SHAPING TRANSFORMATION

SNP | Annual Report 2021

KEY FIGURES

in €m unless otherwise stated	2021	2020	Δ absolut	Δ in %
Order entry	192.1	184.4	7.7	4%
Revenue	167.0	143.8	23.2	16%
EBITDA	16.3	9.2	7.1	76%
EBIT	6.3	0.8	5.5	650%
Profit or loss for the period	0.6	-1.8	2.4	n/a
Earnings per share (in €)	0.14	-0.22	0.23	n/a
Operating cash flow	-1.4	2.0	-3.4	n/a
Cash and cash equivalents	40.3	29.4	10.9	37%
Employees as of December 31	1,335	1,463	-128	-9%

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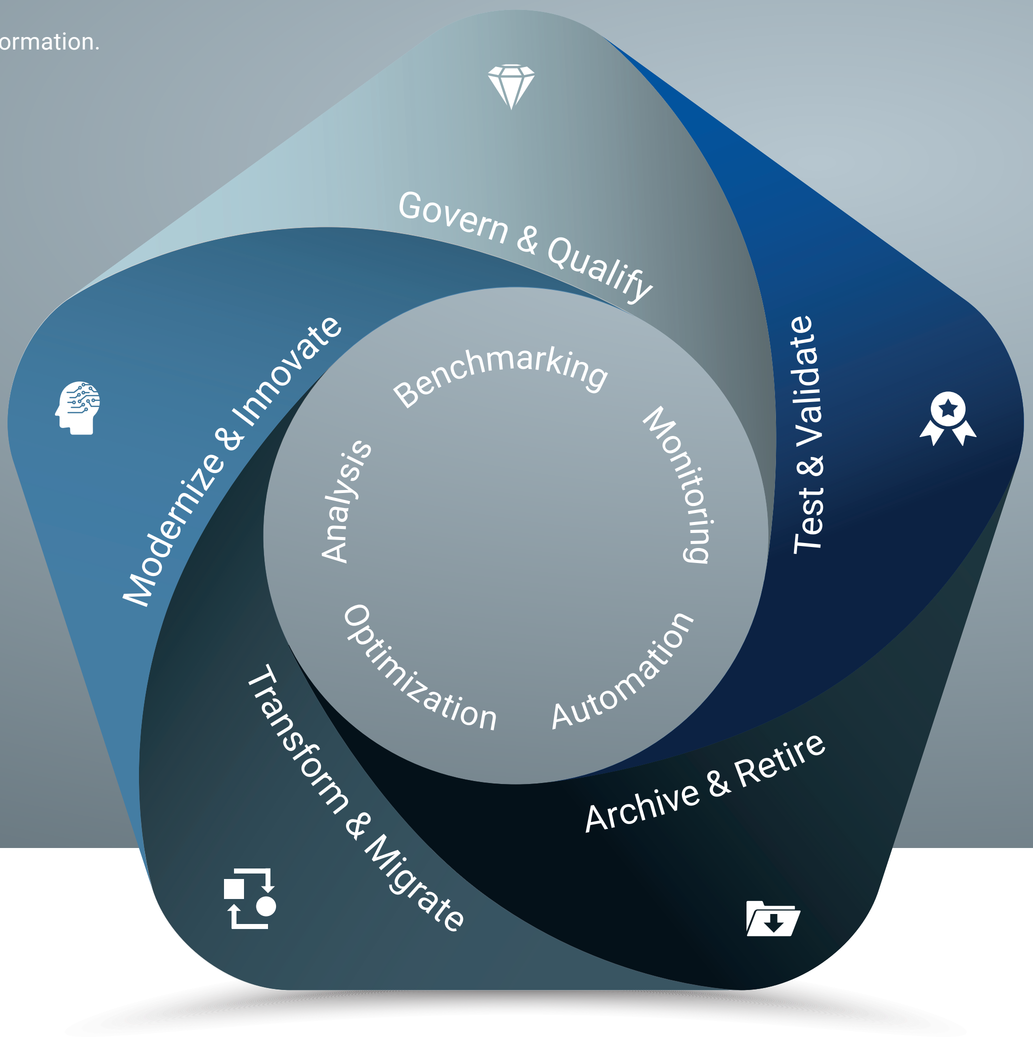
OUR PORTFOLIO

SNP | CrystalBridge™

The platform for SAP-centric technology transformation.



Our Portfolio

Govern & Qualify

Actively monitor & manage your data

Transform & Migrate

Harmonize, Carve, Merge.
Move to S/4, BW/4, DWH, Cloud.

Test & Validate

Automate to reduce time, risk and increase quality

Modernize & Innovate

Innovate with SAP data on your platform of choice

Archive & Retire

Actively manage data footprint and compliance

SNP's software portfolio is expanding: Through the acquisitions of Datavard and EXA, we are strengthening our position in the market for SAP data transformations and expanding in the growth markets of data management and analytics. We are also shifting our focus to the selective migration of applications and data to the cloud.

Through the integration of Datavard, we are further expanding our market share in the important market of SAP S/4HANA migrations. Furthermore, in the future we will also offer analyses and transformations for the key analytics applications SAP Business Warehouse and SAP Analytics – a market that currently comprises around 14,000 companies around the world and that will play an important role for our customers as part of the digital transformation and the journey to the cloud.

In addition, SNP's portfolio is being expanded with software products for data management. This will allow us to offer our customers a solution to all important data challenges – from data integration and masking sensitive data to data archiving and quiescence. We are excellently equipped to grow considerably in this important market.

In parallel, we are getting ready for the key growth market of the future: the selective migration of applications and data to the cloud. Our partnerships with the three most important hyperscalers Amazon, Google and Microsoft and the close cooperation with SAP put us in an excellent starting position in this respect.

We use our expertise and understanding of SAP landscapes and SAP data to offer our customers and partners innovative applications in the cloud through the expansion of our BLUEFIELD™ range.

SUCCESS STORY

STEIFF

"Bringing SNP on board was the perfect decision for this important project. I can therefore recommend SNP to any company planning to convert to S/4HANA. I was particularly impressed with the close and collaborative working relationship with our team, which enabled us to complete the conversion on time despite the significant COVID challenges."
Dirk Petermann, CEO Margarete Steiff GmbH

Scan the QR code and learn more about the successful project.

TO OUR STAKEHOLDERS

The Managing Directors (from left to right): Michael Eberhardt, Gregor Stöckler, Prof. Dr. Heiner Diefenbach

Letter of the CEO

Dear shareholders,
Dear friends of the company,

At the founding of SNP, Dr. Andreas Schneider-Neureither recognized that proper data handling is extremely important for the long-term success of a company. He had his finger on the pulse more than 25 years ago, since data is more important today than ever before. Our overarching goal has not changed since then. We support our customers and partners with comprehensive software solutions and competent advice when it comes to data transformations.

The SNP CrystalBridge™ – our innovative platform for SAP-centered technology transformations – is still the core of our growth strategy.

It is not just for this reason that we are currently extending our software portfolio to include Datavard AG's technological solutions. We acquired this SAP data specialist because our software as well as our consulting portfolios complement each other optimally. Moreover, it allows us to supplement our portfolio with subjects such as Business Warehouse and SAP BW/4, artificial intelligence, machine learning and data archiving.

- **Today, we are a leading global supplier of digital transformation processes and automated data migration in the SAP environment.**

- **In the future, we want to be a software company that goes beyond digital transformation to also offer solutions for data management and analytics, opening up new growth markets in the cloud business.**

We are becoming an innovation leader in the strategic handling of corporate data. The control and evaluation of data is one of the key requirements for intelligent corporate management. We will make use of our expertise, informative analyses and prognoses to make clear recommendations for action so that customers can meet the challenges posed by complex transformation programs.

At the moment, the path toward SAP S/4HANA is sensitizing many companies, customers, and IT system integrators to the development of holistic IT and data strategies. The goal is to implement complex transformation plans that typically take several years in a manner that is fast, low-risk and efficient.

To manage these enormous tasks, we work together with customers and partners to build **transformation factories**. This ensures that our customers and partners walk with us along the "SNP way."

Based on the technology of our CrystalBridge platform, we offer a complete range of services for data transformation, from analysis and transformation to testing and data management.

In addition to our software, our established customer and partner network is a major growth factor. By combining these factors, we arrive at a simple formula: With the help of partners, we transport our unique selling points to the market, thereby scaling up and increasing our software and license revenue significantly.

Concrete indicators clearly demonstrate the success of our partner strategy. We now have contractual relationships with 45 partner companies with whom we attained about one-third of our order entry volume in 2021.

Notwithstanding this operational success, we have switched to concluding new contracts exclusively with partner companies without agreeing in advance on software quotas with an impact on sales or profit. This means that order entry volume and revenue do not accrue directly following the conclusion of the partner agreement, but only when the products are sold to the end customer. Despite this shift, we look back at 2021 as a year that was characterized by growth and profitability.

- The order entry volume in 2021 was around € 192 million, about 4% over the previous year's value.
- **Group revenue** increased by around 16% on the previous year to approx. € 167 million.
- Operating earnings **(EBIT)** were at € 6.3 million, significantly higher than the previous year's figure of € 0.8 million.

In summary, we can say that we successfully continued to promote and further develop our software and partner strategy. This development becomes apparent in our Annual Report for this year, which has the theme **"Shaping Transformation."**

On the one hand, we support our customers with their change and transformation processes – also exemplified through reports on numerous successful customer projects in this area. On the other, we continue to develop SNP and orient it along our services and software for the future. In doing so, we are expanding in the attractive markets of data management and data analytics and can support customers in achieving their digital transformation, particularly to the cloud, in a sustainable and comprehensive manner. The market volume in this area is worth several billion euros.

“ELEVATE” is a new strategy program with which we will continue to drive forward the growth course we have embarked on with such focus. Our growth is based on three pillars:

- Scaling our business with partners
- Expanding our product portfolio
- Expanding the technology basis beyond SAP

At the core of the three pillars is increasing the revenue share with our own software solutions. This way, we can scale our business and increase our profitability.

Dear readers, with the implementation of the strategy program “ELEVATE” we are consolidating our leading position in a future market and optimally preparing SNP for continued profitable growth. For the current 2022 fiscal year, we set ourselves the goal of increasing revenue to between € 170 million and € 190 million. With regard to earnings, we expect the EBIT to improve to between € 10.5 million to € 13 million.

We would first like to give you a mid-term forecast: By 2024, we are aiming for an increase in revenue to more than € 230 million. The EBIT margin will increase by more than ten percentage points by 2024 compared to 2021.

With our outstanding market position and our assertion of being a leader in innovation, we see ourselves on the right track toward achieving our set growth targets. With our highly motivated employees, our satisfied customers and our well-known partners, we are confident in our ability to lead SNP to further success. I would like to thank all of our stakeholders and shareholders for the trust they have placed in us. We will continue to do everything we can live up to your trust.

Michael Eberhardt, CEO

The Board of Directors (from left to right): Sebastian Reppegather, Prof. Dr. Claus E. Heinrich, Dr. Karl Benedikt Biesinger, Richard Roy und Prof. Dr. Christoph Hütten

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby wish to inform you of the Board of Directors' activities in the 2021 fiscal year. SNP SE is managed by the Board of Directors ("monistic system"), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. In accordance with this range of different tasks, we will provide an explanation of the core areas of focus for our management, monitoring and advisory activities in the following.

PERSONNEL CHANGES

New Appointments to the Board of Directors

On April 16, 2021, the then Chairman of the Board of Directors, Dr. Michael Drill, and the Board of Directors members Gerhard Burkhardt and Rainer Zinow declared that they intended to step down from their positions prior to the end of their terms of office. Dr. Michael Drill and Rainer Zinow vacated their positions following the end of the Annual General Meeting on June 17, 2021; Gerhard Burkhardt had already stepped down from his position with effect as of April 16, 2021.

On June 17, 2021, the Annual General Meeting elected Prof. Dr. Claus Heinrich, Prof. Dr. Christoph Hütten, Richard Roy and Sebastian Reppegather as members of the Board of Directors. In order for all of the members of the Board of Directors to have a uniform term of office, Dr. Karl Benedikt Biesinger – who has been a member of the Board of Directors since 2019 – likewise stood for election and was also elected by the Annual General Meeting.

These new appointments mean that the Board of Directors has a broad range of experience and knowledge at its disposal. This includes experience and expertise in relation to the software industry, corporate management and control/corporate governance, capital market issues as well as financial, risk management, compliance and legal matters.

Immediately after our appointment, from among our members we elected Prof. Dr. Claus E. Heinrich as the Chairman of the Board of Directors and Dr. Karl Benedikt Biesinger as the Deputy Chairman of the Board of Directors.

Appointment of an Additional Managing Director

We appointed Gregor Stöckler a Managing Director of SNP SE, as its Chief Operating Officer (COO), with effect as of August 02, 2021. The company thus now has three Managing Directors.

Gregor Stöckler was previously CEO of Datavard AG, which SNP acquired on July 30, 2021.

Areas of Focus for the Work of the Board of Directors

In 2021, the work of the Board of Directors focused on SNP's course of business, the company's corporate strategy, profitability and financing, its HR strategy, corporate governance including compliance, the integration of acquired companies as well as accounting, financial reporting and additional capital market communication. Specific issues like the correction of the Group accounts for the 2019 fiscal year as well as legal issues also arose.

Once the new Board of Directors had been appointed in June 2021, we redefined our core areas of activity. We focused on developing a viable corporate strategy alongside the Managing Directors. The long-term improvement in SNP's profitability was another priority for us, together with employee satisfaction and corporate governance.

CORPORATE GOVERNANCE

We have implemented various measures in the area of corporate governance since the appointment of the new Board of Directors in June 2021:

Establishment of an Audit Committee

Immediately after the election of the new members of the Board of Directors, we resolved to establish an Audit Committee. We elected Prof. Dr. Christoph Hütten as the chairman of this committee and Sebastian Reppegather and Richard Roy as additional members. Prof. Dr. Hütten has expertise in the field of accounting and auditing, while Sebastian Reppegather has expertise in the field of accounting. The activities performed by this committee are described in further detail later in this report.

Compliance Responsibility

The Board of Directors which was in office until June had established its own Compliance Committee. However, in view of its fundamental importance, the new members of the Board of Directors prefer for the full Board of Directors to deal with the issue of compliance. The Compliance Committee was therefore discontinued following the appointment of the new Board of Directors.

Strengthening Compliance with the German Corporate Governance Code

We have implemented a series of measures in order to increase SNP's level of compliance with the German Corporate Governance Code. These measures include the following:

- Introduction of an age limit for the Managing Directors;
- Drafting of a diversity concept and a succession planning concept for the Managing Directors;
- Implementation of a vertical comparison of the remuneration of the Managing Directors with that of the company's upper management level and its overall workforce, and also a horizontal remuneration comparison for the Managing Directors; this horizontal remuneration comparison has been carried out with the support of an independent external remuneration consultant, using remuneration data for selected, mainly German companies which provide software and software-related services like SNP or which are comparable to SNP in terms of their size;
- Reflection of the additional work of the Audit Committee Chairman in the remuneration concept for the Board of Directors.

Board of Directors meetings without Managing Directors

By way of sound corporate governance, we introduced the practice of us holding a discussion without the Managing Directors present, for a certain period of time at the start and end of each Board of Directors' meeting. In individual cases, we also held separate meetings of the Board of Directors, without the Managing Directors present, in order to discuss internal matters of the Board of Directors.

Policy on Business with Related Parties

In December 2021, we resolved an internal policy on the handling of SNP's transactions with members of the company's management (Board of Directors and Managing Directors) as well as related parties. This policy restricts the permissibility of such transactions and sets out the requirements for their approval and the procedure for their handling.

In 2021, transactions with related parties which do not form part of the SNP Group were limited to individual pieces of work assigned to a law firm which a member of the Board of Directors is affiliated to. We reviewed this work and the related invoices and specifically approved them in each case.

Establishment of a Dedicated Internal Audit Department

Internal audit activities were previously handled by various departments at SNP. In the fourth quarter of the fiscal year, we decided to establish a dedicated Internal Audit department, to report to the Chairman of the Audit Committee. We aim to complete the recruitment process so as to enable this new Internal Audit department to commence its activities in mid-2022.

COOPERATION BETWEEN THE BOARD OF DIRECTORS AND MANAGING DIRECTORS

Allocation of Roles Between the Board of Directors and the Managing Directors in the Monistic System

The fundamental principle of responsible corporate management and control for SNP SE is safeguarding an efficient and trusting working relationship between the Board of Directors and Managing Directors, while accounting for the impartiality and independence of the members of the Board of Directors.

In the monistic system, the Managing Directors have joint responsibility for managing the affairs of the company, with the aim of sustainably creating value. They implement the guidelines and requirements set out by the Board of Directors. The company currently has three Managing Directors and a Chairman of the Managing Directors.

Information Received by the Board of Directors

In the past fiscal year, the Managing Directors regularly, promptly and comprehensively informed us about all corporate issues relating to planning, implementation of strategy, business development, the risk situation, risk management and compliance. They mentioned areas in which the company's business performance deviated from the established plans and targets, indicated the reasons for these deviations and notified us of business transactions of particular significance for SNP. This information was provided in written and oral form.

We reviewed the plausibility of the information provided by the Managing Directors and critically examined it.

The Chairman of the Board of Directors also discussed various aspects of the above corporate issues as well as significant individual matters in a large number of discussions with the Managing Directors. The Chairman of the Board of Directors was also regularly in touch with the Managing Directors and was thus promptly informed of any events of material significance for SNP. The Chairman of the Board of Directors was therefore able to notify the other members of the Board of Directors of any new developments at meetings of the Board of Directors, but also in the intervals between meetings and always without delay.

We discussed in detail all business transactions that are significant for the company, based on the reports provided by the Managing Directors, and likewise commented on these transactions ourselves. We reviewed all explanations on the basis of the documents submitted. The Managing Directors provided us with an explanation of deviations in the company's business performance from targets which the Board of Directors had agreed with the Managing Directors. We were involved in all important decisions at an early stage.

Conflicts of Interest

The Managing Directors are required to disclose conflicts of interest to the Board of Directors immediately and inform the other Managing Directors. They may take on secondary activities – particularly supervisory board positions and similar offices outside of SNP SE – only with the prior consent of the Board of Directors. All of the Managing Directors confirmed to the Board of Directors in early 2022 that no conflicts of interest had arisen in 2021 whose disclosure was required.

In case of transactions with related parties of SNP, we agreed to and approved the company's commissioning of such related parties as well as the related invoices.

To avoid any semblance of a conflict of interest in the context of his own business relationships with a member of the community of heirs of Dr. Andreas Schneider-Neureither, Dr. Biesinger did not take part in the discussions and decision-making of the newly appointed Board of Directors regarding SNP SE's relationships with the community of heirs of Dr. Andreas Schneider-Neureither.

INITIAL AND ADVANCED TRAINING

The members of the Board of Directors underwent the initial and advanced training which is required for our tasks – e.g. concerning changes in the legal situation, the market environment and new technologies – on our own authority and received support from SNP SE where necessary. This means we ensure that we continuously develop our knowledge in our areas of specific expertise.

As a newly elected Board of Directors, our company-specific initial and advanced training in the 2021 fiscal year focused on getting to know SNP, its strategy, structures and processes, its market environment and its relevant challenges. The meetings of the Board of Directors and the Audit Committee served as our main source of information for this purpose.

MEETINGS OF THE BOARD OF DIRECTORS AND RESOLUTIONS PASSED

The Board of Directors held a total of 22 meetings in the past fiscal year. The reconstituted Board of Directors following the Annual General Meeting held on June 17, 2021, accounted for nine of these meetings.

Due to the coronavirus-related travel restrictions and social distancing measures, meetings this year were in some cases held as video conferences or hybrid meetings, where some participants were present in person while the others joined the meeting in virtual form.

In addition, seven resolutions were adopted by means of circular resolutions. The table presented further on in this report shows the number of meetings of the Board of Directors and the Audit Committee which the individual members of the Board of Directors attended in the year under review.

The core issues covered by the individual meetings in 2021 are outlined below:

First January meeting:
As well as HR issues relating to a former Managing Director, on January 22, 2021, the Board of Directors discussed the makeup of the Board of Directors as well as the requirements as to the knowledge, abilities and experience of members of the Board of Directors.

Second January meeting
On January 29, 2021, the Board of Directors discussed the requirements of the German Corporate Governance Code and, in particular, which recommendations SNP would comply with and which it would deviate from. In addition, the Board of Directors discussed possible candidates for the vacant seats on the Board of Directors.

First February meeting
On February 17, 2021, the Board of Directors considered the acquisition of EXA AG for the first time and discussed, in particular, whether its acquisition was appropriate from the point of view of SNP’s product development and positioning on the market.

Second February meeting
On February 23, 2021, the Board of Directors voted to approve the acquisition of EXA AG following a detailed discussion. Additional issues were the circumstances in which a lease agreement had been signed for business premises which were situated on property owned by a U.S. company indirectly held by Dr. Schneider-Neureither; initial discussions with candidates in order to fill the vacant seats on the Board of Directors; and remuneration issues for the Managing Directors.

First March meeting
On March 16, 2021, the Board of Directors once again considered the lease agreement mentioned above, whether the rented business premises were usable for business purposes and the appropriateness of the rent. The Board of Directors resolved to engage the services of an audit firm and a legal firm to examine the issues raised. The Board of Directors also discussed a current compliance scenario and its effects on SNP.

Second March meeting
On March 17, 2021, the Board of Directors discussed the error corrections required for the accounting for the year 2019 due to the lease agreement mentioned above and their effects on the accounting for 2020. At this meeting, the Board of Directors resolved to retrospectively amend the consolidated financial statements for the 2019 fiscal year, due to the remeasurement of the right-of-use assets under the above-mentioned lease agreement, and to provide notice of this resolution by means of an ad hoc announcement. The Board of Directors also resolved to review compensation claims and to undertake an in-depth investigation of the circumstances in which this lease agreement had been concluded.

First April meeting
At its meeting held on April 1, 2021, the Board of Directors discussed the scope and status, as of late March 2021, of the event-driven audit initiated by the German Financial Reporting Enforcement Panel (FREP) due to the notified correction to the consolidated financial statements for the 2019 fiscal year.

Second April meeting
The meeting held on April 16 was dominated by Gerhard Burkhardt's resignation of the previous day as well as the decision of the Board of Directors members Dr. Michael Drill and Rainer Zinow to resign from office ahead of schedule, effective as of the end of the next Annual General Meeting. The effects of these decisions and the next few steps were discussed.

Third April meeting
The meeting held on April 19, 2021, focused on accounting and the Group accounting for the 2021 fiscal year. Following the auditor's report and its own discussion, the Board of Directors approved the annual financial statements and the management report as well as the consolidated financial statements and the Group management report. Further issues discussed at this meeting were the course of business in the first quarter, the remuneration systems for the Board of Directors and the Managing Directors, further developments in relation to the above-mentioned lease agreement and the compliance scenario which had already been discussed, the preparation of the Annual General Meeting and due diligence in relation to the possible acquisition of Datavard AG.

Fourth April meeting
At its meeting held on April 26, 2021, the Board of Directors considered the agenda for the upcoming Annual General Meeting as well as the choice of candidates and the remuneration for the new Board of Directors. It also discussed bonus repayment claims due to the correction of the 2019 consolidated financial statements and the latest developments concerning the above-mentioned lease.

May meeting
On May 21, 2021, the Board of Directors considered the company's course of business to date in the current year, while focusing on selected regions. Further issues were the status of the due diligence on the acquisition of Datavard AG, the sale of the Group's Polish subsidiary and the status of the audit initiated by the Financial Reporting Enforcement Panel (FREP) in response to the correction of the 2019 consolidated financial statements.

First June meeting
The sole matter discussed at the meeting of June 8, 2021 was the preparation of the Annual General Meeting and, in particular, the treatment of countermotions already received.

Second June meeting
The meeting held on June 11, 2021 considered the ad hoc announcement concerning the Group's intended acquisition of Datavard AG and the treatment of further countermotions for the impending Annual General Meeting.

Third June meeting (first meeting held with newly appointed Board of Directors)
The first meeting of the newly appointed Board of Directors was held on June 17, 2021 following the Annual General Meeting. First of all, all of the other members of the Board of Directors elected Prof. Dr. Claus E. Heinrich as the Chairman and Dr. Karl Benedikt Biesinger as the Deputy Chairman. We

subsequently discussed the results of the Annual General Meeting, were provided with a report from the Managing Directors on the course of business and the "SNP Vision 2025," and prepared a list of topics for discussion at future meetings. We also resolved to establish an Audit Committee and decided who would serve as the members of this committee. We dissolved the previously applicable Compliance Committee, since in our view compliance is an issue of critical importance which we intend to discuss with the entire Board of Directors present.

