-39	0	-39
Carrying amount as at Dec. 31, 2017	3,258	8,002	2,201	13,461

The Allgeier Group finances part of its operating and office equipment and intangible assets with finance lease contracts. As at December 31, 2017, these contracts had a carrying amount of EUR 2,201 thousand (previous year: EUR 2,604 thousand). In the 2017 financial year, new leasing agreements with rights of use of EUR 1,282 thousand were added (previous year: EUR 1,434 thousand). The contracts have terms between 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 recognized as liabilities are as follows:

MINIMUM LEASE PAYMENTS & RECOGNIZED PRESENT VALUES (in EUR thousand)		
	December 31, 2017	December 31, 2016
Minimum lease payments:		
Due within a year	1,277	1,424
Due between one and five years	1,005	1,272
Total	2,282	2,696
Present value of the minimum lease payments:		
with remaining period up to 1 year	1,201	1,327
with remaining term between 1 and 5 years	969	1,215
Total	2,170	2,542

The minimum lease payments were converted with the rate on the balance sheet date of December 31, 2017.

3. At-equity investments

Since November 2016, the Allgeier Group holds a stake of 40.8% in Talentry GmbH, Munich ("Talentry"). 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).

TALENTY GMBH (in EUR thousand)	2017	November and December 2016
Revenues	994	80
Depreciation and amortization	43	0
Net income	-1,830	-270
Total comprehensive income	-1,830	-270
Share of the Allgeier Group on the results for the period (40.8%)	-747	-110

The at-equity carrying amount of consists of the following:

TALENTY GMBH (in EUR thousand)	December 31, 2017	December 31, 2016
Non-current assets	176	82
Current assets without cash and cash equivalents	111	202
Cash and cash equivalents	170	1,783
Other current financial liabilities	-582	-362
Net assets	-125	1,705
Share of the Group in net assets (40.8%)	-51	696
Goodwill	3,683	3,683
At-equity carrying amount	3,632	4,379

4. Other financial assets

Other financial assets break down as follows:

OTHER FINANCIAL ASSETS (in EUR thousand)						
December 31, 2017			December 31, 2016			
	Total	Of which: non-current	Of which: current	Total	Of which: non-current	Of which: current
Security deposits	2,476	2,138	338	2,225	2,088	137
Loans from the sale of Terna	2,127	2,127	0	2,120	2,120	0
Receivables from employees	1,044	0	1,044	886	0	886
Interests in "Speedinvest"	985	985	0	612	612	0
Creditors with debit balances	958	0	958	109	0	109
Loans from the disposal of former Group companies	900	600	300	1,200	900	300
Claims from reimbursement of training costs from the participants of the GDE Group	865	0	865	798	0	798
Security	746	60	686	508	0	508
Derivative financial instruments	458	0	458	651	0	651
	455	0	455	544	0	544
Loans to shareholders of mgm cp Hamburg (floating rate)	400	400	0	552	552	0
Loans to shareholders of mgm cp Hamburg (fixed rate)	283	0	283	0	0	0
Receivables from factoring	25	0	25	105	0	105
Other	1,328	622	706	2,447	530	1,917
	13,050	6,932	6,118	12,757	6,802	5,955

In the context of the sales of Terna in 2015, the buyer was granted a loan. As at December 31, 2017, the residual debt from the loan including unpaid interest amounted to EUR 2,127 thousand (previous year: EUR 2,120 thousand). Repayment of the remaining loan balance will occur in 2019 to 2021. The loan bears interest at a fixed rate of 6% p.a.

Shares in "Speedinvest" are shares in the non-listed venture capital company, Speedinvest II EuVECA GmbH & Co. KG Vienna, Austria. By the end of the 2017 financial year, EUR 1,000 thousand of the total capital commitment of EUR 2,000 thousand was paid in. At the end of 2017, according to the quarterly report of December 31, 2017, the fair value of the total value to paid-in capital calculated by the venture capital company was EUR 985 thousand (previous year: EUR 612 thousand).

As at December 31, 2017, a vendor loan from former Group companies sold in 2014 had a residual debt of EUR 900 thousand (previous year: EUR 1,200 thousand). The loan must be repaid with a yearly payment of EUR 300 thousand. The loan bears interest based on 12-month Euribor plus a margin of 3%. The interest is due and payable at the end of each year. On December 31, 2017 the interest rate was 2.92%.

As at December 31, 2017 the residual debt of the floating interest loan on the loan granted to the non-controlling interests of mgm cp Hamburg was EUR 400 thousand (previous year: EUR 552 thousand). The loan has a term until December 31, 2022. The annual interest is based on 1-year Euribor plus a margin of 2%. In the 2017 financial year, future loans of EUR 283 thousand were granted to shareholders of mgm cp, Hamburg. These loan are short term and bear interest at a fixed rate of 2% p.a.

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

5. Other assets

The other assets break down as follows:

OTHER ASSETS(in EUR thousand)						
December 31, 2017			December 31, 2016			
	Total	of which non-current	of which current	Total	of which non-current	of which current
Deferred income	4,180	257	3,923	4,066	284	3,782
VAT receivables	3,401	0	3,401	897	0	897
	7,581	257	7,324	4,963	284	4,679

6. Deferred tax

Deferred tax assets and liabilities recognized 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)						
December 31, 2017			December 31, 2016			
	Deferred tax assets	Deferred tax liabilities	Income statement	Deferred tax assets	Deferred tax liabilities	Income statement
Intangible assets	1,320	4,386	20	1,814	4,767	1,406
Property, plant and equipment	467	245	371	121	270	-371
At-equity investments	0	57	-29	0	28	2
Other financial assets	328	585	-200	346	374	-104
Provisions for pensions	67	0	-12	68	2	-1
Other provisions	1,842	185	-120	2,079	236	179
Other financial liabilities	77	0	-368	445	0	332
Temporary differences and profit and loss consolidations	4,101	5,458	-338	4,873	5,677	1,443
Loss carry-forwards before offsetting	3,948	0	268	3,680	0	2,282
Impairment of loans to Group companies	0	1,086	2,068	0	3,154	0
Offsetting	-3,054	-3,054	0	-2,539	-2,539	0
Continuing operations	4,995	3,490	1,998	6,014	6,292	3,725

On December 31, 2017, in the Allgeier Group there were corporate tax loss carry-forwards of EUR 32,709 thousand (previous year: EUR 35,175 thousand) and commercial tax loss carry-forwards of EUR 23,762 thousand (previous year: EUR 27,879 thousand). This results in deferred tax claims for the Group totaling EUR9,065 thousand (previous year: EUR 10,000 thousand). Of the deferred tax assets, EUR 3,948 thousand (previous year: EUR 3,680 thousand) was recognized as deferred tax assets and EUR 5,117 thousand (previous year: EUR 6,320 thousand) was not recognized as an asset since utilization is uncertain. The planned realization of the deferred tax assets arising from loss carry-forwards resulted from expected 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 totaling EUR 1,086 thousand (previous year: EUR 3,154 thousand).

Of the deferred tax assets EUR 3,152 thousand (previous year: EUR 3,291 are current, and of the deferred tax liabilities, EUR 1,390 thousand (previous year: EUR 2,774 thousand) are current. The current deferred taxes are shown within the non-current assets or within the non-current liabilities.

7. Inventories

Inventories break down as follows:

INVENTORIES (in EUR thousand)						
December 31, 2017			December 31, 2016			
Total	of which non-current	of which current	Total	of which non-current	of which current	
Raw materials and supplies	54	0	54	10	0	10
Work in progress	1,037	776	261	6,450	0	6,450
Finished products and goods	448	0	448	544	0	544
Advance payments	11	0	11	9	0	9
	1,550	776	774	7,013	0	7,013

Impairments of EUR 3 thousand (previous year: EUR 0) were taken on inventories in the 2017 financial year. In the 2017 financial year, the inventories recognized as expenses amounted to EUR 421,806 thousand (continuing operations of the of the previous year: EUR 365,148 thousand). Operations discontinued in the previous year contained inventories recognized as expenses of EUR 2,561 thousand.

8. Trade receivables

Trade receivables break down as follows:

TRADE RECEIVABLES (in EUR thousand)		
	December 31, 2017	December 31, 2016
Loans and advances to customers	146,693	117,349
Factoring	-26,743	-19,529
Impairment of receivables from customers	-3,383	-1,990
	116,567	95,830

Trade receivables usually have terms between 30 and 90 days. Allowances for doubtful accounts are recognized at 50% for receivables past due more than 180 days and 100% for receivables past due 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 2017 financial year, the impaired customer receivables whose contractual conditions were renegotiated, and on which otherwise an impairment would have to have been made, were EUR 620 thousand (previous year: EUR 1,536 thousand). The impaired receivables are derecognized and the relevant value adjustment taken if there is no longer any prospect of a payment. Trade receivables are non-interest-bearing.

The past due structure of trade receivables is as follows:

PAST DUE STRUCTURE (in EUR thousand)								
	As of December 31, 2017	not past due	Past due in days					
			<30	30-60	61-90	91-180	181-360	>360
Customer receivables not impaired	115,982	82,254	16,267	7,046	4,357	3,471	1,413	1,174
Gross amount of the value-adjusted trade receivables	3,968	71	0	0	158	392	1,040	2,307
Impairment	-3,383	-59	0	0	-157	-366	-890	-1,911
Carrying amount	116,567	82,266	16,267	7,046	4,358	3,497	1,563	1,570
	As of December 31, 2016	Not past due	Past due 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
Impairment	-1,990	-225	0	0	0	-4	-481	-1,280
Carrying amount	95,830	66,206	15,976	7,460	2,553	2,179	1,318	138

Impairments of trade receivables developed as follows:

IMPAIRMENT (in EUR thousand)	2017	2016
Balance on January 1	1,990	1,743
Additions to the scope of consolidation	0	225
Additions having an effect on the expenses	1,797	648
Consumption and reversal	-372	-628
Currency differences	-32	2
Balance on December 31	3,383	1,990

After factoring, the theoretical maximum default risk for trade receivables is the recognized gross value of EUR 116,567 thousand (previous year: EUR 95,830 thousand). This risk is reduced by collateral, credit insurance and other credit rating improvements. Via credit insurance 43% (previous year: 42%) of the gross receivables from customers is covered.

As at December 31, 2017, trade receivables included a gross amount of EUR 4,448 thousand due from partially developed customer-specific construction contracts recognized in line with the percentage-of-completion method (PoC), where construction costs incurred including the profit share exceed the installments received.

An unchanged factoring volume 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 percentage points. In December 2017, an interest rate of 0.94% p.a. was applied.

On December 31, 2017, EUR 37,774 thousand of this volume (previous year: EUR 24,051 thousand) was utilized. Of this a portion of EUR 26,744 thousand (previous year: EUR 19,528 thousand) was offset with the trade receivables and the remaining portion paid by the customers of EUR 11,030 thousand (previous year: EUR 4,523 thousand) was shown within the financial liabilities.

Nagarro Norway uses full-service factoring with the maximum volume of NOK 2 million (EUR 0.2 million). On December 31, 2017, the receivable from the factoring company was EUR 25 thousand (previous year: EUR 105 thousand). Unchanged to the previous year, 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)		
	December 31, 2017	December 31, 2016
Bank balances	52,942	71,736
Cash balance	55	38
	52,997	71,774

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. Cash and cash equivalents are part of the funds of the Allgeier Group.

10. Share capital

On December 31, 2017, Allgeier SE had subscribed capital of EUR 9,978,649.00 (previous year: EUR 9,071,500.00). The subscribed capital is divided into 9,978,649 no-par registered shares with a nominal amount of the share capital of EUR 1.00 per share. It is fully paid up.

On December 29, 2017 the stock of Allgeier SE was valued at a closing price of EUR 25.36 in Xetra trading on the Frankfurt Stock Exchange. In the previous year, on December 30, 2016, the stock closed at EUR 17.30. No preferred shares or other shares with special rights or restrictions were issued.

Authorized capital

By resolution of the Annual General Meeting on June 17, 2014, the Management Board with the consent of the Supervisory Board is authorized to increase the share capital of Allgeier SE, one or more times until June 16, 2019, by a total of EUR 1,814,301.00 in exchange for cash contributions or contributions in kind (Authorized Capital I). The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

a) For a rights issue for fractional 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.

By resolution of the Annual General meeting on June 23, 2015, the Management Board with the consent of the Supervisory Board is authorized to increase the share capital of Allgeier SE, one or more times until June 22, 2020, by a total of EUR 1,814,301.00, in exchange for cash contributions or contributions in kind (Authorized Capital II). The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

a) For a rights issue for fractional 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 authorized capital of up to EUR 1.00 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 authorization 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 authorization 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 authorization, 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 authorization to increase the share capital by utilizing the Authorized Capital I or Authorized Capital II in the 2017 financial year. On the basis of the authorized capital of previously EUR 9,071,500.00, the company increased its share capital by EUR 907,149 to EUR 9,978,649.00 by issuing a total of 907,149 no-par bearer shares exclude statutory shareholder subscription rights.

Contingent Capital

By resolution of the Annual General Meeting of June 17, 2010, modified by Annual General Meeting resolution of 17 June 2014, the share capital of Allgeier SE is further contingently increased by up to EUR 460,000 through issue of up to 460,000 new no-par registered shares (Contingent Capital 2010). The Contingent Capital 2010 is intended for exercising 460,000 option rights under the 2010 Stock Option Plan.

By resolution of the Annual General Meeting on June 17, 2014, the share capital of Allgeier SE is further contingently increased by up to EUR 440,000 through issue of up to 440,000 new no-par registered shares (Contingent Capital 2014). The Contingent Capital 2014 is intended for exercising of option rights under the 2014 Stock Option Plan that can be issued by the company until June 16, 2019. From the 2015 Stock Option Plan, Allgeier SE has issued a total of EUR 140,000 option rights.

By resolution of the Annual General Meeting on June 28, 2017, the share capital of Allgeier SE is contingently increased by up to EUR 3,500,000 through issue of up to 3,500,000 new no-par registered shares (Contingent Capital 2017). The Contingent Capital 2017 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 June 27, 2022. 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:

CAPITAL RESERVES (in EUR thousand)	2017	2016
Capital reserve of Allgeier SE	11,306	11,306
Capital increase	15,512	0
Direct costs of capital increase	-383	0
Book gains from the sale of treasury shares	3,584	3,584
Issued share options	2,195	2,143
	32,214	17,033

The Group's capital reserves developed as follows:

DEVELOPMENT OF CAPITAL RESERVES (in EUR thousand)	2017	2016
Balance on January 1	17,033	16,986
Capital increase	15,512	0
Costs of the capital increase	-383	0
Shares option programs issued	52	47
Capital reserves on on December 31	32,214	17,033

12. Retained earnings

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

13. Treasury shares

The Annual General Meeting on June 17, 2014 authorized the Management Board to acquire treasury shares until June 16, 2019 with a volume of up to 907,150 shares (10% of the share capital 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 share capital. In the 2017 financial year no use was made of this authorization, so that the portfolio of 151,199 shares reserved as treasury shares, with a carrying amount of EUR 1,379 thousand did not change as compared to the previous year. With a valuation at the period-end price on December 31, 2017 (closing price on 29 December 2017 in Xetra trading on the Frankfurt Stock Exchange) of EUR 25.36 per share, the present value of the portfolio of treasury shares is EUR 3,834 thousand, and hidden reserves in the treasury shares of EUR 2,455 thousand.

On December 31, 2017, 1.51% (previous 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. 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)	2017	2016
Profit carried forward on January 1	68,689	62,558
Net profit or loss for the period of the previous year	4,442	12,375
Dividends to shareholders of Allgeier SE	-4,460	-6,244
Profit carried forward on December 31	68,671	66,689

The net profit or loss for the period of the previous year applicable to the shareholders of Allgeier SE of EUR 4,442 thousand (previous year: EUR 12,375 thousand) was transferred to profit carried forward.

The Annual General Meeting of Allgeier SE on June 28, 2017 passed a resolution for the distribution of dividends at EUR 0.50 per share (previous year: EUR 0.70 per share. The total dividend was EUR 4,460 thousand (previous year: EUR 6,244 thousand). Unchanged from the previous year, 8,920,301 shares were eligible for dividends.

15. Changes in equity recognized directly in equity

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

CHANGES IN EQUITY RECOGNIZED DIRECTLY IN EQUITY (in EUR thousand)	December 31, 2017	December 31, 2016
Currency differences	5,365	12,556
Actuarial gains and losses	-530	-653
Sales of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	-6,329	-6,337
Proportional acquisition of subsidiaries using treasury shares	1,960	1,960
Purchase of shares of non-controlling interests under carrying amount	696	696
Purchase of shares of non-controlling shareholders above carrying amount	-6,316	-2,778
Changes in equity recognized directly in equity	-5,154	5,444

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

(in EUR thousand)	December 31, 2017	December 31, 2016
Changes in equity not affecting income on January 1	5,444	10,685
Other comprehensive income from the statement of comprehensive income	-7,068	1,740
Purchase of outstanding shares of non-controlling shareholders of the GDE Group	-3,538	0
Sales of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	8	-6,337
Shares of non-controlling shareholders included in other comprehensive income on the statement of comprehensive income	0	-644
Changes in equity not affecting income on December 31	-5,154	5,444

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)	2017	2016
Balance on January 1	13,488	5,261
Transfer of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	6,337
Payments of non-controlling interests of the Nagarro Group as part of the employee stock purchase program	-8	2,282
Addition of outstanding shares of non-controlling shareholders of the GDE Group	3,538	0
Net profit or loss for the period attributed to non-controlling shareholders	1,683	1,971
Addition of shares of non-controlling shareholders of Mokriya	0	875
Proportion of exchange rate changes not affecting net income	-2,085	686
Share of actuarial gains not affecting net income	-12	-42
Disposal of shares of non-controlling shareholders of Talentry	0	-101
Pay-outs to non-controlling shareholders	-993	-745
Addition of shares of non-controlling shareholders of the GDE Group	0	-3,036
Balance on December 31	15,611	13,488

In the 2016 financial year a program for participation of Nagarro employees was agreed. The program is designed to establish a long-term incentive effect to increase the value of Nagarro. In the 2016 financial year, as part of the program, management and other employees purchased approximately 15.65% of the shares of Nagarro Holding GmbH. From this transaction, the Allgeier Group received payments 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. In the 2017 financial year, one employee left the participation program, resulting in a EUR 8 thousand reduction in the equity transferred.

In the 2017 financial year, the Allgeier Group acquired all outstanding shares of the GDE Group for a purchase price of EUR 2. The difference between the purchase price and the equity share of the non-controlling shareholders recognized at the time of disposal of EUR 3,538 thousand was reclassified in changes in equity recognized directly in equity.

In November 2017, mgm technology partners GmbH, Munich, sold a stake in mgm consulting partners GmbH, Hamburg. The purchase price for this stake was EUR 200.00. As a result the stake of the Allgeier SE shareholders in the company declined from 56.00% to 55.997%.

