

Allgeier Holding AG

Interim report to September 30, 2011

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Key figures according to IFRS

[In EUR millions]	1-9/2011	1-9/2010	Change as a percentage
Sales revenue	265.7	215.1	+24
Personnel expenses	77.7	63.2	+23
As a percentage	29.2	29.4	
Other operating expenses	24.1	18.5	+30
As a percentage	9.1	8.6	
EBITDA	14.9	10.7	+39
As a percentage	5.6	5.0	
EBITA	12.0	9.2	+30
As a percentage	4.5	4.3	
EBIT	8.7	6.3	+38
As a percentage	3.3	2.9	
Financial income	-1.5	-0.5	
EBT	7.2	5.8	+24
As a percentage	2.7	2.7	
Tax income	-2.2	-1.7	+29
Profit for the period	5.0	4.1	+22
As a percentage	1.9	1.9	
Earnings per share [in EUR]	0.51	0.46	+11

	30.09.2011	31.12.2010	Change as a percentage
Balance sheet total	238.6	204.1	+17
Equity	86.9	85.5	+2
Number of permanent employees	2,497	1,339	+86
Number of freelance experts	1,475	1,438	+3

1. Report on business during the first three quarter of 2011

Allgeier increases revenue and earnings

Allgeier Holding AG continues to report significant consolidated revenue and earnings growth in the first nine months of the current 2011 financial year (January 1, 2011 until September 30, 2011) on an IFRS basis.

Revenue was up by 24% in the first nine months to reach EUR 265.7 million (previous year: EUR 215.1 million). EBITA (earnings before interest, taxes, amortisation of goodwill and purchase price allocations) grew by 30% to EUR 12.0 million (previous year: EUR 9.2 million). EBIT (earnings before interest and taxes) increased by 38% to EUR 8.7 million in the period under review (previous year: EUR 6.3 million). These earnings included a EUR 0.8 million charge booked in the reporting period arising from a one-off reorganisation expense for one Group company.

In the third quarter of 2011 (July 1, 2011 until September 30, 2011), Allgeier generated EUR 94.6 million of sales revenue compared with EUR 81.3 million in the third quarter of 2010, representing 16% growth. EBITA amounted to EUR 4.5 million in the third quarter of 2011 (Q3 2010: EUR 5.0 million), and EBIT stood at EUR 3.5 million in the reporting quarter (Q3 2010: EUR 3.6 million).

Third-quarter EBITA included charges of EUR 0.6 million arising from extraordinary effects due to currency differences connected with the accounting treatment of earnout obligations, and charges of EUR 0.4 million due to incidental purchase costs incurred with the acquisition of Nagarro, which are not capitalised pursuant to IFRS. When adjusting for these items, the company generated operating EBITA of EUR 5.5 million, equivalent to a 10% increase compared with the same quarter of the previous year.

EBIT was also impacted by acquisitions that were realised in the third quarter of 2011, where the amortisation of capitalised intangible assets rose to EUR 1.9 million (Q3 2010: EUR 1.3 million). The company also reported EUR 1.0 million of extraordinary income due to purchase price adjustments applied to companies acquired in the 2010 financial year. When adjusting for these effects, EBIT amounted to EUR 4.1 million, representing 14% growth compared with the comparable prior-year quarter.

The business development of the Group companies, that are related to Allgeier Holding for a long time, as well as the companies 1eEurope AG, Nagarro Inc. and Gemed GmbH, which were acquired in the period, contributed to the revenue and profit increase.

1.1 Assessment of the economic and industry situation

IT market continues to grow

The economic climate in Germany remains positive. In the ifo Institute's economic survey in October 2011, companies nevertheless assessed the business situation as somewhat weaker than at the start of the year, and anticipated that business trends will deteriorate further.

The sector index produced by BITKOM (the German Federal Association for IT, Telecommunications and New Media) underwent a marked increase in the third quarter of 2011, by contrast. Of the companies surveyed, 75% are of the view that sales will continue to rise and, in particular, IT services and software providers expect good business growth. Overall, BITKOM expects IT services to grow by 3.6% this year, and software to be up by 4.1%.