First July meeting
On July 5, 2021, the CEO of Datavard AG provided us with an overview of this company, which the Group intends to acquire, and its key figures. The Managing Directors presented the goals of this acquisition, related review processes, acquisition strategies and integration plans as well as the likely synergy effects arising from the envisaged acquisition. We discussed the planned acquisition and provided the Managing Directors with comprehensive negotiation guidance and recommendations. Further discussions focused on the planned sale of SNP Poland and the report from the meeting of the Audit Committee which had taken place prior to the meeting of the Board of Directors.

Second July meeting
Besides the status of negotiations on the hiring of Gregor Stöckler, CEO of Datavard AG, as a Managing Director (COO) of SNP SE, our meeting held on July 12, 2021 focused, in particular, on the planned acquisition of Datavard AG and the related integration budget.

Third July meeting
At our meeting on July 14, 2021, we covered issues relating to the valuation and ongoing due diligence of Datavard AG and discussed the current status of negations with Gregor Stöckler concerning his appointment as a Managing Director.

Fourth July meeting
At our meeting on July 28, 2021, we discussed the draft version of the share purchase agreement for Datavard and approved this. We also discussed and approved the core features of the employment contract of Gregor Stöckler and his appointment as a Managing Director (COO) of SNP, and we assigned responsibility for the final negotiations to the Chairman and the Deputy Chairman of the Board of Directors. We also agreed to the capital increase against a contribution in kind which was envisaged for the purpose of the acquisition of Datavard.

Fifth July meeting
We first of all devoted this all-day meeting on July 30, 2021, to getting to know the Group's regional companies, their managing directors, their organizational structure, their key figures and target figures, their respective markets and customers. The Crystal Bridge software package, which defines SNP's transformation approach, was also presented and discussed. Other issues covered were the current course of business and opportunities to improve the profit situation as well as partner management and the Group's partner strategy.

September meeting
As well as the regular report from the Managing Directors on the course of business, our meeting held on September 1, 2021, focused in particular on the implementation of a cost-cutting program and discussed SNP's sponsorship activities. Other issues covered were the status of Datavard AG's integration, the discussion of the Business Plan 2022–2025 presented by the Managing Directors, SNP's brand strategy and the discussion of the bylaws for the Audit Committee and their approval by means of a resolution.

October meeting

At the meeting of October 11, 2021, the Managing Directors presented the course of business, which had fallen short of expectations, and the outlook for the year as a whole. In the subsequent discussion, we examined in detail what we considered to be an unsatisfactory course of business and, in particular, focused on the order entry, revenue, earnings and cash flow trends. Further issues were the status of the Group's partnership with SAP SE, the integration of Datavard – including the planned realization of revenue and cost synergies – and the relinquishment of a contract model for partner business through which the Group's partners are sold predetermined software quotas. We also discussed our employee remuneration model and, in particular, our objective of setting targets for 2022 so that it is challenging, but realistically possible to achieve these targets. We subsequently unanimously resolved to establish an Internal Audit department directly reporting to the Chairman of the Audit Committee and primarily receiving its audit tasks directly from the Audit Committee.

December meeting

At the meeting of December 3, 2021, we discussed the course of business in the fiscal year now drawing to a close on the basis of a report from the Managing Directors – in particular, the development of the order entry volume, revenue, earnings and cash flow as well as the Group's partner and platform business. We also discussed the core business activities planned for the 2022 and 2023 fiscal years, as presented by the Managing Directors, and a draft strategy for the period up to 2025. We decided to hold a strategy meeting of our own in the first quarter of 2022, in order to make progress in developing a viable strategy.

MEETINGS ATTENDED BY THE MEMBERS OF THE BOARD OF DIRECTORS OF SNP SE IN THE 2021 FISCAL YEAR

	FULL BOARD OF DIRECTORS		AUDIT COMMITTEE		ALL MEETINGS		
Members of the Board of Directors	Meetings	Attended	Meetings	Attended	Meetings	Attended	Rate of attendance in %
Prof. Dr. Claus E. Heinrich (since June 17, 2021)	9	9	-	-	9	9	100%
Dr. Karl Benedikt Biesinger (since 2019)	22	21	-	-	22	21	95%
Prof. Dr. Christoph Hütten (since June 17, 2021)	9	9	7	7	16	16	100%
Sebastian Reppegather (since June 17, 2021)	9	9	7	7	16	16	100%
Richard Roy (since June 17, 2021)	9	9	7	7	16	16	100%
Dr. Michael Drill (until June 17, 2021)	13	13	-	-	13	13	100%
Gerhard Burkhardt (until April 16, 2021)	7	5	-	-	7	5	100%
Rainer Zinow (until June 17, 2021)	13	13	-	-	13	13	100%

The Compliance Committee existed until June 2021. It did not meet in 2021.

THE WORK OF THE AUDIT COMMITTEE

The Audit Committee which was reconstituted in June 2021 held a total of seven meetings in the 2021 fiscal year. These meetings were in some cases held in virtual or hybrid form.

Bylaws

In early September 2021, we approved bylaws for the Audit Committee. These bylaws tasked this committee with responsibility for monitoring the accounts and accounting processes, auditing, the internal control system, the internal risk management system and the internal audit system.

Organization of Meetings

In addition to the committee members, the Managing Director responsible for finance, his employees in charge of external accounting and risk management and representatives of the auditor attended most committee meetings as guests. We also consulted the Chairman of the Managing Directors and representatives of the legal and investor relations departments on individual items of the agenda. In addition, we held discussions with representatives of the auditor on our own, and the Audit Committee also met to discuss various topics without any guests present.

The table found earlier in this report documents how regularly the committee members attended the committee meetings.

Topics Discussed by the Audit Committee

We discussed the following topics in particular at the Audit Committee meetings:

- Establishment of bylaws for the Audit Committee as a basis for its further committee work
- Analysis of the current accounting system and processes for the preparation of financial statements for SNP SE

and the SNP Group and discussion of potential areas of improvement
- Discussion of the details of significant specific accounting polices in the consolidated financial statements of SNP SE and related internal controls
- Discussion of the 2021 half-year financial report and the interim report for the third quarter prior to their publication and the processes for their preparation
- Discussion of SNP's use of alternative performance measures (APM)
- Engagement of the auditor to voluntarily review SNP's non-financial declaration and remuneration report
- Discussion of the audit planning and core areas of audit focus for the 2021 audit, the experience gained from the previous audit
- Negotiation of the audit fees with the auditor
- Discussion and approval of the non-audit services provided by the auditor
- Support for the event-driven audit which the German Financial Reporting Enforcement Panel (FREP) carried out and completed in 2021
- Discussion of the impact on SNP of the newly enacted German Act Strengthening Financial Market Integrity (FISG)
- Analysis of the current risk management system of SNP SE and the SNP Group and discussion of the key risks and relevant risk mitigation
- Presentation of the current compliance management system of SNP SE and the SNP Group, by way of preparation for its discussion by the Board of Directors
- Receipt of information on the status of preparations for transposition of the EU Whistleblower Directive EU 2019/1937 and discussion of the current status of the whistleblower system
- Financial analysts' reporting (analyst coverage) of the SNP share
- Discussion of SNP's internal audit system and evaluation of the establishment of a dedicated Internal Audit department to prepare related discussions and decision-making by the Board of Directors.

Recommendation for the selection of the auditor

In the monistic system, the Board of Directors provides the Annual General Meeting with a proposal for the selection of the auditor. This proposal is based on a recommendation from the Audit Committee to the Board of Directors which the Audit Committee produced in March 2022. The decision on this recommendation is based on a review of the independence, quality and qualifications of the auditor. The review of the auditor's quality encompassed the auditor's reporting on its quality assurance system, key findings resulting from internal quality audits and external quality controls, and inspections by means of peer, regulator and supervisory authority reviews.

Activities Outside the Scope of Committee Meetings

The committee chairman also discussed various aspects of the above points and key individual topics within the remit of the Audit Committee in a large number of discussions with the Managing Director responsible for finance and some of his managers as well as representatives of the auditor. The committee chairman informed the other committee members of these discussions at the next meeting.

The committee chairman also regularly reported on the activities of the Audit Committee at the meetings of the Board of Directors.

AUDIT OF ACCOUNTS AND GROUP ACCOUNTS IN 2021

In the monistic system, the Board of Directors is required to ensure that the Managing Directors keep the necessary accounts and that an early risk detection system is established.

Unqualified Audit Opinions

SNP SE's Annual General Meeting held on June 17, 2021, selected Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("Rödl & Partner") as the auditor and Group auditor, as proposed by the Board of Directors. Rödl & Partner has served as the auditor of

SNP SE and the SNP Group since the 2017 fiscal year. Before the Board of Directors proposed this firm as the auditor at the Annual General Meeting, Rödl & Partner had confirmed to the Chairman of the Board of Directors that no circumstances were applicable that might adversely affect its independence as an auditor or cast doubt on its independence.

Rödl & Partner has audited the accounts and Group accounts of SNP SE as of December 31 and awarded them unqualified audit opinions on March 25, 2022. The auditors who have signed the auditor's reports are Jörg Müller (since the 2017 fiscal year) and Christian Landgraf and Florian Ranger (since the 2020 fiscal year). In addition, pursuant to Section 317 (3b) of the HGB Rödl & Partner has conducted assurance work and confirmed that the reproductions of the annual financial statements, the consolidated financial statements and the combined Group management report and management report which are included in the files handed over on an electronic storage medium, which the issuer has access to via its protected client portal and which have been prepared for disclosure purposes comply, in all material respects, with the requirements of Section 328 (1) of the HGB for the electronic reporting format ("ESEF format").

In addition, Rödl & Partner subjected SNP SE's non-financial reporting to a limited assurance engagement as well as SNP SE's Compensation Report to a reasonable assurance engagement according to stock corporation law and issued audit opinions on each of them without any objections.

The Board of Directors has agreed with Rödl & Partner that it will notify the Board of Directors and note in its audit report in the event that matters are discovered during its audit which mean that the declaration submitted by the Board of Directors on the German Corporate Governance Code is incorrect.

Aspects of the Reviewed Reporting

The Managing Directors prepared the accounts and the Group accounts. These accounts consist of the annual financial statements prepared according to the rules of the German Commercial Code (HGB), the consolidated financial statements drawn up pursuant to Section 315e of the HGB on the basis of the International Financial Reporting Standards (IFRS) as well as the combined management report and Group management report prepared according to the HGB. The non-financial reporting was likewise produced by the Managing Directors and consists of the non-financial report and Group non-financial report, which have been prepared according to the HGB and combined as a single report. We have prepared our remuneration report under Section 162 of the AktG together with the Managing Directors.

Review and Approval by the Audit Committee and Board of Directors

These documents, the auditor's audit reports on the accounts and Group accounts and its opinions on the non-financial reporting and the remuneration report were forwarded to us in advance. At the meetings of the Audit Committee and the Board of Directors which took place on March 25, 2022, the Managing Director responsible for finance commented on these documents and the auditor reported on their scope, its core areas of focus and its key audit findings. In particular, it commented on the key audit matters and the audit procedures implemented. At both meetings, we subsequently covered in detail the accounts and the Group accounts, the non-financial reporting and the remuneration report as well as the audit findings and discussed these with the Managing Directors and the auditor's representatives. Rödl & Partner did not notify us of any significant weaknesses in our internal control system and risk management system. In its discussion of the accounts and the Group accounts, the Audit Committee considered in particular the key audit matters described in the respective auditor's report, including the audit procedures implemented. The Audit Committee has consulted the auditor in detail regarding its audit findings and the nature and scope of its audit activities. At the meeting of the Board of Directors, the Audit Committee also reported on its own review of the accounts and the Group accounts, its discussions with the Managing Directors and the auditor and its oversight of the accounting process.

The Audit Committee and the Board of Directors both established to their satisfaction that Rödl & Partner has duly conducted its audit. In particular, we determined that its audit reports and its audit itself complied with the statutory requirements. As the Board of Directors, we concurred with the audit findings. Following the completion of the Audit Committee's review and our own examination, we do not have any reservations. We have therefore approved the accounts and the Group accounts as well as the non-financial reporting and the remuneration report. The annual financial statements have thus been adopted.

Proposal on the Appropriation of Profit

Our Audit Committee initially discussed and assessed together with the Managing Directors the Managing Directors' proposal on the appropriation of profit, in the context of SNP's profitability and liquidity situation. We subsequently discussed this proposal with the Managing Directors at a meeting of the Board of Directors and resolved to follow the recommendations of the Audit Committee and to present the proposal of the Managing Directors to the Annual General Meeting in order for it to vote on this matter.

Declaration on Company Management and Report on the Board of Directors

We approved the declaration on company management pursuant to Sections 315d and 289f of the HGB for publication on March 24, 2022, by means of a circular resolution. Finally, the Board of Directors approved this report to the Annual General Meeting.

Thanks to the Managing Directors and the Employees

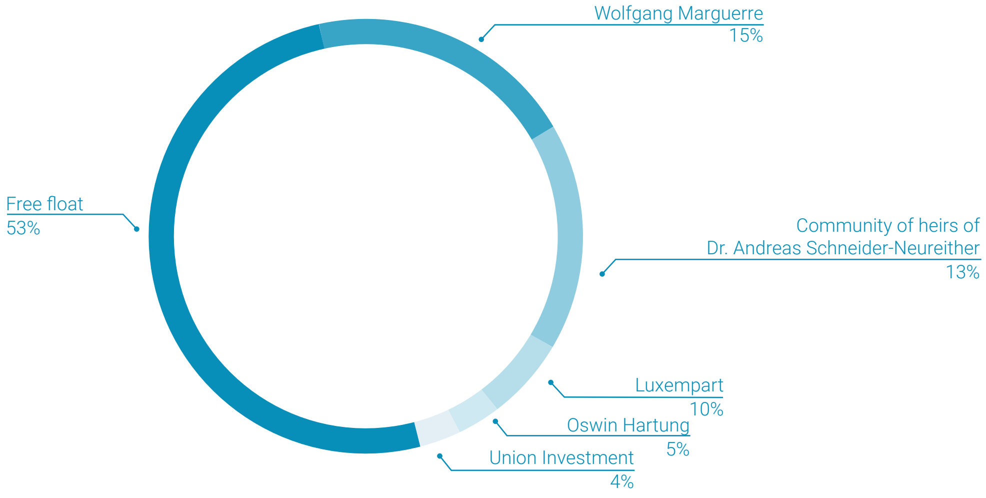
We would like to thank and express our appreciation to the Managing Directors, the managers of the Group companies and all of the Group's employees for their high level of personal dedication, their achievements and their ongoing commitment to SNP SE.

For the Board of Directors

Prof. Dr. Claus E. Heinrich

SNP IN THE CAPITAL MARKETS

SHAREHOLDERS STRUCTURE



KEY SHARE DATA

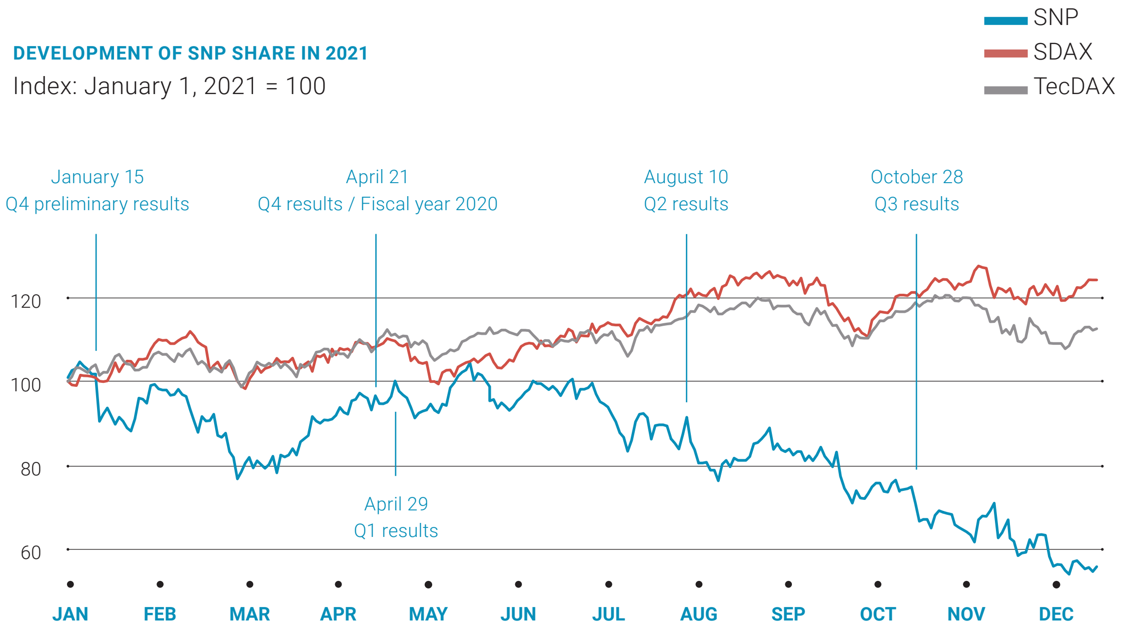
Security identification number	720 370
Symbol	SHF
Market segment	Prime Standard
Share class	No-par-value shares
Shares as of December 31, 2021	7,385,780 (Share capital: € 7,385,780)
Indices	CDAX, DAXsector All Software, DAXsubsector All IT-Services, Prime All-Share, Prime Standard Index

SHARE PERFORMANCE INDICATORS

		2021	2020
Earnings per share	in (€)	0.14	-0.22
Market capitalization as end of year	(in Mio. €)	290	439
Year-end share price	in (€)	39.22	60.90
Highest price	in (€)	64.40	73.30
Lowest price	in (€)	38.10	35.55

DEVELOPMENT OF SNP SHARE IN 2021

Index: January 1, 2021 = 100



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

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

END OF THE SHARE BUYBACK PROGRAM

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

Corresponding to the term, the share buyback program expired in May, 2021. A total of 90,820 shares were purchased at an average price of € 49.30 for a total volume of € 4.5 million; this means that holdings of treasury shares currently total 112,702 shares. Please see the following link for further details of specific transactions:
https://www.snpgroup.com/en/stock-information

Capital increase through contributations in kind

SNP SE signed an agreement to acquire 100% of the shares in Datavard AG on July 28, 2021. At the same time, the Board of Directors has decided to finance part of the purchase price by means of a capital increase through contributions in kind. As consideration for the acquisition of all shares in Datavard AG, a cash component of around € 20 million and the issue of 173,333 new shares via a capital increase through contributions in kind are planned.

The new shares will be issued indirectly to Gregor Stöckler and two additional shareholders of Datavard AG, and all three will remain with the company after the transaction. The shares issued will be subject to a 36-month lock-up period.

PARAMETERS OF THE CAPITAL INCREASE THROUGH CONTRIBUTATIONS IN KIND

Issued shares	173,333 no-par-value shares
Entry in the German commercial register	December 9, 2021
Admission	December 22, 2021

ANALYSTS

- Berenberg
- Bankhaus Metzler
- Stifel
- M.M. Warburg

CUSTOMER STORY

GMG

"A major carve-out transformation project was carried out in partnership with SNP on the occasion of the acquisition of the RSH Asia business, which was a key milestone for GMG's business growth. Using SNP's CrystalBridge software, a rapid and accurate migration was achieved that enabled business gain opportunities at a better speed."
Sunil Nair, Chief Information Officer, GMG

Scan the QR code
and learn more about
the successful project.

CUSTOMER STORY

NATS

"With Test Data Organizer, we have the ability to keep our SAP landscape up to date to provide assurance for our user testing and to address the challenges we had with securing our test data; meeting internal compliance for data protection while reducing the time it takes to get projects underway with external partners."
Emma Chambers, Head of NIBS Business Process & Activity Management, NATS

Scan the QR code
and learn more about
the successful project.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

2021 Declaration on Company Management

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

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

Declaration of conformity with the german corporate governance code

The Board of Directors of SNP Schneider-Neureither & Partner SE (SNP SE) hereby declares the following pursuant to Art. 9 (1) clause (c) (ii) of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (the SE Regulation) and Section 22 (6) of the German Act Implementing the SE Regulation of December 22, 2004 (SEAG) in conjunction with Section 161 of the German Stock Corporation Act (AktG):

Since submitting its most recent declaration of conformity on April 8, 2021 (which was supplemented on May 4, 2021) SNP SE has complied and will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code," as amended on December 16, 2019 (GCGC 2019), which has been in force since March 20, 2020, while taking into consideration the specific details of the monistic system of SNP SE as outlined in Section 1 – with the exceptions indicated in Section 2.

1. Specific Details of the Monistic Corporate Governance System

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

In principle, SNP SE relates the sections of the GCGC 2019 applicable to the Supervisory Board to its Board of Directors and the sections of the GCGC 2019 applicable to the Executive Board to its Managing Directors. Specific exemptions apply here which reflect the legal form of a Societas Europaea and the statutory framework for its monistic system:

- The tasks of the Executive Board prescribed in Principles nos. 1, 2 and 3 in Section A.I (management tasks of the Executive Board) of the GCGC 2019 are incumbent upon the Board of Directors of SNP SE, Section 22 (1) of the SEAG.
- The responsibilities of the Executive Board prescribed in Recommendation and Suggestion A.2 (Compliance) of the GCGC 2019 are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- The responsibilities of the Executive Board prescribed in Suggestion A.5 (conduct in case of a takeover offer) of the 2019 Code are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- Unlike the German Stock Corporation Act, the SEAG does not prescribe any fixed terms of office for Managing Directors. Accordingly, the Managing Directors of SNP SE have not been appointed for specific terms of office and

instead have employment contracts subject to notice periods. Recommendations B.3 and B.4 of GCGC 2019 on the duration of a first-time appointment and the timing of any reappointment are not therefore applicable.

2. Deviations from the Recommendations of the GCGC 2019

On December 16, 2019, the "Government Commission on the German Corporate Governance Code" presented a new version of the German Corporate Governance Code. This came into force on March 20, 2020, following its publication by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (GCGC 2019).

The Board of Directors of SNP SE hereby declares that SNP SE is complying with the recommendations of the GCGC 2019 and will continue to do so in the future, with the following deviations:

- According to Recommendation B.1, the Board of Directors should ensure diversity among the Managing Directors. As the focus here so far has been on technical, professional and personal suitability and qualifications, the Board of Directors has opted to deviate from this recommendation in the past. However, in early 2022 the Board of Directors expanded its diversity concept to include the Managing Directors. This had previously only covered the Board of Directors.

- According to Recommendation B.2, the Board of Directors should work with the Managing Directors to ensure long-term succession planning. Since no succession concept existed for the Managing Directors of SNP SE, the Board of Directors has opted to deviate from this recommendation in the past. However, in early 2022 the Board of Directors produced such a concept in consultation with the Managing Directors..

- According to recommendation B.5, an age limit for Managing Directors should be set. Since such an age limit was not considered necessary, the Board of Directors has opted to deviate from this recommendation in the past. However, in early 2022 the Board of Directors introduced an age limit for the Managing Directors corresponding to the age limit for the German standard retirement pension, i.e. currently 67 years of age.

- According to Recommendation C.13, in its election proposals to the Annual General Meeting, the Board of Directors is to disclose the personal and business relationships of every candidate with the company, the governing bodies of the company and any shareholders with a material interest in the company. The 2021 Annual General Meeting had proposed Board of Directors member Dr. Karl Biesinger for reelection to the Board of Directors. The company neglected to disclose that RB Reiserer Biesinger Rechtsanwaltsgesellschaft, where Dr. Biesinger works as an attorney, maintains business relationships with shareholders with material interests in the company. RB Reiserer Biesinger Rechtsanwaltsgesellschaft mbH has not undertaken any legal work for these shareholders holding material interests in conjunction with their investment in SNP SE. When candidates are proposed to the Annual General Meeting in the future, the Board of Directors plans to fully disclose the information stated in Recommendation C.13.

- According to Recommendation D.5, the Board of Directors should form a Nomination Committee composed exclusively of shareholder representatives to nominate suitable candidates to the Board of Directors for its proposals to the Annual General Meeting for their election. The Board of Directors is of the opinion that the establishment of such a committee is neither necessary nor appropriate due to the specific circumstances of the company, in particular the size of the Board of Directors (currently five members) and the lack of employee representatives on the Board.

- According to Recommendation D.8, the report of the Board of Directors is to note how many meetings of the Board of Directors and its committees the individual members have attended. The Board of Directors report of April 19, 2020 included this information for the Board of Directors. However, it lacked the information that, with the exception of the absence of Mr. Gerhard Burkhardt from a Compliance Committee meeting, all of the committee members attended the two meetings of the Compliance Committee which took place in 2020. The Board of Directors report planned for late March 2022 and future Board of Directors reports will fully disclose the individual members' attendance of the meetings of the Board of Directors as well as committee meetings.