17. Financial liabilities

The financial liabilities break down as follows:

FINANCIAL LIABILITIES (in EUR thousand)						
December 31, 2017				December 31, 2016		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Syndicated loan	77,000	77,000	0	0	0	0
./. Deferred one-time costs	-791	-627	-164	0	0	0
Borrower's note loan	19,000	19,000	0	97,500	84,000	13,500
./. Deferred one-time costs	-91	-49	-42	-327	-215	-112
Liabilities from factoring customer receivables	11,030	0	11,030	4,522	0	4,522
Bank loan of Nagarro Inc.	1,670	0	1,670	0	0	0
Overdraft of Allgeier Experts Medical GmbH	604	0	604	0	0	0
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	320	149	171	559	364	195
Small business loan of Allgeier Experts Select GmbH	45	0	45	69	44	25
Loan of Nagarro Holding GmbH	0	0	0	11,200	0	11,200
Investment loan of BSH IT Solutions GmbH	0	0	0	55	0	55
Other	13	0	13	0	0	0
	108,800	95,473	13,327	113,578	84,193	29,385

On October 12, 2017, Allgeier SE concluded a syndicate credit facility for EUR 180 million. In the financial year, the loan was used to repay the predominant part of the borrower's note loan. In addition, the loan serves to finance the organic growth of the Allgeier Group and to finance planned acquisitions. As at December 31, 2017, EUR 77 million of these credit facilities were utilized. The loan has a duration of 5 years. The loan bears interest based on Euribor plus a margin depending on the financial ratios. The interest rate at the end of 2017 was 1.4% p.a. In connection with concluding the credit facility, there were costs of EUR 822 thousand which are recognized on a straight-line basis for the duration of the agreement.

In the 2017 financial year, Allgeier SE paid back EUR 78.5 million of a borrower's note loan. After the repayment, there are still three fixed-interest tranches with a total carrying amount of EUR 19.0 million. Interest is due annually in March. On December 31, 2017, the tranches were as follows:

TRANCHE (in EUR thousand)	Duration (months)	Issue	Repayment	Interest
4,000	84	March 2012	March 2019	4.78%
9,500	60	December 2014	December 2019	1.81%
5,500	84	December 2014	December 2021	2.33%

When the borrower's note loans were issued, one-time costs were incurred, which are deferred over the term of the loans.

In the context of factoring customer receivables, the factor pays the submitted receivables lists on two specified days in the month. The payments received are offset against the individual trade receivables. In cases in which the individual receivables are paid by customer in the period between payment by the factor and the end of the month, the amounts received by the factor are recognized in financial liabilities. On December 31, 2017, these liabilities amounted to EUR 11,030 thousand (previous year: EUR 4,522 thousand). The liabilities have a variable interest rate. At the end of 2017, the interest rate was 0.94% p.a. In the annual report of the previous year, these liabilities were recognized under other financial liabilities. To improve comparability, the previous year was adjusted.

As at December 31, 2017, of the credit facilities of USD 3 million which it had been granted, Nagarro Inc., Cupertino, USA, utilized USD 2 million (EUR 1,670 thousand). The credit facility has a duration to September 30, 2018 and attracts interest at Libor plus a margin of 2 percentage points.

In 2012, Nagarro Enterprise Services Pvt. Ltd, Jaipur, India, took out a mortgage to finance an office building in Jaipur. On December 31 2017, the loan had a balance of USD 384 thousand, i.e. EUR 321 thousand (previous year: USD 589 thousand or EUR 559 thousand). 6-month Libor plus a margin of 600 basis points was agreed as interest rate. The loan is repaid in monthly installments of USD 17 thousand. Property, plant and equipment of the borrower were pledged as collateral. On December 31, 2017, it had a carrying amount of EUR 2,420 thousand (previous year: EUR 2,903 thousand).

As at December 31, 2017, Allgeier Experts Medical GmbH utilized an overdraft facility of EUR 0.6 million in full. The credit facility has a duration to December 31, 2018 and has a variable interest rate on the basis of the reference interest rate. The interest rate is currently 6.75% p.a.

The small business loan of Allgeier Experts Select GmbH was paid back in full in January 2018. The interest rate for the fixed interest rate loan was 2.46% p.a.

There were no defaults on payments during the reporting period or after the end of the financial year. All financial ratios to which Allgeier SE or companies of the Allgeier Group undertaken to comply with as part of the loan and credit agreements were complied with in the 2017 financial year.

18. Pension provisions

As at December 31, 2017 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. In two cases the commitments 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 committed retirement age or in case of disability. For one pension beneficiary, a widow's pension is agreed. All commitments are vested. The number and composition of the beneficiaries remained unchanged as compared to the previous 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 change 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 life insurance policies covering the pension liability. The plan assets consist exclusively of the present value of life insurance contracts covering the pension liabilities.

To cover pension obligations from continuing operations, the Allgeier Group recognized provisions of EUR 673 thousand on December 31, 2017 (previous year: EUR 632 thousand). These amounts are reconciled as follows:

PENSION PROVISIONS (in EUR thousand)	2017	2016
Reconciliation of projected unit credit:		
Projected unit credit on January 1	909	856
Current service cost	26	26
Interest cost	17	19
Actuarial gains or losses	30	32
Pension payments	-24	-24
Projected unit credit as at December 31	958	909
Reconciliation of plan assets:		
Plan assets at fair value as at January 1	277	269
Returns on plan assets	5	6
Employer contributions	9	9
Benefits paid	-6	-6
Actuarial gains or losses	0	-1
Plan assets at fair value as at December 31	285	277
Net obligation on December 31	673	632
of which pension provisions	673	632
of which assets	0	0

The income and expenses from the change in net pension obligations (pension obligations less life insurance policies covering the pension liability) impacted the consolidated statement of comprehensive income as follows:

INCOME AND EXPENSES FROM THE CHANGE IN THE NET PENSION OBLIGATION (in EUR thousand)	2017	2016
Staff costs		
Current service cost	26	26
Staff costs	26	26
Finance income		
Income on plan assets (cannot be offset)	0	0
Other interest and similar income	0	0
Finance expenses		
Interest expense on pension obligations	17	19
Income on plan assets (can be offset)	-5	-6
Interest and similar expenses	12	13
Recognized in the income statement	38	39
Gain/loss from the revaluation of the pension obligation		
due to changes in financial assumptions	-2	38
due to empirical adjustments	32	-6
Income/expenses on plan assets without interest income	0	1
Included in other comprehensive income	30	33

On December 31, 2017, the weighted average term of the defined benefit pension obligations is as follows:

NUMBER OF PENSION BENEFICIARIES	Active employees	Pensioners	Total
As at December 31, 2016	10.8	10.1	10.5
As at December 31, 2017	9.8	9.7	9.8

The actuarial parameters used for calculating the projected unit credit 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 constant, the projected unit credit of the benefit obligations on December 31, 2017 changes according to the following sensitivity analysis:

CHANGE OF THE PROJECTED UNIT CREDIT OF THE BENEFIT OBLIGATIONS AS AT DECEMBER 31, 2017 (in EUR thousand)	Increase	Decrease
Calculated interest rate (1.00% change)	-87	98
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 2018 are expected to total EUR 9 thousand (previous year: EUR 9 thousand).

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

19. Other financial liabilities

Other financial liabilities break down as follows:

OTHER FINANCIAL LIABILITIES (in EUR thousand)						
December 31, 2017				December 31, 2016		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Liabilities from wages and salaries	7,438	0	7,438	6,290	0	6,290
Leave entitlements	6,036	634	5,402	4,903	63	4,840
Pending incoming invoices	5,736	0	5,736	6,585	0	6,585
Liabilities from finance lease	2,170	969	1,201	2,541	1,214	1,327
Original variable purchase price liabilities from business combinations, where the actual amount is not yet known	1,384	0	1,384	8,452	698	7,754
Variable purchase price liabilities from business combinations, where the actual amount is not yet known	1,298	977	321	3,068	2,068	1,000
Working time accounts	1,016	0	1,016	827	0	827
Purchase price liability from the call option to acquire the remaining shares of Allgeier Productivity Solutions	800	0	800	800	0	800
Social security liabilities	692	0	692	859	0	859
Derivative financial instruments	254	0	254	59	0	59
Advance payments received on orders	101	0	101	6,377	0	6,377
Customers with credit balances	85	0	85	331	0	331
Other	2,148	524	1,624	2,485	560	1,925
	29,158	3,104	26,054	43,577	4,603	38,974

The obligations for unused leave days granted to employees of the Allgeier companies for the financial year are deferred as leave entitlements. Expenditure per leave day is 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 were not offset either as assets or liabilities.

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

Variable purchase price liabilities from business combinations where the actual amount is not known depend on conditions in the future being achieved. These liabilities are recognized on the basis of the expected future payments and the planning calculations of the companies as well as the agreements concluded between the parties. If the contingent 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 recognized in consolidated statement of comprehensive income as income or expenses. The non-current purchase price liabilities were recognized at the present value of the expected future payments. Market interest rates published by the Bundesbank were used. For the valuation of the liabilities on December 31, 2017, the interest rates, depending on the repayment period, ranged from 1.28% (previous year: 1.61%) to 1.36% (previous year: 2.17%). The non-current purchase price liabilities of EUR 977 thousand (previous year: EUR 2,766 thousand) are based on a nominal value totaling EUR 1,000 thousand (previous year: EUR 3,182 thousand). The other non-current financial liabilities have terms from one to five years.

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 provisions

Other provisions break down as follows:

OTHER PROVISIONS (in EUR thousand)						
December 31, 2017			December 31, 2016			
	Total	of which non-current	of which current	Total	of which non-current	of which current
Royalties and bonuses	11,148	0	11,148	7,866	0	7,866
Gratuity obligation	2,516	2,227	289	2,213	1,989	224
Preparation and audit of annual financial statements	1,091	0	1,091	989	0	989
Employers' liability insurance association	698	0	698	600	0	600
Restructuring, severance pay	274	0	274	171	0	171
Storage	371	294	77	352	294	58
Warranties	303	0	303	170	0	170
Disability levy	243	0	243	164	0	164
Other	1,274	0	1,274	983	0	983
	17,918	2,521	15,397	13,508	2,283	11,225

Other provisions developed as follows:

OTHER PROVISIONS (in EUR thousand)										
	As at Dec. 31, 2016	Additions to consolidation scope	Consumption		Reversal	Disposal from the scope of consolidation	Additions	Unwinding	Discounting / currency effects	As at Dec. 31, 2017
Royalties and bonuses	7,866	209	-7,628		-126	0	10,894	0	-67	11,148
Gratuity obligation	2,213	0	-753		0	0	1,212	0	-156	2,516
Preparation and audit of annual financial statements	989	0	-732		-113	0	954	0	-7	1,091
Employers' liability insurance association	600	0	-582		-18	0	698	0	0	698
Restructuring, severance pay	171	3,450	-3,443		-28	0	124	0	0	274
Storage	352	0	0		0	0	14	6	-1	371
Warranties	170	0	0		-118	0	255	0	-4	303
Disability levy	164	0	-153		-6	0	238	0	0	243
Other	983	0	-805		-69	0	1,198	0	-33	1,274
	13,508	3,659	-14,096		-478	0	15,587	6	-268	17,918

The provision for royalties and bonuses is recognized 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 projected unit credit using actuarial principles is based on country-specific mortality tables for India and the following general parameters:

(in EUR thousand)	December 31, 2017	December 31, 2016
Calculated interest rate	7.15%	6.60%
Salary increase p.a.	10.00%	12.00%
Fluctuation p.a.	20.00%	20.00%
Remaining term of service to retirement in years	30	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)	2017	2016
Projected unit credit on January 1	2,213	1,383
Income statement		
Current service cost	606	416
Interest expense	134	101
	740	517
Other comprehensive income		
Actuarial gains or losses	-155	381
of which from financial assumptions	-339	155
of which from empirical adjustments	184	226
Pay-out upon departure	-126	-114
Currency	-156	46
Projected unit credit as at December 31	2,516	2,213

Changes to the actuarial parameters have only an immaterial effect on the projected unit credit.

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. Internal expenses 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 recognized in the gratuity provision.

Warranties include provisions for individually recorded warranty claims.

Unwinding non-current provisions resulted in income of EUR 6 thousand (previous year: EUR 1 thousand).

21. Other liabilities

The other liabilities break down as follows:

OTHER LIABILITIES (in EUR thousand)						
December 31, 2017				December 31, 2016		
	Total	of which non-current	of which current	Total	of which non-current	of which current
Liabilities from VAT	8,506	0	8,506	5,374	0	5,374
Deferred income	5,018	191	4,827	4,098	464	3,634
Other	24	0	24	258	0	258
	13,548	191	13,357	9,730	464	9,266

22. Trade payables

As at December 31, 2017, trade payables included partially developed construction contracts recognized in line with the percentage-of-completion method (PoC) with amounts due to customers of EUR 2,404 thousand where the installments received exceed the construction costs incurred including the profit shares.

23. Financial Instruments

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

CARRYING AMOUNTS AND MARKET VALUES OF THE FINANCIAL INSTRUMENTS (in EUR thousand)										
Carrying amounts						Fair value				
December 31, 2017	Hedging instruments	Recognized at fair value		Loans and receivables	Other financial liabilities	Total	Step 1	Step 2	Step 3	Total
Financial assets recognized at fair value										
Currency forwards	458	0		0	0	458	0	458	0	458
Other financial assets	0	985		0	0	985	0	985	0	985
	458	985		0	0	1,443	0	1,443	0	1,433
Financial assets not recognized at fair value:										
Trade receivables	0	0		116,567	0	116,567				
Other financial assets	0	0		11,606	0	11,606				
Cash and cash equivalents	0	0		52,997	0	52,997				
	0	0		181,170	0	181,170				
Financial assets	458	985		181,170	0	182,613				
Financial liabilities recognized at fair value										
Contingent purchase price liabilities	0	2,727		0	0	2,727	0	0	2,727	2,727
Currency forwards	254	0		0	0	254	0	0	0	0
	254	2,727		0	0	2,981	0	59	2,727	2,727
Financial liabilities not recognized at fair value:										
Financial liabilities	0	0		0	108,800	108,800				
Trade payables	0	0		0	36,230	36,230				
Leases	0	0		0	2,170	2,170				
Other financial liabilities	0	0		0	24,007	24,007				
	0	0		0	171,207	171,207				
Financial liabilities	254	2,727		0	171,207	174,188				

CARRYING AMOUNT AND MARKET VALUES OF THE FINANCIAL INSTRUMENTS (in EUR thousand)										
Carrying amounts							Fair value			
December 31, 2016	Hedging instruments	Recognized at fair value		Loans and receivables	Other financial liabilities	Total	Step 1	Step 2	Step 3	Total
Financial assets recognized at fair value										
Currency forwards 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 recognized 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 recognized at fair value										
Contingent purchase price liabilities	0	11,565		0	0	11,565	0	0	11,565	11,565
Currency forwards	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 recognized at fair value:										
Financial liabilities	0	0		0	113,578	113,578				
Trade payables	0	0		0	31,954	31,954				
Leases	0	0		0	2,542	2,542				
Other financial liabilities	0	0		0	28,657	28,567				
	0	0		0	176,731	176,731				
Financial liabilities	59	11,565		0	176,731	188,355				

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 reclassifications between the valuation categories and hierarchy levels.

Financial instruments categorized in Level 3 are derived as follows via:

FINANCIAL INSTRUMENTS CATEGORIZED IN LEVEL 3 (in EUR thousand)	
Development of the contingent purchase price liabilities recognized at fair value	
Balance on December 31, 2015	11,680
Additions	3,033
Fair value changes recognized through profit or loss	291
Fair value changes recognized directly in equity	96
Decreases due to payments	-3,677
Interest effect	137
Currency differences	5
Balance on December 31, 2016	11,565
Fair value changes recognized through profit or loss	-1,000
Fair value changes recognized directly in equity	-174
Decreases due to payments	-7,724
Interest effect	60
Balance on December 31, 2017	2,727

Contingent purchase price liabilities are measured on the basis of the companies' planning. The criteria agreed in the purchase targets for achieving the contingent purchase prices were compared against the planning, thus determining the fair value of the contingent purchase price liabilities. In the 2016 financial year, purchase price components from "networker" (which has since been merged with Allgeier Experts Services) of EUR 1,000 thousand were derecognized in profit and loss.

For the fair values of the contingent 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)		
		Profit or loss
	Increase	Decrease
Change in the contribution margin as basis for the contingent purchase price of Betarun, 10% relative to plan	0	3
Change in the earn-out relevant EBITDA of Allgeier Engineering, 10% relative to plan	0	0
Change in the discount rate by 1%	17	17

Derivative financial instruments

The Allgeier Group concludes foreign exchange forwards 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. In each case the maturity of the foreign exchange forwards is less than one year. 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 forwards were recognized entirely through profit or loss.

In summary, the foreign exchange forwards are as follows:

FOREIGN EXCHANGE FORWARDS (in EUR thousand)						
December 31, 2017				December 31, 2016		
	Nominal	Assets	Liabilities	Nominal	Assets	Liabilities
INR / EUR	10,545 thousand EUR	55	131	5,250 thousand EUR	376	0
INR / USD	18,785 thousand USD	360	64	16,920 thousand USD	129	51
INR / SEK	33,675 thousand SEK	37	57	18,000 thousand SEK	71	4
INR / GBP	600 thousand GBP	6	2	836 thousand GBP	75	4
		458	254		651	59

Insofar as income and/or expenses for the foreign exchange forwards are accepted for tax purposes only on fulfillment or sale, deferred taxes were recognized.

The following sensitivity analysis (to the right) illustrates the effects of the foreign exchange forwards 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% decrease	5% increase	5% decrease
INR	1,516	-1,516	1,516	-1,516
USD	-784	784	-784	784
SEK	-171	171	-171	171
GBP	-34	34	-34	34

Shares of a non-listed venture capital company, Speedinvest II EuVECA GmbH & Co. KG, Vienna, Austria, are included in the financial assets. The shares are classified as "available-for-sale". By the end of the 2017 financial year, of the capital commitment of EUR 2,000 thousand, a total of EUR 1,000 thousand had been paid in (previous year: EUR 600 thousand). At the end of 2017, according to the quarterly report of December 31, 2017, the fair value of the total value to paid-in capital calculated by the venture capital company was EUR 985 thousand (previous year: EUR 612 thousand).