With around 50,000 providers, the German IT services market is highly fragmented, offering Allgeier enormous opportunities. Medium and large companies are increasingly consolidating their portfolios of service providers, and restricting themselves to a few cooperation partners, or preferred suppliers, who can nevertheless receive significantly higher order volumes as a consequence. The size of the supplier, a related low level of default risk, and a broad range of services, are important criteria when selecting future cooperation partners.

The Allgeier Group has achieved the requisite mass as a result of its growth, and is regarded as one of the major providers on the market that offer a broad range of services. As a result of the experience that it has gained in acquiring and integrating competitors into the Allgeier Group, the ongoing consolidation wave offers an opportunity for further value-enhancing acquisitions.

1.2 Report on financial and assets position

The Allgeier Group enjoys solid financing and net asset positions as of the reporting date. Both total assets and equity underwent a further increase in the period under review. The total assets of the Allgeier Group grew by EUR 34.5 million, from EUR 204.1 million on December 31, 2010, to EUR 238.6 million as of September 30, 2011. Equity increased from EUR 85.5 million as of December 31, 2010 to EUR 86.9 million as at September 30, 2011. The equity ratio stood at 36.4% as of the balance sheet date (equity ratio on December 31, 2010: 41.9%).

The increase in total assets was primarily due to the corporate acquisitions that were realised in the period under review: 1eEurope (Switzerland) AG, Thalwil/Switzerland, Nagarro Inc., San Jose/USA, and GEMED GmbH, Ulm, Germany. As a result of these corporate acquisitions, the Group acquired the companies' assets and liabilities, and goodwill of EUR 32.5 million. There was an outflow of cash and cash equivalents of EUR 24.7 million when the initial purchase prices were paid. Variable purchase price components amounting to EUR 23.3 million were also recognised as liabilities. The initial consolidation of the companies acquired in the period under review remains provisional.

On the assets side of the balance sheet, non-current assets increased by EUR 47.0 million, from EUR 63.7 million to EUR 110.7 million, while current assets fell by EUR 12.5 million, from EUR 140.4 million to EUR 127.9 million. The increase in non-current assets is due to additions to intangible assets, including goodwill acquired on acquisitions, amounting to a total of EUR 44.7 million. Among current assets, inventories and trade receivables were up by a total of EUR 10.0 million, while liquid funds fell by EUR 24.6 million, from EUR 61.3 million to EUR 36.7 million. The fall in liquid funds is due to outgoing payments totalling EUR 31.7 million as part of the Allgeier Group's investment and acquisition activities, and to EUR 3.9 million of outgoing payments as part of financing activities. The Group generated EUR 11.0 million of cash flow from operating activities in the period under review.

On the equity and liabilities side of the balance sheet, equity increased by EUR 1.4 million, from EUR 85.5 million to EUR 86.9 million, while non-current and current liabilities rose by EUR 33.1 million, from EUR 118.6 million to EUR 151.7 million.

The change in equity is composed of additions arising from the net income for the period of EUR 5.0 million, the disposal of Allgeier Holding AG treasury shares in an amount to EUR 1.0 million, outgoing dividend payments of EUR 4.4 million, and currency losses of EUR 0.2 million.

Among non-current and current liabilities, financial liabilities and liabilities arising from participating rights increased by EUR 3.1 million, from EUR 45.5 million to EUR 48.6 million. As part of corporate acquisitions and working capital changes, miscellaneous liabilities increased by EUR 30.0 million from EUR 73.1 million to EUR 103.1 million. The increase in financial liabilities is attributable to the drawing down of acquisition loans of EUR 4.3 million, a EUR 1.3 million increase in ABS financing that is related to the reporting date, and the EUR 2.5 million redemption of loans.