- According to Recommendation G.1, financial and non-financial performance criteria are to be specified for the grant of variable remuneration components. In conjunction with Recommendation G.7, these performance criteria are to be specified for all variable remuneration components. To date, the remuneration system for SNP's Managing Directors is solely based on financial performance criteria, since non-financial performance criteria were in the past considered less appropriate as an incentive mechanism. The Board of Directors has therefore opted to deviate from this recommendation. However, the Board of Directors intends at least to amend the remuneration system so that employees' satisfaction and commitment becomes a performance criterion. Further non-financial performance criteria will then be added in the medium term.

- According to Recommendation G.3, the appropriateness of the overall remuneration is to be assessed by means of a suitable peer group comparison. Upon signing the Managing Directors' current contracts, the Board of Directors did not establish any peer group in order to assess the appropriateness of the Managing Directors' remuneration, and thus nor has it disclosed this peer group. The Board of Directors has therefore opted to deviate from this recommendation. However, in early 2022 the Board of Directors identified a suitable peer group with the help of a remuneration consultant and implemented a peer-group comparison of the Managing Directors' remuneration.

- According to Recommendation G.16, the remuneration of the members of the Board of Directors is to take appropriate account of the larger time commitment of the Chairman and the Deputy Chairman as well as of the chairman and members of committees. The Board of Directors' remuneration system currently only reflects the larger time commitment of the members of the Audit Committee via attendance fees and does not at all reflect the additional time commitment of the Chairman of the Audit Committee. The Board of Directors has therefore opted to deviate from this recommendation. However, in early 2022 the Board of Directors resolved to present to the 2022 Annual General Meeting an adjusted remuneration system for the Board of Directors which complies with Recommendation G.16.

Heidelberg, Germany, March 24, 2022

For the Board of Directors

Prof. Dr. Claus Heinrich

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

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

Management and Control Structure

The company is managed by the Board of Directors ("monistic system"), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. The tasks, competencies and responsibilities of each of these two organs are clearly governed and separated in terms of personnel. The mode of operation, competencies and staffing of the Board of Directors and Managing Directors of SNP SE are discussed in more detail below.

According to the German Corporate Governance Code ("GCGC") as amended on December 16, 2019 (**"GCGC 2019"**), the Board of Directors is required to indicate concrete targets for its composition which – in view of the specific characteristics of SNP SE – give appropriate consideration to its international activity, potential conflicts of interest, the number of independent members of the Board of Directors, to specify an age limit for members of the Board of Directors and to give appropriate consideration to diversity.

Goals for the Composition of the Bodies, Competence Profiles and Implementation Status

In early 2022, the Board of Directors produced a succession planning concept for the Managing Directors and revised the diversity concept which had previously only been applicable for the Board of Directors and expanded this to include the Managing Directors. Within the scope of these changes, the Board of Directors has also:

- adjusted the gender diversity target for the Board of Directors as follows: "The target for female members of the Board of Directors is 20%. However, since all of the current members are male and their terms of office expire in mid-2027. Unless the Board of Directors changes in size, this target will only be achievable within a period of five years if members of the Board of Directors unexpectedly resign from office ahead of schedule. However, the Board of Directors is currently considering adding an additional sixth seat on the Board of Directors by no later than 2024. The target achievable within a period of five years is therefore 16.7%, to be implemented within a period of three years."

- introduced the following gender diversity target for the Managing Directors: "A target of 33.3% is set for the number of female Managing Directors (= first management level below the Board of Directors), on the basis of the current size of this body. The Board of Directors aims to have achieved this target by December 31, 2026.

- set the following gender diversity target for the management level directly below the Managing Directors: "In consultation with the Managing Directors, a target of 20% is set for the proportion of female employees at the management level directly below the Managing Directors (= second management level below the Board of Directors). The Board of Directors and the Managing Directors aim to have achieved this target by December 31, 2026."

- introduced an age limit for the Managing Directors corresponding to the age limit for the German standard old-age pension, i.e. currently 67 years of age.

The two concepts are worded as follows:

Succession planning concept for the Managing Directors
Together with the Managing Directors, the Board of Directors ensures long-term succession planning for the Managing Directors. The Board of Directors has identified the following key primary criteria qualifying a candidate for a position as a Managing Director:

- Personality (incl. empathy),
- Integrity,
- Strong leadership skills,
- Technical qualifications for the position to be filled,
- Performance to date,
- Knowledge of SNP, its industry and its market environment,
- Ability to adapt and redesign business models and processes in a rapidly changing environment.

The Board of Directors also gives consideration to diversity where this is meaningfully achievable given the small number of Managing Directors. The Board of Directors has approved a diversity concept for the makeup of the Managing Directors for this purpose. This concept provides a definition of the term "diversity."

The Board of Directors has asked the Managing Directors to identify and develop potential candidates in management positions within the Group whom the Managing Directors consider to have proven themselves based on their regular work with the Managing Directors and are thus possible candidates to serve as Managing Directors. The Board of Directors has likewise itself begun to pursue discussions with leaders within the Group. As well as yielding various other insights, these discussions provide the Board of Directors with an impression of the potential present at SNP's upper management levels.

Diversity Concept for the Board of Directors and the Managing Directors of SNP SE

Diversity Concept

The Board of Directors understands diversity to mean, above all, a range of different personalities with mutually supportive profiles and professional experience (including at an international level, where possible), appropriate representation of both genders, and an adequate mix of age groups.

Goals of the Diversity Concept: The Meaning of Diversity at SNP

For SNP, diversity is an important prerequisite for maintaining its competitiveness and safeguarding its long-term success. A sufficiently wide range of personalities and expertise among managers and employees is intended to provide a broad range of experience and different points of view, which SNP will benefit from.

Diversity Concept for the Board of Directors

Professional qualifications and experience and expertise are the key requirements for appointment as a member of the Board of Directors. The membership of the Board of Directors should be characterized by a balanced diversity, so as to provide the Board of Directors with the greatest possible variety of sources of experience and expertise.

With its proposals to the Annual General Meeting on the election of new members of the Board of Directors, the Board makes sure that, should they be elected, these candidates will enhance the Board's current range of personalities, profiles and professional experience so that it has all the necessary technical expertise and experience it requires for its work, and that abundant different perspectives enter into its discussions and decision-making.

In accordance with the statutory provisions requiring the equal participation of women and men in management positions, the Board of Directors has set itself a target of 16.7% of these positions being filled by women within three years and 20% within six years. This will be taken into consideration in the future when new appointments are made to the Board of Directors of SNP SE.

Election proposals which the Board of Directors makes to the Annual General Meeting will take these goals into consideration, while also aiming to fulfill the profile of skills and expertise for the body as a whole. A balanced composition must be ensured, so as to ensure the greatest possible breadth in terms of the desired expertise.

Diversity Concept for the Managing Directors

The Board of Directors decides who to appoint to a specific position for the company's Managing Directors in consideration of all individual circumstances in the company's interests. The Board of Directors considers the following aspects in particular:

- Managing Directors should have many years of management experience, preferably acquired at international companies.
- Managing Directors should, overall, have many years of experience in the field of software and IT services.
- Managing Directors should have mutually supportive profiles and professional experience.
- A 33.3% target has been set for the number of female Managing Directors, on the basis of the current size of this body. The Board of Directors aims to have achieved this target by December 31, 2026.
- The Board of Directors has introduced an age limit for the Managing Directors corresponding to the age limit for the German standard retirement pension, i.e. currently 67 years of age. In addition, it ensures that in their entirety, the Managing Directors have an adequate mix of age groups.

Implementation status

The new appointments to the Board of Directors have been partly made in accordance with the diversity concept formulated by the Board of Directors: The newly elected Board of Directors has a range of different personalities with highly varied profiles, expertise and professional experience. The Board of Directors as a whole thus now includes expertise and long-term experience in the areas of software development and sales, IT services, capital market communication, finance, law and company management. They are also members of boards of directors and supervisory boards. On the other hand, it has not been possible to achieve the gender diversity target of 16.7% or 20%, since to date no female member of the Board of Directors has been appointed.

The addition of one Managing Director was likewise partially in accordance with the diversity concept formulated by the Board of Directors: The diversity of expertise and experience of the Managing Directors was further expanded (for instance, in the areas of software development and company management) and the age mix broadened. However, the gender diversity goal of 33.3% has not yet been achieved since there is still no female Managing Director.

The Board of Directors has asked the Managing Directors to regularly report to the Board of Directors on the proportion of female managers at the company's various management levels as well as on the changes to this proportion over time.

Compliance

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

These measures will be adapted in line with the company's risk situation. The effectiveness of the individual measures implemented will be regularly reviewed. For this purpose, since 2019 all of the company's employees at its German locations have been able to report legal violations within the company in a protected fashion using a digital whistleblower system and may opt to do so anonymously. This digital reporting system was expanded to include the Group's subsidiaries in Latin America in 2020 and all of SNP's other subsidiaries in 2021. The compliance organization is strengthened constantly, for example, by coordinators at the local level.

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

Following the constitution of the new Board of Directors in June 2021, compliance falls under the scope of the overall responsibility of the Board of Directors.

The Managing Directors regularly report on this to the Board of Directors.

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

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

The Board of Directors and Managing Directors of SNP SE deliberated on the company's strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in the 2021 fiscal year.

Board of Directors

Composition and working methods

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

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

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

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

Independence

A member of the Board of Directors will be considered independent within the meaning of the GCGC 2019 if they are independent of SNP and its Managing Directors and independent of a controlling shareholder of SNP. In making this assessment of independence, the Board of Directors will at least follow the recommendations set out in the GCGC 2019. Accordingly, more than half of the members of the Board of Directors must be independent of SNP and its Managing Directors. In its view, the Board of Directors currently has at least four independent members and thus has an appropriate number of members who are independent within the meaning of the GCGC 2019, namely Prof. Dr. Claus Heinrich, Prof. Dr. Christoph Hütten, Sebastian Reppegather and Richard Roy.

Committee
The Board of Directors had a Compliance Committee in the period from early 2021 up to June 2021. This was discontinued once the new Board of Directors had been appointed, since the Board of Directors wishes to deal with the compliance issue with the entire Board of Directors present in view of its importance.

In June 2021, the Board of Directors established an Audit Committee. Its tasks, responsibilities and work processes comply with the requirements of the German Stock Corporation Act (AktG) as well as the GCGC.

In particular, the Audit Committee oversees the accounts and the accounting process. It is responsible for a preliminary review of the annual financial statements, the consolidated financial statements and the combined management report of SNP SE and the SNP Group as well as the non-financial report. On the basis of the auditor's report on its audit of the financial statements and following its own preliminary review, the Audit Committee submits proposals for the adoption of the annual financial statements of SNP SE and the approval of the consolidated financial statements, the combined management report and Group management report as well as the non-financial report by the Board of Directors. The Audit Committee is also responsible for discussing the half-year financial report and the quarterly reports with the Managing Directors and for considering the findings of the auditor's audit review of the Group's midyear financial statements and the interim Group management report.

The Audit Committee is also concerned with the company's risk monitoring system and monitors the appropriateness and effectiveness of its internal control system, internal risk management system and internal audit system. It also prepares the Board of Directors' proposal to the Annual General Meeting for the selection of the auditor and provides the Board of Directors with a recommendation to this effect. Before making its proposal for the selection of the auditor, the Audit Committee will obtain a declaration from the envisaged auditor confirming that there are no doubts as to its independence. Once the Annual General Meeting has passed the relevant resolution, the Audit Committee will engage the auditor to undertake the audit and will monitor the audit as well as the selection, independence, qualification, rotation and efficiency of the auditor and of the work performed by the auditor. It regularly evaluates the level of quality of the audit. The Board of Directors also maintains regular dialog with the auditor, outside the scope of meetings, via the Chairman of the Audit Committee.

As of December 31, 2021, the Audit Committee had the following members: Prof. Dr. Christoph Hütten (Chairman), Sebastian Reppegather and Richard Roy. The members of the Audit Committee are all familiar with the sector in which the company operates. The Board of Directors and its Audit Committee have at least the following independent members with expertise in the fields of accounting and auditing:

- Prof. Dr. Christoph Hütten (expertise in the fields of accounting and auditing and particularly strong knowledge and experience in relation to the application of accounting principles)
- Sebastian Reppegather (expertise in the field of accounting)

Self-Assessment of the Board of Directors
The Board of Directors and its Audit Committee regularly evaluate internally how effectively the Board of Directors as a whole and the Audit Committee are performing their tasks. Their findings confirm an open, trusting, professional and constructive working relationship within the Board of Directors and the Audit Committee and with the Managing Directors.

Managing Directors
The Managing Directors have joint responsibility to conduct the business of the company with the goal of sustainable added value. They implement the guidelines and requirements set out by the Board of Directors. The company cur-

rently consists of three members and has a chairperson. The Managing Directors inform the Board of Directors regularly, promptly and comprehensively about all corporate issues relating to planning, business development, the risk situation, risk management and compliance. They mention areas in which the company's business performance deviated from the established plans and targets alongside reasons for the deviations.

The Managing Directors are required to disclose conflicts of interest to the Board of Directors immediately and inform the other Managing Directors. They may take on secondary activities, particularly Supervisory Board positions and similar offices outside of SNP SE, only with the prior consent of the Board of Directors. All of the Managing Directors confirmed to the Board of Directors in early 2022 that no conflicts of interest had arisen in 2021 whose disclosure was required.

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

RESPONSIBILITIES OF THE MANAGING DIRECTORS

MANAGING DIRECTORS	Responsibilities and Departments
Michael Eberhardt Managing Director (CEO) Appointed for an unlimited period of time.	Corporate Strategy & Advisory Board Corporate Development / Change Management Products & Product Management Sales Partner Management Delivery Academy Regions CEU, LATAM, JAPAC, EEMEA
Prof. Dr. Heiner Diefenbach Managing Director (CFO) Appointed for an unlimited period of time.	Legal & Compliance Sustainability & CSR IT (Internal) Finance & Controlling Investor Relations Human Resources Shared Services M & A
Gregor Stöckler Managing Director (COO) COO since August 1, 2021, appointed for an unlimited duration.	Analytics Technology Partner Internal and External Communication Corporate Marketing Partner Marketing Field Marketing Regions UKI & North America ERST GmbH & Innoplexia GmbH

RESPONSIBILITIES OF THE MANAGING DIRECTORS

MANAGING DIRECTORS	Memberships of Other Supervisory Boards and Other Similar Bodies
Michael Eberhardt Managing Director (CEO)	digitalCX.services AG Supervisory Board
Prof. Dr. Heiner Diefenbach Managing Director (CFO)	Hexagon AG Supervisory Board Chairman Exa AG Supervisory Board
Gregor Stöckler Managing Director (COO)	No further offices
Prof. Dr. Claus E. Heinrich Chairman of the Board of Directors CEO sovanta AG Member of the Board of Directors since 2021. Elected for a term of office expiring in 2027*	No further offices
Dr. Karl Benedikt Biesinger Deputy Chairman of the Board of Directors Lawyer at the law firm RB Reiserer Biesinger Rechtsanwaltsgesellschaft mbH Member of the Board of Directors since 2019. Elected for a term of office expiring in 2027*	Witt Solar AG Supervisory Board Chairman

MANAGING DIRECTORS	Memberships of Other Supervisory Boards and Other Similar Bodies
Prof. Dr. Christoph Hütten Self-Employed Management Consultant Member of the Board of Directors since 2021. Elected for a term of office expiring in 2027* Chairman of the Audit Committee	Brockhaus Technologies AG Supervisory Board Member
Sebastian Reppegather Senior Investment Director, Head of Listed Investments, Luxempart S.A., Leudelange, Luxembourg Member of the Board of Directors since 2021. Elected for a term of office expiring in 2027* Member of the Audit Committee	No further offices
Richard Roy Self-Employed Management Consultant Member of the Board of Directors since 2021. Elected for a term of office expiring in 2027* Member of the Audit Committee	DZG Holding GmbH Supervisory Board Chairman Datenlotsen GmbH Member of the Advisory Board

* Up to the end of the Annual General Meeting which resolves on the Board of Directors' discharge for the 2026 fiscal year.

MANAGING DIRECTORS	Memberships of Other Supervisory Boards and Other Similar Bodies
Dr. Michael R. Drill Investment banker Left the Board of Directors in 2021.	Lincoln International AG Chief Executive Officer Shareholder Value Beteiligungen AG Supervisory Board Lincoln International SAS Supervisory Board Prime Capital AG Supervisory Board
Gerhard A. Burkhardt Pensioner Left the Board of Directors in 2021.	casadomus AG Supervisory Board Chairman Haufe-Lexware Real Estate AG Supervisory Board GWE Gesellschaft für Wohnen im Eigentum AG Supervisory Board Familienheim Rhein-Neckar eG Supervisory Board Chairman Wohnbau Lützen GmbH Supervisory Board Chairman (managing director until July 31, 2018) FF Planen und Bauen GmbH Managing Director BfW Bank für Wohnungswirtschaft AG Supervisory Board Chairman

MANAGING DIRECTORS	Memberships of Other Supervisory Boards and Other Similar Bodies
Rainer Zinow Senior Vice President, SAP SE Left the Board of Directors in 2021.	No further offices

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGING DIRECTORS

The following members of the Board of Directors and Managing Directors held shares in SNP SE as of the end of the year:

	SHAREHOLDINGS AS OF DECEMBER 31, 2021		SHAREHOLDINGS AS OF DECEMBER 31, 2020	
Dr. Karl Biesinger	4,757	0.1%	4,757	0.1%
Michael Eberhardt	4,000	0.1%	0	0.0%
Prof. Dr. Heiner Diefenbach	1,000	0.0%	1,000	0.0%
Gregor Stöckler	80,891	1.1%	-[1]	-[1]

[1] Not a Managing Director at this time.

Disclosures on Risk Management

The business activities of SNP SE are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing with these risks responsibly. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP SE employs effective management and control systems that are combined into a uniform risk management system. A detailed description of risk management is contained in the report on opportunities and risks in the 2021 Group management report.

Further Information on Corporate Governance at SNP

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

Accounts and Group accounts

The Managing Directors are responsible for the preparation of the company's quarterly reports and half-year financial report and for the preparation of the annual financial statements, consolidated financial statements and the combined management report of SNP SE and the SNP Group. The Board of Directors and the Managing Directors jointly produce the remuneration report under Section 161 of the AktG.

SNP's consolidated financial statements and half-year financial report are prepared according to the principles of the International Financial Reporting Standards (IFRS), while the annual financial statements of SNP SE as well as the combined management report and Group management report are prepared according to the provisions of the German Commercial Code (HGB).

The Annual General Meeting held on June 17, 2021, once again elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as proposed by the Board of Directors to serve as the auditor for SNP SE and the SNP Group for the 2021 fiscal year.

The Board of Directors and the Managing Directors have jointly produced the remuneration report under Section 161 of the AktG and have had the auditor undertake a review of the contents of this report as well as its formal aspects.

The remuneration report for the 2021 fiscal year will be published as a separate report for the first time. It may be downloaded together with the auditor's relevant audit report at https://www.snpgroup.com/en/corporate-governance.

RESPONSIBILITY STATEMENT

We certify to the best of our knowledge that in accordance with applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's financial position and financial performance and that the business performance, including the result of operations and the position of the Group, are presented in the Combined management report in a way that gives a true and fair view, and that significant opportunities and risks for the expected performance of the Group are described.

Heidelberg, Germany, March 25, 2022

The Managing Directors

Michael Eberhardt

Prof. Dr. Heiner Diefenbach

Gregor Stöckler

INDEPENDENT AUDITOR'S REPORT

To SNP Schneider-Neureither & Partner SE, Heidelberg

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

Audit Opinions

We have audited the consolidated financial statements of SNP Schneider-Neureither & Partner SE, Heidelberg, and its subsidiaries (the Group) – comprising the consolidated statement of financial position as of December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1, 2021, to December 31, 2021, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group management report combined with the management report (hereinafter: the Group management report) of SNP Schneider-Neureither & Partner SE, Heidelberg, for the fiscal year from January 1, 2021, to December 31, 2021. In accordance with German law, we have not examined the content of the components of the Group management report indicated in the "Other information" section of our audit report.

In our opinion, based on the findings of the audit,

- the enclosed consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the HGB, and give a true and fair view of the net assets and financial position of the Group as of December 31, 2021, and of its results of operations for the fiscal year from January 1, 2021, to December 31, 2021, in accordance with these requirements, and
- the attached Group management report as a whole conveys an accurate view of the condition of the Group. This Group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development in all material respects. Our audit opinion on the Group management report does not extend to the content of the components of the Group management report indicated in the "Other information" section.

In accordance with Section 322 (3) (1) of the HGB, we declare that our audit has not led to any objections regarding the correctness of the consolidated financial statements or the Group management report.

Basis for the Audit Opinions

We have conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the HGB and the EU Audit Regulation (No 537/2014) and in consideration of German generally accepted standards for the audit of financial statements, as promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these requirements and principles is described in greater detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" of our audit report. We are independent of the Group companies in accordance with the requirements of European Union law and of German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional standards in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and suitable to serve as the basis for our audit opinions on the consolidated financial statements and the Group management report.

Key Audit Topics in the Audit of the Consolidated Financial Statements

Key audit topics are such matters that, in our dutiful judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1, 2021, to December 31, 2021. These matters were considered in connection with our overall audit of the consolidated financial statements and in the formation of our audit opinion; we do not issue any separate audit opinion on these matters.

From our point of view, the following issues were the most significant.

Recoverability of Goodwill

Reasons for Designation as a Particularly Important Audit Subject

Goodwill amounted to € 70.4 million as of December 31, 2021. This corresponds to 26.5% of total assets.

Goodwill is tested for impairment at the level of the Services and Software cash-generating units. The evaluation of the recoverability of goodwill is complex and is based on a series of discretionary factors. The most significant assumptions involve the expected future revenues, the planned earnings margin and the applied discount rate.

The impairment tests performed did not reveal any need for impairment. There is a risk, with regard to the consolidated financial statements, that the goodwill in the cash-generating units is not recoverable.

Our Approach to the Audit

We have validated the planning process and the material assumptions applied based on the explanations of those responsible for planning. Using the available information, we have assessed whether the material target values contained in the budget and the underlying assumptions are appropriate. We compared the expected future cash flows for the Services and Software cash-generating units against the available projections.

Furthermore, we are satisfied with the reliability of the company's budgeting through a retrospective comparison of the target values (e.g., income and profit margin) from previous years with the actual performance values. We, along with our specialists, have validated the assumptions and parameters used to determine the applied discount rate, particularly the market risk premium and beta factor, and retraced the calculation method. Furthermore, we have conducted our own sensitivity analyses in order to be able to assess any potential impairment risk given a conceivable change in material measurement assumptions.

We assessed the calculation method used in the impairment test and verified the calculation of the discounted cash flow surpluses in arithmetical terms.

Reference to Related Disclosures

For information on the accounting policies applied and the impairment tests performed, we refer to the disclosures in the notes to the consolidated financial statements under "8. Use of Estimates" and "9. Key Accounting Policies."

Recognition of Revenue From Services

Reasons for Designation as a Particularly Important Audit Subject

The company reports revenue from Services of € 115.8 million in the consolidated income statement for the 2021 fiscal year. Revenue from Services accounts for 69.4% of the Group's total revenue.

Customer requirements vary in the Services area. These requirements result in a variety of contract rules. The recognition of consulting fees depends on complex contractual agreements, resulting in different times of recognition. Revenue for consulting business is recognized in accordance with IFRS 15 "Revenue from Contracts with Customers."

According to IFRS 15, the contractually agreed performance obligations must be identified for services to a customer. Where there are economic interdependencies, it must first be examined whether several contracts with a customer are to be combined into one contract (multi-component contract). The assessment is discretionary.

For the performance obligations identified in combined contracts, the allocation of the consideration is discretionary. In this respect, there is a risk of incorrect allocation and correspondingly incorrect revenue recognition.

SNP Schneider-Neureither & Partner SE recognizes sales revenue in the Services business segment both in connection with specific times and with broader time periods.

Sales revenues from customer-specific consulting projects, which are fulfilled over a certain period of time, are realized according to the percentage-of-completion method. This is determined according to an input-oriented method, in that the consulting hours already performed are always set in relation to the estimated total project hours required to fulfill the performance obligation. In the company's opinion, this method best reflects the progress of the work or the transfer of assets to the customer.

The recognition of revenue from customer-specific consulting projects over time is complex and discretionary in nature. Estimation uncertainties exist in particular with regard to the total project hours to be estimated to determine the degree of completion achieved. There is also the risk that expenses are recorded for the wrong projects.

There is a risk for the consolidated financial statements that the accrual of revenues from customer-specific consulting projects for specific periods is incorrect as of the reporting date and that revenues are therefore recognized in the wrong period.