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

2017						2016				
NET PROFIT AND LOSS FROM THE FINANCIAL INSTRUMENTS (in EUR thousand)	Other operating income	Other operating expenses	Finance income	Finance expenses	Total	Other operating income	Other operating expenses	Finance income	Finance expenses	Total
Group										
Cash in hand	0	0	171	0	171	0	0	317	0	317
Loans and receivables	994	-2,671	927	0	-750	668	-2,019	0	0	-1,351
of which impairments	0	-1,797	0	0	-1,797	0	-670	0	0	-670
Other financial assets	0	0	25	-27	-2	0	0	54	0	54
Factoring	0	0	0	-246	-246	0	0	0	-276	-276
Derivative financial instruments	1,956	-527	0	0	1,429	1,463	0	0	0	1,463
Securities	0	0	0	0	0	0	0	0	0	0
Leases	0	0	0	-114	-114	0	0	0	-126	-126
Financial liabilities at fair value	1,000	0	0	-60	940	2,319	-2,609	0	0	-290
Other liabilities	0	-728	0	-2,249	-2,977	0	-593	0	-2,625	-3,218
Total net profit / loss from financial instruments	3,950	-3,926	1,123	-2,696	-1,549	4,450	-5,221	371	-3,027	-3,427

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.

24. Revenues

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

EXTERNAL REVENUES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Services	556,440	474,061	0	2,777	556,440	476,838
Products	11,710	12,142	0	202	11,710	12,344
Licenses	13,497	11,310	0	266	13,497	11,576
	581,647	497,513	0	3,245	581,647	500,758

External sales are broken down by country as follows:

EXTERNAL REVENUES BY COUNTRY (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Germany	434,927	369,975	0	3,245	434,927	373,220
USA	68,787	60,831	0	0	68,787	60,831
Austria	15,880	13,555	0	0	15,880	13,555
Sweden	10,594	11,898	0	0	10,594	11,898
Finland	9,834	9,020	0	0	9,834	9,020
Switzerland	7,090	7,711	0	0	7,090	7,711
UK	5,562	4,571	0	0	5,562	4,571
India	4,324	3,740	0	0	4,324	3,740
Norway	4,297	3,620	0	0	4,297	3,620
Netherlands	3,968	3,100	0	0	3,968	3,100
France	3,453	451	0	0	3,453	451
Denmark	2,624	1,216	0	0	2,624	1,216
Malaysia	1,918	321	0	0	1,918	321
Poland	1,874	115	0	0	1,874	115
Belgium	1,146	74	0	0	1,146	74
Other	5,369	7,315	0	0	5,369	7,315
Total international	146,720	127,538	0	0	146,720	127,538
	581,647	497,513	0	3,245	581,647	500,758

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

Revenues generated with the largest single customer in the 2017 financial year totaled EUR 20.6 million (previous year: EUR 14.1 million). The share of revenues generated with the largest customer was thus 3.5% (previous year: 2.8%).

Revenues contain realized order values using the percentage-of-completion methods of EUR 6,681 thousand.

25. Other operating income

Other operating income breaks down as follows:

OTHER OPERATING INCOME (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Income from currency translation	2,907	472	0	0	2,907	472
Taxation of employee remuneration in kind	2,842	1,714	0	20	2,842	1,734
Income from current transactions	1,956	1,463	0	0	1,956	1,463
Reversals of of liabilities from business combinations	1,000	2,318	0	0	1,000	2,318
Collection of derecognized receivables	622	39	0	0	622	39
Reversal of provisions	478	603	0	30	478	633
Consumption and reversal of allowances for doubtful accounts	372	628	0	0	372	628
Other	2,137	1,634	0	59	2,137	1,694
	12,314	8,871	0	109	12,314	8,981

26. Cost of materials

Material costs break down as follows:

MATERIAL COSTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Raw materials and supplies	16,421	15,141	0	-26	16,421	15,115
Purchased services	183,160	174,476	0	61	183,160	174,537
	199,581	189,617	0	35	199,581	189,652

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.

27. Staff costs

Staff costs break down as follows:

STAFF COSTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Salaries and wages	233,564	183,495	0	3,176	233,564	186,672
Royalties and bonuses	19,756	15,771	0	42	19,756	15,813
Social insurance contributions	33,058	26,657	0	603	33,058	27,260
	286,378	225,923	0	3,821	286,378	229,744

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

NUMBER OF EMPLOYEES	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Average:						
Working for customer orders	5,659	5,176	0	33	5,659	5,209
Working in other areas	1,216	933	0	7	1,216	940
	6,875	6,109	0	40	6,875	6,149
Reporting date:						
Working for customer orders	5,837	5,297	0	0	5,837	5,297
Working in other areas	1,261	1,041	0	0	1,261	1,041
	7,098	6,338	0	0	7,098	6,338

Average values were determined based on the number of employees on March 31, June 30, September 30 and December 31. The reported number of employees includes executives, general managers and trainees. For determination of the average values in 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.

For activities that cannot be capitalized relating to maintenance and further development of products, there were costs of EUR 351 thousand (previous year: EUR 372 thousand).

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 authorization to issue option rights for the purchase of one no-par share of Allgeier SE each, the share capital was contingently increased by EUR 1.00 per option right.

As at December 31, 2017, the issued stock options or the authorizations granted to the Management Board and the Supervisory Board to issue stock options are shown as follows:

	Contingent capital	Options issued	Issue date
2010 Stock Option Plan	EUR 460,000	460,000	November 19, 2012
2014 Stock Option Plan	EUR 440,000	140,000	November 29, 2017, further tranches up to June 16, 2019

The exercise price of the previously issued option, according to the conditions of the two stock option plans 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 Annual General 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 (average share price of the last five trading days 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 share capital 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 2014 Stock Option Plan has an additional performance target of a minimum exercise price of EUR 30.

The measurement of the option tranche granted was implemented on the basis of an option price model in line with the regulations of IFRS 2. To determine the expense across the entire vesting period, a multi-stage binomial model (Cox-Ross-Rubinstein model) was used. The expected volatility corresponds to the annualized 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 over an average expected exercise period of seven years for the options. Future expected dividend payments were also incorporated in the valuation model.

For the share options issued on November 19, 2012, the following measurement parameters were used:

PARAMETERS OF THE BINOMIAL MODEL	2017	2016	Issue date
Exercise price per share	EUR 9.71	EUR 9.85	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 dividends declared in the Annual General Meetings in the financial years 2013 to 2017 in each case resulted in adjustments of the exercise price. The updated measurements of the 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 2017 financial year, this resulted in staff costs of EUR 17 thousand (previous year: EUR 47 thousand).

For the share options issued on November 29, 2017, in addition to a share price of EUR 22.58 on the grant date, the following measurement parameters were used:

PARAMETERS OF THE BINOMIAL MODEL	2017	Issue date
Exercise price per share	EUR 24.42	EUR 24.42
Expected volatility of the share	29.12%	29.12%
Risk-free interest rate	0.49%	0.49%

The total expense for the share option rights granted in the 2017 financial year was EUR 815 thousand. Non-linear distribution across the four-year vesting period results in staff costs of EUR 35 thousand in the 2017 financial year.

The development of the outstanding stock options is as follows:

NUMBER OF STOCK OPTIONS	2010 Stock Option Plan		2014 Stock Option Plan	
	2017	2016	2017	2016
Balance as at January 1	460,000	460,000	0	0
Options granted	0	0	140,000	0
Options exercised	0	0	0	0
Options expired	0	0	0	0
Balance on December 31	460,000	460,000	140,000	0

The share option rights from the 2012 Stock Option Plan granted as at December 31, 2017 expire on November 19, 2022 and the share option rights from the 2014 Stock Option Plan on November 29, 2027. No share option rights were granted from the contingent capital resolved in the Annual General Meeting on June 28, 2017.

28. Other operating expenses

Other operating expenses break down as follows:

OTHER OPERATING EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Land and building expenses	14,154	13,676	0	299	14,154	13,975
Travel expenses	12,957	10,744	0	25	12,957	10,769
Vehicle costs	11,950	7,442	0	84	11,950	7,526
Other personnel expenses	4,286	2,380	0	36	4,286	2,416
Advertising expenses	3,295	2,516	0	48	3,295	2,564
Services	3,062	2,672	0	33	3,062	2,705
Legal and consulting expenses	3,022	2,191	0	10	3,022	2,201
Derecognitions and impairment of receivables	2,671	2,020	0	0	2,671	2,020
Communication expenses	2,605	2,011	0	44	2,605	2,055
Maintenance	1,978	1,885	0	7	1,978	1,892
Insurance, contributions	1,823	2,105	0	18	1,823	2,123
IT costs	1,708	997	0	2	1,708	999
Exchange losses on payment transactions and reporting date translation	1,641	1,246	0	0	1,641	1,246
Year-end closing costs	1,040	940	0	19	1,040	959
Office supplies	975	827	0	30	975	857
Entertainment expenses	844	712	0	1	844	713
Direct selling expenses	742	1,065	0	0	742	1,065
Borrowing costs	728	593	0	0	728	593
Expenses for currency forward transactions	527	0	0	0	527	0
Expenses from acquisition activities	414	222	0	0	414	222
Supervisory Board compensation	387	464	0	0	387	464
Other	7,685	6,116	0	44	7,685	6,161
	78,494	62,824	0	700	78,494	63,525

Other operating expenses include fees for the auditor of these consolidated financial statements as at December 31, 2017 as follows:

AUDIT FEES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Audits	461	409	0	0	461	409
Tax consulting services	104	103	0	0	104	103
Other services	47	52	0	0	47	52
Other assurance or valuation services	5	3	0	0	5	3
	617	567	0	0	617	567

29. Depreciation and amortization

Depreciation and amortization break down as follows:

DEPRECIATION AND AMORTIZATION (in EUR thousand)	Continuing operations		Discontinued opera- tions		Total	
	2017	2016	2017	2016	2017	2016
Amortization:						
Acquired customer relationships and customer lists	4,097	4,481	0	245	4,097	4,726
Other equipment, operating and office equipment	3,819	3,203	0	88	3,819	3,291
Acquired software, licenses and rights	2,213	1,749	0	13	2,213	1,762
Finance leases	1,525	1,434	0	0	1,525	1,434
In-house generated intangible assets	703	110	0	0	703	110
Acquired marketable products	212	145	0	111	212	256
Acquired orders on hand	211	542	0	0	211	542
Land and buildings	193	192	0	0	193	192
Acquired websites	9	25	0	0	9	25
	12,982	11,881	0	457	12,982	12,338
Impairments:						
Other equipment, operating and office equipment	39	0	0	0	39	0
Goodwill	9	1,114	0	0	9	1,114
Acquired customer relationships and customer lists	0	720	0	0	0	720
	48	1,834	0	0	48	1,834
	13,030	13,715	0	457	13,030	14,172

30. Finance income

Financial income breaks down as follows:

FINANCIAL INCOME (in EUR thousand)	Continuing operations		Discontinued opera- tions		Total	
	2017	2016	2017	2016	2017	2016
Interest income on security deposits	760	133	0	0	760	133
Interest income on bank balances	149	317	0	-2	149	315
Income from Speedinvest shares	25	54	0	0	25	54
Interest income on at-equity investments	0	387	0	0	0	387
Other financial income	214	142	0	0	214	141
	1,148	1,033	0	-2	1,148	1,030

31. Finance expenses

Financial expenses break down as follows:

FINANCIAL EXPENSES (in EUR thousand)	Continuing operations		Discontinued opera- tions		Total	
	2017	2016	2017	2016	2017	2016
Interest on borrower's note loan	1,376	1,985	0	0	1,376	1,985
Interest from syndicate loan	262	0	0	0	262	0
Factoring interest	246	276	0	0	246	276
Interest on finance lease agreements	114	126	0	0	114	126
Unwinding non-current liabilities	60	137	0	0	60	137
Expenses from Speedinvest shares	27	0	0	0	27	0
Interest portion of additions to pension provisions	11	13	0	31	11	13
Interest portion of additions to gratuity provisions	134	101	0	0	134	101
Other interest expenses	659	766	0	19	659	784
	2,889	3,404	0	19	2,889	3,422

32. Result of at-equity investments

At-equity investments break down as follows:

AT-EQUITY INVESTMENTS (in EUR thousand)		
	2017	2016
Decrease in value on loans of the GDE Group until full consolidation	0	-1,410
Pro rata annual result of Talentry	-747	-110
	-747	-1,520

33. Income tax results

The income tax expense breaks down as follows:

INCOME TAX EXPENSE (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Current tax result	-8,478	-10,806	0	0	-8,478	-10,806
Deferred tax result	1,998	3,618	0	107	1,998	3,725
	-6,480	-7,188	0	107	-6,480	-7,081

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	
	2017	2016	2017	2016	2017	2016
Earnings before income taxes	10,963	13,902	0	-1,680	10,963	12,222
Corporate tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Expected income tax results	-3,289	-4,171	0	504	-3,289	-3,667
Deviations due to tax rates	-1,197	-920	0	0	-1,197	-920
Changes in tax rates	-418	0	0	0	-418	0
Tax effects of non-deductible expenses	-510	-626	0	-1	-510	-627
Remaining tax-free income	494	78	0	0	494	78
Losses for which deferred tax assets were not recognized	-1,352	-690	0	-396	-1,352	-1,086
Use of losses for which deferred tax assets were not recognized	347	328	0	0	347	328
Reversal of impairments on deferred tax assets	53	0	0	0	53	0
Value adjustments of recognized deferred tax assets	-50	0	0	0	-50	0
Impairment of goodwill	-3	-334	0	0	-3	-334
Adjustment of earn-out liabilities	282	-128	0	0	282	-128
Incidental acquisition costs not deductible for tax purposes	-41	-49	0	0	-41	-49
Restructuring internal to the Group	-64	-32	0	0	-64	-32
Distribution of dividends internal to the Group	-112	-85	0	0	-112	-85
Deemed dividend transition tax USA	-422	0	0	0	-422	0
Expenses for share-based payments (stock options)	-16	-14	0	0	-16	-14
At-equity valuation	-213	-454	0	0	-213	-454
Taxes applicable to other periods	26	-146	0	0	26	-146
Other deviations	5	55	0	0	5	55
Actual income tax results	-6,480	-7,188	0	107	-6,480	-7,081
	59.1%	51.7%	n/a	6.4%	59.1%	57.9%

Income taxes of EUR 30 thousand were incurred on the disposal results of EUR 1,303 thousand generated in the previous year (effective tax burden 2.30%).

34. Earnings per share

In the 2017 financial year, the Allgeier Group generated undiluted earnings per share outstanding of EUR 0.30 (previous year: EUR 0.50). Of the previous year result, EUR 0.53 relates to continuing operations and EUR -0.03 to discontinued operations. Earnings per share outstanding are calculated based on the results for the period applicable to the shareholders of the parent company at EUR 2,801 thousand (previous year: EUR 4,442 thousand) divided by the average number of shares outstanding of 9,402,457 shares (previous year: 8,920,301 shares).

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 also assumed. 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 20.36 (previous year: EUR 16.36). Dilution exists when the value of the 460,000 shares granted from the 2010 Stock Option Program exceeds the value of the consideration (exercise price) of EUR 9.71 per share (previous year: EUR 9.85) and the value of the 140,000 shares granted from the 2014 Stock Option Program exceeds the value of the consideration (exercise price) of EUR 24.42 per share. The calculated issue of 240,639 bonus shares (previous year: 183,032 shares) is assumed.

The number of shares breaks down as follows:

NUMBER OF SHARES	December 31, 2017	December 31, 2016
Shares outstanding	9,827,450	8,920,301
Treasury shares	151,199	151,199
	9,978,649	9,071,500

The Management Board of Allgeier SE intends to propose to the Annual General Meeting, which is expected to take place on June 29, 2018, to distribute a dividend for the 2017 financial year from the net profit of Allgeier SE of EUR 0.50 per share. 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: "Enterprise Services", "Experts", "Technology" and “New Business Areas” 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 previous year the "Enterprise Services" segment was designated as the "Solutions" segment. On the basis of the Allgeier One GmbH and the GDE Group, the “New Business Areas” segment relates to the new areas in the Group and those which are consolidated for the first time. These relate to IT security and IT forensics and well as the recruiting, training and mediation of physicians and specialist medical staff.

The Allgeier "Enterprise Services” 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 assumption of projects 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.

In the New Business Areas segment, Allgeier bundles stakes in companies which we believe addresses important future trends and technologies and thus justify an investment. In Allgeier One a strong business unit for IT and data security is being developed on the basis of investments in organic growth and targeted acquisitions. In the GDE Group models for recruiting and training foreign specialists for the German market are developed and implemented.

The holding and service companies Allgeier SE and Allgeier Management 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.

In the Enterprise Services, the result includes the at-equity consolidated Talentry at EUR -747 thousand (previous year: EUR -110 thousand). This is the pro rata result of Talentry, allocated to the Allgeier Group in the 2017 financial year.

The allocation of revenues by product and service and country is shown in Item C. Notes to the consolidated income statement, Item 24. Revenues.

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

NON-CURRENT ASSETS BY COUNTRY (in EUR thousand)		
	December 31, 2017	December 31, 2016
Germany	130,893	133,678
India	7,864	8,707
USA	2,533	3,597
Denmark	558	0
Norway	395	564
France	185	113
Switzerland	164	221
Austria	162	269
Czech Republic	127	119
Romania	100	31
Other	117	118
Total international	12,205	13,739
	143,089	147,417

Other financial assets and deferred tax assets are not included in the non-current assets shown by country.

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 2017 financial year, the Group acquired stakes in Allgeier ES France SAS, Entzheim, France, Blitz 17-72, Blitz 17-73, Blitz 17-11 and the operations of Ciber Germany and Denmark. Cash and cash equivalents of EUR 1,241 thousand were paid for the acquisition of operations in the 2017 financial year. The purchase prices and the cash flows arising from the mergers are as follows:

PURCHASE PRICES AND CASH FLOWS FROM THE MERGERS (in EUR thousand)							
	Ciber Germany	Blitz 17-72	Blitz 17-73	Ciber Denmark	Allgeier ES France	Blitz 17-11	Total
Cost	1,000	27	27	328	10	27	1,419
Portion not payable in 2017	0	0	0	0	0	0	0
Purchase price payable in cash	1,000	27	27	328	10	27	1,419
Acquired cash and cash equivalents	0	-24	-24	0	-106	-24	-178
Outflow of cash and cash equivalents	1,000	3	3	328	-96	3	1,241

With the business combinations, the Allgeier Group received the following assets and liabilities:

ASSETS AND LIABILITIES FROM THE BUSINESS COMBINATIONS (in EUR thousand)							
	Ciber Germany	Blitz 17-72	Blitz 17-73	Ciber Denmark	Allgeier ES France	Blitz 17-11	Total
Intangible assets	4,400	0	0	454	0	0	4,854
Property, plant and equipment	183	0	0	38	0	0	221
Inventories	0	0	0	0	61	0	61
Trade receivables	0	0	0	435	445	0	880
Other assets	0	0	0	245	29	0	274
Cash and cash equivalents	0	24	24	0	106	24	178
Deferred expenses	0	0	0	8	0	0	8
Deferred tax assets	99	0	0	0	77	0	176
Deferred tax liabilities	-99	0	0	0	0	0	-99
Trade payables	0	0	0	0	-389	0	-389
Other provisions	-3,450	0	0	-195	-14	0	-3,659
Income tax liabilities	0	0	0	0	-165	0	-165
Other liabilities	-133	0	0	-657	-131	0	-921
Net assets	1,000	24	24	328	19	24	1,419
Goodwill	0	3	3	0	-9	3	0
Total purchase price	1,000	27	27	328	10	27	1,419

Impairment of EUR 9 thousand was taken on goodwill resulting from the initial consolidation of Blitz 17-72, Blitz 17-73 and Blitz 17-11.