2. Consolidated Balance sheet in accordance with IFRS as of 30 September 2011

A S S E T S	30.09.2011	31.12.2010
in EUR thousands		
Intangible assets	102,090	57,379
Tangible assets	7,392	5,353
Deferred tax assets	1,267	1,016
Non-current assets	110,748	63,748
Inventories	8,511	3,055
Trade receivables	70,997	66,481
Other current financial assets	5,304	2,030
Other current assets	5,586	5,814
Income tax receivables	746	1,681
Cash and cash equivalents	36,709	61,316
Current assets	127,852	140,376
Assets	238,600	204,124

Group Balance

LIABILITIES	30.09.2011	31.12.2010
in EUR thousands		
Subscribe capital	9,072	9,072
Capital reserves	11,306	11,306
Retained earnings	277	277
Own shares	-4,138	-4,468
Profit carried forward	61,607	57,426
Results for the period	4,312	8,345
Changes in equity recognised directly in equity	<u>230</u>	<u>-167</u>
Equity share of shareholders of the parent company	82,666	81,790
Equity share of shareholders with non-controlling interests	<u>4,263</u>	<u>3,706</u>
Equity	86,929	85,496
Non-current profit-participation liabilities	6,000	6,000
Non-current financial liabilities	16,705	15,646
Provision for pension	982	932
Other non-current financial liabilities	119	119
Other non-current liabilities	21,462	3,203
Deferred tax liabilities	<u>9,040</u>	<u>5,726</u>
Non-current liabilities	54,309	31,626
Current profit-participation liabilities	7,000	7,000
Current financial liabilities	18,926	16,899
Income tax provisions	2,495	2,415
Other current provisions	12,350	8,345
Trade payables	28,650	29,824
Other current financial liabilities	12,505	10,278
Other current liabilities	14,425	11,810
Income tax liabilities	<u>1,011</u>	<u>431</u>
Current liabilities	97,362	87,002
Liabilities	238,600	204,124

3. Consolidated Income Statement in accordance with IFRS for the period of 1 January 2011 to 30 September 2011

	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
In EUR thousands		
Revenues	265,659	215,062
Changes in inventory of finished goods and work in progress	4,885	4,315
Other capitalised company-produced assets	66	61
Other operating income	4,101	3,248
Material cost	158,016	130,375
Personnel expenses	77,666	63,172
Other operating expenses	24,084	18,460
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	14,945	10,680
Depreciation and amortisation	6,283	4,392
Earnings before interest and taxes (EBIT)	8,663	6,288
Other interest and similar income	297	495
Interest and similar expenses	1,782	970
Earnings before taxes	7,178	5,813
Income tax results	-2,166	-1,699
Earnings for the period	5,012	4,115
<u>Allocation of earnings for the period:</u>		
to shareholders of the parent company	4,312	3,906
to shareholders with non-controlling interests	699	209
	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
<u>Other earnings</u>		
Currency differences	-212	493
Proportional acquisitions of subsidiaries with own shares	656	30
Other earnings for the period	444	524
Total earnings for the period	5,456	4,638
<u>Allocations of total earnings for the period:</u>		
to shareholders of the parent company	4,710	4,327
to shareholders with non-controlling interests	746	312
<u>Undiluted earnings per share</u>		
Average number of outstanding shares pro rata temporis	8,406,695	8,461,443
Earnings for the period per share in EUR	0.51	0.46

4. Consolidated Income Statement in accordance with IFRS for the period of 1 July 2011 to 30 September 2011

	01.07.2011 - 30.09.2011	01.07.2010 - 30.09.2010
In EUR thousands		
Revenues	94,625	81,333
Changes in inventory of finished goods and work in progress	1,801	1,270
Other capitalised company-produced assets	6	22
Other operating income	2,269	812
Material cost	55,287	50,671
Personnel expenses	27,746	21,215
Other operating expenses	9,525	6,054
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6,143	5,497
Depreciation and amortisation	2,659	1,874
Earnings before interest and taxes (EBIT)	3,483	3,623
Other interest and similar income	85	32
Interest and similar expenses	637	327
Earnings before taxes	2,932	3,328
Income tax results	-893	-1,061
Earnings for the period	2,039	2,267
<u>Allocation of earnings for the period:</u>		
to shareholders of the parent company	1,650	2,124
to shareholders with non-controlling interests	389	144
	01.07.2011 - 30.09.2011	01.07.2010 - 30.09.2010
<u>Other earnings</u>		
Currency differences	-684	-18
Proportional acquisitions of subsidiaries with own shares	656	30
Other earnings for the period	-28	12
Total earnings for the period	2,011	2,280
<u>Allocations of total earnings for the period:</u>		
to shareholders of the parent company	1,266	2,160
to shareholders with non-controlling interests	746	120
<u>Undiluted earnings per share</u>		
Average number of outstanding shares pro rata temporis	8,406,695	8,461,443
Earnings for the period per share in EUR	0.20	0.25