Our Approach to the Audit

Based on our understanding of the process and the evaluation of the structure and implementation of the internal controls implemented regarding the accurate recording of contract-related personnel expenses and other expenses in the internal contract accounts, we have examined their effectiveness. These controls ensure that only project-related hours and expenses are recorded in and billed to the respective contract accounts.

In addition, we gained a process understanding of the estimation of total project hours and validated the design, implementation and effectiveness of the internal controls established.

Using a combination of mathematical and statistical processes and carefully selected contracts, we assessed the need to combine contracts and the identification of individual performance obligations. On this basis, we also reviewed the allocation of the transaction price to the individual performance obligations using the individual sales prices we reconstructed. For the ongoing client-specific consulting projects included in the selection, we assessed the underlying contractual agreements to determine whether the recognition of revenue in connection with these is based on timeframes and the percentage of completion. For these project orders, we subsequently assessed the percentage of completion on which the revenue recognition is based by tracking the total actual hours recorded, the estimated total project hours and the expected order revenues in the client's calculation.

Reference to Related Disclosures

For information on recognition of the revenue mentioned, please refer to the information provided in the notes to the consolidated financial statements under "8. Use of Estimates" and "17. Contract Assets and Contract Liabilities."

Recognition of Revenue From Software Licenses

Reasons for Designation as a Particularly Important Audit Subject

The company reports revenue from software licenses of € 51.2 million for its own software products in the consolidated income statement for the 2021 fiscal year. Revenue from software licenses accounts for 30.6% of the Group's total revenue.

The correct recognition of revenue in the consolidated financial statements is of particular importance to the Group's economic position. The recognition of revenue from software licensing transactions depends on complex contractual agreements, resulting in different times of recognition. The company sells its own software products in standalone licensing transactions that do not entail the company entering into any additional performance obligations or multi-component transactions. In cases involving licensing as a standalone service, the corresponding licensing fees are billed on the basis of a specific date and are recognized when the delivery obligation is satisfied in accordance with IFRS 15 "Revenue from Contracts with Customers," as the customer only has a right of use insofar as the licensed software product exists at the time the license is granted.

In addition, project-related software licenses in particular are granted to customers as part of transformation contracts. These are granted for a fixed term corresponding to the duration of the transformation project. Project-based licensing forms part of a single performance obligation because it serves to allow consulting services to be provided in the context of transformation projects. In such cases, the revenue is recognized uniformly on a percentage-of-completion basis, as the projects feature customer-specific benefits and there are enforceable payment claims for services already rendered. In cases involving these customer-specific project orders, the percentage of completion and, by extension, the amount of revenue that can be recognized are determined by comparing the hours worked on the project against the total hours expected to be spent on the project.

The recognition of revenue from customer-specific consulting projects over time is complex and discretionary in nature. Estimation uncertainties exist in particular with regard to the total project hours to be estimated to determine the degree of completion achieved. There is also the risk that expenses are recorded for the wrong projects.

There is a risk, with regard to the consolidated financial statements, that the revenue from the software licensing transactions may not have been recognized in the correct period or at the correct amount.

Our Approach to the Audit

First, we assessed the processes in place to assess the requirements for recognition of revenue at a given time or in a given time period in the software licensing business.

In the case of project licenses, we examined the effectiveness of the internal control system with regard to project management based on our understanding of the process and the evaluation of the structure and implementation of the internal controls implemented in relation to the accurate recording of contract-related personnel expenses and other expenses in the internal contract accounts. The project management controls ensure that only project-related hours and expenses are recorded in the respective contract accounts.

Using a combination of orders selected both by deliberate means and by statistical sampling methods, we evaluated the underlying contractual agreements to determine whether the software licensing transactions are a standalone service with licensing fees generated at a specific time, or whether the licensing transaction forms part of a standardized performance obligation in the context of transformation projects. In the latter case, we verified whether customer projects not yet completed had their revenue recognized on the basis of the percentage of completion. We also performed spot checks on those project orders that have not yet been completed to evaluate the percentage of completion on which the revenue recognition is based by reviewing and verifying the total actual hours recorded, the estimated total project hours and the expected order revenue in the client's calculation.

Using contracts that were deliberately selected on a risk-oriented basis, we assessed the underlying contractual agreements to determine whether the obligations from the software license transactions have been fulfilled by the company and whether software license revenues have been recognized in the appropriate period or in the appropriate amount.

Reference to Related Disclosures
For information on recognition of the revenue mentioned, please refer to the information provided in the notes to the consolidated financial statements under "8. Use of Estimates" and "17. Contract Assets and Contract Liabilities."

Other Information

The Managing Directors and the Board of Directors are responsible for other information. Other information includes:

- the assurance statement for the consolidated financial statements according to Section 297 (2) (4) of the HGB and the assurance statement for the Group management report according to Section 315 (1) (5) of the HGB,
- the combined non-financial report according to Section 315b (3) (2) of the HGB in conjunction with Section 298 (2) of the HGB, to which reference is made in the "Group Non-financial Declaration" section of the Group management report,
- the declaration on corporate governance in accordance with Section 289f of the HGB in conjunction with Section 315d of the HGB, to which reference is made in the section "Declaration on Company Management Pursuant to Section 315d of the HGB" in the Group management report,
- the letter from the CEO to the shareholders,
- the report of the Board of Directors,
- the comments on the SNP share in the chapter "SNP in the Capital Markets,"
- the remaining parts of the annual report, except for the audited consolidated financial statements, the Combined management report and our audit report.

The Board of Directors is responsible for the report of the Board of Directors. The Managing Directors and the Board of Directors are responsible for the declaration pursuant to Section 161 of the AktG on the German Corporate Governance Code, which forms part of the Group declaration on corporate governance which is included in the Group management report. The Managing Directors are responsible for any other information.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to other information. Accordingly, we are not issuing an audit opinion or any other kind of audit finding regarding such information.

In connection with our audit of the consolidated financial statements, we have the responsibility to read the above-mentioned other information and, in the process, to determine whether the other information

- contains material discrepancies by comparison with the consolidated financial statements, the Combined management report or the insights gained during the audit or
- otherwise appears to display material misrepresentations.

If, on the basis of the work we perform on the other information obtained prior to the date of this audit opinion, we conclude that this other information contains significant misstatements, we are obliged to report this. We have no matters to report in this regard.

Responsibility of the Managing Directors and the Board of Directors for the Consolidated Financial Statements and the Combined Management Report
The Managing Directors are responsible for the preparation of the consolidated financial statements, which, in all

material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the HGB, and for ensuring that the consolidated financial statements give a true and fair view of the financial position and financial performance of the Group in accordance with these requirements. Furthermore, the Managing Directors are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Managing Directors are responsible for assessing the Group's ability to continue as a going concern. In addition, they have the responsibility to report any relevant matters in connection with continued operation as a going concern. They are also responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

Moreover, the Managing Directors are responsible for the preparation of the Group management report, which conveys an overall accurate view of the condition of the Group, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and accurately represents the opportunities and risks of future development. Furthermore, the Managing Directors are responsible for taking precautions and implementing measures (systems) they have deemed necessary in order to enable the preparation of a Group management report in accordance with applicable German legal requirements and in order to provide sufficient suitable evidence for the statements in the Group management report.

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

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Combined Management Report

Our objective is to obtain sufficient assurance regarding whether the consolidated financial statements as a whole are free of material misrepresentations – whether deliberate or unintentional – and whether the Group management report conveys an overall accurate view of the condition of the Group, is consistent in all material respects with the consolidated financial statements and the insights gained during the audit, complies with German legal requirements and accurately represents the opportunities and risks of future development as well as to issue an audit report that contains our audit opinions on the consolidated financial statements and the Group management report.

Sufficient assurance is a high degree of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 of the HGB and the EU Audit Regulation and German generally accepted standards for the audit of financial statements, as promulgated by the Institute of Public Auditors in Germany (IDW), will always uncover material misrepresentations. Misrepresentations can result from fraud or errors and are viewed as material if it may reasonably be expected that they – individually or collectively – could influence the economic decisions of the addressees made on the basis of these consolidated financial statements and Group management report.

We exercise dutiful judgment during the audit and maintain a critical attitude. In addition:

- We identify and evaluate the risks of material misrepresentations, whether deliberate or unintentional, in the consolidated financial statements and in the Group management report, plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinions. The risk that material misrepresentations are not uncovered is higher in the case of fraud than errors since fraud can involve deceitful collaboration, falsifications, deliberate omissions, misrepresentations or the disabling of internal controls.

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the relevant precautions and measures for the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of these systems.
- We evaluate the appropriateness of the accounting policies applied by the Managing Directors as well as the justifiability of the estimated values presented by the Managing Directors and related disclosures.
- We draw conclusions about the appropriateness of the going concern accounting principle applied by the Managing Directors as well as, on the basis of the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. Should we conclude that a significant uncertainty exists, we are obligated to draw attention in the audit report to the related disclosures in the consolidated financial statements and in the Group management report or, if these disclosures are unsuitable, to modify our respective audit opinion. Our findings are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease operating as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position and financial performance of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the HGB.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.
- We evaluate the consistency of the Group management report with the consolidated financial statements, its consistency with the law and the view it conveys of the condition of the Group.
- We conduct audit procedures regarding the forward-looking statements made by the Managing Directors in the Group management report. On the basis of sufficient, suitable audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements of the Managing Directors and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements or the underlying assumptions. There is a substantial unavoidable risk that future events may deviate significantly from the forward-looking statements.

We discuss with those responsible for supervision the planned scope and schedule for the audit as well as significant audit findings, including possible deficiencies in the internal control system that we identify during our audit, among other issues.

We issue a statement to those responsible for supervision that we have adhered to the relevant requirements for independence and discuss with them all relationships and other matters, of which it can reasonably be assumed that they influence our independence and the protective measures taken regarding them.

From the matters communicated with the individuals responsible for governance, we determine those matters that were of most significance during the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report unless laws or other legal requirements exclude their public disclosure.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on Assurance in Accordance with Section 317 (3a) of the HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Audit Opinion

We have performed assurance work in accordance with Section 317 (3a) of the HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report contained in the attached electronic file [unique name of the electronic file containing the audited ESEF documents] and prepared for publication purposes (hereinafter also referred to as "ESEF documents") complies in all material respects with the requirements of Section 328 (1) of the HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance opinion and our audit opinions on the accompanying consolidated financial statements and Group management report for the fiscal year from January 1, 2021, to December 31, 2021, contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

Basis for the Audit Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3a) of the HGB and the assurance standard promulgated by the Institute of Public Auditors in Germany (IDW) "Assurance in Accordance with Section 317 (3a) of the HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes" (IDW PS 410 [10.2021]). Our responsibility in this respect is set out in further detail in the section "Responsibility of the Auditor for the Audit of the ESEF Documents." Our audit practice has applied the quality assurance system requirements set out in the IDW quality assurance standard "Quality Assurance Requirements in Audit Practice" (IDW QS 1).

Responsibility of the Managing Directors and the Board of Directors for the ESEF Documents

The company's Managing Directors are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) (4) No. 1 of the HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) (4) No. 2 of the HGB.

The company's Managing Directors are also responsible for the internal controls which they deem necessary in order to enable the preparation of ESEF documents which are free of material violations – whether deliberate or unintentional – of the requirements of Section 328 (1) of the HGB for the electronic reporting format.

The Board of Directors is responsible for overseeing the process of the preparation of the ESEF documents as part of the accounting process.

Responsibility of the Auditor for the Audit of the ESEF Documents

Our objective is to obtain a sufficient level of assurance as to whether the ESEF documents are free of material violations – whether deliberate or unintentional – of the requirements of Section 328 (1) of the HGB. We exercise dutiful judgment during the audit and maintain a critical attitude. In addition:

- We identify and evaluate the risks of material violations of the requirements according to Section 328 (1) of the HGB – whether deliberate or unintentional – plan and conduct audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinion.
- We gain an understanding of the internal controls relevant to the audit of the ESEF documents in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of these controls.
- We assess the technical validity of the ESEF documents, i.e., whether the attached electronic file containing the ESEF documents fulfills the requirements of the version of Delegated Regulation (EU) 2019/815 applicable as of the reporting date, in relation to the technical specifications for this file.
- We evaluate whether the ESEF documents enable an identical XHTML reproduction of the audited consolidated financial statements and the audited Group management report.
- We evaluate whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) under Articles 4 and 6 of the version of Delegated Regulation (EU) 2019/815 applicable as of the reporting date enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other Disclosures According to Article 10 of the EU Audit Regulation

We were elected as the Group auditor by the Annual General Meeting on June 17, 2021. We were commissioned by the Chairman of the Audit Committee of the Board of Directors on November 17, 2021. We have operated as the Group auditor of SNP Schneider-Neureither & Partner SE, Heidelberg, without interruption since the 2017 fiscal year.

We state that the audit opinions contained in this audit report are consistent with the supplemental report to the audit committee according to Article 11 of the EU Audit Regulation (audit report).

We have provided the following services that are not indicated in the consolidated financial statements or in the Group management report in addition to the audit of the financial statements for the Group companies:

- Audit of the annual financial statements of SNP Schneider-Neureither & Partner SE,
- Audit/audit reviews of local/IFRS financial statements of subsidiaries of SNP Schneider-Neureither & Partner SE,
- Support in providing information to the agency pursuing the enforcement proceedings,
- Issuance of a valuation certificate in connection with the capital increase through contributions in kind,
- Audit review of the half-year financial report of SNP Schneider-Neureither & Partner SE according to Section 115 of the WpHG,
- Agreed investigative activities in relation to compliance with financial covenants on the basis of the existing promissory note loan contracts,

- Review of the remuneration report according to Section 162 (3) of the AktG,
- Review of the separate non-financial Group report according to Sections 289b et seq. and 315b et seq. of the HGB, in order to gain a limited level of assurance.

ADDITIONAL MATTER – USE OF THIS AUDIT REPORT

At all times, our audit report must be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the Group management report which have converted to an ESEF format – including the versions which must be published in the German Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and are not substitutes for these documents. In particular, the ESEF report and our audit opinion contained therein may only be used in conjunction with the audited ESEF documents provided in electronic form.

AUDITOR RESPONSIBLE

The German public auditor responsible for the audit is Christian Landgraf.

Nuremberg, March 25, 2022

Rödl & Partner GmbH
Auditing company
Tax advisory company

Müller	Landgraf
German public auditor	German public auditor

CUSTOMER STORY

UNITED TRACTORS

"Apart from resolving the data transformation challenges, SNP's BLUEFIELD™ approach powered by CrystalBridge® platform delivered United Tractors' ambition for a lean, high-performing S/4HANA target system in Azure. A high degree of automation and reliability combined multiple projects simultaneously, reduced data footprint with selective data migration, lowering TCO at minimal downtime and risk into a single go-live within budgeted timelines. Thanks to SNP we are on an accelerated path to become an agile intelligent enterprise."
Lie Gunadi, Corporate Strategic and Technology Division Head, PT United Tractors Tbk.

Scan the QR code and learn more about the successful project.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

for the Period from January 1 to December 31, 2021

This combined management report comprises the Group management report and management report of SNP Schneider-Neureither & Partner SE.

To distinguish between information concerning the parent company, on the one hand, and the Group, on the other, in the following the parent company is hereinafter referred to as **“SNP SE”** or **“SNP”**. For information relating to the SNP Group, we refer to the **“SNP Group”** or use the pronoun **“we”**.

Unless otherwise stated, the information provided regarding the course of business relates to the SNP Group. This includes its operating results, position and expected performance. Chapters of this management report which contain information exclusively relating to SNP SE are labeled as such. A separate section of the Economic Report provides disclosures required in accordance with the HGB in relation to SNP SE.

OUR BUSINESS MODEL

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

SNP serves multinational companies in every sector. SNP was founded in 1994 and has been publicly traded since 2000. As of August 2014, the company is listed on the Prime Standard segment of the Frankfurt Stock Exchange (ISIN DE0007203705). Since 2017, the company has operated as a European stock corporation (Societas Europaea/SE).

The Challenge for Modern Companies: IT Agility

Agile and flexible IT landscapes are increasingly becoming a decisive factor for entrepreneurial success. The modernization required of antiquated IT environments is forcing companies to invest in unifying their heterogeneous and complex IT infrastructures. Change is an ongoing management responsibility, and the ability to change is a core competency of successful companies. We see our task as making a significant contribution to the development and long-term viability of IT landscapes that help create value. At the core of our work is a cross-industry software standard that supports and promotes permanent change on an ongoing and reliable basis.

IT Transformations and Their Impact on ERP Systems

From an economic perspective, transformation projects are among the most critical, complex and expensive projects that can affect the organization of companies and their business processes. At the same time, almost all companies in all sectors are forced to make these changes in order to keep pace with the digitalization trend. The change and adaptation of enterprise resource planning (ERP) systems is the SNP Group’s principal activity.

An ERP system handles the administration of corporate resources and business processes. SAP, Oracle and Microsoft are among the most significant providers of such ERP systems. These are complex programs which are often heavily modified to accommodate their users. They combine essential and sensitive parts of a company, such as procurement, logistics, accounting and human resources administration.

One of the most important tasks of ERP transformations is to model data completely and correctly – including the data's history – in a new IT system, to integrate data into this environment or to extract data from it. The data being worked with frequently involves critical business transactions or highly sensitive data, for example from the area of financial accounting or personnel systems. As a result, the loss of such data could have serious consequences for the entire company. With its integrated range of software products and software-related consulting services, the SNP Group has created solutions that optimally support companies in managing their IT transformations.

Catalyst of Business Transformations

Transformations of ERP systems may be initiated on the basis of commercial decisions or technical considerations. Business transformations include corporate mergers, acquisitions, spin-offs, carve-outs and sales. IT transformations include consolidations, combinations, data alignment as well as software and system upgrades, e.g. SAP S/4HANA. Moreover, many ERP landscapes have increased in complexity over time so that enhancements or changes to existing ERP systems are no longer sufficient. Instead, ERP landscapes must be completely redesigned.

The Standardized Software Approach of SNP: Quick, Flexible, Efficient and Safe

In the course of a transformation project, large amounts of data must be analyzed and processed. The length of time that a transformation takes may have an impact on a company's success. Critical factors include the seamless integration of legacy data into the new layout and the minimization of system downtimes during the transformation. In the traditional approach to data transfers, manual processes play an important role, resulting in significant personnel costs. We take a different software-based approach that allows us to automate significant steps in the transformation process while preserving a company's legacy data. The products and services provided by the SNP Group help companies adapt their IT landscape to changes quickly and flexibly, ensuring efficiency in terms of both time and money.

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

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

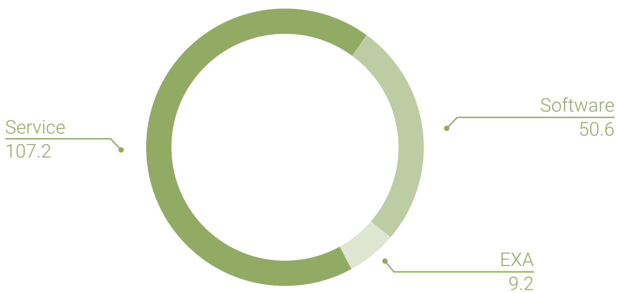
As well as long-term strategic planning, the choice of a migration approach has a considerable impact on the success and the duration of a transformation project. Two traditional approaches are available for the implementation of SAP S/4HANA: Greenfield (new implementation) and Brownfield (conversion).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

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

OUR PORTFOLIO

The SNP Group's portfolio consists of the **"Services"**, **"Software"** and **"EXA"** business segments

REVENUE BY BUSINESS SEGMENT (in € million)



Services Business Segment

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

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

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

Software Business Segment

CrystalBridge®: The Data Transformation Platform

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

Technological Improvement

SNP is continuously working on the technological improvement of its CrystalBridge® platform and the expansion of its software portfolio.

For instance, valuable expertise has been gained through the acquisition of Datavard, so as to offer analyses and transformations beyond the scope of ERP systems, e.g. for SAP Business Warehouse. In addition, data management-related software products have been added to SNP's portfolio, in order to analyze data usage and data growth and thus realize a smart data volume management system which extends even as far as entire system shutdowns. Moreover, our Glue solution – a high-performance middleware package for the integration of SAP systems with big data and cloud platforms – will enable innovative new areas of business for SNP

EXA Business Segment

In line with the Group's internal reporting and organizational structure, EXA AG, which was acquired in the 2021 fiscal year, is reported as a separate business segment; it was initially consolidated as of March 1, 2021. EXA is a leading provider of transformation solutions in the area of financial management with a focus on the topics of operational transfer pricing and the global value chain. EXA's solutions enable companies to use software to manage their supply chains and to monitor their internal transfer prices transparently and efficiently. This is a key advantage in particular for companies with global operations.

SUBSIDIARIES, ACQUISITIONS AND SALES

Subsidiaries

SNP SE is the parent company of the SNP Group. As of December 31, 2021, the SNP Group comprised 35 companies which develop, distribute and/or provide our software and services. A list of the group of consolidated companies is provided in the notes to the consolidated financial statements.

Acquisitions

EXA AG

On February 25, 2021, SNP SE acquired 74.9% of the shares in EXA AG for € 10.5 million. The purchase price installment was paid with liquid assets in March 2021. The remaining 25.1% of EXA shares are retained by Divya Vir Rastogi, CEO and co-founder of EXA, with a put option from 2024 and a call option from 2025. In addition, a put option applies overall for up to 10% of the shares. This option may be exercised three months after the adoption of the annual financial statements as of December 31, 2021 or December 31, 2022.

The EXA group has locations in Germany, India and the USA and is a leading provider of software solutions and services relating to the process of digital transformation. EXA offers high-end niche- and customer-specific solutions in the SAP environment and mainly focuses on the manufacturing and process industry.

Its "Global Value Chain (GVC)" and "Operational Transfer Pricing (OTP)" flagship products enable customers to optimize their global corporate relationships and associated business processes, covering a wide range of different countries and functions, while not least strengthening their efficiency and compliance. EXA's solutions enable companies to use software to manage their supply chains and to monitor their internal transfer prices transparently and efficiently.

Datavard AG

With economic effect as of August 1, 2021, SNP SE has acquired 100% of the shares in Datavard AG. A cash component of around € 20 million and the issuance of 173,333 new shares by way of a capital increase against a contribution in kind were agreed as consideration for the purchase of all of the shares in Datavard AG.

Datavard has operated on the market for more than 20 years and focuses on transformations and data management in SAP landscapes. In its Transformation business segment, Datavard assists companies with the process of migration to SAP S/4HANA, the modernization of their data warehouse and analytic landscape and with mergers and acquisitions, carve-outs and split-offs.

In its Data Management business segment, Datavard offers data lifecycle management, business intelligence and analytics solutions as well as innovative cloud connectivity solutions which enable SAP customers to integrate and utilize SAP data in applications in the areas of artificial intelligence, machine learning and the internet of things.

All of the Datavard companies are to be fully integrated into the SNP Group.

Sales

SNP Poland Sp. z o.o.

With economic effect as of October 1, 2021, SNP SE has sold 51% of the shares in SNP Poland Sp. z o.o. to All for One Group SE. For the shares remaining at SNP, the parties have agreed a reciprocal call and put option for the year 2023; in the event that this option is not exercised, the sale will occur in 2024.

SOFTWARE AND LICENSING MODELS

In its Software business segment, the SNP Group generates its revenue through software licenses and maintenance fees. SNP offers its customers licenses for its CrystalBridge® data transformation platform primarily in the form of project licenses and program licenses. In addition, since the 2021 fiscal year corporate groups also have the option of concluding so-called enterprise platform agreements.

Project and Program Licenses

Customers can acquire project licenses for a time-limited project or for continuous use on the basis of an annual subscription. SNP also makes this software available in the form of a program license. This product is designed for customers such as those planning a complex, longer-term transition to SAP® S/4HANA which consists of multiple projects.

The licensing prices are calculated on the basis of several different parameters: the scenario which is to be realized, the number of SAP users and affected system landscapes as well as the size of the database and the relevant term.

The licenses are designed for business scenarios which are required for implementation of the customer's requirements. For this purpose, SNP provides the necessary software modules via its CrystalBridge® data transformation platform. This enables companies to optimally and flexibly cover the relevant scenarios. The licensing packages available for this purpose can be customized in line with customers' requirements. The CrystalBridge® software platform comprises components which companies can use either as a cloud version or as an on-premise version.

Enterprise Platform Agreements

SNP provides CrystalBridge® as the basis for the development of "transformation factories" for the implementation of complex transformation projects which frequently comprise a combination of different tasks and are planned over a period of several years. This approach is based on the development of a sustainable infrastructure for transformation projects with the highest possible levels of efficiency and automation.