In the 2017 financial year, financial liabilities developed as follows:

DEVELOPMENT OF FINANCIAL LIABILITIES (in EUR thousand)								
		Non-cash						
	As at Dec. 31, 2016	Impacting cash 2017	Additions 2017	Currency differences 2017	Fair value measurement 2017	Other 2017	Reclassifications	As of December 31, 2017
Non-current financial liabilities	84,193	12,000	0	-13	-461	0	-246	95,473
Non-current financial liabilities	24,863	-23,229	0	-105	-95	0	246	1,680
Current financial liabilities, cash and cash equivalents	4,522	7,125	0	0	0	0	0	11,647
Current financial liabilities, total	29,385	-16,104	0	-105	-95	0	246	13,327
Liabilities from finance lease	2,541	-1,599	1,282	60	-114	0	0	2,170
	116,119	-5,703	1,282	-58	-670	0	0	110,970

Cash and cash equivalents is composed as follows:

EFFECT (in EUR thousand)	December 31, 2017	December 31, 2016
Cash and cash equivalents	52,997	71,744
Payment overhang from factoring	-11,030	-4,552
Using overdraft facilities	-617	0
	41,350	67,252

In the annual report of the previous year, the payment overhang from factoring was recognized under other financial liabilities. To improve comparability, the previous year was adjusted. In the cash flow statement, cash flows from finance lease contracts were shown in a specific line within cash flow from investing activities for the first time. The previous year was also adjusted. In the cash flow statement of the previous year, this resulted in a reduction of payments for investments in fixed assets by EUR 1,432 thousand, interest paid by EUR 126 thousand and changes in working capital by EUR -11 thousand. The changed recognition of the payment overhang from factoring results in a reduction of cash flow from working capital changes by EUR 3,559 thousand in 2016.

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 lease relationships are as follows:

MINIMUM OBLIGATIONS AND REMAINING TERMS OF THE NON-CANCELLABLE RENTAL AND LEASE RELATIONSHIPS (in EUR thousand)	December 31, 2017	December 31, 2016
Due within a year	11,891	11,432
Due between one and five years	32,415	27,367
Due after more than five years	11,962	8,718
	56,268	47,517
Present value	54,072	45,854

As in the previous year, a discount rate of 3.0% was applied to determine present values.

Total expenses arising from these operating leases were EUR 12,336 thousand in the 2017 financial year (previous year: EUR 14,373 thousand). After the fixed lease term of the leasing and rental relationship, extensions are often used.

II. Operating leases as lessor

The Allgeier Group leases technology under operating leases to cities and municipalities for the mobile recording of misdemeanors. In the 2017 financial year, the Allgeier Group generated revenues of EUR 195 thousand from this activity (previous year: EUR 168 thousand). In coming years, the following revenues can be anticipated:

OPERATING LEASES AS LESSOR (in EUR thousand)	December 31, 2017	December 31, 2016
Due within a year	195	150
Due between one and five years	191	132
	386	282

III. Other contingent liabilities

Allgeier SE is liable in the amount of EUR 5.2 million (previous year: EUR 4.2 million) for loans that have been issued by the bank to the participants of the GDE Group training program. If utilization is probable, the guarantees are recognized as a liability.

IV. Capital management

Allgeier SE ensures that in the Allgeier Group there is sufficient liquidity at all times and that the capital structure moves within a balanced range. Allgeier SE and the Group companies achieve these objectives with the focus on solid operating business, 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 also uses debt to finance acquisitions. In some cases the financing conditions are variable, and among other things, also dependent on the equity structure and other key indicators. Another objective of the Allgeier Group's capital management is the planned reduction of existing debt. Indicators at the level of the subsidiaries and Group are used for controlling in capital management. On December 31, 2017, the equity ratio was 36.4% (previous year 33.9%) and the debt ratio (financial liabilities less cash and cash equivalents divided by earnings before interest, tax, depreciation and amortization (EBITDA) was 2.11 (previous year: 1.23). On December 31, 2017, the Allgeier Group had net debt (cash and cash equivalents less financial liabilities) of EUR 55,803 thousand (previous year: EUR 41,804 thousand). Capital management is the responsibility of Allgeier SE. The capital management objectives, processes and methods remain unchanged from the previous 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 minimization 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 adequate liquidity is available at any time, the Group uses instruments to control the cash flows and uses debt and equity instruments to finance the operating business and its investment activity.

On December 31, 2017, the total amount of the Allgeier Group's financial liabilities was EUR 174,188 thousand (previous year: EUR 188,355 thousand) of which EUR 75,611 thousand (previous year: EUR 100,313 thousand) is due and payable within one year. The non-current financial obligations were covered 132% (previous year: 73%) by current financial assets of EUR 175,681 thousand (previous year: EUR 173,560 thousand).

As of the reporting date, EUR 77 million of the EUR 180 million syndicate credit facilities concluded in October 2017 were utilized. In addition, credit facilities of up to EUR 6.8 million (previous year: EUR 7.9 million) are available to the Allgeier Group, of which EUR 2.5 million (previous year: EUR 0 million) were utilized as at December 31, 2017. Utilization of the credit facilities requires compliance with specific conditions in the syndicate credit agreement and the borrower's note loan agreement. A violation of these covenants can result in the situation that the loans must be repaid prematurely. In particular, the Allgeier Group has undertaken to guarantee minimum equity of EUR 100 million and not to exceed a debt coverage ratio of 3.0. 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 syndicated loan and the borrower's note loan requires a minimum result and minimum revenues from a liability group, in which specific Group companies are combined. If the liability group fails to meet the required criteria, Allgeier SE has undertaken 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 2017 financial year all key indicators required in the loan contracts were complied with.

For factoring customer receivables, the Allgeier Group has a framework of EUR 50 million, the same as the previous year. As at December 31, 2017, the factoring framework was utilized with EUR 37.8 million (previous year: EUR 24.1 million).

The financial liabilities include interest-bearing financial liabilities totaling EUR 108,800 thousand (previous year: EUR 113,578 thousand). Of this EUR 13,327 thousand (previous year: EUR 29,385) is due for repayment in the 2018 financial year and EUR 95,473 thousand (previous year: EUR 84,193 thousand) is due for repayment in the subsequent years. The future cash flows associated with the financial liabilities are as follows:

FUTURE CASH FLOWS ASSOCIATED WITH THE FINANCIAL LIABILITIES (in EUR thousand)									
	December 31, 2017	Cash flows 2018		Cash flows 2019		Cash flows 2020		Cash flows >2020	
	Carrying amount	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest
Syndicated loan	77,000	0	1,078	0	1,078	0	1,078	77,000	2,156
Borrower's note loan	19,000	0	491	13,500	620	0	128	5,500	224
Liabilities from factoring customer receivables	11,030	11,030	0	0	0	0	0	0	0
Overdraft facility of Allgeier Experts Medical GmbH	604	604	41	0	0	0	0	0	0
Bank loan of Nagarro Inc.	1,670	1,670	43	0	0	0	0	0	0
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	320	171	18	149	5	0	0	0	0
Small business loan of SearchConsult	45	45	0	0	0	0	0	0	0
Other	13	13	0	0	0	0	0	0	0
FINANCIAL LIABILITIES	109,682	13,533	1,671	13,649	626	0	1,206	82,500	2,380

Default risks

For financial assets there is a general risk that customers or contracting parties will not honor their obligations and loans and receivables default. The maximum theoretical default risk equals the carrying amount of the loans and receivables, a total of EUR 181.2 million (previous year: EUR 180.4 million). On December 31, 2017, the gross amount of all loans and receivables was impaired at EUR 3,383 thousand (previous year: EUR 1,990 thousand). The impairment ratio on the gross amount of loans and receivables was 1.9% (previous year: 1.1%).

The Allgeier Group has a broad-based customer structure which minimizes larger individual risks. The largest single customer generated less than 5% of revenues of the Allgeier Group in the 2017 financial year and the previous year.

Loans and receivables are managed and incoming payments tracked on a decentralized basis 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 carrying amount.

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 December 31, 2017, floating-rate financial liabilities totaled EUR 90,637 thousand (previous year: EUR 74,259 thousand). This was offset by floating-rate financial assets of EUR 1,300 thousand (previous year: EUR 1,740 thousand). For the financial result 2018, a change in interest rates by 100 basis points p.a. would result in an increase or reduction of the financial result of EUR 780 thousand p.a. (previous year: EUR 707 thousand). In this case, and by applying a tax rate of 31%, equity would be increased or reduced by EUR 538 thousand (previous year: with a tax rate of 30%: EUR 495 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 translation 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 December 31, 2017, there were hedges of the US dollar relative to the Indian rupee of USD 18.8 million (previous year: USD 16.9 million) of the euro against the Indian rupee of EUR 10.5 million (previous year: USD 5.3 million) of the Swedish crown against the Indian rupee of SEK 33.7 million (previous year: SEK 18.0 million) of the British pound against the Indian rupee of GBP 0.6 million (previous year: GBP 0.8 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 2017, if the euro had been 10% stronger relative to the currencies of these countries, the annual result would have been lower by EUR 709 thousand (previous year: EUR 730 thousand) and equity would have been lower by EUR 9,509 thousand (previous year: EUR 9,557 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 2017	Net profit for the year 2017	Equity December 31, 2017	Revenues 2016	Net profit for the year 2016	Equity December 31, 2016
INR	8,790	518	2,941	7,528	600	2,596
USD	6,918	139	5,156	6,096	227	5,218
SEK	884	4	97	921	2	96
CHF	787	47	1,033	777	-3	1,267
Other	2,173	1	282	1,462	-96	380
		709	9,509		730	9,557

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 848 thousand (previous year: EUR 1,084 thousand) and including deferred taxes by EUR 648 thousand (previous year: EUR 722 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 2017 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 (Chairman)	Managing Partner of IK Investment Partners GmbH and IK Investment Partners Ltd.	Hamburg, Germany		· ZytoService GmbH, Hamburg (Chairman) · Transnorm System GmbH, Harsum (Vice Chairman) · IK Investment Partners Ltd., London, UK · Aposan GmbH, Cologne (Chairman) · Schock GmbH, Regen (Vice Chairman) · IK Investment Partners S.A.R.L., Luxembourg, Luxembourg · Winkelmann Group, Ahlen (Chairman) · Studienkreis GmbH, Bochum (Chairman)
Mr. Thies Eggers (Vice Chairman)	Independent auditor	Pullach im Isartal	· Bayerische Gewerbebau AG, Munich (Chairman) · Plenum AG, Frankfurt am Main · SBF AG, Leipzig	
Dipl.-Kfm. Christian Eggenberger	President and CEO of CHE Consulting GmbH	Binningen, Switzerland	· Focus Beteiligungen AG, Basel, Switzerland (President of the Administrative Board) · doc.coach AG, Basel, Switzerland (member of the Administrative Board) · Focus Discount AG, Basel, President of the Administrative Board · Truvis AG, Basel, Switzerland (member of the Administrative Board)	

The total remuneration for members of the Supervisory Board in the 2017 financial year was EUR 379 thousand (previous year: EUR 454 thousand). The remuneration includes a provision for variable compensation of EUR 276 thousand (previous year: EUR 348), which will be paid out in the 2018 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 2017 were as follows:

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

The total remuneration for members of the Management Board in the 2017 financial year was EUR 2,452 thousand (previous year: EUR 2,076 thousand). Variable compensation depending on the consolidated results is included in the remuneration. It was recognized as a provision and will be paid out after the 2018 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 waived until December 31, 2019, according to the resolution of the Annual General Meeting on June 23, 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.

Via Initium AG, Munich Management Board services of EUR 1,167 thousand (previous year: EUR 1,259 thousand) were invoiced in the 2017 financial year. Compensation comprised fixed compensation of EUR 580 (previous year: EUR 532 thousand) and variable compensation of EUR 587 (previous year: EUR 727 thousand). The variable compensation has been deferred and it is anticipated that it will be paid out in the second quarter of 2018. 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.

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 April 23, 2018. 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 utilize 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 Consulting Services GmbH, Munich
Allgeier Midmarket Services GmbH, Bremen
Allgeier Experts SE, Wiesbaden
Goetzfried AG, Wiesbaden
Allgeier Experts Pro 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
Allgeier Engineering GmbH, Grasbrunn
Allgeier Experts Services GmbH, Unterföhring

X. Corporate Governance Code

The statement on the Corporate Governance Code 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, April 13, 2018
Management Board and Supervisory Board of Allgeier SE

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 notes.

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 staff costs incurred in the financial year. Refer to the comments in Item 27. Staff costs 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 Code in 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 2017 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 relate to both: Other operating expenses in Section C. Notes to the consolidated income statement.

LIST OF GROUP COMPANIES

LIST OF GROUP COMPANIES															
		IFRS share of capital 31.12.2017				Equity 31.12.2017		Earnings for the year 01.01.2017 - 31.12.2017		Profit and loss transfer agree- ment with		Segment		Disclosure	
				Foreign currency		Euros		Foreign currency		Euros					
Company															
1.	Allgeier SE, Munich			132,094,793		132,094,793		7,101,126		7,101,126			Others	Annual financial statements and consolidated state- ments in the Federal Gazette	
Direct participations of Allgeier SE:															
2.	Allgeier Management AG, Munich			4,438,807		4,438,807		16,524		16,524			Others	Federal Gazette	
3.	Allgeier One AG, Munich	100.00%		-367,882		-367,882		-395,892		-395,892			New business areas	Federal Gazette	
4.	Allgeier Middle East Ltd., Dubai, United Arab Emirates	100.00%		10,000	AED	2,273		0	AED	0			Others		
5.	Allgeier Enterprise Services AG, Munich	100.00%		11,145,441		11,145,441		0		0	(1)	1.	Enterprise Services		
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%		58,869,131		58,869,131		424,834		424,834			Technology	Federal Gazette	
8.	GDE Holding GmbH, Munich	100.00%		-222,600		-222,600		-51,367		-51,367			New business areas	Federal Gazette	
Indirect participations via dependent subsidiaries:															
9.	Allgeier IT Solutions GmbH, Bremen	100.00%		2,137,650		2,137,650		636,668		636,668	(1)		Enterprise Services		
10.	BSH IT Solutions GmbH, Bremen	100.00%		64,348		64,348		0		0		9.	Enterprise Services		
11.	Allgeier Document Solutions GmbH, Vienna, Austria	100.00%		142,142		142,142		1,954		1,954			Enterprise Services		
12.	Allgeier (Schweiz) AG, Thalwil, Switzerland	100.00%		9,343,909	849	7,991,164		308,409	CHF	276,362			Enterprise Services		
13.	Allgeier Productivity Solutions GmbH, Düsseldorf	100.00%		414,857		414,857		133,232		133,232			Enterprise Services	Federal Gazette	
14.	Allgeier Medical IT GmbH, Freiburg	100.00%		1,094,451		1,094,451		311,610		311,610			Enterprise Services	Federal Gazette	
15.	eHealthOpen Ltd., Birmingham, Great Britain	100.00%		19,054		19,054		-10,699		-10,699	(1)		Enterprise Services		
16.	Allgeier Consulting Services GmbH, Munich (formerly Allgeier ConsultingServices GmbH)	100.00%		50,000		50,000		0		0		5.	Enterprise Services		
17.	Allgeier Midmarket Services GmbH, Bremen	100.00%		-2,344,396		-2,344,396		-1,282,554		-1,282,554			Enterprise Services		
18.	Allgeier ES France SAS, Entzheim, France (formerly AI2S - Consulting SAS)	100.00%		259,496		259,496		249,496		249,496			Enterprise Services		
19.	Blitz 17-11 GmbH, Munich	100.00%		22,875		22,875		-2,125		-2,125			Enterprise Services	Federal Gazette	
20.	Allgeier Enterprise Services Denmark A/S, Brøndby, Denmark	100.00%		-766,708	DKK	-102,992		-1,266,708	DKK	-170,267	(1)		Enterprise Services		
21.	Goetzfried AG, Wiesbaden	100.00%		8,783,970		8,783,970		0		0	(1)	6.	Experts		
22.	Goetzfried Professionals GmbH, Wiesbaden	100.00%		3,246,934		3,246,934		0		0	(1)	21.	Experts		
23.	U.N.P.-Software GmbH, Düsseldorf	100.00%		3,056,391		3,056,391		0		0	(1)	6.	Experts		
24.	U.N.P.-HRSolutions GmbH, Düsseldorf	100.00%		25,000		25,000		0		0		23.	Experts		
25.	Allgeier Experts Select GmbH, Düsseldorf (formerly SearchConsult GmbH)	80.00%		5,587		5,587		-20,413		-20,413	(1)		Experts	Federal Gazette	
26.	Allgeier Experts Engineering GmbH, Grasbrunn (formerly recompli GmbH)	100.00%		3,303,901		3,303,901		0		0		6.	Experts		
27.	Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic	100.00%		81,720	CZK	3,199		71,720	CZK	2,729			Experts		
28.	Allgeier Experts Services GmbH, Unterföhring	100.00%		4,046,796		4,046,796		-608,024		-608,024	(1)		Experts		
29.	Allgeier Experts Pro GmbH, Munich (until 19.04.2017: tecops personal GmbH)	100.00%		8,517,075		8,517,075		0		0		6.	Experts		
30.	Oxygen Consultancy, Istanbul, Turkey	90.00%		3,836,643	TRY	846,763		536,505	TRY	129,448	(1)		Experts		
31.	Allgeier Dritte Beteiligungs GmbH, Munich	100.00%		34,909		34,909		0		0	(1)	6.	Experts		
32.	Allgeier Fünfte Beteiligungs GmbH, Munich	100.00%		25,000		25,000		0		0		6.	Experts		
33.	MedPool GmbH, Bonn (formerly GDE Services GmbH)	100.00%		-3,329		-3,329		253		253			New business areas	Federal Gazette	
34.	Allgeier Experts Medical GmbH, Bonn (until 06.07.2017: German Doctor Exchange GmbH)	100.00%		-9,290,134		-9,290,134		-2,282,327		-2,282,327			New business areas	Federal Gazette	
35.	GPE Academy GmbH, Bonn	100.00%		-162,575		-162,575		-187,575		-187,575			Experts	Federal Gazette	
36.	mgm technology partners Group, Munich	80.00%		23,998,176		23,998,176		6,904,431		6,904,431			Technology	Federal Gazette	
37.	mgm technology partners eurl, Grenoble, France	80.00%		1,515,945		1,515,945		493,295		493,295			Technology		
38.	mgm technology partners s.r.o., Prague, Czech Republic	80.00%		5,714,877	CZK	223,708		2,445,612	CZK	93,056			Technology		
39.	mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam	80.00%		-1,687,944,106	VND	-62,240		2,852,631,424	VND	111,464			Technology		
40.	mgm technology partners schweiz AG, Boswil, Switzerland	80.00%		189,122	CHF	161,742		187,982	CHF	168,449			Technology		
41.	mgm technology partners USA Corp., Arlington, USA	80.00%		-12,650	USD	-10,560		-278,286	USD	-244,815			Technology		
42.	mgm security partners GmbH, Munich	56.00%		373,635		373,635		348,071		348,071			Technology	Federal Gazette	
43.	MGM Consulting Partners GmbH, Hamburg	55.997%		1,881,554		1,881,554		771,092		771,092	(1)		Technology	Federal Gazette	
44.	Allgeier Project MBO GmbH, Munich	100.00%		23,348		23,348		0		0		7.	Technology	Federal Gazette	
45.	Allgeier Nagarro Holding GmbH, Munich	84.37%		14,911,595		14,911,595		-211,427		-211,427			Technology	Federal Gazette	
46.	Allgeier Global Services Asia Pte. Ltd., Singapore	100.00%		2,078,482	SGD	1,296,351		77,505	SGD	49,615	(2)		Technology		
47.	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	84.37%		184,041,476	INR	2,411,394		94,194,901	INR	1,277,502			Technology		
48.	NAGARRO SDN. BHD., Kuala Lumpur, Malaysia	84.37%		823,079	MYR	169,355		323,079	MYR	66,105			Technology		
49.	Nagarro K.K., Tokyo, Japan	84.37%		2,388,420	JPY	17,697		-2,611,580	JPY	-19,635			Technology		
50.	Nagarro Inc., San Jose, USA	84.37%		14,029,926	USD	12,201,658		3,395,020	USD	2,986,681			Technology		
51.	Mokriya Inc., Cupertino, USA	84.37%		1,237,086	USD	1,032,747		-801,224	USD	-704,856	(2)		Technology		
52.	Nagarro Software Pvt. Ltd., Gurgaon, India	84.37%		2,128,562,639	INR	27,889,387		357,025,654	INR	4,842,099			Technology		
53.	Nagarro Software S.A., Monterrey, Mexico	84.37%		-11,428,706	MXN	-484,838		317,022	MXN	14,841			Technology		
54.	Nagarro Software GmbH, Frankfurt	84.37%		2,078,936		2,078,936		212,086		212,086			Technology	Federal Gazette	
55.	Nagarro Software AB, Stockholm, Sweden	84.37%		9,550,954	SEK	971,291		396,695	SEK	41,137			Technology		
56.	Nagarro Software A/S, Copenhagen, Denmark	84.37%		-6,017,837	DKK	-808,376		-1,404,565	DKK	-188,820			Technology		
57.	Nagarro Software Ltd., London, Great Britain	84.37%		269,001	GBP	303,021		107,569	GBP	122,842			Technology		
58.	Nagarro AS, Oslo, Norway	84.37%		1,737,753	NOK	176,626		-1,244,409	NOK	-132,995			Technology		
59.	Nagarro Software SAS, Paris, France	84.37%		-394,540		-394,540		-273,948		-273,948			Technology		
60.	Nagarro Oy, Espoo, Finland	84.37%		-110,212		-110,212		-120,212		-120,212			Technology		
61.	Nagarro Pty. Ltd., Sydney, Australia	84.37%		-110,050	AUD	-71,720		-120,050	AUD	-81,266			Technology		
62.	Nagarro Austria Beteiligungs GmbH, Vienna, Austria	84.37%		2,109,379		2,109,379		-32,555		-32,555			Technology		
63.	Nagarro GmbH, Vienna, Austria	84.37%		710,641		710,641		398,675		398,675	(1)		Technology		
64.	Nagarro GmbH, Munich	84.37%		11,107,904		11,107,904		0		0		45.	Technology	Federal Gazette	
65.	Nagarro Software srl, Timisoara, Romania	84.37%		3,578,067	RON	769,108		1,418,679	RON	310,530			Technology		
66.	Allgeier Nagarro Beteiligungs GmbH, Munich	50.01%		3,766,404		3,766,404		-155,520		-155,520			Technology	Federal Gazette	
67.	SPP Co-Investor Verwaltungs GmbH, Munich	100.00%		24,681		24,681		229		229			Technology	Federal Gazette	
68.	SPP Co-Investor GmbH & Co. KG, Munich	23.76%		286,493		286,493		-6,405		-6,405			Technology	Federal Gazette	
69.	Nagarro SPP GmbH, Munich	62.64%		469,527		469,527		-185,644		-185,644			Technology	Federal Gazette	
Companies consolidated using the at-equity method:															
70.	Talentry GmbH, Munich	40.81%		-24,745		-24,745		0		0			Enterprise Services	Federal Gazette	