5. Consolidated Cash Flow Statement for the period of 1 January 2011 to 30 September 2011

	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
In EUR thousands		
Earnings before interest and taxes (EBIT)	8,663	6,288
Depreciation and amortization	6,283	4,392
Expenses from the disposal of fixed assets	15	30
Change in non-current provisions	50	76
Other non-cash expenses and income	490	44
Income tax paid	-2,821	-2,769
Cash flow from operating activities before changes in working capital	12,680	8,060
Cash flow from changes in working capital	-1,638	-4,640
Cash flow from operating activities	11,041	3,420
Payments for investments in fixed assets	-2,790	-2,019
Payments received from the disposal of fixed assets	17	14
Payments made for the acquisitions of subsidiaries	-24,721	-8,950
Payments made for the acquisitions of assets and rights	-210	0
Payments made for the acquisitions of investments valued at equity	-152	0
Payments received from the sale of investments valued at equity	0	300
Payment made for purchase price shares for companies not acquired in the financial year	-3,881	-892
Cash flow from investing activities	-31,735	-11,547
Addition of own shares	-1,109	-982
Disposal of own shares	0	153
Taking out of bank loans	4,250	0
Repayment of bank loans	-2,460	-598
Payment balance from the assignment of receivables owed by customers	1,324	2,749
Interest received	297	495
Interest paid	-1,829	-879
Dividends	-4,164	-4,199
Payments balance with shareholders with non-controlling interests	-189	-123
Cash flow from financing activities	-3,880	-3,384
Total cash flow	-24,574	-11,511
Exchange rate related changes to financial funds	-212	493
Total changes to financial funds	-24,786	-11,018
Financial funds at the start of the period	61,110	49,141
Financial funds at the end of the period	36,324	38,124

Equity Reconciliation Statement

6. Equity Reconciliation Statement as of 30 September 2011

	Subscribed capital	Capital reserves	Retained earnings	Own Shares	Profit carried forward	Results for the period	Changes in equity recognised directly in equity	Equity share of shareholders of the parent company	Equity share of shareholders with non-controlling interests	Equity
In EUR thousands										
Balance as of 1 January 2010	9,072	11,306	277	-3,609	56,459	5,166	-884	77,787	1,753	79,540
Transfer of the previous year's results of the period to profit carried forward	0	0	0	0	5,166	-5,166	0	0	0	0
Addition of own shares in Allgeier Holding AG	0	0	0	-982	0	0	0	-982	0	-982
Disposal of own shares in Allgeier Holding AG	0	0	0	123	0	0	30	153	0	153
Dividends	0	0	0	0	-4,199	0	0	-4,199	-123	-4,322
Earnings for the period	0	0	0	0	0	3,906	0	3,906	209	4,115
Non-controlling interests in net value of newly acquired subsidiaries (fair value)	0	0	0	0	0	0	0	0	1,207	1,207
Currency differences	0	0	0	0	0	0	390	390	103	493
Balance as of 30 September 2010	9,072	11,306	277	-4,468	57,426	3,906	-463	77,056	3,149	80,204
Balance as of 31 December 2010	9,072	11,306	277	-4,468	57,426	8,345	-167	81,790	3,706	85,496
Transfer of the previous year's results of the period to profit carried forward	0	0	0	0	8,345	-8,345	0	0	0	0
Addition of own shares in Allgeier Holding AG	0	0	0	-1,109	0	0	0	-1,109	0	-1,109
Disposal of own shares in Allgeier Holding AG in context of the acquisition of Nagarro	0	0	0	1,439	0	0	656	2,095	0	2,095
Dividends	0	0	0	0	-4,164	0	0	-4,164	-189	-4,353
Earnings for the period	0	0	0	0	0	4,312	0	4,312	699	5,012
Currency differences	0	0	0	0	0	0	-258	-258	47	-211
Balance as of 30 September 2011	9,072	11,306	277	-4,138	61,607	4,312	231	82,666	4,263	86,929