A simple metric enables customers to select which transformation tasks – so-called production lines – they wish to implement. For example, this includes the transition to SAP® S/4HANA, system harmonizations, the move to the cloud or M&A activities. These different tasks can naturally be combined with one another, such as the changeover to SAP® S/4HANA alongside a simultaneous system consolidation and move to the cloud. This provides customers with maximum flexibility in their use of the platform as well as the highest possible level of efficiency in relation to impending transformation tasks.

It is particularly attractive for many companies to include their own resources and delivery centers in the development of a transformation factory. This approach not only optimizes customers' influence but also includes their employees on this path of transformation, thus safeguarding these companies' control over externally assigned tasks.

The CrystalBridge® platform can be used by either a customer's own employees – once they have been trained how to use it – or by this customer's other partners or else by means of SNP resources. This concept ensures scalability in a context of increasing scarcity of resources and enables the flexible use of resources during peak project periods or during breaks in projects. With its own near- and offshore centers and via its CrystalBridge® platform, SNP provides trained partner companies the necessary support to ensure the reliable implementation of their transformation projects.

COMPETITIVE STRENGTHS

We believe that our competitive strengths lie in:

Extensive IT Transformation Project Experience

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

Technical Advantage Offered by a Standardized Software Approach

Nowadays, transformation projects are among the greatest challenges facing companies and their IT departments. In the course of a transformation project, large amounts of data have to be analyzed and processed. This tends to result in substantial personnel expenses, the intensive use of management resources and operational downtime affecting ERP systems. With our standardized software approach, we ensure that IT transformation projects are implemented as part of a one-step process – significantly reducing, or even eliminating the need for, any downtime while ensuring a full backup of the historical legacy data. This produces clear quality and cost advantages for our customers. The reduction of downtimes affecting the productive IT systems, in particular, is a decisive unique selling point. In addition, our software-based approach reduces the error rate during a transformation project and also ensures that the original system can be restored at any time over the course of a project.

Cooperation with Leading Global IT Consulting Firms

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

Strong Consulting Basis

Our strong international presence and our worldwide consulting capacities in Europe, the US, South America and Asia mean that we can assign the necessary personnel resources to upcoming major projects at any time and anywhere in the world. This also allows us to benefit from short-term peaks in transformation projects and retain our ability to deliver. As far as the ability to deliver is concerned, we are one of the leading providers of technical system landscape optimization approaches featuring a unique software-based solution.

Remote-Compatible Business Model

In the world of IT, remote or remote-access means access to remote computers, servers, networks, devices or other IT components. Even before the COVID-19 pandemic and the wide-ranging restrictions which it has imposed, we executed many of our projects entirely remotely. This remote capability is an invaluable advantage for our business model – particularly during times of crisis characterized by social distancing measures and home-working.

PARTNER STRATEGY

Over the past few years, we have been constantly improving our software and increasing the level of automation in transformation projects while also making its application significantly easier. On this basis, we have taken great strides forward in the use of our software approach via strategic partnerships, and we will further develop this. We intend to extensively communicate our unique selling points to the market, working with and through third parties, to exploit our growth potential and to significantly scale up and increase our software and license revenue.

With this goal in mind, we have developed a global partner management system as well as a viable partner model, so as to be able to offer key services such as consulting, training, support and partner marketing in a structured and standardized manner. We have signed partnership agreements with leading global IT consulting firms and hugely expanded our partnerships.

As well as developing our partner network, we also focus on improving the quality of our partner strategy. Alongside the assessment and consolidation of our partner network, this includes support for our partners during the sales and presales phases as well as the successful management and implementation of projects.

Moreover, in the second half of 2021 we adopted the approach of now exclusively signing new contracts with partner companies without predetermined software quotas. This means that the order entry and revenue volumes from these transactions no longer arise as of the conclusion of a contract with this partner and instead do so as of the sale to the end customer. Following the development and expansion of a broad and globally oriented partner network, this adjustment of our partner license model is a logical next step in SNP's software and partner strategy and the development of recurring revenue.

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

RESEARCH AND DEVELOPMENT

The research and development strategy has been to actively pursue new product ideas, enhancements and solutions. By integrating research and development (R&D) with sales, the company is able to promptly detect changes in the market and to develop market-driven and market-relevant product innovations.

In the 2021 fiscal year, the direct research and development costs without overhead expenses reached a volume of € 19.0 million (previous year: € 16.5 million); the corresponding share of revenue was 11.4% (previous year: 11.4%)

As of December 31, 2021, 163 employees worked in SNP's development department (December 31, 2020: 157). This represents 12% of the total workforce (December 31, 2020: 11%).

EMPLOYEES

Training and Education

Qualified and motivated employees contribute significantly to the success of SNP. The standards of the software and IT consulting industry require SNP employees to have a high level of education. Since the competition for qualified IT specialists – particularly in the ERP environment – continues unabated, SNP is working hard to maintain its reputation as a reliable and fair employer. In addition, the company enables all employees to participate in comprehensive training and continuing education programs. The programs have internal and external training components that impart both technical and soft skills. In addition, SNP promotes a variety of sports-related and healthy activities.

Development in Headcount

As of December 31, 2021, the Group's number of employees decreased by around 9% compared to the end of the previous year, from 1,463 to 1,335. This decrease was mainly attributable to the sale of a majority of the shares in SNP Poland Sp. z o.o. and its 421 employees with effect as of October 1, 2021. As of December 31, 2021, EXA AG accounts for 125 employees and Datavard AG for 180 employees.

The average number of employees in 2021 has increased by 86 year-over-year to 1,529. Due to factors including the higher average number of personnel, nominal personnel expenses rose year-over-year by around 14% to € 106.5 million (previous year: € 93.5 million). The personnel expense ratio (personnel expenses relative to revenue) decreased from 65.0% in the previous year to 63.8%.

As of December 31, 2021, the workforce included three Managing Directors (previous year: three), 20 managers (previous year: 22) and 37 trainees, students and interns (previous year: 28). There were no employees in partial early retirement in the 2021 fiscal year (previous year: 0). The average number of employees during the reporting period, excluding the aforementioned group of individuals, was 1,467 (previous year: 1,410 employees).

Diversity

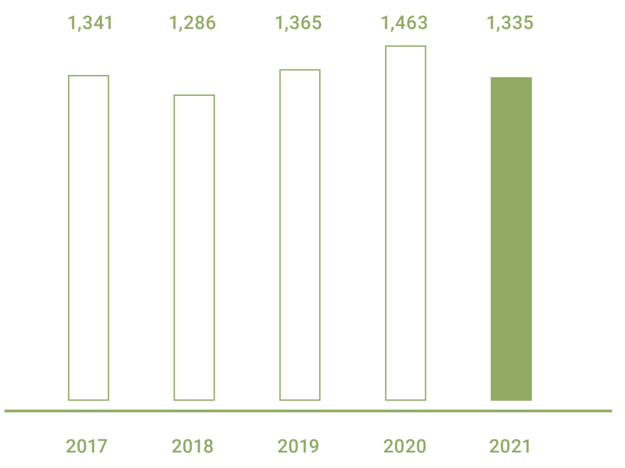
As of December 31, 2021, the SNP Group had 391 female employees, representing approx. 29% of the overall workforce. In the previous year, the SNP Group had 433 female employees, amounting to 30% of its overall workforce.

At the start of 2022, a voluntary 30% target ratio was introduced for female employees at all management levels below the Managing Directors. This target figure is to be achieved by December 31, 2026.

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

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

EMPLOYEES AT THE END OF THE YEAR



DISTRIBUTION OF WORKFORCE WORLDWIDE

		2021			2020		
Economic area (EA)	**Country**	**Absolute / country**	**Absolute / EA**	**as %**	**Absolute / country**	**Absolute / EA**	**as %**
	Germany	554			518		
	Austria	44			49		
	Schwitzerland	12			8		
CEU (Central Europe incl. Slovakia)	Slovakia	133	743	56%	0	575	40%
EEMEA (Eastern Europe, Middle East, Africa)	Poland	0	0	0%	407	407	28%
	Argentina	214			211		
	Chile	80			60		
Latin America	Columbia	29	323	24%	26	297	20%
	Singapore	22			19		
	Malaysia	14			14		
	Australia	4			7		
	Japan	6			5		
	China	39			48		
JAPAC (Asia-Pacific Japan)	India	87	172	13%	0	93	6%
USA	USA	64	64	5%	56	56	4%
UK	UK	33	33	2%	35	35	2%
Total		**1,335**	**1,335**	**100%**	**1,463**	**1,463**	**100%**

REMUNERATION REPORT

The Remuneration Report will be published as a separate report for the first time for the 2021 fiscal year and can be downloaded together with the related opinions of the auditor from our website at https://www.snpgroup.com/en/investor-relations.

ECONOMIC REPORT

Global Economic Situation

The year 2021 was shaped by the effects of the COVID-19 pandemic. At various times over the course of the year, countries around the world again imposed lockdowns which lasted for months at a time and thus restricted public and economic life. These measures – which only the summer months were scarcely affected by – were intended to curb the spread of coronavirus.

In its “World Economic Outlook Update” published in July 2021, the International Monetary Fund (IMF) expected economic activity in the industrialized nations to return to normal thanks to the progress made in coronavirus vaccination campaigns over the remainder of the year – but subject to a high level of risk as long as coronavirus continued to spread around the world.[1]

In January 2022, the IMF’s economic experts slightly adjusted their estimates downward for 2021: The world economy suffered a loss of momentum due to the new Omicron coronavirus variant, which started to spread in November 2021, the high level of volatility on the financial markets, disruptions to supply chains and a higher level of inflation than expected. The IMF now estimates that global GDP in 2021 rose by 5.9%, which is 0.1 percentage points lower than indicated in its July 2021 forecast.[2]

[1] International Monetary Fund (IMF), World Economic Outlook Update, July 2021.

[2] International Monetary Fund (IMF), World Economic Outlook Update, January 2022.

IT-Transformationsmarkts

Positive Sentiment Among IT Consultants

Companies were forced to adjust to a new environment during the coronavirus crisis even more rapidly. It was necessary to rapidly follow through on transformation processes. Advanced digital capabilities are key tools for this purpose, and thinking already shifted in this direction during the crisis. Three quarters of the companies surveyed by Accenture in 18 countries have increased their use of real-time data in order to identify trends and prepare for changes.[3]

The business climate index prepared by the Federal Association of German Management Consultants (BDU) for the consulting industry points to favorable sentiment in the sector. While this index fell slightly from the third to the fourth quarter of 2021, to 108.3, it was thus only a few points off its record high (December 2020: 112.7 points). There are significant differences between the different types of consulting firms: IT consultants generally tend to have a more positive view of the trend for the sector. However, they are suffering due to a lack of personnel which is limiting their opportunities for growth. In addition, major companies with a revenue volume of more than EUR 50 million are benefiting particularly strongly from the positive sentiment.[4]

Global M&A Activities Reach New Record Level in 2021

The market for mergers and acquisitions is one of the key drivers of IT data transformations. In 2021, with an overall volume of USD 5,089 billion, the global M&A volume reached a new all-time high (+57% year-over-year). A total of 62,590 transactions were completed (+24% on the previous year). Activity on the M&A market was very lively throughout the year. This trend was buoyed by a high level of demand for technology, digital and data-driven assets as well as the backlog of mergers which had not been completed in 2020.[5]

Cloud Computing and Digitalization

Cloud-driven IT data transformations are a further catalyst of transformation processes. Cloud computing continues to grow, not least due to the coronavirus pandemic: More than four out of five companies (82%) used cloud-based computing power in 2021, compared to 76% in 2019 and 73% in 2020. Another 15% are either planning or discussing the use of cloud computing. Only 3% will continue to make no use of the cloud in the future. Those are the results of a representative survey carried out by Bitkom Research on behalf of KPMG AG in 2021, covering 556 companies with 20 or more employees in Germany.

For most companies, cloud computing means more than simply being able to access scalable computing power. For the overwhelming majority of cloud users (88%), the use of the cloud represents a major contribution to their company's digitalization. 80% see this in relation to the digitalization of internal processes, while nearly one in two (48%) state that cloud computing will make a major contribution to the development of new business models.[6]

The Changeover to SAP S/4HANA with "SNP: Selective Transformation to SAP S/4HANA"

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

[3] Accenture Survey: Accelerated Transformation – Six Indicators for Today's Process of Business Transformation, June 2021 (https://newsroom.accenture.de/de/news/accenture-studie-beschleunigte-transformation-sechs-indikatoren-für-den-geschäftlichen-wandel-von-heute.htm).

[4] Federal Association of German Management Consultants (BDU), Press Release on the Business Climate in the Consulting Sector – Q4 2021 (https://www.bdu.de/news/q4-2021-consulting-geschaeftsklima-weiterhin-auf-hohem-niveau/

[5] PWC - Global M&A Industry Trends: 2022 Outlook, (https://www.pwc.com/gx/en/services/deals/trends.html).

[6] Cloud-Monitor 2021 – A Bitkom Research Study on Behalf of KPMG, (https://www.bitkom-research.de/system/files/document/Bitkom_KPMG_Charts_Cloud%20Monitor%202021_final.pdf).

[7] SAP, 2020 (https://news.sap.com/germany/2020/02/wartung-s4hana-sap-business-suite-7/#ftn).

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

Rise with SAP

SAP introduced its "RISE with SAP" offering in early 2021. "RISE with SAP" offers SAP customers a path to the cloud. This offering comprises services which enable the transformation of business processes by means of business process intelligence and provides data migration assistance, while customers remain free to choose their cloud infrastructure.

With the RISE program, we are likewise moving to the cloud, as one of the first major SAP partners to do so. In December 2021, we signed an agreement with SAP in order to transfer our own internal system to a Microsoft Azure environment through RISE with SAP. We will implement this transformation using our own CrystalBridge data migration platform and our own resources.

Impact on SNP

In 2020, the world's ten leading IT consulting firms generated more than EUR 250 billion in revenue – once again an increase compared to the previous year. As a leading world provider of software to cope with complex digital transformation processes, SNP addresses a segment of this capital- and personnel-intensive IT consulting market. For IT consulting firms, technical data migration is a highly challenging and increasingly critical element of a large-scale consulting project. Unlike in the case of traditional IT consulting in the ERP environment, SNP employs an automated approach using proprietary software.

KEY PERFORMANCE INDICATORS

In order for SNP SE to achieve a sustainable increase in the company's value, its efforts are focused on further profitable growth and continuously strengthening the financial capacity of the SNP Group. An internal management system comprising financial and non-financial key performance indicators ensures that these strategic objectives are met. In line with its internal management system, the company's management concentrates on the following key financial performance indicators: Group revenue, revenue in the Services, Software and EXA business segments, Group EBITDA, Group EBIT and Group EBIT margin. Order entry is included as a further key performance indicator. Revenue and the EBIT figure serve as key financial performance indicators at the level of SNP SE.

FORECAST/ACTUAL COMPARISON – SNP GROUP

Targets for 2021	Results for 2021	Comments
Revenue: ■ **Group:** € 160 million to € 180 million	■ **Group:** € 167.0 million	■ **Group:** Forecast adjusted over course of year, in August to between € 170 million and € 190 million and in October to between € 170 million and € 180 million.
■ **Services:** Significantly higher than in previous year (previous year: € 93.9 million)	■ **Services:** € 107.2 million	
■ **Software:** Significantly higher than in previous year (previous year: € 49.9 million)	■ **Software:** € 50.6 million	
EBITDA ■ **Group:** € 18 million to € 24 million	■ **Group:** € 16.2 million	■ **Group:** Introduced over the course of the year as an additional Group-wide management and forecast figure; forecast adjusted in October to between € 18 million and € 22 million. Revised forecast not achieved due to fourth-quarter revenue volume, which failed to match expectations
EBIT-Marge ■ **Group:** 5% bis 8%	■ **Group:** 3.8%	■ **Group:** Forecast adjusted to between 5% and 7% in October Revised forecast not achieved due to fourth-quarter revenue volume, which failed to match expectations
Order entry ■ **Group:** Significantly higher than in previous year (previous year: € 184.4 million)	■ **Group:** € 192.1 million	

FORECAST/ACTUAL COMPARISON – SNP SE

Targets for 2021	Results for 2021	Comments
Revenue: ■ Approx. € 37 million	■ € 34.2 million	
EBIT ■ Balanced operating result (EBIT) (not including distributions or profit transfers)	■ € 10.5 million	■ In particular, one-time expenses associated with M&A projects, a loss resulting from the sale of SNP Poland and a lower volume of revenue in the Software business segment had a negative impact on earnings

Overall Summary of the Course of Business and the Economic Position of the SNP Group

The strategic development of the SNP Group continued in the 2021 fiscal year: The sale of the Group's Polish subsidiary and the two acquisitions made over the course of the year were intended to strengthen and refine our focus on digital transformations.

While the COVID-19 pandemic continued to have a clear impact, the order entry volume and Group revenue increased year-over-year in the 2021 fiscal year. Revenue reached a volume of € 167.0 million and grew 16.1% year-over-year. Revenue increased in the Services business segment as well as the high-margin Software business segment. At the same time, the EBIT margin improved significantly to 3.8% (2020: 0.6%).

However, the financial objectives were only partially achieved: In particular, the postponement of projects until 2022 as well as lower-than-expected project volumes from the award of major IT and partner projects implemented in the 2021 fiscal year but whose revenue and earning effects in the Software business segment had already been realized in previous years had a negative impact on revenue and earnings.

Extraordinary one-time expenses for M&A activities in the past fiscal year, extraordinary legal matters and acquisition-related amortization also had an additional negative impact on the EBIT figure of around € 5 million.

On the basis of the above analysis of the course of business and the Group's financial position and financial performance as well as their assessment of all applicable facts and circumstances, the Managing Directors consider that the Group's economic position remains solid.

Overall Summary of the Course of Business and the Economic Position of SNP SE

SNP SE achieved a revenue volume of € 34.2 million, which is around € 3 million lower than its forecast. On the other hand, at € -10.5 million its EBIT figure fell significantly short of expectations. As well as lower than expected revenue in the Software business segment, this also reflects one-time expenses associated with M&A projects as well as a negative result on the sale of the shares in SNP Poland.

Order Backlog and Order Entry

Order entry as of December 31, 2021, totaled € 192.1 million, approximately 4% higher than the figure for the previous year (€ 184.4 million). This includes € 12.5 million from the acquisitions of EXA AG and Datavard AG; Datavard accounts for € 6.1 million of the order entry volume. In organic terms, the order entry volume declined by slightly less than -3% year-over-year. This decrease is attributable to major customers' restraint in awarding major IT projects – not least due to the pandemic – as well as reduced project volumes on account of the slower implementation of projects and some orders placed being limited to specific project components, which represents a growing trend to divide major projects or start with subprojects.

The **Software business segment** accounts for € 57.3 million, or 30%, of the order entry volume (previous year: € 68.7 million, or 37%). This corresponds to a decrease of 17% year-over-year and has resulted from a strong same period in the previous year, in which various partnership agreements with multi-year software and maintenance quotas were concluded and immediately recognized in revenue. This trend is not least attributable to the fact that, in the second half of 2021, SNP adopted the approach of exclusively signing new contracts with partner companies without predetermined software quotas. This means that order entry and revenue only arise with the sale to the end customer. Accordingly, the order entry volume for maintenance also declined: Compared to a figure of € 25.3 million in 2020, € 17.4 million in 2021 represents a decrease of 31%. The acquisition of Datavard AG contributed € 3.4 million to the order entry volume in the Software business segment.

The Services business segment accounts for € 128.4 million, or around 67%, of the order entry volume (previous year: € 115.8 million, or around 63%). This represents 11% growth relative to the previous year. This includes € 2.7 million from Datavard.

The **EXA business segment** registered an order entry volume of € 6.4 million; this represents 3% of the overall order entry volume.

The order entry volume in connection with impending **SAP S/4HANA projects** continued to develop positively, with a year-over-year increase of around 5% to € 63.5 million (previous year: € 60.3 million). SAP S/4HANA projects thus continue to represent approximately 33% of the entire order entry volume of the SNP Group (previous year: around 33%).

The CEU region accounts for € 95.7 million of the order entry volume; this represents a 11% decrease year-over-year (previous year: € 108.0 million). The CEU region's share of the global order entry volume thus amounts to 50% (previous year: 59%).

As of December 31, 2021, the order backlog – adjusted for exchange rate fluctuations and ultimately unutilized project volumes – amounted to € 135.3 million; this represents an increase of 22% relative to the previous year's figure of € 110.8 million.

in € million	2021	2020	Δ
Order entry	**192.1**	**184.4**	**+4%**
Services	128.4	115.8	+11%
Software	57.3	68.6	-17%
EXA	6.4	-	-
Order backlog	**135.3**	**110.8**	**+22%**
Services	85.4	61.5	+39%
Software	47.6	49.3	-3%
EXA	2.3	-	-

Earnings Position

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

Revenue Performance

Our revenue increased from € 143.8 million in 2020 to € 167.0 million in 2021, which represents growth of € 23.2 million or 16.1%.

The acquisition of Datavard AG contributed € 7.2 million to overall revenue since its initial consolidation as of August 1, 2021. The acquisition of EXA AG contributed € 9.2 million to overall revenue since its initial consolidation as of March 1, 2021. Taking into consideration the deconsolidation of the Polish subsidiary SNP Poland Sp. z o.o. as of October 1, 2021, and the related reduction in external revenue in the previous year, in the amount of € 7.3 million, revenue has increased by € 14.1 million or 9.8% after adjustment for acquisitions and in organic terms.

OVERALL REVENUE BY BUSINESS SEGMENT

in € million	2021	2020	Δ
Services	107.2	93.9	+14%
Software	50.6	49.9	+1%
EXA	9.2	-	-

Revenue Distribution by Business Segment

In the 2021 fiscal year, the Services business segment, which primarily includes consulting services, contributed € 107.2 million (previous year: € 93.9 million) to revenue; this represents an increase of € 13.3 million or 14.1% year-over-year. While in the first quarter of 2021 the level of capacity utilization was lower than in the previous year – mainly due to the effects of the coronavirus pandemic – and short-time working was adopted at SNP in Germany especially for much of the period, the situation improved for SNP in subsequent quarters. In addition to an improved order situation, this development is also attributable to the acquisition of the Datavard Group from the third quarter onwards, which has contributed € 4.8 million to segment revenue since its initial consolidation as of August 01, 2021. Taking into consideration the deconsolidation of the Polish subsidiary SNP Poland Sp. z o.o. as of October 1, 2021 and the related reduction in external revenue in the previous year, in the amount of € 5.3 million, revenue has increased by € 13.8 million or 14.7% after adjustment for acquisitions and in organic terms.

The Services business segment accounts for around 64% of overall revenue (previous year: approx. 65%).

REVENUE IN THE SERVICES BUSINESS SEGMENT BY QUARTER

in € million	2021	2020	Δ
Q1	22.1	25.3	-12%
Q2	26.3	24.4	+8%
Q3	29.8	21.2	+41%
Q4	28.8	23.1	+25%

Revenue in the **Software business segment (including maintenance and the cloud)** increased slightly: In the 2021 fiscal year, software revenue was realized in the amount of € 50.6 million (previous year: € 49.9 million); this corresponds to an increase of € 0.7 million or 1.4% year-over-year. The disproportionately low rate of growth relative to the overall revenue volume mainly reflects a strong previous year in which various partnership agreements were signed with immediate software quotas impacting revenue and earnings.

The Datavard group has contributed € 2.4 million to segment revenue since its initial consolidation as of August 1, 2021. Taking into consideration the deconsolidation of the Polish subsidiary SNP Poland Sp. z o.o. as of October 1, 2021, and the related reduction in external revenue in the previous year, in the amount of € 1.9 million, revenue has increased by € 0.3 million or 0.5% after adjustment for acquisitions and in organic terms.

Within the Software business segment, in particular recurring software support revenue increased by € 4.7 million or 42.7% to € 15.7 million (previous year: € 11.0 million). Cloud revenue rose by € 0.6 million, or 26.1%, to € 2.9 million (previous year: € 2.3 million). Software-as-a-service revenue (SaaS) was likewise higher than in the previous year in the reporting period and amounted to € 2.6 million (previous year: € 2.2 million).

On the other hand, licensing fees with a volume of € 29.9 million were € 4.4 million lower than in the previous year (previous year: € 34.3 million). Licenses for third-party products account for € 1.4 million of this amount (previous year: € 1.5 million). This decrease is mainly attributable to the above-mentioned partnership agreements in the previous year.