(1) After transfer of profits or assumption of losses | (2) Deemed annual results for the financial year 01.01.2017-31.12.2017

Glossary

Allgeier Engineering	Allgeier Engineering GmbH, Grasbrunn (formerly recompli GmbH)	mgm consulting partners GmbH, Hamburg	mgm cp Hamburg
Allgeier Experts Select	Allgeier Experts Select GmbH, Düsseldorf (formerly SearchConsult GmbH)	mgm security partners GmbH, Munich	mgm sp Munich
Betarun	Betarun, Buckow	mgm technology partners Group, Munich	mgm tp Munich
Ciber Germany	Ciber AG, Heidelberg Ciber Managed Service GmbH, Heidelberg	Mokriya Inc., Cupertino, USA	Mokriya
Asset Deal	Acquisition and transfer of assets and debts	Allgeier Nagarro Holding GmbH, Munich Allgeier Global Services Asia Pte. Ltd., Singapore Nagarro Enterprise Services Pvt. Ltd., Jaipur, India NAGARRO SDN. BHD., Kuala Lumpur, Malaysia Nagarro K.K., Tokyo, Japan Nagarro Inc., San Jose, USA Mokriya Inc., Cupertino, USA Nagarro Software Pvt. Ltd., Gurgaon, India Nagarro Software S.A., Monterrey, Mexico Nagarro Software GmbH, Frankfurt Nagarro Software AB, Stockholm, Sweden Nagarro Software A/S, Copenhagen, Denmark Nagarro Software Ltd., London, Great Britain Nagarro AS, Oslo, Norway Nagarro Software SAS, Paris, France Nagarro Oy, Espoo, Finland Nagarro Pty. Ltd., Sydney, Australia Nagarro Austria Beteiligungs GmbH, Vienna, Austria Nagarro GmbH, Vienna, Austria Nagarro GmbH, Munich	Nagarro
ANECON	ANECON Software Design und Beratung G.m.b.H., Vienna, Austria		
Adjusted EBITDA	EBITDA before effects that from a business perspective are extraordinary or relate to other periods		
Nagarro Norway	Nagarro AS, Oslo, Norway		
CGU	Cash Generating Unit		
Earn Out	Conditional purchase price from acquisitions of companies		
Fair Value	Fair value		
GDE Group	GDE Holding GmbH, Munich German Doctor Exchange GmbH, Bonn GDE Services GmbH, Bonn GPE Academy GmbH, Bonn		
mgm Group	mgm technology partners Group, Munich mgm technology partners eurl, Grenoble, France mgm technology partners s.r.o., Prague, Czech Republic mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam mgm technology partners schweiz AG, Boswil, Switzerland mgm technology partners USA Corp., Arlington, USA mgm security partners GmbH, Munich MGM Consulting Partners GmbH, Hamburg		
Gratuity obligations	Severance obligations when employees leave in India	not reflected in the balance sheet	off-balance
		Oksijen İnsan Kaynakları Seçme ve Değerlendirme Hizmetleri Anonim Şirketi, Istanbul, Turkey	Oxygen
		Speedinvest II EuVECA GmbH & Co. KG, Vienna, Austria	Speedinvest
		Talentry GmbH, Munich	Talentry
		Companies affiliated with Allgeier SE	Subsidiaries

Statement by the Management Board of Allgeier SE

The Management Board of Allgeier SE give its assurance that, to the best of its knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, are portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group’s future development are fairly described.

Munich, 13 April 2018

Carl Georg Dürschmidt
Management Board

Manas Fuloria (PhD)
Management Board

Dr. Marcus Goedsche
Management Board

Hubert Rohrer
Management Board

Auditor's report

INDEPENDENT AUDITOR’S REPORT

In line with the concluding result of our audit, we have issued the following unqualified auditor’s report dated April 16, 2018:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of Allgeier SE, Munich and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group management report of Allgeier SE, Munich for the financial year from January 1, 2017 to December 31, 2017.

- In our opinion, based on the findings of our audit,
- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group’s net assets and financial position as at December 31, 2017, and of its results of operations for the financial year from January 1, 2017 to December 31, 2017, and
 - the attached Group management report as a whole presents an accurate view of the Group’s position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter “EU-AR”), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). We conducted the audit of the consolidated financial statements, also taking into account the additional requirements of the International Standards on Auditing (ISA) . Our responsibility according to these regulations, principles and standards is described in further detail in the “Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report” section of our auditor’s report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were considered in connection with our audit of the consolidated financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

We describe the matters that we consider key audit matters below:

Revenue recognition

Reasons for determination as key audit matter

Allgeier SE, Munich, primarily generates revenues from providing IT services, from IT project contracts, from the sale of software products and from granting licenses to software products. Product revenues are realized 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 recognized 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 recognized based on the degree of order completion and under consideration of realized partial performance. Furthermore, licensing revenues are recognized in the applicable period according to contract provisions.

In respect to revenue realization, there is the risk of the existence of inaccuracies or transgressions in connection with achieving performance targets and forecasts which could serve as an incentive that on the one hand revenues are realized before the respective opportunities and risks are transferred to the buyer and other the other hand that fictive revenues are realized. Due to the high revenues volume and the materiality of revenues for the consolidated financial statements and in connection with the fact that revenues for Allgeier SE, Munich are a performance indicator for corporate management and forecasts, we determined revenues realization as a key audit matter.

Our audit approach

As part of our audit we dealt with the methods, processes and control mechanisms used in the company in the offer and processing phase of the sales process. In doing so, we assessed the design and effectiveness of the accounting-related internal controls by verifying transactions from their occurrence to their presentation in the consolidated financial statements and by testing controls. In relation to the measurement of revenues including revenues reductions and the correct accrual basis, as part of the audit we relied on the control-based audit procedures and dealt with the underlying company processes and controls. Our audit procedures also covered the review of underlying business documents, e.g. outgoing invoices, delivery notes, warehouse warrants, freight papers, performance documentation, material contracts, customer confirmations in the form of acceptance documentation and the review of developments after the reporting date (e.g. incoming payments, credit notes issued, complaints). In addition, we implemented data analyses of transactions within the year for any abnormalities. On a test basis, we examined non-standard transactions and revenues reductions against the underlying contracts and business documents.

Our conclusions

From our audit procedures, there were no reservations in relation to revenues realization. Allgeier SE, Munich, has implemented appropriate regulations for the realization of revenues and took account of them in preparing the consolidated financial statements.

Reference to associated disclosures

The company's disclosures on the principles of revenues realization are to be found in Section A.IX. "Balance Sheet" under the disclosures on inventories in Section A.X. "Income statement" and in the notes on revenues in Section C.24. of the notes to the consolidated financial statements.

Deferred taxes including tax reconciliation

Reasons for determination as key audit matter

In the consolidated financial statements of Allgeier SE, Munich, after impairment deferred tax assets of EUR 5.0 million and deferred tax losses of EUR 3.5 million are recognized. To the extent that there are no deferred tax liabilities, deferred tax assets are recognized to the extent that in line with the estimates of the legal representatives it is probable that taxable income is generated in the foreseeable future on which basis the deductible temporary differences and the unused tax losses can be utilized. In addition, to the extent that there are insufficient deferred tax liabilities, forecasts on future tax results are determined on the basis of the agreed budgets. To calculate deferred taxes, the tax rates for future years are used to the extent they are legally stipulated or the legislative procedures have been largely completed.

Of the deferred tax assets on losses carried forward, in the consolidated financial statements EUR 3.9 million are recognized as deferred tax assets and EUR 5.1 million was not recognized since utilization is uncertain, as for the respective legal entity of the Allgeier Group no sufficient taxable profit is assumed and there are also no deferred tax liabilities. Thus of the total of EUR 8.0 million deferred tax assets before offsets within the Allgeier Group, EUR 3.9 million or 49% relate to losses carried forward.

Within the Allgeier Group, deferred tax liabilities occur particularly in connection with the capitalization of internally generated intangible assets. Of the total of EUR 6.6 million deferred tax liabilities before offsets within the Allgeier Group, EUR 4.4 million or 67% relate to intangible assets.

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 context of 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%. On the basis of the actual income tax result, the tax rate is 59%. The tax reconciliation also includes an analysis of the temporary differences between the values recognized for tax and financial reporting purposes, on consolidation measures affecting profit or loss, existing loss carry-forwards, impairments of loans between Group companies and the corresponding deferred tax assets and liabilities recognized.

In our view, these matters were of particular importance due to the amounts and the dependency on the estimates and assumptions of the legal representatives.

Our audit approach

As part of our audit, we also assessed the processes and controls established for the recognition of tax matters and the appropriateness of the recognition. To the extent that there were insufficient deferred tax liabilities, we assessed the recoverability of the tax assets, particularly on German loss carry-forwards and on timing differences between values recognized in the IFRS financial statements and the tax base on the basis of the agreed projections of the Allgeier Group and evaluated the appropriateness of the basis used for the planning. On the basis of our audit procedures, we verified the assumptions made by the legal representatives for the recognition and measurement of deferred taxes and made a plausibility test in relation to appropriateness.

We verified the tax reconciliation on the basis of the tax calculation of the individual subsidiaries. In addition, we analyzed and made a plausibility check on the deferred tax effects incurred due to consolidation measures.

Our conclusions

Allgeier SE, Munich, has implemented appropriate processes to identify and measure deferred taxes. The processes and manual controls are appropriate for assuring the completeness and the measurement of the deferred taxes included in the consolidated financial statements. The tax calculations of the individual companies and the tax effects of the consolidation measures implemented were plausible and comprehensible. The tax reconciliation was prepared in a plausible manner on the basis of the tax calculations of the individual subsidiaries and the parent company.

Reference to associated disclosures

The company's disclosures on the principles of recognition and measurement of deferred taxes including the tax reconciliation are to be found in Section A.IX. "Balance sheet" under the disclosures on deferred taxes, in particular in Section C.33 "Income tax results" of the notes to the consolidated financial statements.

Capital management

Reasons for determination as key audit matter

Securing sufficient liquidity at all times and a capital structure within a balanced range is the objective of capital management at Allgeier SE, Munich. The development of the financial situation and cash and cash equivalents is determined to a large extent by financial requirements for financing the current operating business and for covering the working capital fluctuations and by cash flow relating to the acquisition and disposal of Group companies. In addition, over the past years, sufficient funds were generated for the distribution of dividends to shareholders.

In order to be able to fulfill all payment obligations in time, the processes and monitoring measures implemented by Allgeier SE, Munich, must guarantee that ongoing monitoring of the liquidity of the Group and the individual subsidiaries and the existing and future liabilities in line with their maturity is ensured.

The financial liabilities from the borrower's note loans and the new revolving credit facilities agreed in 2017 include covenants relating to compliance with contractually agreed balance sheet and income statement figures as well as additional conditions. In the case of non-compliance this can result in the adjustment of the credit conditions right up to the termination of the loan and immediate repayment of the same. For this reason, we consider the implementation of capital management as a key audit matter.

Our audit approach

We analyzed the systems and processes implemented for capital management and verified their implementation within the financial year on a test basis. To do this we examined and evaluated the existing documentation, assessed the Group accounting software on a test basis and verified the resulting adjustments on the finance and liquidity plans.

For this we initially verified the recording of business trends at the subsidiaries necessary for controlling capital management and the determination of the key figures at the level of the subsidiaries and the Group. In detail we familiarized ourselves with the relevant data collection on the basis of the Group accounting software deployed and the monthly recording of the financial accounting figures in the form of totals lists from the individual subsidiaries and examined them on a test basis. We then analyzed the evaluation of the figures collected in this way and compared them against the budget figures. We evaluated the storage and linkage of the data in the system with key figures and the communication of a change in the key figures and their potential impact on capital management. This includes budget/actual deviations, their analysis and the impact on current finance and liquidity plans.

Also part of our audit procedures were additional system links, e.g. the transfer of the recognized asset and profit figures per subsidiary to a cash flow statement at Group level, on the basis of which additional regular monitoring of cash flows is possible.

Finally, in the audit the basis for the medium-term liquidity development was examined on the basis of the stored planning of the balance sheet and income statement figures for the subsequent three financial years for each subsidiary as well as the planning of irregular liquidity inflows and outflows, e.g. the repayment of variable purchase price liabilities, planned dividend payments and other inflows and outflows.

Our conclusions

On the basis of our audit procedures, we convinced ourselves of the appropriateness of the processes implemented and the controls established for capital management by the legal representatives. In particular monitoring of liquidity flows and early knowledge in respect to complying with the requirements and covenants from the financing agreements is in place.

Reference to associated disclosures

The company's disclosures on the principles of capital management are included in Section F.IV. "Capital management" and in Section F.V. "Risks from financial instruments" in the notes to the consolidated financial statements.

Disclosures in the notes on the impact of new standards on the consolidated financial statements (in particular IFRS 15 and IFRS 16)

Reasons for determination as key audit matter

The new standard for realizing revenues (IFRS 15) becomes effective from January 1, 2018. However, for the consolidated financial statements published before the initial application, IAS 8 states disclosures on the standard to be applied in future must be made, including known and reasonably estimable information which are relevant to assessing the possible impact of the application of the new standard in the year of initial application. Allgeier SE, Munich, has prepared new policies on realizing revenues reflecting the requirements of IFRS 15 and has adjusted its relevant business processes to the new policies. Disclosures on the anticipated effects require estimates based on various assumptions. The risk for the consolidated financial statements lies in the appropriateness of the estimate of the expected impact. The new policies should recognize the impact for the 2017 financial year, without accounting being yet aligned to the new standards.

IFRS 16 introduces a uniform accounting model, according to which appropriately qualified leases must be recognized in the balance sheet of the lessee. A lessee recognizes a right-of-use asset that represents his right to use the underlying asset, as well as a liability 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 of low-value assets.