7. Other explanatory notes

Accounting methods

This nine-month report by the Allgeier Group was prepared in line with the requirements of Paragraph 37w of the German Securities Trading Act. There were no changes in the accounting methods compared with the consolidated financial statements as of December 31, 2010.

All amounts in the interim financial statements are presented in thousands of euros, unless otherwise stated.

This nine-month report was subject to neither an auditor's review pursuant to Paragraph 37w at the German Securities Trading Act, nor was it audited pursuant to Paragraph 317 of the German Commercial Code (HGB).

Own shares

Allgeier Holding AG acquired 87,142 treasury shares in the period from January 1, 2011 until September 30, 2011. Allgeier Holding AG also issued 169,251 treasury shares to partially settle the purchase price for Nagarro Inc., San Jose/USA. The treasury share position fell from 656,229 on December 31, 2010 to 574,120 on September 30, 2011.

Dividend

Allgeier Holding AG paid a total dividend of EUR 4,164,064 from its balance sheet profit in June 2011. There were a total of 8,328,129 shares enjoying dividend entitlement, and a EUR 0.50 dividend was paid per share.

Consolidated group

In the first nine months of 2011, the number of companies included in the scope of consolidation of the Allgeier Group increased from 40 companies as of December 31, 2010 to 52 companies as of September 30, 2011. The Group acquired the following companies in the period under review:

- 100% of the shares of 1eEurope (Switzerland) AG, Thalwil/Switzerland
- 100% of the shares of Nagarro Inc., San Jose/USA
- 100% of the shares of GEMED Gesellschaft für medizinisches Datenmanagement GmbH, Ulm
- 100% of the shares of Allgeier Middle East Ltd. Based in JAFZA Freezone, Dubai/UAE

The Group formed the following companies in the period under review:

- BSH IT Solutions GmbH, Bremen
- Allgeier Ltd., Nicosia/Cyprus
- Allgeier S.A./Luxembourg
- Allgeier Nagarro Holding AG, Munich

The following companies were merged within the Group in the period under review:

- Next Computing GmbH, Heusweiler, with Next GmbH, Heusweiler
- Solveos GmbH, Langenfeld, with Solveos IT Solutions GmbH, Langenfeld
- mgm technology partners GmbH, Munich, with MGM MBO GmbH, Munich

Responsibility statement

According to the best of its knowledge, the Managing Board of the Allgeier Holding AG assures that this interim financial report by the Allgeier AG Group has been prepared in accordance with applicable accounting principles, and conveys a true and fair view of the Group's net assets, financing position and results of operations.

Legal note

This interim financial report as of September 30, 2011 contains forward-looking statements that are based on assumptions and estimates made by the management of Allgeier Holding AG. Although the management is of the opinion that these assumptions and estimates are appropriate, actual future developments and results may diverge considerably from these assumptions and estimates due to manifold factors. These factors may include, for example, changes to the macroeconomic situation, exchange rates, interest rates, and changes to market trends and the competitive situation. Allgeier Holding AG assumes no warranty and liability that future developments, and the results that are actually achieved in the future, will concur with the assumptions and estimates expressed in this interim report.



Allgeier Holding AG
Wehrlestraße 12, D-81679 Munich
Phone.: +49 (0) 89 – 99 84 21 0
Fax: +49 (0) 89 – 99 84 21 11
E-Mail: info@allgeier.com
www.allgeier.com