REVENUE IN THE SOFTWARE BUSINESS SEGMENT BY QUARTER

in Mio. €	2021	2020	Δ
Q1	9.8	9.1	+7%
Q2	13.8	9.9	+39%
Q3	13.0	16.5	-21%
Q4	14.0	14.4	-2%

REVENUE IN THE SOFTWARE BUSINESS SEGMENT

in Mio. €	2021	2020	Δ
Software licenses	29.9	34.3	-13%
Software support	15.7	11.0	+43%
Cloud	2.9	2.3	+26%
SaaS	2.6	2.2	+18%

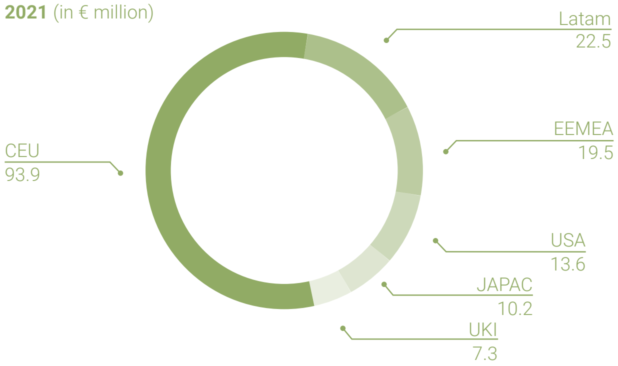
The EXA business segment generated revenue of € 9.2 million in the reporting period (previous year: -). In line with the Group's internal reporting and organizational structure, EXA AG, which was acquired in the 2021 fiscal year is reported as a separate business segment; it was initially consolidated as of March 1, 2021.

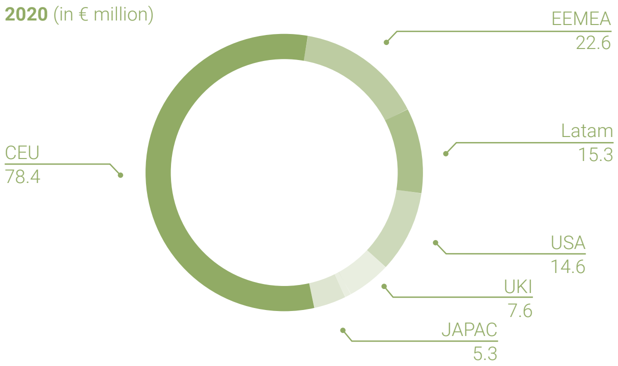
REVENUE IN THE EXA BUSINESS SEGMENT BY QUARTER

in € million	2021	2020
Q1	1.2	-
Q2	2.5	-
Q3	3.2	-
Q4	2.3	-

Revenue Distribution by Region

The increase in Group revenue is mainly attributable to the trend for the CEU region, which accounts for around 56% of total revenue. The LATAM and JAPAC regions registered significant revenue growth. The revenue trend declined in the USA and UKI regions. The following graphics shows the distribution and development of external revenue by region:





OPERATING PERFORMANCE

	2021	2020
EBITDA (in € million)	16.3	9.2
EBITDA margin	9.7%	6.4%
EBIT (in € million)	6.3	0.8
EBIT margin	3.8%	0.6%

In the 2021 fiscal year, SNP achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of € 16.3 million (previous year: € 9.2 million); this corresponds to an increase of € 7.1 million or 76.2% compared to the previous year. The EBITDA margin accordingly amounts to 9.7% (previous year: 6.4%).

As well as the increase in revenue and the earnings contributed by the companies acquired over the course of the year, the increase in operating earnings is mainly attributable to a decrease in other operating expenses and an increase in other operating income. The acquisitions of EXA and Datavard, which have been included in the consolidated financial statements for the past fiscal year for the first time, accounted for a combined EBITDA figure of € 3.8 million.

In 2021, other operating expenses were reduced by € 1.5 million or 5.7% to € 24.4 million (previous year: € 25.9 million). This was mainly due to savings on travel expenses and vehicle costs. In addition, negative currency-related expense decreased. The above-mentioned savings were realized even though one-time expenses were registered for M&A projects and legal disputes in the reporting year in the amount of € 2.9 million.

Other operating income increased by € 3.0 million in 2021 to € 6.4 million. This was mainly attributable to a deconsolidation gain associated with the sale of SNP Poland.

In line with the revenue trend, costs of purchased services and the cost of materials rose by € 7.4 million to € 25.3 million (previous year: € 17.9 million). Of this increase, € +6.7 million is attributable to a higher volume of outside services and € +0.7 million to increased expenses associated with third-party products.

Earnings before interest and taxes (EBIT) were at € 6.4 million, significantly higher than the previous year's figure of € 0.8 million. The EBIT margin is thus 3.8% (previous year: 0.6%).

Of the € 5.5 million increase, € 1.1 million related to the acquisitions of EXA AG and Datavard AG. Depreciation/amortization effects resulting from the purchase price allocation for EXA AG and Datavard AG (PPA depreciation/amortization) in the amount of € 2.2 million had a negative impact on earnings. Before PPA depreciation/amortization and one-time expenses (see other operating expenses), the adjusted EBIT figure is € 11.5 million.

EBIT IN THE SERVICES BUSINESS SEGMENT

	2021	2020 (adjusted)
EBIT (in € million)	1.7	-3.4
EBIT margin	1.6%	-3.7%

EBIT IN THE SOFTWARE BUSINESS SEGMENT

	2021	2020 (adjusted)
EBIT (in € million)	13.9	14.9
EBIT margin	27.6%	29.9%

EBIT IN THE EXA BUSINESS SEGMENT

	2021	2020
EBIT (in € million)	2.6	-
EBIT margin	27.8%	-

NET FINANCIAL RESULT AND RESULT FOR THE PERIOD

in € million	2021	2020	Δ
Net financial result	-1.7	-1.6	-6%
Earnings before taxes (EBT)	4.6	-0.7	n/a
Income tax	-4.0	-1.1	+365%
Profit or loss for the period	0.6	-1.8	n/a
Earnings per share (diluted and basic)	0.14	-0.22	n/a

Net financial income is largely unchanged on the previous year at € -1.7 million (previous year: € -1.6 million). Financial expenses in the amount of € 1.9 million (previous year: € 1.6 million) contrasted with financial income in the amount of € 0.2 million (previous year: € 0.0 million). This results in earnings before taxes of € 4.6 million (previous year: € -0.7 million). Income taxes rose by a significant € 2.9 million to € 4.0 million (previous year: € 1.1 million).

With regard to tax expenses, income taxes increased, in particular, due to the partial non-recognition of current losses and valuation allowances for deferred loss carryforwards in the USA especially (€ +2.7 million) as well as non-period current income taxes (€ +0.4 million). Please see note (31) in the notes to the consolidated financial statements for further information on income taxes.

After income taxes, the profit for the period amounted to € 0.6 million (previous year: € -1.8 million). The net margin (the ratio of the result for the period to overall revenue) is 0.4% (previous year: -1.3%).

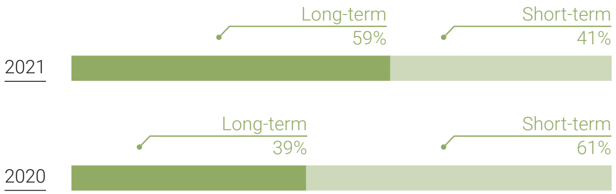
Dividend

SNP SE's Annual General Meeting took place on June 17, 2021, as a virtual Annual General Meeting. The shareholders accepted the Board of Directors' proposal to carry forward the distributable profit of € 8.4 million for the 2020 fiscal year shown in the adopted annual financial statements as of December 31, 2020.

Net Assets

Compared to December 31, 2020, our total assets increased significantly, by € 59.4 million to € 266.1 million, primarily as a result of the acquisition of majority stakes in EXA AG and Datavard AG.

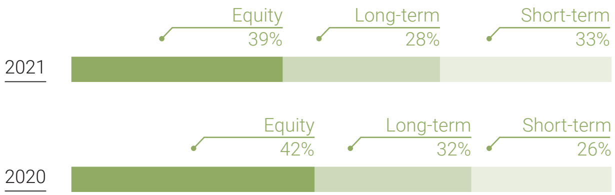
BALANCE SHEET STRUCTURE: ASSETS AS %



Noncurrent assets increased by € 75.3 million to € 156.0 million in the 2021 fiscal year. This growth mainly reflected the increase in goodwill due to the two acquisitions during the current year. Compared with December 31, 2020, goodwill rose by € 36.8 million to € 70.4 million. In addition, intangible assets increased (€ +17.9 million to € 23.3 million), in particular due to the acquisitions of EXA and Datavard. Other financial assets increased by € 19.5 million to € 20.1 million. This was mainly due to the recognition of a purchase price receivable in connection with the sale of SNP Poland.

On the other hand, **current assets** decreased by € 15.9 million to € 110.1 million. Within the current assets item, trade and other receivables and contract assets in particular increased by € 18.4 million to an overall volume of € 63.7 million due to the higher volume of revenue volume in the fourth quarter as well as a disproportionately strong increase in contract assets with partner companies. On the other hand, other financial assets decreased by € 19.2 million to € 1.2 million, due to the withdrawal of funds invested on a short-term basis. Cash and cash equivalents amounted to € 40.3 million as of December 31, 2021 (December 31, 2020: € 26.0 million). The assets resulting from disposal groups decreased by € 31.4 million to € 0.0 million as a result of the deconsolidation of SNP Poland.

BALANCE SHEET STRUCTURE: EQUITY AND LIABILITIES AS %



On the equity and liabilities side, current liabilities increased by € 35.5 million in the 2021 fiscal year and amounted to € 89.5 million, while noncurrent liabilities rose by € 9.3 million to € 74.3 million.

In the **current liabilities** item, in particular financial liabilities increased by € 28.3 million to € 41.1 million, which mainly resulted due to the reclassification of around € 26 million in liabilities resulting from promissory note loans from the noncurrent to the current segment. In addition, trade payables and other liabilities and also contract liabilities increased due to a higher volume of revenue (€ +8.2 million to € 19.0 million). Other nonfinancial liabilities rose by € 8.4 million year-over-year to € 26.6 million, mainly due to the higher volume of employee-related liabilities. The liabilities resulting from disposal groups decreased by € 8.8 million to € 0.0 million as a result of the deconsolidation of SNP Poland.

Compared with December 31, 2020, **noncurrent liabilities** increased by € 9.3 million to € 74.3 million. The increase is mainly due to higher financial liabilities (€ +4.4 million to € 63.9 million) and a rise in deferred tax liabilities (€ +5.7 million to € 6.0 million). In the financial liabilities item, declining amounts due to banks (€ -9.2 million) contrast with higher purchase price liabilities from acquisitions (€ +14.2 million). The increase in deferred taxes reflects the two acquisitions made over the course of the year.

Group equity rose from € 87.7 million to € 102.2 million as of December 31, 2021. Through the issuance of 173,333 no-par-value shares in connection with a contribution in kind within the scope of the Group's acquisition of Datavard, subscribed capital increased to € 7.4 million. The capital reserves increased by € 9.7 million to € 96.8 million, while retained earnings were at € 5.7 million, € 1.0 million higher than in the previous year due in particular to the result for the period. Other reserves increased, mainly due to the loss of adjustment items for foreign currency translation in connection with the deconsolidation of SNP Poland. The deduction made for treasury shares increased by comparison with December 31, 2020, and amounted to € -4.9 million in the reporting period. This was due to the repurchase of 37,000 treasury shares.

Due to the increase in equity combined with a simultaneous disproportionate rise in the volume of total equity and liabilities, the equity ratio decreased from 42.4% to 38.4%.

Financial Position

Management of Financial, Liquidity and Capital Structure

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

In the past few years, cash and cash equivalents have primarily been used for operating activities, the investment needs associated with growth and the acquisition of companies. SNP assumes that its liquidity holdings together with its financial reserves in the form of various unused credit lines will be sufficient to cover its operating financing requirements in 2022 and – together with the expected cash flows from operating activities – will cover debt repayment and our planned short- and medium-term investments.

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

Debt Financing

In February 2017, SNP issued promissory note loans with a total volume of € 40 million and 3, 5 and 7 year terms.

In March 2020, the first tranche of the promissory note loans was repaid, with a volume of € 5 million. This was refinanced by taking out a loan in the amount of € 3.0 million and, in part, by means of short-term loans within the scope of a € 5.0 million credit line agreement.

In May 2020, SNP SE took out a loan with a volume of € 10 million which is refinanced by the KfW bank within the scope of KfW's 2020 special program and has a term of five years.

In February 2021, SNP SE signed a finance agreement with the European Investment Bank in the amount of € 20 million with a term of five years.

Please see note (24) in the notes to the consolidated financial statements for further information on debt financing.

Equity Financing

A cash component of around € 20 million and the issuance of shares by way of a capital increase against a contribution in kind were agreed as consideration for the purchase of all of the shares in Datavard AG; by means of this capital increase against a contribution in kind, the company's share capital was increased by € 173,333 from € 7,212,447 to € 7,385,780 through the issuance of 173,333 new no-par-value shares. An independent valuation has confirmed the appropriateness of the overall purchase price.

SELECTED KEY FIGURES ON FINANCIAL POSITION

in € million	2021	2020
Cash and cash equivalents on December 31	+40.3	+29.4
Change in cash and cash equivalents	+10.9	+10.3
Cash outflow for/cash inflow from operating activities	-1.4	+2.0
Cash inflow from/cash outflow for investing activities	+7.1	-23.2
Cash inflows from financing activities	+4.8	+32.2
Impact of the effects of changes in foreign exchange rates on cash and bank balances	+0.4	-0.8

Development of Cash Flow and the Liquidity Position

Despite a positive result for the period in the amount of € 0.6 million and depreciation, amortization and write-downs in the amount of € 10.0 million, in the 2021 fiscal year we registered a marginally negative **operating cash flow** in the amount of € -1.4 million (previous year: € 2.0 million). This is attributable to a growth-related increase in the volume of working capital which is associated with a higher volume of trade and other receivables as well as contract assets which will only give rise to a positive cash flow in subsequent periods.

Cash flow from investing activities totaled € 7.1 million (previous year: € -23.2 million). The release of funds invested on a short-term basis resulted in a significant positive cash flow in the amount of € 20.0 million. € 0.2 million has resulted from the sale of intangible assets and property, plant and equipment; on the other hand, investments in property, plant and equipment and intangible assets amount to € 2.7 million. The negative cash flow due to the two acquisitions made over the course of the year, in the amount of € 15.9 million, contrasts with a positive cash flow of € 5.5 million due to the sale of the Group's Polish subsidiary.

Cash flow from financing activities resulted in a positive cash flow in the amount of € 4.8 million (previous year: € 32.2 million). The positive cash flow has arisen due to proceeds from loans taken out in the amount of € 24.6 million. This contrasts with payments made for the repayment of loans (€ 13.4 million) and the settlement of lease liabilities (€ 4.2 million) as well as payments for the purchase of treasury shares (€ 2.2 million).

Overall cash flow during the reporting period totaled € 10.9 million. Taking into account the changes presented here, the level of cash and cash equivalents rose to € 40.3 million as of December 31, 2021 (previous year: € 29.4 million).

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

SNP SE ECONOMIC REPORT

SNP SE, based in Heidelberg, Germany, is the parent company of the SNP Group which comprises 35 companies. It exercises a holding function for the SNP Group, provides shared service functions for the Group's companies and employs most of the Group's Germany-based research and development personnel.

As a holder of central SNP software rights, SNP SE mainly generates its revenue from the license revenue and maintenance fees which the Group's subsidiaries remit to SNP SE for the sale of rights of use for the related SNP software solutions. SNP SE generated further revenue from a large number of internal Group shared services, such as in the areas of IT, marketing and accounting and, to a lesser extent, through external revenue in the Software and Services business segments.

SNP SE bears the overwhelming share of the Group's research and development costs.

The above-mentioned acquisitions of EXA AG and Datavard AG have resulted in the capitalization of the corresponding shares. The sale of SNP Poland, also described above, resulted in the disposal of the shares in this company.

The annual financial statements of SNP SE are prepared in accordance with the accounting standards under the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The complete annual financial statements of SNP SE which have been awarded an unqualified audit opinion are submitted to the operator of the electronic version of the German Federal Gazette, which forwards them to the Company Register.

Development of the Earnings Position

The income statement is prepared according to the nature of expense method. Figures in millions of euros (€ million).

INCOME STATEMENT OF SNP SE PREPARED ACCORDING TO THE HGB (SHORT VERSION)

in € million	2021	2020
Revenue	**34.2**	**33.6**
Increase in unfinished goods	0.1	0.0
Other own work capitalized	0.1	0.1
Other operating income	2.0	1.2
Cost of materials	-1.0	-1.2
Personnel expenses	-17.9	-16.2
Amortization of intangible fixed assets and depreciation of tangible assets	-1.2	-1.3
Other operating expenses	-26.8	-26.2
Operating result	**-10.5**	**-10.0**
Net financial result	**10.7**	**10.9**
Earnings before tax	**0.2**	**0.9**
Income tax	-0.3	-0.3
Profit after tax	**-0.1**	**0.6**
Other taxes	0.0	0.0
Profit for the year	**-0.1**	**0.6**

In the 2021 fiscal year, SNP SE achieved an overall revenue volume of € 34.2 million, which represented an increase of 1.5% on the previous year (previous year: € 33.6 million). Overall revenue mainly consists of licensing and maintenance fees from external customers and affiliated companies in the amount of € 19.4 million (previous year: € 23.3 million) as well as revenue in the Services business segment in the amount of € 3.4 million (previous year: € 2.0 million). € 11.4 million is attributable to intercompany charges (previous year: € 8.3 million).

The operating result amounted to € -10.5 million in 2021 (previous year: € -10.0 million). At € 2.0 million, other operating income is € 0.8 million higher than in the previous year. This is mainly due to higher income from currency translation as well as income from insurance benefits. The cost of materials decreased by € 0.2 million to € 1.0 million. This trend is attributable to a lower volume of services purchased from affiliated companies.

SNP SE's personnel expenses mainly comprise the salaries of SNP SE's development, support and administration employees. The 10.5% increase is principally attributable to salary increases and higher variable remuneration. In the reporting year, the number of employees of SNP SE decreased from 210 as of December 31, 2020, to 209 as of December 31, 2021.

Other operating expenses amount to € 26.8 million in 2021 and are thus largely unchanged on the previous year's figure of € 26.2 million. This includes a loss on disposal in the amount of € 4.2 million in connection with the sale of 51% of the shares in SNP Poland Sp. z o.o. This loss on disposal is attributable to the fact that potential subsequent revenue under the earn-out agreement in connection with the sale cannot yet be entered in the books on account of the realization principle. Adjusted for this one-time effect, this item has decreased by € 3.6 million, which is mainly attributable to the € 2.4 million decline in sales commissions to affiliated companies and the € 1.2 million decrease in expenses for currency translation.

Net financial income was largely unchanged on the previous year at € 10.7 million (previous year: € 10.8 million). As in the previous year, the positive financial result mainly consists of profits from profit transfer agreements and income from long-term equity investments. A € 0.8 million write-down to the lower fair value due to an expected permanent impairment of the Group's investment in its subsidiary Innoplexia had a negative impact.

Earnings before tax of SNP SE decreased by € 0.7 million to € 0.2 million (previous year: € 0.9 million). As in the previous year, the volume of tax expense amounted to € 0.3 million. After taxes, profit after taxes decreased year-over-year by € 0.8 million to € -0.1 million (previous year: € 0.6 million).

Development of SNP SE's Net Assets and Financial Position (Short Version)

The total assets of SNP SE reported in the balance sheet amounted to € 211.2 million (previous year: € 178.1 million) at the end of 2021.

BALANCE SHEET OF SNP SE PREPARED ACCORDING TO THE HGB AS OF DECEMBER 31, 2021 (SHORT VERSION)

in € million	2021	2020
Assets		
Intangible fixed assets	1.8	1.9
Tangible fixed assets	3.2	1.9
Long-term financial assets	126.4	97.0
Noncurrent assets	**131.4**	**100.8**
Inventories	0.1	0.0
Receivables and other assets	70.7	51.0
Cash and cash equivalents	8.0	25.6
Current assets	**78.8**	**76.6**
Deferred income	1.0	0.6
Total assets	**211.2**	**178.1**
Equity and liabilities		
Equity	112.8	105.3
Provisions	6.1	5.4
Liabilities	91.7	67.1
Deferred income	0.6	0.3
Total equity and liabilities	**211.2**	**178.1**

Intangible fixed assets decreased by € 0.1 million to € 1.8 million. In the same period, tangible fixed assets increased by € 1.3 million to € 3.2 million. This is due to fittings capitalized in the reporting year in connection with moving into new rented space in Heidelberg.

Long-term financial assets increased by € 29.4 million to € 126.4 million (previous year: € 97.0 million). This change is mainly associated with acquisitions and disposals in the 2021 fiscal year: The acquisition of EXA AG and Datavard AG resulted in an increase in shares in affiliated companies totaling € 40.8 million, while the disposal of the shares held in SNP Poland Sp. z o.o. resulted in a € 12.2 million decrease in shares in affiliated companies. In addition, long-term financial assets have been impaired to the lower fair value due to a € 0.8 million write-down on the shares held in Innoplexia GmbH.

The € 19.8 million increase in receivables and other assets to € 70.7 million is mainly attributable to a higher volume of receivables from affiliated companies. This trend is largely attributable to a higher volume of receivables in connection with financing or profit transfers for affiliated companies.

Cash and cash equivalents and term deposits decreased overall by € 17.6 million to € 8.0 million, compared to € 25.6 million as of December 31, 2020. This decrease is chiefly due to expenses associated with company acquisitions in the year under review as well as an increased capital commitment in the working capital item.

SNP SE's equity increased by 7.1% to € 112.8 million (previous year: € 105.3 million). The distributable profit, which was € 2.2 million lower, resulting from the purchase of treasury shares and the lower profit for the year contrasts with various additions; these include a € 0.2 million increase in share capital and a € 9.3 million increase in the capital reserves in connection with a non-cash capital contribution and a further increase in the capital reserves in the amount of € 0.3 million in connection with a stock option program.

Provisions have risen by € 0.7 million year-over-year to € 6.1 million (previous year: € 5.4 million). This is largely due to higher provisions for contingent losses in connection with unused rented space.

Liabilities increased by € 24.6 million to € 91.7 million (previous year: € 67.1 million). As well as a higher volume of liabilities to affiliated companies (€ +4.9 million), this increase primarily resulted from an increase in liabilities to banks mainly due to internal Group financing. Liabilities to banks rose by € 17.5 million to € 68.8 million (previous year: € 51.3 million). A long-term loan with a volume of € 20 million which has been newly taken out contrasts with loan repayments and interest.

Risks and Opportunities

SNP SE is essentially subject to the same risks and opportunities as those applicable for the SNP Group. Please see the "Opportunity and Risk Report" below for further information.

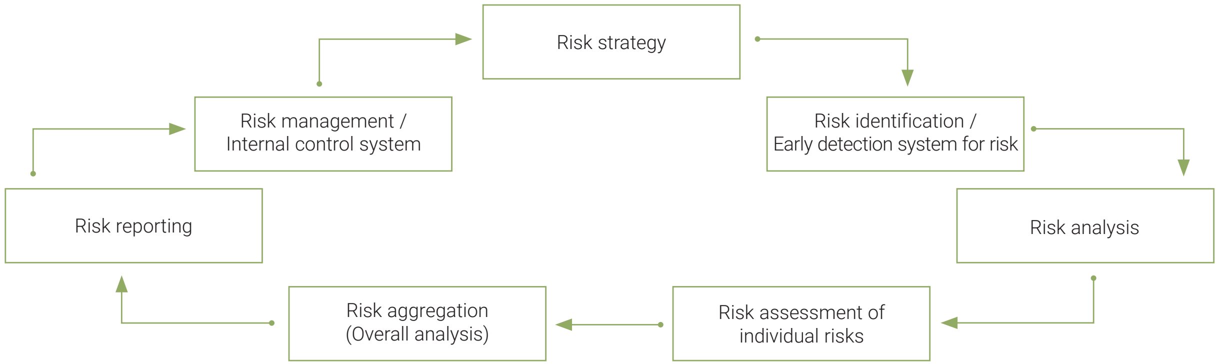
OPPORTUNITY AND RISK REPORT

Unless otherwise expressly stated, the figures in the Opportunity and Risk Report apply to both the SNP Group and SNP SE as the parent company.

Risk Management System

In its business activities, the SNP Group is subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Risks refer to the possibility of events occurring with unfavorable consequences for SNP's economic situation. SNP employs effective management and control systems to identify risks at an early stage, to evaluate them and to deal with them systematically. They are combined into a uniform Group-wide risk management system, which is presented below. SNP's risk management system essentially consists of the following three components: its risk management policy, a standardized risk identification and treatment method and the responsible departments within its organizational structure, which are entrusted with the implementation of its risk management approach. All risks are systematically identified, evaluated and monitored. Risk assessment and aggregation rules have been defined for this purpose. Risks are normally balanced out by appropriate opportunities. However, the risk management system does not address the opportunities.