Due to the materiality of the changes relating to the new standards and the determination of values for the 2017 financial year which establishes the opening balances and comparative figures for the 2018 financial year, we have selected the disclosures on the impact of the new standards (particularly IFRS 15 and IFRS 16) as a key audit matter.

Our audit approach

For the notes to the consolidated financial statements on the expected impact on the new standard on the realization of revenues, we examined if the existing policies on accounting for revenues are in line with IFRS 15. We tested the internal controls in respect to the assessment of the impact of these new policies and processes and assessed the completeness and level of estimates.

In respect to the disclosures on IFRS 16, we primarily verified the internal processes and policies to assess whether they are appropriate to record completely the necessary data volumes and result in plausible disclosures in the notes to the consolidated financial statements in respect to the expected impact from the initial application of the standard.

Our conclusions

The assumptions underlying the assessment of the impact of the application of the new standards on realizing revenues (IFRS 15) and accounting for leases (IFRS 16) are appropriate. From our audit procedures, there were no reservations in relation to determining the disclosures in the notes in relation to the impact of the new standards.

Reference to associated disclosures

The disclosures of the Company on the impact of the new standards are included in Section A. IV. "Standards and interpretations that have not been applied".

Other information

The legal representatives are responsible for the other information. The other information includes:

- the corporate governance statement pursuant to Section 289a HGB (information in the Group management report to the corporate governance statement in the Corporate Governance Report),
- the Corporate Governance Report in line with Report No.10 of the German Corporate Governance Code,

- the other parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditor's report,
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 315 (1) Sentence 5 HGB on the Group management report.

Our audit opinions regarding the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the Group management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and with additional observance of ISA will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on June 28, 2017. We were engaged by the Supervisory Board on September 13, 2017. We have been the auditor of the consolidated financial statements of Allgeier SE, Munich, without interruption since financial year 2001.

We declare that the audit opinions contained in this auditor’s report are consistent with the additional report to the Audit Committee according to Article 11 EU-AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Walter Fabisch.

Düsseldorf, April 16, 2018
LOHR + COMPANY GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Jörg-Andreas Lohr	Walter Fabisch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Group non-financial statement pursuant to Section 315b HGB

1. MANAGEMENT
1.1 Management approach, values and guiding principles

Allgeier SE is one of the leading IT companies for business performance. With a growth strategy aimed at innovations and future trends, as well as an integrative entrepreneurial model, Allgeier seizes the opportunities of digitalisation on behalf of our customers. In doing so, we create added value for customers, employees and owners.

The structure of our Group and our management approach is based on the principle of sustainable and responsible entrepreneurial conduct on all levels of the Group — from the Group holding company to the operating units in the divisions and their individual companies. Allgeier owes its position in the market today to the entrepreneurial strength of our Group companies which is founded on innovative energy, flexibility and humanity. Today we see ourselves as a globally active Corporate Citizen, as an active and responsible part of our society.

Entrepreneurial responsibility and sustainable conduct on behalf of our companies, shareholders, the environment and society begins with our employees. They form the basis of our entrepreneurial success today and in the future. We embrace common values and act in the overall interests of the Allgeier Group, while taking sustainable principles into account. Our dealings with each other are characterised by an awareness of responsibility, respect and mutual appreciation. We have defined the following core values for ourselves:

Innovative energy:
For us, this means our permanent striving for improvement and the deployment of intelligent and sustainable solutions and technologies for our customers’ business models.

Enterprise:
For us, this means that we take full responsibility for our actions on all levels of the company while also being a reliable partner to our employees and willing to go the extra mile required.

Humanity:
Humanity for us means that we maintain loyal and fair dealings with each other in the teeth of tough competition, and our relationships are based on tolerance and our cosmopolitan outlook. We reject any form of discrimination

and we do not allow it to materialise.

Integrity:
One important element of our working culture is that we stand by each other. That applies to mistakes in everyday working life and equally to providing mutual support in emergencies. Trust is the basis for the way we work in teams.

Respect for the law and compliance go without saying. Hard-and-fast rules and regulations for individual situations and circumstances in the working environment are clearly formulated and communicated by Group guidelines and directives as well as specific agreements. These apply to all our actions and are binding.

1.2 Management principles and the Compliance Management System
With our management principles and Compliance Management System, we guarantee sustainable and responsible entrepreneurial conduct in our daily work throughout the Allgeier Group as well as the observance of general principles and national legal standards in all our markets. These specifications which are systematically aligned with our common values of innovative energy, enterprise, humanity and integrity, thus form an essential platform for our performance today and in the future and for further growth.

Human rights
We respect internationally recognised human rights and support their observance. We ensure that we are not complicit in any abuses of human rights.

Work standards
We strictly reject and rule out any form of forced labour or child labour. We recognise the right to appropriate remuneration for all our employees. Wages and other benefits meet the relevant national standards and local statutory norms and/or the level enjoyed by national economic areas/sectors of industry and regions as the very minimum. We defend the right of association and effective recognition of the right to collective bargaining.

Equal treatment and non-discrimination
A culture of equal opportunity, trust and mutual respect is of major importance to us. We promote equal opportunities and prevent discrimination in the appointment of new staff as well as in promotions, the granting of training and

further education measures and in our daily dealings with each other. We treat all employees equally. Gender, age, skin colour, culture, ethnic background, political persuasion, sexual identity/orientation, disabilities, religious affiliation or ideology play no part.

Anti-corruption and fair competition

The uncompromising observance of our high compliance standards is of elemental importance for our business operations and general conduct on a national and international level, if we are to seek sustained success. Consequently, in the Allgeier Group compliance is high on the Management Board's and Supervisory Board's agendas. The Compliance Commitment made by the Management Board of Allgeier SE is the yardstick for our competitive conduct. Allgeier SE stands for technical expertise, innovative energy, a customer-centric approach and motivated staff acting responsibly. That is what the high reputation and the sustained financial success of the Group are built upon amid competition from home and abroad. We are convinced that corruption is a threat to these guarantors of success. Accordingly, any such behaviour is consequently not accepted (zero tolerance). Bribes or anti-trust agreements do not constitute appropriate means of obtaining an order. We would prefer to do without a piece of business or the achievement of internal targets than to break the law.

Avoidance of conflicts of interest

At Allgeier SE, business decisions are taken exclusively in the best interests of the company. The intention is to nip in the bud any conflicts of interest with private concerns or other financial activities, also with regard to relatives or other related parties or organisations. If any such conflicts nevertheless arise, they must be solved taking due account of the law and applicable Group guidelines. One essential prerequisite is transparent disclosure of the conflict which our systems are designed to guarantee.

Prevention of money laundering

Allgeier SE meets its statutory obligations in relation to the prevention of money laundering, and does not participate in any money laundering activities. Every employee in our Group is requested to have any unusual financial transactions which might give rise to the suspicion of money laundering, investigated, if necessary by the responsible financial, legal or compliance department. This applies especially to unusual financial transactions involving cash sums.

Political lobbying

We conduct political lobbying centrally, openly and transparently. In the process, we follow the legal specifications

on lobbying and avoid any unfair influence on politicians and legislators under any circumstances.

Demeanour and communication in public

We respect the worldwide right to freedom of speech as well as the protection of personality rights and privacy. We also endeavour through our specifications and guidelines to raise awareness among all our staff that they may also be perceived as representatives of the Allgeier Group and as part of it even in their own private sphere. We therefore request every employee to maintain the image and reputation of the company through their conduct and public demeanour, particularly vis-à-vis the media.

When expressing private opinions, we make sure not to associate the employee's particular function or job in the Allgeier Group with their private utterances.

1.3 Standards and systems

It is crucial for Allgeier to take responsibility as a company in our business activities and to stand up for the observance of laws and international conventions. With the size of the company increasing, a steadily growing number of target markets and offices now with over 8,000 employees and more than 3,000 customers around the world, we must deal with many different stakeholders and their individual, specific expectations. Closely association with this development, there is also a wealth of different legal regulations to be observed.

Observance of laws and regulations

The observance of laws and regulations is for us a fundamental principle of responsible financial conduct.

We adhere to valid legal prohibitions and obligations at all times even if in doing so, we incur short-term financial disadvantages or difficulties for the company or individuals. If national laws contain more restrictive regulations than the rules in place at Allgeier SE, national law takes precedence.

Corporate Governance

The principles of our corporate governance can be found in the Group management report above, in the Corporate Governance section.

Strategic management of opportunities and risks

Details on our strategic management of opportunities and risks, our early detection and monitoring of risks as well as our operational management of opportunities and risks can be found in the Group management report above in Clause 5.2.1.

2. EMPLOYEES

2.1 Strategic personnel management

Our employees constitute our competitive advantage. In 2010, we still had fewer than 1,000 employees (continuing operations). Allgeier now employs over 8,000 staff in 20 countries. Last year alone, we created over 750 new jobs. Our roughly 120 facilities are spread over four continents. This growing cosmopolitan structure is also reflected in our employees: Over 4,000 of our total of almost 7,100 employees now work outside Germany. Our employees include numerous different nationalities, and their average age is almost 35. Altogether, our Group employs around 5,500 highly qualified IT developers — around 3,500 of them in our facilities abroad. And a quarter of our employees are female — compared with other companies in our sector, this is a high figure which we have been able to steadily increase in the last few years. Many people in our Group work hard every day to identify and attract the best talent and outstanding skilled workers, and to bind them to our company for the long term.

As a fast-growing company in a demanding and highly agile competitive environment, we are convinced that employee training, job satisfaction and a sense of allegiance are crucial for our long-term financial success. In this way, we are able to offer customers the flexibility and innovative power they need and expect. At the same time, we are able to offer them groundbreaking products and disruptive technology services, always at the cutting edge of development. We would like to shape the digital transformation for our customers as a powerful, reliable partner. Our employees are working on processes and interfaces that are critical to the business and decisive for the future success of our customers. A solid foundation of values is indispensable in such a responsible position. Our common values of innovative energy and enterprise as well as humanity and integrity form the basis for our employees' performance. And our commitment to our staff across the Group establishes the platform for consistently backing essential qualities such as initiative, responsibility and flexibility. With programs and numerous different measures, we ensure that Allgeier is and remains an attractive, inspiring employer for its employees who not only offers a series of varied responsibilities and interesting customer projects but also outstanding individual opportunities and prospects. At the same time, we play an active role in counteracting the shortage of skilled workers and reinforce our brand as an employer in a hotly contested market for specialists.

As part of our personnel management, the divisions and companies in the Allgeier Group are taking a series of measures aimed at promoting employee growth,

motivation and loyalty. Elements of personnel management include strategic personnel development, managing training and further education, recruiting, information and transparency as well as social aspects.

2.2 Personnel growth, training and further education

As part of our personnel growth program, we design employee-friendly guidelines and programs which give employees freedom and flexibility in their individual development process. We set great store by a culture in which people are able to acquire new skills, based on a self-directed culture of learning aligned on the one hand with our corporate goals but focused on the other on the individual opportunities, requirements and desires of employees. Our fundamental endeavour is to allow the existing employees in a team to grow. Elements of our strategic personnel development in group companies include a clear onboarding process with feedback interviews, as well as an interview at the end of the probationary period, continuous dialogue on performance and development held with the relevant manager in quarterly and annual interviews. On the basis of these interviews, targeted personal training measures are agreed and defined. Further measures forming part of personnel development within our Group companies include:

- management of further training, incl. through skills portals
- training catalogue with internal and external further training opportunities and individual training options
- management training
- trainee and induction programs as well as an onboarding and training concept for different divisions
- patron and mentor models
- promotion of part-time degree courses and dual study program
- identification of top talent, nurturing talented individuals and tying them to the company
- reward and recognition program
- Flexibility of roles: Individual opportunity to select different career paths and
- development options

2.2.1 Vocational training and dual study courses

Allgeier offers training in a wide variety of lines of work and professions at many facilities, and supports a series of dual study courses at various universities. Students are informed of opportunities for study and career prospects through corresponding programs and they are also approached directly. There is also comprehensive training management in place to ensure that students obtain the right qualifications, receive the right support and find the

ideal start to their careers. Interns, bachelor's degree students, master's degree students, working students and new entrants also undergo a comprehensive assimilation program with designated mentors. Further measures within the Group include the promotion of part-time study courses for employees.

2.2.2 Hiring and career start

With the aid of well-conceived, proven programs, we enable students and career entrants to prepare well for their professional career and achieve a smooth start to their careers. Not only do we thereby ensure that the next generation of staff coming through have the right qualifications in a hotly contested market for employers, we also play an active role at the same time in countering the increasing shortage of skilled workers affecting our sector worldwide. Besides our own training in various lines of work and the offer to use dual study courses, we also provide further training, e.g. to become an IT specialist with a subsequent option of work in this capacity, and we combine these qualifications with internship phases. Training and degree courses are always offered with a view to subsequently hiring the people concerned. As well as working closely with universities and besides our commitment to universities in other areas, many of our companies also offer posts for working students, students studying for bachelor's or master's degrees combined with intensive support from mentors. One example of such programs in our Group is the Allgeier Starter Academy Plan in our Allgeier Experts Division (see 2.2.3 below). The so-called hiring drives in our Nagarro Division constitute a further measure for ensuring an ideal career start. In the case of Pool Campus Drives, we identify a partner university together with which we organise the drive. Further universities are then selected which are to be invited to joint the program. Following this model, many students are able on the one hand to learn relevant lines of work and on the other, to get to know us as a company and familiarise themselves with work in our facilities. Campuses at universities are also visited in order to approach first-year students directly and inspire them to join the program. Additional off-campus drives at weekends serve to attract talented youngsters to take our recruitment tests.

2.2.3 Trainee program

There are various trainee programs in place within different companies intended to guarantee structured, thorough induction, efficient learning-on-the-job as well as in further relevant situations, a smooth introduction to new responsibilities and positions. With our Allgeier Starter Academy Plan, for example, we have a six-month onboarding program in the Allgeier Experts Division with structured

induction plans, fixed milestones and feedback interviews as well as a subsequent employment interview.

Further measures for supporting traineeships within individual Divisions include:

- patron model for new employees to facilitate their introduction to the company
- mentor model: We attach great importance to a long-term working relationship and to giving every single employee the chance to grow; through our targeted, confidential mentoring program, we offer new employees the chance to grow on a personal and professional level within the company
- offer of support for bachelor's or master's theses as well as, if possible, working students to be hired and given the chance to grow following completion of their degree.
- targeted appointment of lateral entrants who are trained on the job
- Campus Learning Program: The Campus Learning Program is a model in the Nagarro Division through which we want to widen the pool of highly talented specialists in conjunction with universities. In this program, we focus on training "industry-ready IT professionals" by improving the training and further education opportunities for students and tailoring them to the needs of the industry.
- Communication training for new entrants We offer specific support to new entrants with accompanying soft skill training such as communication courses, thereby contributing to their personal growth.

2.2.4 Further training

Permanent further training and the support of lifelong learning are of fundamental importance to us as part of our corporate culture. People derive pleasure from extending their expertise and increasing their knowledge, and this can make an important contribution towards a happy life. Consequently, we would like to help our employees to learn something new every day and to become just that little bit better. Wherever possible, we also take the individual needs and requirements of our employees into account but also their personal desires, goals and opportunities. We are convinced that as a result of our further training management and a series of concerted individual measures, we can on the one hand enhance and preserve the motivation, commitment and dedication of our employees on a permanent basis, and on the other, expand the knowledge, know-how and performance which are essential if we are to offer our customers excellent services and products. In addition, we make a commitment as a Group in many areas beyond our company in order to improve

people's access to education and enhance the quality of education, particularly to counteract the shortage of skilled workers and give young people the ideal preparation for a career in IT. The measures taken by Group companies as part of our further training management include the following:

- internal further training offer in the form of live events and e-learning modules for self-study
- establishment of an academy and e-learning platform for employees
- SharePoint communities on specific topics enabling professional dialogue between fellow employees
- offer of training from external trainers as well as enabling employees to take part in external seminars and attend trade fairs/symposia/organised debates for their further professional training

2.2.5 Performance and awards

Establishing a culture of appreciation and recognising performance, commitment and ideas is of major importance to us. Rewards and awards for special dedication and excellent performances in daily work and also for well-deserving team members play an important part in this process. In line with our corporate culture and in order to provide targeted incentives, we have established Reward and Recognition Programs in the Nagarro Division, for example, which include a monthly cheer board, excellence awards and so-called idea-yahs. There are also employee incentive plans including interviewer incentives, target-linked incentives, sales referrals and an employee referral program (employee recruitment and recommendation programs). Generally, we offer variable remuneration models in many areas of our Group (some including SMART goal categories) linked to profits, margins or service revenues. Additional incentives are also created in individual companies via special bonuses (e.g. for service anniversaries, on hitting certain development and further education goals or certifications, exceptional achievements or deployments abroad), options, overtime models and allowances such as night-shift allowances or off-site allowances, and special commitment is rewarded.

2.2.6 Employee loyalty

Creating effective employee loyalty and low employee turnover are important elements of a business operation successful over the long term. As well as the programs and measures for personnel growth and the further qualification of our employees described above, we take further steps in our Group companies aimed in particular at enhancing the loyalty and motivation of specialists as well as at securing valuable expertise, e.g.:

- Career planning and attractive development opportunities: Via salary models, gratuities and individual career opportunities, we reward commitment and excellence, motivate employees and tie them to our Group for the long term — regular personnel and feedback interviews
- Training, ongoing further training and development: We offer our employees a multitude of individual development programs and personal consultancy opportunities thereby allowing them to design and pursue their own learning and development path
- Work Life Balance: We want to use employee-friendly programs, flexible working time models as well as a multiplicity of further measures for reconciling family life and a career (see below) to understand the needs of employees and to help them achieve an optimum work-life balance
- Employee advantage program through external service providers regular team meetings, parties and joint activities and events, introductory days and welcome days for all new entrants to get to know each other and for networking, regional roundtables for experts, honours and gifts for company anniversaries, birthdays, weddings, etc.

2.2.7 Development of managers

The continuous development of our managers plays a significant role for us, not only as part of our personnel growth and further education management. We are also convinced that good performance on the part of our Group and groundbreaking services and products for our customers require good management. We provide special promotion programs, development programs, career models and incentives, bonuses and participation models for managers. With further education, training and coaching sessions, we ensure in our Group companies that managers receive continuous training, and we also prepare employees for leadership roles and to take on responsibility.