RISK MANAGEMENT CYCLE



The risk aggregation has been performed by means of a mathematical simulation and a scenario analysis has been applied for the risk assessment. Risk-bearing capacity was also thus verified.

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

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

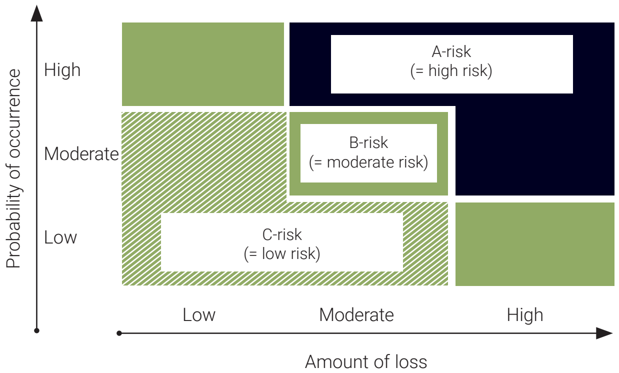
RISK ASSESSMENT DIMENSIONS

Classification by potential loss	Amount of loss in EUR*	Probability of occurrence**
Low	< 1,000.000	≤ 30%
Moderate	>1,000.000 – 2,500.000	> 30%
High	> 2,500.000	> 60%

* The loss amount is based on an average figure within the scope of the scenario distribution in euro.
** 0 – 100% (100% = once a year, 50% every two years).

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

RISK MATRIX



An overall analysis of the risk position is implemented in the risk aggregation by means of a mathematical simulation. The result of this risk aggregation is then compared with the level of risk-bearing capacity, adjusted for any provisions made. Risk-bearing capacity is determined on the basis of the volume of equity and the level of liquidity. For 2021, the aggregated risk-bearing capacity levels were defined as no more than 50% of equity and 50% of liquidity. These levels were not exceeded in the year under review.

In addition, all risks have been assigned to appropriate risk areas. The risk reporting is derived from the aggregated overview, with an assessment of the situation for each of the individual areas. Twelve areas were selected for the year 2021 in the reporting period. These are outlined in further detail in the risk report. Measures are implemented for each area – and also for individual risks – which are intended to be proportionate to the potential level of damage. The risk managers are responsible for implementation of these measures. The effectiveness of countermeasures, reduction strategies and SNP's internal control system are monitored and safeguarded by means of the management measures.

Risk Management System

SNP strives for sustainable growth and a steady increase in the value of the company. This strategy is reflected in its risk policy. The basis of risk management is the monitoring and evaluation of financial, economic and market-related risks.

In order to ensure the early detection of risks on a Group-wide, systematic basis, SNP has installed a "monitoring system for the early detection of risks that may threaten the survival of the company," in accordance with Section 91 (2) of the German Stock Corporation Act (AktG).

This early detection system for risk ensures that the SNP Group can always adjust promptly to changes in its environment. The constant refinement of the risk management system is an important step that allows the company to respond promptly to changing conditions that may directly or indirectly affect the financial position and financial performance of SNP.

Risk Management System Regarding Significant Risks Threatening the Company's Survival

The risk management system for significant risks threatening the company's survival is integrated within the SNP Group's value-oriented management and planning system. It is an important component of the overall planning, controlling and reporting process in all relevant legal entities, business fields and core functions. Its purpose is to systematically identify, evaluate, monitor and document all significant risks threatening the company's survival. The Board of

Directors establishes guidelines for risk management. These guidelines serve as the basis for risk management by the risk management officer. The risk management officer ensures that the specialized departments identify risks proactively and promptly, evaluate them both quantitatively and qualitatively and develop suitable measures to avoid or compensate for risks. Using a systematic risk inventory, the employees responsible revise and reassess the risks at least once per fiscal year. In addition to routine reporting, there is a Group internal reporting requirement for risks that may occur unexpectedly. Each risk is assigned to a risk group. When providing notifications and reassessments of risks, the amount of the loss and probability of occurrence must be indicated in accordance with guideline provisions. The task of the employees responsible is to develop and, if necessary, to introduce measures corresponding to the evaluation of risks that are suited to avoiding, reducing or protecting against these risks. Significant risks and countermeasures that have been introduced are monitored regularly during the year. The Managing Directors and the Board of Directors are regularly informed about material identified risks.

Internal Control and Risk Management System Regarding Accounting

The internal control and risk management system regarding the accounting process is designed to ensure the correctness and effectiveness of accounting and financial reporting. Due to its inherent limits, it is possible that the internal control system for financial reporting may not prevent or uncover all potentially misleading statements.

The Group accounting department regularly checks whether

- Group-wide accounting and evaluation principles are continuously updated and followed,
- internal Group transactions are fully recorded and properly eliminated,
- significant accounting issues subject to mandatory disclosure arising from agreements are identified and properly depicted,
- processes are in place ensuring the completeness of financial reporting and
- processes are in place to enforce the separation of functions and the double-check principle during the preparation of financial statements, and rules exist governing authorization and access to relevant IT accounting systems.

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

SNP is satisfied that the effectiveness of the Group's accounting-related control system was safeguarded as of December 31, 2021.

Monitoring of the Internal Control and Risk Management System

The Board of Directors oversees the monitoring of the internal control and risk management system. In 2021, the Board of Directors established an Audit Committee which critically assessed the risk management system in the year under review and discussed this with the Managing Directors. The auditor examines the fundamental suitability of the early detection system for risk integrated into the risk management system to identify at an early stage any risks that pose a threat to the company's survival. In addition, he reports to the Board of Directors about any potential weaknesses in the internal control system.

RISKS

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

Economic and Political Risks

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

At the moment, we believe that the economic impact of political risks in those countries in which we are active/have locations is low for our business. As things currently stand, this also applies in terms of the direct impact of the conflict between Russia and Ukraine, since we have fairly limited business relationships with customers and suppliers in these countries. On the other hand, it is not possible to reliably estimate the indirect impact of the conflict on our business partners, and thus on the orders which they place with us, as well as the general cost rises resulting from this conflict for our company.

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

Possible restrictions on travel and mobility as well as illness-related employee absences could lead to additional strains on our financial and earnings position and our cash flows. However, the coronavirus crisis has shown that the SNP Group’s previously very travel-intensive business model still works well under travel and mobility restrictions and without direct customer contact, since consulting and other services can be digitalized and thus offered and implemented regardless of location.

SNP’s customers are primarily large companies and multinational corporations. Business cycles influence the business and investment behavior of these companies. Therefore, the global economic trend and the development of the world economy may affect the success of the business. Cost reduction measures and investment freezes for IT projects on the part of customers can lead to project delays and/or cancellations. SNP tries to mitigate this market risk through regional diversification.

However, the diversification effect has limited impact during a global crisis. Therefore, company management tries to counter these risks by monitoring the market so that it will be able to respond to serious changes, if necessary, by promptly adjusting the business and its cost structure.

In addition, over the course of the year, SNP is subject to the typical business cycles for the IT sector. This usually means a very strong level of demand in the fourth quarter. To be able to flexibly react to fluctuations in demand, external resources are used to handle peak demand.

Since the company's capacities, particularly in the Services business segment, are largely fixed over the entire year in order to accommodate expected peak demand, heightened risk exists here if short-term changes in investment behavior should occur. SNP tries to reduce these risks by employing freelancers. In the year under review, expense in the amount of € 17.1 million (previous year: € 10.7 million) was incurred for the use of external service providers in projects. SNP likewise seeks to reduce risks and their negative effects by continuously increasing the proportion of maintenance fees and recurring fees and thus revenue that can be more easily planned for. In 2021, maintenance fees increased by € 4.8 million or approximately 44% to € 15.7 million (previous year: € 10.9 million).

Similarly, it cannot be ruled out that in the Software business segment, scheduled software sales may fall through over the short term or purchase decisions by customers may be postponed, influencing the company's target achievement. SNP tries to reduce this risk through greater diversification of software products, by strengthening its license models providing recurring revenue and through stronger marketing of all of its software products. In the 2021 fiscal year, revenue from SNP's in-house products amounted to € 42.1 million (previous year: € 41.9 million).

SNP classifies the economic and political risks as moderate.

Risks of Technology Development

With its portfolio of products and services, SNP offers specific solutions for the data transformation of ERP landscapes. Therefore, it focuses on a niche market. The possibility exists that another provider may offer better or less expensive solutions so that SNP loses market share or is driven from the market entirely. SNP counters this risk by developing new products and by continuously refining and improving existing products. In 2021, research and development costs as a percentage of revenue were 18.5% (previous year: 24.0%). Given the complexity of SNP products and processes, the company has managed to achieve an innovation lead until now that generally limits the possibility of imitation.

The earnings position of SNP mainly depends on its success in adapting its products to changes in the market and achieving a rapid amortization on new products and services. Revenue and earnings may be adversely affected if technologies do not function properly, do not encounter the expected market acceptance or are not launched in the market at the right time.

By integrating sales and the Services business segment with research and development (R&D), the company has so far been able to detect changes in the market promptly and to develop market-driven and therefore also market-relevant product innovations.

SNP classifies the technological risks as moderate.

Operational Risks

The implementation of projects in the ERP transformation market is frequently associated with a considerable deployment of resources by customers and is subject to a variety of risks that are sometimes beyond their control. These risks include a lack of resources and system availability as well as the reorganization of existing projects. Our products and consulting services are used in very sensitive areas affecting our customers' ERP systems. Product errors or mistakes made in transformation projects have the potential to cause significant damage, such as a temporary loss of production. These errors or mistakes can be caused by employees with inadequate qualifications and training, carelessness or in cases in which the customer was not sufficiently consulted. In order to minimize project risks, the SNP Group and its customers choose to use a modular approach, dividing projects into separate subprojects. In addition, numerous test runs are planned during projects to prevent potential errors. SNP also conducts regular training sessions for employees, performs quality controls as part of its projects and assigns employees to projects based on their knowledge in order to ensure the high quality of its work.

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

SNP classifies the operating risks as moderate.

Risks of Dependence on SAP SE

The success of SNP products and consulting services is currently strongly linked to the acceptance and market penetration of the standard ERP software of SAP SE. The risk exists that SAP SE solutions may be supplanted by competing products.

However, the danger of a sudden collapse of the fundamentals for the market is regarded as minimal. Given the high investment of time and expense associated with a new installation of standard enterprise software, management anticipates that it will have sufficient time to realign its product offerings in response to changes in the market.

The SNP Group is constantly developing its product portfolio and increasingly orienting it toward solutions for the entire ERP market. In the process, the company is tapping into additional potential revenue sources, while simultaneously reducing its dependence on SAP SE.

SNP classifies the risks of dependence on SAP SE as moderate.

Growth Risks

SNP continues to position itself for organic and inorganic growth. Company acquisitions may lead to a significant increase in SNP’s value. However, there is a risk that it may not be possible to successfully integrate an acquired company into the SNP Group.

Furthermore, acquired companies or business areas may not develop as expected following their integration. In this case, the depreciation and amortization of such assets could impair earnings. Similarly, the risk exists that certain markets or sectors may offer only limited growth potential, contrary to expectations. SNP usually protects itself against this risk by arranging variable purchase price components or purchase price retentions that are linked to future performance indicators. In addition, SNP generally does not initially acquire all of the shares in companies straight away, in order to preserve liquidity and hedge related risks. To limit the growth risks related to the acquisitions of EXA and Datavard, extensive prior due diligence was implemented in addition to some of the above-mentioned measures, together with targeted integration activities following these acquisitions.

SNP classifies the growth risks as slight.

Personnel Risks

SNP employees and their skills are of fundamental importance to the success of the company. Therefore, the loss of important employees in strategic positions is a significant risk factor. Furthermore, competition for qualified IT specialists continues unabated and could lead to shortages.

In order to mitigate this risk, SNP strives to offer a motivational work environment that enables existing employees to develop their abilities and realize their full potential.

This includes a range of individualized continuing education opportunities and attractive incentive programs. In addition, the company continually attempts to identify, hire and retain suitable employees. Further measures include university marketing programs as well as regular performance reviews and employee events.

Moreover, SNP trains young professionals in customized training programs on a regular basis. As of December 31, 2021, SNP employed 32 students and trainees (previous year: 42).

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

However, insuring against overall personnel risk is possible only to a limited extent. SNP classifies the personnel risks as slight.

Insurance Risks

SNP has hedged against potential losses and liability risks by taking out appropriate insurance coverage. However, additional liability obligations or damages could arise that are unknown at the current time or could be economically disproportionate to the amount of the insurance protection. The scope of insurance coverage is continuously reviewed in light of the probability that certain risks may occur and adjusted, if necessary.

SNP classifies the insurance risks as slight.

Legal Risks

Legal risks primarily involve matters of company law, labor law, commercial and trademark law, contract law, product liability law, data protection law, capital market law and cases of changes to relevant existing laws and their interpretations. A violation of an existing provision may occur as a result of ignorance or negligence. SNP uses external service providers and experts and takes out insurance policies to minimize most of these risks. SNP has its own internal legal department staffed by in-house legal experts. It is advised by these legal experts as well as external legal experts. In the year under review, SNP adopted a policy of identifying and assessing compliance risks separately. Legal disputes can lead to significant costs and damage to the company's image even if the company's legal position is vindicated.

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

As part of its ordinary business activities, SNP is confronted with lawsuits and court proceedings. As of the reporting date of December 31, 2021, pending legal disputes mainly relate to proceedings with current or former employees.

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

As of December 31, 2021, other significant legal risks from lawsuits and third-party claims did not exist. The negative effects expected to arise from unresolved employment law disputes have been taken into account in the "provisions" and "other liabilities" line items.

SNP classifies the legal risks as a moderate risk.

Sales Risks

SNP's software products are sold by SNP's in-house sales team as well as through partners such as system integrators and consultants. The success of marketing by the in-house sales team or these partners is determined particularly by specific market conditions, such as the availability of competing products, the general demand for standard software products for transformation projects and further products as well as the company's own product positioning in the market.

Marketing via third parties also carries the general risk that the relevant products are not sold with the commitment that SNP expects. Another risk is that distributors may terminate partnerships against the wishes of SNP. This could lead to medium-term substitution problems and to significantly higher sales expenses. As well as a strong in-house sales team, SNP seeks to reduce this risk by carefully selecting strategic partners and through extensive partner enablement initiatives. In addition, strategic partners are required to complete a qualification process.

As of December 31, 2021, sales employees represented around 9% of the overall workforce (December 31, 2020: around 8%).

SNP classifies the sales risks as moderate.

Risk of Dependence on Individual Customers and Industries

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

In the 2021 fiscal year, as in the previous year, no customer generated revenue that exceeded 10% of total revenue.

The SNP Group has also established a position for itself that does not rely on one particular industry thanks to a very loyal customer base that is constantly growing and includes a large number of renowned major companies. We classify the risk of dependence on individual industries and on individual customers as a moderate risk.

IT-Risiken

SNP runs its own IT systems and works on its customers' IT systems when performing its business activities. The failure of these IT systems or the loss and theft of data or IP caused, for example, by malware, virtual attacks or destruction, could have material adverse impacts on our business activities, or on our financial and earnings position and our cash flows. SNP takes a whole range of measures to protect against IT risks. These include, among other things, systematically bringing our security mechanisms into line with the relevant IT security standards, taking numerous technical security precautions and conducting security training sessions for our employees. In addition, in 2021 SNP's information security management system once again received ISO 27001 certification from TÜV Süd AG at its head office in Heidelberg and completed a TISAX assessment. To be sure, we cannot entirely rule out a scenario in which IT risks materialize. However, we classify IT risks as slight.

Financial Risks

- **Credit Risk (Default Risk)**
  SNP is constantly working on improving receivables management and intensively monitors the creditworthiness of its major customers. In order to reduce the default risk, the company requires deposits for individual projects, in line with their respective significance, and invoices for milestones reached. As a result, credit risks exist only for the remaining amount owed.

  SNP classifies the credit risk as a slight risk.

- **Liquidity Risk/Interest Rate Risk**
  SNP has a large amount of cash and cash equivalents, which are available on a daily basis or relate exclusively to investments in term deposits, overnight money or similar conservative products with maturities of up to one year. Consequently, the interest rate risk associated with such financial investments is negligible. Given the low or even negative rate of interest accruing to the specified forms of investment, SNP is exposed to the risk of a loss in purchasing power from the liquid funds it is holding in case of a concurrently high rate of price inflation (inflation rate). The default risk posed by business partners, with whom SNP has made deposits or concluded derivative financial contracts, is minimized by regular credit checks of the relevant institutions.

  SNP is financed through its equity as well as external funds. As of December 31, 2021, its equity ratio amounts to 38.4% (previous year: 42.4%), while interest-bearing external funds account for 25.6% of total assets (previous year: 24.8%). As well as additional loans, the majority of the interest-bearing external funds relate to borrower's note loans with a total nominal value of € 35.0 million and maturities until 2022 and 2024. Borrower's note loans with a nominal volume of € 20 million include not only a basic interest rate, but also a variable interest rate component corresponding to the 6-month Euribor. If the 6-month Euribor is below 0%, the variable interest rate is fixed at 0%. If the 6-month Euribor rises to over 0%, then SNP is exposed to an interest rate risk. SNP keeps a close eye on market interest rate developments, the options available for, and cost development of, hedging measures and takes corresponding measures to safeguard against these risks as and when required. As of the reporting date, there are two hedging transactions to hedge interest rate risk.

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

In the context of a high volume of cash and cash equivalents in the amount of € 40.3 million (€ 26.0 million as of December 31, 2021, after the reclassification of € 2.5 million of cash and cash equivalents to assets held in disposal groups; previous year: € 3.4 million) and a solid financing structure, the management classifies the liquidity risk as a moderate risk.

Currency Risk

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions in foreign currencies involve fluctuations in currency exchange rates. Operating business and financial transactions must be converted into our Group reporting currency, the euro. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, relate primarily to the absolute amount of the key figures reported in euros. The realization of currency risks might have a significant impact on our business activities, our financial and earnings position and our cash flows. For this purpose, SNP is reviewing the needs-based use of derivative financial instruments to avert potential foreign currency risks. As of December 31, 2021, no financial derivatives to hedge currency risks were in use.

SNP classifies the currency risk as a moderate risk.

Risk of Goodwill Impairment

The "goodwill" balance sheet item comes to € 70.4 million as of December 31, 2021 (previous year: € 33.6 million). Goodwill is the result of various business combinations in the past and in the reporting period and is measured at cost upon first-time recognition. Cost is calculated as the excess cost resulting from the business combinations over the Group's share of the fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill is tested for impairment at least once a year. Impairment tests are also implemented if issues or changes in circumstances indicate the possibility of impairment. For the purpose of impairment testing, the goodwill acquired from a merger is assigned to cash-generating units of the Group that are expected to benefit from Group synergies. The impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Goodwill was predominantly assigned to the Services business segment for the purpose of impairment testing.

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

SNP classifies the risk of goodwill impairment as a moderate risk, assuming that business developments progress as planned.

OPPORTUNITIES

Faced with complex IT transformation projects, our customers rely upon SNP as a trusted partner. We are confident in our ability to continuously surpass our customers' expectations and to achieve steady growth through continuous, agile innovations by exploiting new opportunities for our company on an ongoing basis.

As well as identifying and managing risks, identifying and developing opportunities is an important area of focus for the management from the point of view of the development of the SNP Group. Various formats and working groups – comprising the Board of Directors, the Managing Directors, the management teams of Group companies as well as product and regional managers – ensure that new business opportunities are systematically pursued. These formats develop new ideas and business models for new or existing industries, solutions and regions.

It is critical for our shareholder value for us to achieve a balance between risk mitigation measures, on the one hand, and exploiting promising opportunities on the other. We thus have solid management structures in place to ensure that we factor into our decision-making the rate of return, the investments required and the necessary risk limitation measures. Where it is probable that opportunities will be realized, we have included them in our business plans and our outlook for 2022, which are set out in this report.

The following section therefore focuses on future trends or events which may result in a positive deviation from our outlook, in the event that these trends or events surpass our forecasts.

SNP SE is the SNP Group's parent company and primarily generates inflows by means of subscription and license fees, maintenance fees, shared service remuneration as well as dividend payments from subsidiaries. The opportunities described below therefore likewise apply for it, either directly or indirectly.

Opportunities Thanks to Economic Environment

The economic environment has a significant impact on our business, our financial and earnings position and our cash flows. In the event that the world economy recovers more rapidly than we have assumed in our planning, our revenue and our earnings position may surpass our current forecast, accordingly.

Our forecast report provides further information on the expected global economic trend and the outlook for the IT market and its potential impact on SNP.

Opportunities Through Innovation

SNP aims to generate profitable growth by means of our software and consulting portfolio and thus to significantly improve our market position. We intend to continue to expand our target market by means of enhancements and adjustments to our software and on the strength of our new technologies and innovations.

Our innovation-driven growth is based on the effective use of our research and development capabilities. We are continuously improving our products and solutions and we work very closely with our customers and partners during the development phase.

In the context of our capacity for innovation, with the use of functionalities and technologies such as machine learning and artificial intelligence, we see opportunities in growing product and market fields, such as the archiving of IT systems, the analysis and evaluation of process and data structures within the SAP environment and throughout the data management segment.

As well as more rapidly developing innovative products, we are also concentrating on ensuring that these products are easy to introduce and to use, so that our customers will more rapidly benefit from our software applications and technologies, thus speeding up their ability to deploy our innovations in their companies.

For instance, the faster introduction of technologies which support the companies' digital transformation process may provide additional upselling opportunities for customers seeking to change over to the SAP S/4HANA suite.

You will find further information on our future opportunities in the area of research and development in the Research and Development section of this report.

Opportunities Resulting from Our Strong Partner Network

Over the past few years, we have been constantly improving our software and increasing the level of automation in transformation projects while also making its application significantly easier. On this basis, we intend to take great strides forward in the use of our software approach via strategic partnerships.

This strategic focus means that our partner network has become even more important. We have therefore developed a partner strategy in order to convince IT consulting firms, system houses and hyperscalers of the benefits of our software and, on this basis, to develop innovative concepts for their customers. We intend to extensively communicate our unique selling points to the market, working with and through third parties, to exploit our growth potential and to significantly scale up and increase our software and license revenue.

By working with partners, we are able to win new customers, expand our presence in existing markets and industries, develop new markets and offer a wide variety of SNP Crystal Bridge-based solutions and applications.

The measures which we pursue within the scope of this new partner strategy with the goals of improving the level of satisfaction among our partners and their customers, reducing their investment of time and expense for data transformation projects and establishing new opportunities for innovation meet with a positive response from our partners. Our partners contribute their expertise in specific sectors to our portfolio of cloud applications which are tailored to the requirements of particular sectors. They use these applications as a starting point for their own innovations and thus contribute to the progress of the software-supported data transformation process within the SAP environment.

This and the combined effect of all of the above-mentioned measures may have a positive impact on our revenue, our earnings position and our cash flows and may mean that we surpass our medium-term forecast.

Opportunities Thanks to Our Employees

Our employees safeguard the process of innovation, offer our customers added value and establish the preconditions for our company's growth and profitability. As described in the separate Group non-financial report, we are continuously investing in our employees in order to maintain their high level of commitment in the long term, by providing them with additional skills and by promoting an agile and innovative company, good health, diversity and inclusion among our workforce, alongside our commitment to society at large. We expect this to enhance our employees' productivity and their capacity for innovation.

Our outlook is based on certain assumptions regarding our employee retention. In the event that these assumptions are surpassed, this may result in an increased level of productivity and a higher level of employee commitment. This may mean that we surpass the goals which we have presented for the 2022 fiscal year.

Further information on our future opportunities thanks to our employees can be found in the separate Group non-financial report.

Opportunities Resulting from Acquisitions

New acquisitions give rise to additional market and sales opportunities for SNP to augment its strategic range of products and solutions, to penetrate new sales markets, to gain technical expertise and to expand capacity. In the past, SNP has successfully taken over several companies, which now are helping improve its market penetration. A targeted market survey in search of possible target companies – focusing on the Software segment – is an objective of SNP's corporate strategy.

Further successful acquisitions may have a significant impact on our financial position and financial performance. Since such opportunities are very difficult to plan for, they have only been included in our revenue and earnings forecasts where the transactions in question are already sufficiently far advanced.

Overall Statement on the Risk and Opportunity Situation

Overall, we consider our risks to be limited and calculable. Based on available information, in the view of the Managing Directors, there are currently and in the foreseeable future no significant individual risks the occurrence of which is expected to endanger the existence of the Group or a significant Group company.

Given current business fundamentals and the company's solid financial structure, management does not believe that the totality of individual risks poses a threat to the ongoing survival of the SNP Group.

No risks endangering the survival of the company occurred during the 2021 fiscal year.