2.3 Recruitment and the promotion of science

Research and Development and the support and promotion of universities, science and young talent are of great importance for our Group. We know that we are dependent today and tomorrow on the best minds all round the world to enable us to offer our customers the best solutions and maintain the strong growth of our company. Allgeier therefore maintains numerous collaborations with universities and research facilities, supports partner universities and projects financially and is also represented at many universities with regular recruitment and hiring events. Students receive targeted support at several universities and on different courses as part of the Germany Scholarship. We also meet our responsibility to promote science and

research in our Group companies through the following measures to name but some:

- lecture series, technology training courses, workshops, webinars and student projects at several universities in various countries
- boot camp for students: The pre-placement boot camp is a training initiative in which a group of candidates are selected on the basis of common aptitude and coding tests, and receive further specific training before they are sent a PPO (Pre-Placement Offer)
- excursions for students to Group company facilities
- promotion of the Germany Scholarship at several universities (both centrally via Allgeier SE as well as on a decentralised basis via the Divisions)
- regular participation in scientific surveys and studies, esp. for bachelor's and master's theses as well as for dissertation projects
- regular hackathons for students

2.4 Information and transparency

To guarantee a regular exchange of interests as well as a consistent flow of information and communication both from the top down and from the bottom up, Allgeier SE has set up an employee council as a central stakeholder in cooperation with a body elected by all employees; the council is made up of ten elected employee representatives from all Divisions as well as the Group Management Board. There are communication channels in place within the Divisions and companies (incl. via the intranet) in order to allow the staff to share in the information as well as the decision-making processes within the employee representation bodies. Further measures to promote the representation of interests and exchange of information within the Group companies include facility and/or divisional meetings, webinars, town hall meetings and info days intranet, blogs, wikis and regular newsletters. To this end, the Nagarro Division also conducts frequent satisfaction surveys and reports, and has set up an Internal Complaints Committee (ICC) to protect employees' rights (against discrimination and sexual harassment, among other things) as well as feedback letterboxes for anonymous feedback, where needed.

2.5 Social affairs

2.5.1 Reconciling family and work

The reconciliation of family and work in aid of a positive work-life balance is of great significance to our Group. This is catered for by flexible job and working time models among other measures. We are convinced that this makes an important contribution towards the commitment, motivation and willingness of our employees to learn,

thereby also leading to higher productivity, greater efficiency and better products and services to the benefit of economic sustainability. Measures within our Group companies that contribute to a good reconciliation of career and family life, include:

- flexible Home Office / work-from-home arrangements, also project-specific, if applicable, as well as the setting up of satellite office locations to reduce travel time and costs
- flexible (parental) part-time arrangements to meet individual employee requests
- installation of maternity leave (also exceeding statutory arrangements in certain countries)
- constant information and involvement of employees in parental leave and targeted reintegration measures after family leave phases
- family-friendly holiday arrangements
- special measures of support for parents/families (e.g. through childcare offers)
- working time arrangements with recommended core working time and restricted flexitime models or trust-based working time
- local family celebrations
- Offer of family-friendly, efficient company cars for extended families in our Indian facilities

2.5.2 Company health management, health and safety protection

The maintenance and promotion of the health of our employees plays an important role for us. That is the reason why we create a humane and healthy working environment for our employees. These measures are not only socially justifiable but also sustainable from an economic perspective. Through company health management, we not only provide for a greater sense of well-being, satisfaction and motivation in our units, we also obtain high performance from our employees over the long term, increase employee loyalty and ensure low sickness rates and low staff turnover. Health and safety protection are also vital for us. Whenever and wherever possible, we aim to avoid any impairment of health or accidents at work. Consequently, we take the appropriate steps and have the corresponding systems in place (First Aid Officers, fire marshals, company doctors, health and safety specialists, etc.) to ensure optimum health and safety protection. Within the Group, we work on continuously improving occupational safety and health protection. Employees are co-responsible for the protection of people and the environment in their working environment. All corresponding laws and regulations must be abided by. Managers are obliged to instruct and support their employees in fulfilling this responsibility. We also want to ensure the safety and integrity of our employees at

our worldwide facilities with a variety of measures. Measures to promote health and safety at the workplace within our Divisions comprise the following, by way of example:

- training Safety Officers
- safety briefings for new employees as well as annual briefings for all employees
- occupational health screenings for the early detection or prevention of work-related sicknesses or occupational illnesses
- regular inspection of portable electrical equipment
- regular DGUV 3 inspections
- use of ergonomically tested office furniture such as desks with electrical height adjustment and office chairs to DIN standards as well as individual workplace inspections and ergonomic advice from company doctors
- support and sponsorship of sporting events such as company runs, and support for employees' sporting activities (incl. organisational and/or financial support for football, tennis, badminton, chess, cricket, table tennis, carrom, cycling or running events and tournaments)
- fitness offers and personal training as well as some proprietary fitness rooms with instructors, Zumba and yoga classes as well as offers of mental training and stress management
- provision of showers and cycle stands
- health discussions, workshops and seminars

2.5.3 Remuneration

With the aid of intelligent and forward-looking evaluation models and variable remuneration and incentivisation schemes, we would like to maintain the dedication and commitment of our staff, motivate them going forward and reward excellence. The basis for doing so is provided by regular feedback discussions and goal-oriented interviews, SMART goal agreements aligned with the level of expertise and responsibility as well as a multi-channel performance analysis system within Group companies. Added to this are measures such as a feedback-oriented interview system that focuses on professional development and personal progress as well as a goal-based bonus system. Employees also receive additional bonuses (depending on their area of responsibility and position).

2.5.4 Diversity and variety

Diversity is enrichment for our Group. People with a wide variety of backgrounds, cultures and religions work in Allgeier companies around the world. Our Allgeier Experts Division is a signatory to the "Diversity Charter" and is thus committed to preserving and implementing the values that

promote diversity and equal rights at the workplace, and it cultivates diversity wherever the company is able to do so. We believe in the right to equality and the dignity of all people. Every employee receives the same work opportunities and prospects, and no-one is discriminated on the basis of their membership of a group, the colour of their skin, marital status and family situation, their parental status or origin, source of income, religion, gender, age, national origin, disabilities, sexual orientation, state of health or veteran status. Our corporate culture is marked by intercultural collaboration in mixed teams at our facilities spanning many countries. The promotion of gender diversity is especially important to us. We are convinced that this, too, can make a vital contribution to combating the shortage of skilled workers. We also promote diversity at the workplace by supporting projects such as the not-for-profit programming school ReDI School of Digital Integration through which we also help the qualification and professional development of young specialists. Our Group has a high proportion of female employees — compared with the average for the sector.

2.5.5 Intercultural understanding

Intercultural understanding and collaboration is growing in importance in our Group due to its constantly growing internationalisation. Besides collaborations in mixed teams across countries and dialogue within the Group with companies and units in the various countries (see above), the individual Divisions take numerous further steps to enhance intercultural understanding within our Group, e.g.

- dispatching employees for induction in project teams at other facilities
- staging information events across different facilities, and multilingualism in internal communication
- internal, global social media platforms for communication, the exchange of knowledge and transfer of know-how
- weekly webinars in relation to corporate culture, management policy and future growth
- offer of intercultural training for employees
- free language training to support our customers in the relevant language of the country concerned and to improve communication within the Group
- Participation in social projects for intercultural exchange

2.5.6 Support for employees and families

As a Group, we make a major commitment to our employees as we are convinced of the importance of establishing good relationships with one another, both on a professional and human level, as well as a good working atmosphere in order to enjoy success together. The reconciliation of family

life and careers, in particular, is supported by a multiplicity of measures (see above). We regard it as especially important at our international facilities in Asia to take responsibility for our employees and their families, and in this respect, we go far beyond the legal minimum. This is particularly crucial wherever statutory health insurance and other social security systems are less well developed than in Germany, for example. We provide our employees with insurance against special risks, medical risks as well as making Group life insurance policies available to them. We also offer financial support to help them overcome any direct financial crisis caused by an unforeseen event in the life of the employee or their family. In addition to the measures listed in the points above forming part of our commitment to our staff, we also have a range of special programs and offers at the ready within the Group, particularly in order, as an employer, to provide effective support in exceptional situations in life such as:

- special leave for births, weddings or deaths
- special leave and/or financial support in emergencies or financial crises
- subsidies towards the cost of childcare
- implementing nursing leave for relatives
- partial payment of costs in the event of exceptional financial burdens as a result of illness
- possibility of unpaid leave

3. ENVIRONMENT

Protection of the natural environment, the responsible handling of resources and awareness of responsibilities towards future generations as part of inter-generational justice form the essential foundations of our entrepreneurial operations and actions. Sustainable environmental awareness for us means continually reducing the consumption of energy and resources and making an active, comprehensive contribution towards the protection of the environment. We deploy operational environmental management systems to create the framework to register activities with relevance to the environment, pursue environmental targets and continually improve our environmental performance.

3.1 Environmental strategy and environmental management

The protection of our environment and the responsible, sustainable handling of resources are taken into account both in fulfilling our responsibilities for our own company and as part of our services. That is why we demand and promote environmental protection. In the process, it goes without saying that we observe the applicable legal regulations in the various countries. The companies in our Group also implement specific environmental strategies and

management systems in their respective markets, some in accordance with DIN EN ISO 14001 or based upon it.

3.2 Utilisation and consumption of natural resources, heat and energy as well as renewable energies

Within the Group, we are aware of our footprint and as part of our commitment to ecological sustainability, we regularly identify opportunities to reduce the consumption of natural resources and energy, and shape our further growth in a resource-efficient manner. Besides the use of regenerative energies, environmental management also plays an important role in the selection of products (hardware and office equipment): Here alone, we have identified a savings potential of up to 60% in certain Divisions which we intend to leverage by making constant improvements.

3.3 Water

We pay special attention within the Group to reducing water consumption and waste water. This commitment is exceptionally important, particularly at facilities in India where water is in short supply. To do so, we make our employees aware of the need to use water resources sparingly on the one hand, and on the other, we make an active contribution towards saving resources through steps such as using self-closing taps, collecting rainwater to replenish the water table and recycling waste water for horticultural purposes and other uses.

3.4 Emissions of CO₂ and pollutants, mobility policy

As we are a service company, our emissions of CO₂ and pollutants in the course of our work are naturally lower than for many manufacturing companies. Nevertheless, we strive within the Group to continuously reduce our CO₂ footprint and the emission of pollutants. An intelligent mobility policy enables us as a company on the one hand, and our employees on the other to make a contribution towards saving natural resources and reducing emissions. As part of our commitment to ecological sustainability, we strive in particular to reduce trips and travel for work purposes by means of appropriate processes and technical equipment, as well as to cut the consumption of resources in travelling to and from our offices. We also encourage the formation of car-sharing and car pools, and create incentives for using alternative forms of transport.

3.5 Materials and recycling

Recycling and a careful approach to materials and waste are important topics for us. We practice the separation of waste at our facilities, and there are disposal systems available for various materials and pollutants. With printer

toners, we pay attention to environmental aspects when selecting equipment. Empty cartridges are usually picked up by the manufacturer and recycled. Special sparkling water taps are being tried in some new offices as a pilot project in order to provide employees with drinking water. In this way, we can reduce the use of bottled drinks, thereby lowering the emissions caused by transporting bottles.

3.6 Raising awareness among employees

As part of our commitment to sustainability, we raise employees' awareness of our strategic measures within our Group companies on the one hand, and encourage responsible treatment of the environment and natural resources on the other. Internal channels of communication are used for this purpose. There are also regular discussions at a local level in many facilities on further sensible measures. It is important for us to ensure that employees are able to contribute their own ideas and suggestions. We are convinced that in this way, ecological sustainability can best be implemented and embraced both internally and externally. Examples of suggestions and steps implemented within the Group include switching off standby mode on all electronic devices overnight, turning off lights and adjusting the air conditioning and temperature of rooms not in use.

3.7 Green IT

Companies in our Group have been following the debate on Green IT since its inception with the aim of making a proactive contribution towards the provision of sustainable IT solutions. It is our conviction that Information and Communication Technology (ICT) has a considerable role to play in the task of reducing energy consumption and raising energy efficiency in industry. For the benefit of ecological and economic sustainability, we pursue the goal of reducing emissions and saving resources on the one hand, and raising cost-effectiveness and competitiveness on the other. Companies and organisations require ICT-based procedures to monitor and control the distribution and consumption of energy, and to make the entire energy system more efficient. At the same time, ICT must monitor its own energy consumption and realise efficiencies. Wherever the "Green IT approach" can be pursued, advanced or realised in the customer environment, in data centres, when setting up IT infrastructure, when our employees are deployed on projects and in our own IT, we support its implementation and attach importance to sustainability, realising savings potential and enhancing cost-effectiveness. Measures for achieving these goals include designing the IT infrastructure along energy-efficient lines, specifying cooling systems and energy supplies in accordance with Green IT approaches and consolidating data centres. In

addition, we rely on the highest possible degree of system virtualisation in our existing data centres in order to reduce the hardware needed in the centre. This saves resources and electricity used in directly supplying the systems but also in the area of air conditioning.

3.8 Legal obligations

We observe the legal obligations pertaining to environmental protection throughout the Group, and frequently exceed national regulations. Since 5 December 2015, for example, an energy audit must be conducted in accordance with DIN EN 16247-1 (with corresponding, regular follow-up audits). We have implemented this in the Group.

4. SOCIETY

As a Group operating in 20 countries throughout the world, we see ourselves as an active part of society, with a duty to act responsibly. With the steadily increasing internationalisation of our Group and our business, the number of our stakeholders is also growing. As a result, a growing number of different expectations are invested in us as a company. We firmly believe that by actively assuming responsibility, we can make an important contribution towards protecting the environment, improving people's lives in the world and increasing education opportunities. Making an active contribution and working for the public good and society constitute essential ingredients of our corporate culture and our value-based self-image as a company. To meet both our own aspirations and the expectations and demands of our stakeholders, there are therefore a large number of initiatives in place at the level of the Divisions, individual companies and units or separate facilities to complement the central measures implemented. In a world of constant flux, we want our commitment to sustainability to generate a meaningful benefit, whether large or small, and continually refine and improve our measures and their effectiveness.

4.1 Corporate Citizenship

As a good citizen, the Allgeier Group engages on behalf of society and citizens in many diverse forms. In our Group companies, we become involved in many different areas on behalf of society. Our Divisions raise their employees' awareness of responsible conduct, encourage initiatives and campaigns and actively support them in many areas. Besides the commitment of our Group and our Divisions and units, many employees at individual facilities also take on responsibility at a local level, and make an active contribution to their local communities — e.g. through their social or ecological commitment. Thanks to the voluntary work of our employees and teams, we have been able to

start many initiatives in this manner. Our vision is to design our internal policies and budgeting in such a way that numerous issues can be tackled by initiatives in areas such as education, health, the environment, etc. For example, our Allgeier Experts Division supports a wide variety of social projects, organisations and initiatives on a regional, national and international level. At the company headquarters in Wiesbaden, the company plays an active part in the company network CSR Regio.Net (<http://www.upj.de/CSR-Regio-Net-Wiesbaden.289.0.html>) with the aim of pooling its wide-ranging entrepreneurial commitment and the numerous activities of its employees even more closely and integrating them more systematically with all areas of its business operations.

4.2 Stakeholder dialogue

For the sake of establishing a regular, truthful dialogue with stakeholders and open, transparent communication, we bank on broad, systematic public relations work (incl. social media) on all topics of relevance to the various stakeholders. In divisional terms, an ongoing exchange with relevant groups of stakeholders is frequently installed at the level of top management. Added to this is targeted direct communication with stakeholder groups in the form of mailshots, newsletters, information letters, etc. We also participate in trade events and fairs to engage in personal dialogue and exchange views, we organise or play an active role in regular get-togethers for employees on assignment and stage our own events on specific topics such as It's Morning, etc.

4.3 Commitment to education, youth, the environment, culture and sport

We embrace Corporate Citizenship in many different ways. As a company acting responsibly and sustainably, we take wide-ranging measures to promote society and support education, youth, the environment, culture and sport at a Group level as well as at the level of our Divisions, subsidiaries and local units. We also become involved as a sponsor and donor in education, social and charitable projects — at a Group level on the one hand, but particularly at the level of our Divisions, companies and local facilities on the other. Moreover, we support fundraising campaigns organised by our employees.

Our initiatives can be frequently traced back to suggestions and ideas from our employees. Many of our employees volunteer in a wide variety of ways and become role models for others. As a company, we honour this commitment and promote and support it in various ways. One case in point is Brigid Wefelnberg who works at a German facility of our Nagarro Division. Brigid is a professional ultra-marathon runner who is involved in social issues such as

children's rights. Through her runs all round the world and her commitment, she helps us to collect money for these issues to support social projects. In this way, we can help to give something back to society and help people in need. Through this and similar projects, we support local communities at our facilities directly or indirectly — especially at our offices in India. This enables us to improve the quality of life and economic prosperity of local people over a longer period of time.

Some further examples from our Divisions show the breadth and depth of the activities and measures taken by us and our dedicated employees:

Nagarro Division:

- Local environmental protection, saving resources and reducing emissions through wide-ranging mobility measures and campaigns for environmental protection such as forming car pools and car sharing, active commuting, the use of public transport and measures for greater safety for pedestrians, support for the "Car Free Challenge" in Gurugram (India) and Raahgiri Day in India (<http://raahgiriday.com>), a campaign for a car-free day that has been running since 2013. Our backing for this project is presented by Deutschen Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH and the German Federal Office for the Environment as an exemplary campaign in their joint brochure "Reverse Innovation. Rethinking Urban Transport through Global Learning" (http://www.umweltbundesamt.de/sites/default/files/medien/376/publikationen/reverse_innovation_bf.pdf)
- Support for World Vision: Employees adopt a child and donate towards its education and living costs.
- Organising visits from different NGOs to our facilities which we support directly with food, clothing, stationery or further donations required for disadvantaged children, people with disabilities, poor people, victims of violence or crime and people with disabilities
- Support for campaigns for children's and youth education and to support disadvantaged children, e.g. DoaR (Donate an Hour book donation and indoor games to Gurugram library)
- In-house blood donation camps at our facilities
- Commitment to the environment in India through support for Plantation Drive and Haryana vision zero 2017

Allgeier Experts Division:

- Annual participation with our own teams of employees in the CSR Action Week "Wiesbaden engagiert" (Wiesbaden commits) for the support of social and ecological projects in the State capital of Hesse
- Collaboration in the regional company network CSR Regio.NET, strategic collaboration with the town of Wiesbaden
- Main sponsor for the Fly & Help Foundation for the promotion of education in the poorest countries in the world
- Support for the organisation "Plan International" and adoption of a school child in Uganda, acting as its sponsor
- Support for the Viafrica Foundation with hardware donations for IT education in schools in Tanzania
- Participation in projects organised by the "Wiesbaden engagiert" campaign with a series of employees who are given the day off for the occasion
- Financial participation in local Christmas fundraising campaign "Ihnen leuchtet ein Licht" organised by the Wiesbadener Kurier newspaper
- Financial support and employees on the Board of Trustees of the children's home Zwerg Nase in Wiesbaden
- Participation in the Wiesbaden 25-hour run in favour of Wiesbaden's promotion of sport
- Participation in Girls & Boys Day to give school children an insight into the world of work
- Participation in the Rotary Club initiative "Executive Practica", incl. mentoring and support for pupil internships
- Participation in the Wiesbaden Museum Night and financial support for Museum Wiesbaden
- Collaboration with the wfb workshop for the disabled for printing and despatch orders
- Active participation in the Initiative Werte Foundation
- Financial support for the ReDi School of Digital Integration for promoting the integration of young refugees through IT training, support in obtaining their first job and in their further professional career
- Support for an employee's commitment to the project kickit-muenchen.de
- Participation in company runs such as the JP Morgan Chase Run and the B2RUN series
- Active participation in the Deutsche Sporthilfe Foundation
- Active participation in the City Cycling Initiative with a team of employees
- Support for victims of natural disasters, war and violence and employee fundraising campaigns

mgm technology partners Division:

- Christmas fundraising campaign for the Sternenbrücke Children's Hospice, Hamburg
- Christmas fundraising campaign to support disabled children in Da Nang, Vietnam
- mgm Vietnam funds the education of 12 disabled children from disadvantaged families
- A playground was built for a kindergarden as a team event by mgm consulting partners, Hamburg, as part of the Summer Consulting Days

4.4 Sponsorship commitment

Besides the social commitment described above, we also get involved as sponsors — both at Group level and at the level of our Divisions, companies and local facilities. A few select examples of our sponsorship commitment:

- Sponsorship of two volleyball teams (Munich and Wiesbaden)
- Sponsorship at the grass roots: e.g. sponsorship of football shirts for the F Youth Team of Dresdner Sportclub 1898, of 1. FC Ohmstede and 1. FC Victoria Berlin as well as sponsorship of football tournaments
- Conversion of employee birthday gifts into donations
- Participation in various benefit runs and financial support for and participation in annual sponsored run organised by Wiesbaden Sportförderung
- Sponsorship of several racing teams from Teichmann Racing at the 24-hour race at the Nürburgring

5. CUSTOMERS AND SUPPLIERS

The Allgeier Group has a widely diversified customer portfolio with numerous large and smaller customers in nearly every sector of industry. Around the world, we work for global groups, market and sector leaders and a large number of demanding mid-sized customers as well as for public sector customers in many different markets. We want to be an agile, vigorous but above all reliable and long-term partner to our customers, one who understands the wide-ranging requirements and needs of its customers, recognises the challenges, tackles them and successfully solves them. Responsible dealings with customers and suppliers marked by fairness and integrity are therefore of elemental importance for our business and our sustained financial success. Our relationships with customers and suppliers are therefore shaped by our core values. The consistently high quality of our products and services and our focus on important future trends deliver financial sustainability and represent prerequisites of our future viability and continued growth.

5.1 Quality Management System

Guaranteeing the consistently high quality of our services and products is of major importance to our financial success. Our aspiration is to give all-round satisfaction to our customers and always to offer them the best possible solutions with state-of-the-art technology. Consistent quality management forms an essential basis for meeting this aspiration. We have therefore implemented quality management systems in our companies, and individual companies are certified to ISO 9001 or CMMI (Capability Maturity Model Integration) Maturity Level 5. With regard to the process maturity of our technology services and software development, we also align with the CMMI reference models and in some cases have corresponding certification.

5.2 Customer satisfaction

We want to be a reliable, powerful, flexible and, if possible, long-term partner to our customers. In many cases, we play a direct and active part in helping to shape digital transformation at critical points of the business, thus making a crucial contribution towards chaperoning our customers into the digital future. In accordance with our high quality aspirations, we define the success of our work essentially by the satisfaction of our customers as well as our contribution to the success of their business. Within the Group, we have established binding evaluation systems and processes in various areas. Their aim is to measure the success of our work, regularly record and evaluate the satisfaction of our customers and derive continuous improvements to our products and services from the results. Depending on the services and products concerned, these processes are differently designed in our Divisions.

In our Nagarro Division, we conduct a customer satisfaction survey at least every quarter for all our customers. The feedback is summarised on the basis of the evaluation results for different segments and customers and using the list of questions in the survey. An analysis is then conducted of the emerging trends, which customers reveal a positive leaning and which ones are negatively inclined, the areas where we can improve further and any areas where there are imminent risks. The results are shared with the management for further reflection and corrective measures (if applicable).

At our mgm technology partners Division, we follow an evolutionary innovation strategy. A project must deliver verifiable results in cycles of no more than six months, otherwise the objective must be changed or the project completely abandoned. By doing so, we avoid irresponsible project risks. Together with our customer, we gain important insights with each small step, and we use them to

review and correct the objectives of the coming steps. After the conclusion of each project, a joint retrospective is held with the customer and, if possible, a customer reference is agreed.

In our Allgeier Enterprise Services Division, the measurement, maintenance and continuous improvement of customer satisfaction are essential elements of the quality management system and the IT Service Management System based on ITIL (IT Infrastructure Library).

In our Allgeier Experts Division, the increasing demands made by customers require the permanent optimisation of processes and continued development of our expertise. Close contact with customers provides statements on customer satisfaction by means of personal customer surveys which are conducted on the basis of a standardised discussion guide. As well as other data, these discussions represent an important source of information for improving our services. Other significant contents of customer interviews and feedback relating to quality are also exhaustively documented. This process is followed systematically. As part of the internal process audit, any suggestions for changes from the organisation are reviewed and assessed for implementation. Every employee is also encouraged to contribute suggestions for improvements. The constant expansion of our range of services and optimisation of service processes are of particular importance here, taking the entire quality management system into account. Data from the satisfaction analysis and any customer complaints received are evaluated and lead to appropriate steps being taken if problems are recognised or potential for improvement identified. The results are fed into the management review.

5.3 UN Global Compact corporate culture

Long-term supplier relationships based on partnership which are marked by openness, trust and mutual reliability, are an elemental component of our business strategy. In our wide-ranging relationships with our suppliers and business partners around the globe, we adhere strictly to our corporate values. This includes keeping our employees informed and aware as well as monitoring closely that our specifications are consistently applied. We avoid business relationships with suppliers of whom it is public knowledge that they are in breach of the principles underlying the UN Global Compact. We also advocate further enforcement of the UN Global Compact in our business relationships.

It is important to us that our corporate culture based on criteria of responsibility and sustainability is consistently understood and embraced. We therefore use introductory days and welcome days in our Group companies to

communicate our culture at which the most important task owners and contact persons introduce themselves and convey common values and practical knowledge for working in our Group. We would like every employee to be approachable for their customers, partners and colleagues, and our communication to be content-driven.

5.4 Fair competition and anti-corruption policy

As a Group, we subscribe to fair and transparent competition. The Compliance Commitment issued by the Management Board of Allgeier SE therefore becomes the yardstick for all our actions. The high reputation we enjoy with customers, suppliers and other stakeholders, and our financial success are founded on strict adherence to our values and rules. Corruption threatens the guarantors of our success and our good reputation. Bribes or anti-trust agreements do not constitute appropriate means of obtaining an order or achieving internal goals. With its five-pillar Compliance Management Programm, Allgeier SE has taken extensive steps to ensure that anti-corruption regulations and the Group guidelines based upon them, are observed. Infringements are not accepted (zero tolerance) and they will lead to sanctions against the persons concerned. All managers and employees must be aware of the extraordinary risks which any case of corruption can entail for the Allgeier Group, but also for them personally. Every employee must therefore actively cooperate in putting the Group-wide program into practice within their sphere of responsibility. We provide employees with all our compliance regulations on internal platforms. We also regularly inform and train our managers on our requirements as well as on all relevant changes and new features.

6. SUSTAINABLE PRODUCTS AND SOLUTIONS

In our operating business, we rely on the use of contemporary technology and sustainability. While data protection, confidentiality, integrity and closeness to our customers are the fundamental cornerstones — we regard it as equally important to design the IT life cycle to be as environmentally-friendly and sparing on resources as possible. With our sustainable products and solutions, we want to optimise the energy footprint in our internal systems and on the customer's premises, minimise the consumption of natural resources and thereby lower the initial and ongoing costs.

6.1 Data protection and data security

The highest level of data protection and the maintenance of confidentiality are essential for us. Accordingly, we place the highest demands on IT security in our internal processes and structures, and in our collaboration with customers and partners. We are convinced that the highest level of data

security forms the basis for confidential and reliable business relationships. We respect the business and trade secrets of our customers and partners, the confidentiality obligations entered into contractually with third parties as well as data protection provisions. There are data protection regulations in place in the Group which comply with the EU-GDPR, and their implementation across the board is guaranteed by corresponding TOM (Technical and Organisational Measures) and guidelines refined on an ongoing basis. The observance of data protection and confidentiality obligations is covered in detail at the level of the individual subsidiaries. As well as an obligation of confidentiality, employment contracts also contain an obligation to be familiar with data protection rules and to maintain data protection. Data Protection Officers are also appointed in our companies to monitor observance and implementation and to clarify all associated questions. Numerous individual measures also contribute to data protection in our companies. For example, we provide the facilities in our offices for destroying documents and CDs, technically through the use of shredders and via special destruction boxes.

6.2 ISO 27001

Information security and the installation, implementation, maintenance and ongoing improvement of a documented information security management system with a process-oriented approach are of great importance as part of a sustainable solution strategy. Availability, confidentiality and integrity are essential prerequisites for observing and guaranteeing security in all processes of information processing. In the process, we are guided by the specifications contained in ISO/IEC 27001 and within our Group, we have numerous certifications which ensure that our quality management system meets the latest data protection standards as well as our internal guidelines and specifications regarding confidentiality and information security such as:

- documented and institutionalised ISMS (Information Security Management System); observance of ISO 27001 standards and their efficacy are reviewed annually by TÜV
- established Security Council in which all company functions are represented (Delivery, HR, Administration, Legal, Management, IT, etc.)
- NDAs or corresponding duties of confidentiality in employee contracts
- regular training programs organised by the Security Council to raise employees' awareness of applicable external and internal guidelines and specifications
- secure network with high-end firewall, IPS and endpoint protection

- use of Microsoft Office 365 for content management and collaboration
- initiation of projects for the observance and operational implementation of the General Data Protection Regulation (EU-GDPR), even at our facilities outside the European Union

6.3 Product responsibility

We stand for IT security Made in Germany with our proprietary solutions and forensic services. Our email security solution JULIA MailOffice, for example, is used by numerous Federal and State authorities and prestigious companies. JULIA MailOffice is also the virtual post office of the Federal government. Our IT security portfolio also includes IT security services, security consulting, security training including support with ISO 27001 certification and advice on data protection, security due diligence as well as customer-specific, tailor-made security concepts and comprehensive services for IT forensics such as establishing, recording and investigating digital security incidents and cyber security. Our product portfolio also offers a series of proven and secure software solutions from leading manufacturers which are used in different sectors and areas of business. All products cover central functionalities for their particular area of application and can be individually tailored to the requirements of our customers. As part of our customised software development, we develop highly scalable, integratable and secure online applications for company processes critical to the business. Interdisciplinary teams within our organisation ensure that topics of IT security relevant to the development of products and services such as web and application security are covered thoroughly from the outset and become part of the implementation of the project. We also rely on coordinated, proven procedures across all projects which are continuously tested, compared and refined. As part of our sustainability concept, the applications developed by us for our customers reflect essential factors such as accessibility, paperless systems and a series of further aspects which might affect the environment and the consumption of natural resources.

6.4 Ecological aspects of production and services

Protection of the natural environment and resources is taken fully into consideration both in fulfilling our responsibilities for our own company and as part of our services for our customers. Responsible and sustainable use of resources is a necessary condition. As part of our commitment to sustainability, we discuss with employees within our companies possibilities for protecting the environment and enhancing resource efficiency, and we frequently implement their ideas and suggestions alongside our own specifications. The companies in our Group thus demand and promote environmental protection in production and services with a variety of individual measures and innovations such as:

- environmentally-friendly and resource-friendly use of information and communication technology throughout their entire life cycle
- The consumption of resources during manufacture, operation and disposal of the devices is kept as low as possible
- In particular, internal company travel is reduced by means of internal process specifications and the use of collaboration tools and video conference solutions, the formation of car pools is promoted and resource-friendly shuttle buses are provided for collective transport.
- optimising route planning when appointments are fixed and car pooling
- car fleet with reduced emissions and lower noise levels (mainly vehicles with lower CO₂ emissions as well as the procurement of CNG vehicles and electric cars)
- reduction in electricity consumption by means of server virtualisation
- reduction in the consumption of electricity and resources through measures such as LED lighting, presence sensors and IoT sensors and systems for the central monitoring and control of electricity consumption
- installing power-saving functions in all electronic devices
- procuring electricity from renewable energies (eco-friendly power)
- installing solar panels at individual facilities
- recycling programs for electronic or IT consumables
- reduction in water consumption and waste water through intelligent systems for saving water, collecting and making use of rainwater and recycling waste water at individual facilities
- reduction in paper consumption, e.g. by replacing plastic cups with ceramic mugs, internal applications with paperless transactions, monitoring paper consumption for printing

Report of the Supervisory Board

Ladies and Gentlemen,

the Supervisory Board submits the following report on its activities in the past financial year of 2017:

The Supervisory Board has comprehensively performed the tasks incumbent on it under the law and the company's by-laws, and monitored the management of the company by the Management Board on a regular basis as well as providing advice. Besides topics dealt with continuously such as the current progress of the business, the company's financial and liquidity position, the acquisition pipeline, risk management and compliance, the primary focus from the Supervisory Board's perspective lay on the following activities in 2017:

- the ongoing reorganisation and integration of the Experts Division,
- continuing the establishment of the SAP business segment, particularly through the acquisition of Ciber Germany's business operations,
- comprehensively redesigning Group finance by concluding a long-term credit facility for EUR 180 million and terminating various previous funding arrangements as well as through the successful conclusion of a capital increase to fund further investments in growth, and
- the strategic expansion of the Group, above all on the international stage, including verifying and discussing specific acquisition projects

The Supervisory Board met in person six times during the 2017 financial year. All the meetings were attended by all members of the Supervisory Board. In addition, the Supervisory Board conducted several further discussions and votes by way of telephone conferences. Members of the Management Board attended all meetings of the Supervisory Board. When discussing and adopting resolutions on particular subjects, particularly topics relating to the Management Board and its remuneration, the Supervisory Board met and passed resolutions without the presence of the Management Board. Between meetings, the Management Board kept the Supervisory Board or its Chairman regularly informed of all major developments in telephone calls and personal meetings and agreed decisions with the Supervisory Board in advance,

particularly with its Chairman. From the perspective of the Supervisory Board, the Management Board therefore met its reporting and information duties towards the Supervisory Board in the past financial year in full, and kept the Supervisory Board continuously and fully up to date on the course of the business, the position of the company and Group companies and all major business transactions both in meetings of the Supervisory Board and also outside of such meetings. The Supervisory Board did not form any committees due to its size.

Major issues with which the Supervisory Board concerned itself during its work in and outside meetings, included the following, in particular:

- current progress of the business in the individual Divisions, and the performance of the Group by comparison with the approved Group budget,
- ongoing financial position and liquidity position
- the performance of the Group and individual Divisions with differing performance, particularly the Experts and Enterprise Services Divisions affected by the conversion,
- the Group's finances and capital structure
- approval of the Group budget
- individual acquisition projects and sales of portions of the company,
- questions relating to the Group's strategic positioning,
- Corporate Governance and integration within the Group,
- risk management and compliance,
- issues in connection with the auditing of the financial statements and non-audit services as well as
- Management Board topics.

In the discussions between the Management Board and Supervisory Board and thanks to the ongoing information provided by the Management Board, the Supervisory Board was able to satisfy itself that the Management Board managed the business of the company properly and in compliance with the law in the 2017 financial year. The Management Board continued to refine the organisation of the Allgeier Group in the past financial year in accordance with the growth of the Group. The Supervisory

Board discussed the risk management system used in the company with the Management Board and the auditors, and found it to be in order. Insofar as the approval of the Supervisory Board was required for individual management measures, such measures were inspected by the Supervisory Board after receiving information and a submission from the Management Board in good time, and the necessary approval issued. The Supervisory Board is therefore able to confirm that the Management Board enabled it to fully monitor the work of the Management Board on an ongoing basis. In the process, the Supervisory Board came to the conviction that the management of the company by the Management Board complies with statutory requirements in all regards and does not give rise to any complaints by the Supervisory Board. In addition, the Supervisory Board evaluated the efficiency of its own work as it does every year. There were no changes to the Supervisory Board in the reporting year.

LOHR + COMPANY GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf has audited the annual financial statements of Allgeier SE prepared by the Management Board and the consolidated financial statements as of 31 December 2017 as well as the management reports for Allgeier SE and the Group, and issued each one with an unqualified audit opinion. The documents specified and the audit reports from LOHR + COMPANY GmbH were available to the Supervisory Board for inspection. The Supervisory Board examined and verified the aforementioned documents and the auditors’ report in preparation for its meeting on 23 April 2018. The Supervisory Board has viewed and verified the non-financial Group statement pursuant to Section 315b HGB. The annual financial statements and consolidated statements as well as the audit reports were discussed in detail in the presence of the auditors at its meeting on 23 April 2018. The auditors reported on the main findings of their audit in the meeting and confirmed that there were no major weaknesses in the internal control system or the risk management system. The Supervisory Board therefore comes to the conclusion that the annual financial statements and consolidated financial statements as well as the corresponding management reports were properly prepared in compliance with the rules in place

for the relevant statements, and that they convey a true and accurate picture of the financial position and results of operations of Allgeier SE and the Group. The review of the audit reports and discussion with the auditors did not lead to any complaints or objections by the Supervisory Board. The Supervisory Board agrees with the conclusion of the auditors after a detailed review and approves the annual financial statements and consolidated financial statements for the 2017 financial year prepared by the Management Board. The annual financial statements are therefore adopted.

The Supervisory Board has also reviewed the proposal by the Management Board for the appropriation of accumulated profits of Allgeier SE for the financial year 2017 which provides for the distribution of a dividend amounting to EUR 0.50 per share. After carefully weighing up the interests, particularly the interests of the company to fund its business operation and further growth of the Allgeier Group on the one hand, and the interests of the shareholders in a dividend payment on the other, it agrees to the proposed resolution and associates itself with the proposal.

The Supervisory Board thanks the management of the company and all employees of the Allgeier Group for their performance in the 2017 financial year.

Munich, 23 April 2018
Supervisory Board of Allgeier SE

Detlef Dinsel
Chairman of the Supervisory Board

Financial calendar 2018

IMPORTANT DATES AND EVENTS	Date
Publication of 2017 annual financial statements / consolidated financial statements	27 April 2018
Publication of interim business information as of 31 March 2018	15 May 2018
Regular shareholders’ meeting in Munich	29 June 2018
Publication of 2018 half-yearly financial report	30 August 2018
Publication of interim business information as of 30 September 2018	14 November 2018

Legal notice

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