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

FORECAST REPORT

Expected Global Economic Development

Global growth – which the experts at the International Monetary Fund (IMF) estimate at 5.9% for 2021 – will slow to 4.4% in 2022 and then amount to 3.8% in 2023. The International Monetary Fund (IMF) has thus downwardly adjusted its forecast for world economic growth since its previously published outlook. In particular, this adjustment reflects the USA's departure from an expansionary monetary policy, supply bottlenecks, the stringent restrictions associated with China's zero-COVID strategy and the real estate crisis in China.

The Omicron variant of the coronavirus spread rapidly throughout the world over the winter months. Many countries responded by imposing restrictive measures which weighed on their economies. The IMF sees future risks in particular on account of overly slow vaccination campaigns in emerging markets and developing countries and new virus variants which might prolong the pandemic. At the same time, the global inflation trend will remain intact for longer than previously assumed. Inflation will be driven by disruptions to supply chains and high energy prices. Inflation may then drop off over the course of the year through a reduction in the imbalance between supply and demand and thanks to the central banks' responses. Moreover, the war in Ukraine is resulting in heightened geopolitical risks and economic upheavals whose scope it is not yet possible to estimate.

ECONOMIC DEVELOPMENT – GDP GROWTH BY COMPARISON WITH PREVIOUS YEAR[8]

As %	2021	2022 f	2023 f
Worldwide	**5.9**	**4.4**	**3.8**
Industrialized nations	5.0	3.9	2.6
Emerging markets and developing countries	6.5	4.8	4.7
Europe			
Eurozone	5.2	3.9	2.5
Germany	2.7	3.8	2.5
UK	7.2	4.7	2.3
European emerging markets and developing countries	6.5	3.5	2.9
North and Latin America			
USA	5.6	4.0	2.6
Latin America and Caribbean	6.8	2.4	2.6
Asia-Pacific			
China	8.1	4.8	5.2
Japan	1.6	3.3	1.8
Asian emerging markets and developing countries	7.2	5.9	5.8

[8] International Monetary Fund (IMF), World Economic Outlook Update, January 2021.

f = forecast

Expected Development of the IT Transformation Market

The Cloud Solutions Growth Market

Cloud computing is one of the hot topics in the field of IT development and a key industry trend. Cloud computing is affecting every type of business process and can fulfill the dynamic and complex requirements of customers and businesses alike. A Synergy Research study has shown that the European cloud market has almost quadrupled since the start of 2017 and reached a volume of € 7.3 billion in the second quarter of 2021. It is mainly the hyperscalers who have benefited from this growth: AWS, Microsoft and Google. They now account for 69% of the European market. Despite their lower market share, European providers also doubled their revenue in the same period.[9]

Multi-cloud and hybrid-cloud solutions are increasingly popular, and in the future a growing number of companies will opt for more than one cloud solution. According to Gartner, income from public clouds increased to USD 332.3 billion in 2021, an increase of around 23% by comparison with 2020. This market growth is set to continue in 2022 – income is expected to rise by 20% to USD 397.5 billion.[10]

Companies Planning Increased IT Investments in 2022

Budgets for general IT investments should increase considerably in the current year. 73% (2021: 48%) of the companies surveyed in Germany, Austria and Switzerland (the "DACH" region) indicated that they intended to increase their IT budgets. 31% of these companies are planning to increase them by more than ten percent. On the other hand, only 11% of companies envisage declining IT expenditure. The changeover to SAP S/4HANA is a significant challenge for many companies. Migration to this ERP solution developed signif-

[9] Synergy Research Group, September 2021, (https://www.srgresearch.com/articles/european-cloud-providers-double-in-size-but-lose-market-share).

[10] Gartner, April 2021, (https://www.gartner.com/en/newsroom/press-releases/2021-04-21-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-23-percent-in-2021).

[11] Capgemini, December 2021, (https://www.capgemini.com/de-de/news/it-trends-studie-2022-it-budgets-steigen-stark-unternehmen-wollen-mehrheitlich-wachsen/).

icant momentum in 2021. SAP's revenue from S/4HANA Cloud increased by 46% to € 1.1 billion in 2021. This trend is likely to continue in 2022. SAP currently has an order backlog of € 1.7 billion.[12]

M&A Activities Remain at a High Level

The global M&A trend can likewise be expected to remain positive in 2022. Companies' valuations reflect a dynamic market and there is a lot of spare capital on the market which will be invested in competing for attractive target companies. Companies are pursuing acquisitions in response to the pressure associated with the technological changes and in seeking to maintain their competitive edge. The volatility of the financial markets and a weaker world economic trend represent challenges for the M&A market. Robust plans for the added value generated by M&A activities are therefore particularly important.[13]

[12] SAP quarterly report Q4 2021, (https://www.sap.com/docs/download/investors/2021/sap-2021-q4-mitteilung.pdf).

[13] PWC - Global M&A Industry Trends: 2022 Outlook, (https://www.pwc.com/gx/en/services/deals/trends.html.

Impact on SNP

We improved the quality of our growth-oriented software and partner strategy in 2021, even if that is not yet fully reflected in our results for 2021. The high number of our partner contracts demonstrates the growing acceptance of our software-based approach for handling complex digital transformation processes. Further steps in our strategy include winning over new customers, partners and hyperscalers to our software approach, developing joint sales and go-to-market models and increasing our market share. Overall, we aim to increase our overall revenue as well as the proportion accounted for by our software revenue by comparison with the previous year.

Company's Expected Development

In the current fiscal year, the SNP Group will continue to pursue its growth strategy and further develop its business. For this purpose, we are planning to make further improvements to our software platform and to expand our partner business as well as our offerings in the field of Data Analytics and Data Management. With these measures, we will lay the foundations for the medium- and long-term success of the SNP Group.

2022 Outlook

We expect positive business performance in the 2022 fiscal year. For 2022 as a whole, SNP expects that

- the order entry volume of the SNP Group will be driven, in particular, by the Group's software and partner strategy which will gain further market acceptance and will significantly exceed the previous year's level (2021: € 192 million).
- revenue will fall in a range of between € 170 million and € 190 million (2021: € 167.0 million; 2021 like-for-like*: approx. € 160 million);
- the EBIT figure will fall in a range of between € 10.5 million and € 13 million. The EBITDA figure will increase more strongly in absolute terms than the EBIT figure. This is mainly due to the amortization of intangible assets added as a result of the acquisitions made in 2021 (PPA depreciation/amortization).

* As a pro forma indicator, like-for-like revenue in 2021 differs from the revenue reported for 2021 in the consolidated income statement due to the addition of the revenue realized by Datavard and EXA in 2021 prior to their respective acquisition dates (€ 12.5 million) and the elimination of the revenue which SNP Poland had realized in 2021 prior to its sale (€ 19.5 million).

SNP envisages significant revenue growth year-over-year in all of its business segments (Services, Software and EXA). Revenue in the Software business segment is likely to increase more strongly in percentage terms than in the other two business segments.

As in previous years, it is assumed that, in 2022, revenue will not be evenly distributed over the quarters and that the second half of the year will be stronger.

Medium-Term Outlook

Through our new **"ELEVATE"** strategic program, we are placing SNP on an optimal footing for long-term profitable growth. The program comprises five different areas of activity:

- Expansion of the leading position in the core market of transformation
- Expansion of addressable market (portfolio and technology)
- Expansion of long-term customer relationships with recurring revenues
- Scalable software growth through partner business
- Sustainable improvement in operational efficiency in all areas of the company.

In the period beyond 2022, we continue to expect further growth in the proportion of overall revenue accounted for by software license revenue. The related economies of scale should result in operating margins which will continue to widen in the medium and long term.

In the light of the outlined initiatives, we envisage the following revenue and earnings trends for the SNP Group in the period up to 2024:

- an increase in revenue to more than € 230 million (2021: € 167.0 million; 2021 like-for-like*: approx. € 160 million)
- an increase in the EBIT margin of more than 10 percentage points by comparison with 2021 (EBIT margin 2021: 3.8%)

Basis for Outlook and Perspective

We are convinced that SNP is on the right track and will continue on its dynamic growth path. However, depending on further economic developments (including those influenced by the armed conflicts in Eastern Europe), there might be changes not reflected in the above outlook for 2022. This outlook is also based on the assumption that the economic disruption resulting from the COVID-19 pandemic will not get any worse.

SNP SE Outlook

As a largely internal service provider which performs central functions, SNP SE envisages the same volume of revenue or else a moderate increase in revenue year-over-year for the 2022 fiscal year. Its EBIT will pick up considerably more strongly than its revenue.

Declaration on Company Management

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

Group Non-Financial Report

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

* As a pro forma indicator, like-for-like revenue in 2021 differs from the revenue reported for 2021 in the consolidated income statement due to the addition of the revenue realized by Datavard and EXA in 2021 prior to their respective acquisition dates (€ 12.5 million) and the elimination of the revenue which SNP Poland had realized in 2021 prior to its sale (€ 19.5 million).

OTHER DISCLOSURES

Acquisition-Related Disclosures

The disclosures as of December 31, 2021, which are required according to Art. 9 clause (1) (c) (ii) of the SE Regulation and Section 22 (6) of the SEAG in conjunction with Section 289 a and Section 315 a (1) of the HGB, are provided below. Those elements of Section 289 a (1) and Section 315 a (1) of the HGB that are not fulfilled at SNP Schneider-Neureither & Partner SE are not mentioned.

Composition of Issued Share Capital

As of December 31, 2021, the share capital of SNP Schneider-Neureither & Partner SE amounted to € 7,385,780, consisting of 7,385,780 ordinary no-par-value bearer shares with a calculated share of capital of € 1.00 per share. Each share entitles the holder to one vote. As of December 31, 2021, the company held 112,702 treasury shares.

Restrictions on Voting Rights or the Transfer of Shares

The subscribers to the capital increase against a contribution in kind which was implemented in connection with the acquisition of Datavard AG have submitted to a standard lock-up agreement with regard to the 173,333 new shares issued for a period of 3 years from the date of Datavard AG's acquisition.

The SNP shares are not registered shares with restricted transferability. As of December 31, 2021, the company holds 112,702 treasury shares. The company does not have any rights resulting from treasury shares and thus nor does it have any voting or dividend rights. No further restrictions affecting voting rights or the transfer of shares are known.

Direct or Indirect Investments Exceeding 10% of Capital

Wolfgang Marguerre, Germany: 15.07% of the total voting rights, according to his voting rights notification of April 1, 2021; directly attributable pursuant to Section 33 of the WpHG.

Tatiana Schneider-Neureither, Germany: 12.81% of the total voting rights, according to her voting rights notification of April 9, 2021; attributed out of the community of heirs of Dr. Andreas Schneider-Neureither: 0.02% of the voting rights are directly attributable to Tatiana Schneider-Neureither pursuant to Section 33 of the WpHG; 12.79% of the voting rights are indirectly attributable to her pursuant to Section 34 of the WpHG. The other members of the community of heirs are Tristan Neureither, Neil Neureither, Ellie Schneider-Neureither and Eric Schneider-Neureither. Of this amount, the community of heirs of Dr. Andreas Schneider-Neureither holds 3% or more voting rights in SNP Schneider-Neureither & Partner SE via the following entities controlled jointly by them: Schneider-Neureither GmbH, SN Verwaltungs GmbH & Co. KG, SN Holding GmbH and SN Assets GmbH.

Luxempart S.A., Leudelange/Luxembourg: 10.01% of the total voting rights, according to its voting rights notification of December 9, 2021; indirectly attributable pursuant to Section 34 of the WpHG.

Statutory Provisions and Provisions of the Articles of Incorporation on the Appointment and Dismissal of Managing Directors and the Amendment of the Articles of Incorporation

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

Powers of the Board of Directors to Issue or Repurchase Shares

2019 Authorized Capital

The Board of Directors is authorized to increase the company's share capital by June 5, 2024, by up to a total of € 3,301,223 against cash or in-kind contributions through the issuance on one or more occasions of new no-par-value bearer shares (2019 Authorized Capital). In the event of cash contributions, the new shares may be taken over by one or more banks or companies within the meaning of Section 186 (5) (1) of the AktG with the obligation to offer them to shareholders for purchase (indirect subscription right).

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

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

2) in case of capital increases against cash contributions in order to issue the new shares at an issue price that is not significantly lower than the market price (Sections 203 (1) and (2), 186 (3) (4) of the AktG) and provided that the number of shares issued does not exceed 10% of the share capital at the time the authorization becomes effective or – if this value is lower – at the time it is exercised (10% limit);

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

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

Following its partial use in the 2020 and 2021 fiscal years, the 2019 Authorized Capital now amounts to € 2,517,890.

2021 Contingent Capital

On June 17, 2021, the Annual General Meeting agreed a contingent share capital increase by up to € 3,606,223, divided into up to 3,606,223 no-par-value bearer shares (2021 Contingent Capital). The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash or in-kind contributions and subject to conversion obligations that were issued or guaranteed by the company until June 16, 2026 – by virtue of the authorization of the Board of Directors and the resolution passed by the Annual General Meeting on June 17, 2021 – exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose. The new shares will be issued in accordance with the aforementioned authorization at option and conversion prices to be determined. The new shares participate in profits from the beginning of the fiscal year in which they arise. The Board of Directors is authorized to determine further details regarding the execution of the contingent capital increase and to amend the wording of the articles of incorporation in accordance with the issuance of shares out of the contingent capital.

Share Buyback

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

Significant Agreements with Change-of-Control Clauses

SNP SE has concluded the following significant agreements which include provisions covering the scenario of a change of control, e.g. due to a takeover offer:

In its borrower's note loan contracts with a nominal volume of € 35.0 million (see section "24" in the notes to the consolidated financial statements), the lenders have an extraordinary right of termination in the event of the borrower being incorporated within another company. In a finance agreement for which a volume of € 20.0 million has been paid out, the lender has a right of early repayment in the event of a change of control, as provided for in this agreement.

Similar rights of termination in the event of a change of control are stipulated in some contracts with partners and customers.

Heidelberg, Germany, March 25, 2022

Managing Directors

Michael Eberhardt

Prof. Dr. Heiner Diefenbach

Gregor Stöckler

CUSTOMER STORY

MARLEY

“From the very first few weeks, which coincided with the first lockdown, this was inherently a difficult and complex carve-out project without the added logistical challenges of working remotely across diverse teams. SNP helped us to navigate through the new business environment, coordinating well to find socially distant workable solutions that led to the successful delivery of the project. The communication with us was excellent – it had to be under the conditions – and we would recommend SNP for future projects.”
Vic Pope, Head of IT bei Marley

Scan the QR code
and learn more about
the successful project.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

to December 31, 2021

ASSETS

in € thousand	Notes	Dec. 31, 2021	Dec. 31, 2020
Current assets			
Cash and cash equivalents	14.	40,337	25,961
Other financial assets	15.	1,176	20,383
Trade receivables and other receivables	16.	33,807	25,600
Contract asset values	17.	29,930	19,704
Other non-financial assets	18.	4,005	2,854
Tax receivables	31.	826	81
Disposal groups held for sale	11.	0	31,398
		110,081	**125,981**
Non-current assets			
Goodwill	9.	70,376	33,605
Other intangible assets	19.	23,284	5,422
Property, plant and equipment	20.	5,313	4,396
Rights of use	21.	16,426	17,511
Other financial assets	15.	20,092	592
Investments accounted for under the equity method	22.	225	225
Contract values	17.	15,051	12,571
Other non-financial assets	18.	134	147
Deferred taxes	31.	5,078	6,223
		155,979	**80,692**
		266,060	**206,673**

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

EQUITY AND LIABILITIES

in € thousand	Notes	Dec. 31, 2021	Dec. 31, 2020
Current liabilities			
Trade payables and other liabilities	23.	8,339	4,613
Contract liabilities	17.	10,652	6,178
Tax liabilities	31.	1,930	2,269
Financial liabilities	24.	41,011	12,758
Other non-financial liabilities	26.	26,610	18,225
Provisions	27.	974	1,124
Liabilities resulting from assets held for sale	11.	0	8,819
		89,516	**53,986**
Non-current liabilities			
Trade payables and other liabilities	17.	1,036	2,134
Contract liabilities	24.	63,904	59,498
Financial liabilities	26.	131	246
Provisions for pensions	30.	3,151	2,829
Other provisions	27.	126	0
Deferred taxes	31.	5,972	297
		74,320	**65,004**
Equity			
Subscribed capital	32.	7,386	7,212
Capital reserve	34.	96,818	87,068
Retained earnings	34.	5,714	4,725
Other components of the equity		-2,153	-8,380
Treasury shares	33.	-4,892	-2,713
Equity attributable to shareholders		**102,873**	**87,912**
Non-controlling interests	35.	-649	-229
		102,224	**87,683**
		266,060	**206,673**

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

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2021

in € thousand	Notes	2021	2020
Revenue		**166,969**	**143,781**
Service	9.	115,808	93,913
Software	9.	51,161	49,868
Capitalized own services		158	119
Other operating income	38.	6,448	3,451
Cost of material	39.	-25,284	-17,888
Personnel costs	40.	-106,484	-93,457
Other operating expenses	41.	-24,435	-25,914
Impairments on receivables and contract assets		-425	-293
Other taxes		-691	-574
EBITDA		**16,256**	**9,225**
Depreciation and impairments on intangible assets and property, plant and equipment		-9,954	-8,385
EBIT		**6,302**	**840**
Other financial income		200	46
Other financial expenses		-1,878	-1,622
Net financial income	42.	**-1,678**	**-1,576**
EBT		**4,624**	**-736**
Income taxes	31.	-4,022	-1,102
Consolidated income/net loss		**602**	**-1,838**
Thereof:			
Profit attributable to non-controlling shareholders		-387	-318
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE		989	-1,520
Earnings per share (€)	12.	**€**	**€**
- Undiluted		0.14	-0.22
- Diluted		0.14	-0.22
Weighted average number of shares	12.		
- Undiluted		7,115,145	6,810,391
- Diluted		7,115,145	6,810,391

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2021

in € thousand	2021	2020
Net income for the period	**602**	**-1,838**
Items that may be reclassified to profit or loss in the future		
Currency translation differences	5,620	-3,979
Deferred taxes on currency translation differences	0	0
	5,620	**-3,979**
Items that will not be reclassified to profit or loss		
Change from the revaluation of defined benefit pension plans	711	155
Deferred taxes on revaluation of defined benefit pension plans	-137	-64
	574	**91**
Income and expenses directly recognized in equity	**6,194**	**-3,888**
Total comprehensive income	**6,796**	**-5,726**
Profit attributable to non-controlling shareholders	-420	-315
Profit attributable to shareholders of SNP Schneider-Neureither & Partner SE in total comprehensive income	**7,216**	**-5,411**

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

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31, 2021

in € thousand	2021	2020
Profit after tax	**602**	**-1,838**
Depreciation	9,954	8,385
Change in provisions for pensions	-1,003	-62
Other non-cash income/expenses	784	-1,572
Changes in trade receivables, contract assets, other current assets, other non-current assets	-18,529	-9,763
Changes in trade payables, contract liabilities, other provisions, tax liabilities, other current liabilities	6,814	6,847
Cash flow from operating activities (1)	**-1,378**	**1,997**
Payments for investments in property, plant and equipment	-2,254	-1,424
Payments for investments in intangible assets	-470	-696
Payments for investments in financial assets	20,000	0
Payments for investments in financial assets	0	-20,000
Payments for investments in at-equity investments	0	-200
Proceeds from the disposal of items of intangible assets and property, plant and equipment	221	110
Proceeds from the sale of consolidated companies and other business units	5,506	0
Payments resulting from the acquisition of consolidated companies and other business units	-15,902	-956
Cash flow from investing activities (2)	**7,101**	**-23,166**
Proceeds from capital increase	0	27,573
Payments for the purchase of treasury shares	-2,179	-1,204
Proceeds from loans taken out	24,618	17,022
Payments for the settlement of loans and other financial liabilities	-13,367	-5,938
Payments resulting from the settlement of lease liabilities	-4,254	-5,245
Cash flow from financing activities (3)	**4,818**	**32,208**
Changes in cash and cash equivalents due to foreign exchange rates (4)	391	-771
Cash change in cash and cash equivalents (1) + (2) + (3) + (4)	**10,932**	**10,268**
Cash and cash equivalents at the beginning of the fiscal year	29,405	19,137
Cash and cash equivalents as of December 31	**40,337**	**29,405**
Composition of cash and cash equivalents:	**2021**	**2020**
Cash and cash equivalents	40,337	29,405
Cash and cash equivalents as of December 31	**40,337**	**29,405**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2021

				Other components of equity						
in € thousand	Subscribed Capital	Capital reserve	Retained earnings	Currency conversion	Revaluation of performance-oriented obligations	Other components of equity Total	Treasury shares	Shareholders of SNP SE attributable capital	Non-controlling shares	Total equity
As of January 1, 2020	**6,602**	**59,968**	**6,245**	**-3,409**	**-1,080**	**-4,489**	**-1,509**	**66,817**	**86**	**66,903**
Capital increase	610	26,963						27,573		27,573
Purchase of own shares							-1,204	-1,204		-1,204
Stock option plan		137						137		137
Total comprehensive income			-1,520	-3,982	91	-3,891		-5,411	-315	-5,726
thereof hyperinflation			*-445*	*630*		*630*		*185*		*185*
As of December 31, 2020	**7,212**	**87,068**	**4,725**	**-7,391**	**-989**	**-8,380**	**-2,713**	**87,912**	**-229**	**87,683**
Capital increase	174	9,291						9,465		9,465
Purchase of own shares							-2,179	-2,179		-2,179
Stock option plan		459						459		459
Total comprehensive income			989	5,653	574	6,227		7,216	-420	6,796
thereof hyperinflation			*-1,495*	*4,230*		*4,230*		*2,735*		*2,735*
Stand zum 31.12.2021	**7,386**	**96,818**	**5,714**	**-1,738**	**-415**	**-2,153**	**-4,892**	**102,873**	**-649**	**102,224**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

1. BASIC INFORMATION ON THE COMPANY

SNP Schneider-Neureither & Partner SE (hereinafter referred to as SNP) is a software-oriented business consulting firm that specializes in the delivery of services in the area of data processing, whereby proprietary software developments are used, particularly in the area of digital transformation management. SNP helps companies adapt their business models and successfully utilize opportunities for digitalization by means of proprietary solutions. Our software and services make it easy to implement business or technical changes in business applications and enable customers to automate this process.

The company is entered into the commercial register of the Mannheim District Court under HRB 729172. Its shares are traded on the Prime Standard of the Frankfurt Stock Exchange under security identification number ISIN DE0007203705.

The consolidated financial statements of SNP Schneider-Neureither & Partner SE, Heidelberg, for the fiscal year ended December 31, 2021, were approved for publication by resolution of the Board of Directors on March 25, 2022.

2. GENERAL INFORMATION

The consolidated financial statements of SNP Schneider-Neureither & Partner SE and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and Section 315e (1) of the HGB.

The IFRS include the IFRS newly released by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC or IFRS IC) and the Standing Interpretations Committee (SIC), as adopted by the EU. At the same time, the consolidated financial statements satisfy the commercial law requirements according to Section 315e (1) of the HGB.

The consolidated financial statements were prepared in euros (€), the functional currency of the parent company. Unless otherwise stated, all amounts in the notes to the consolidated financial statements are provided in thousands of euros (€ thousand). Due to rounding-off, slight discrepancies are possible in this report for total amounts as well as percentage figures.

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

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

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

3. APPLICATION OF NEW ACCOUNTING RULES

The following standards and interpretations of the International Accounting Standards Board (IASB) that have come into force have been adopted by the European Union (EU) and taken into consideration in the preparation of the consolidated financial statements as of December 31, 2021:

- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IFRS 16 – COVID-19-Related Rent Concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

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

The Group had applied Amendments to IFRS 16 – COVID-19-Related Rent Concessions (which were published on May 28, 2020) early, in the 2020 fiscal year. These amendments comprise a voluntary practical expedient for leases where the Group is a lessee – i.e. for those leases where the Group is permitted to apply the practical expedient, it is not required to assess whether qualifying rent concessions which are a direct consequence of the coronavirus pandemic constitute a lease modification. The Group applied these amendments with retroactive effect in the 2020 fiscal year. This simplification was originally limited to rent concessions which result in a decrease in lease payments which were due on or before June 30, 2021. However, the IASB extended this date to June 30, 2022. Cf. the disclosures in Chapter 21.

4. NEW ACCOUNTING RULES WHICH HAVE NOT YET TAKEN EFFECT

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

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use[1]
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract[1]
- Amendments to IFRS 3 – Reference to the Conceptual Framework[1]
- Annual Improvements to the IFRS (2018–2020 Cycle)[1]
- IFRS 17 – Insurance Contracts[2]
- Amendments to IFRS 17 – Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)[2,4]
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current[2,4]
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies[2]
- Amendments to IAS 8 – Definition of Accounting Estimates[2]
- Amendments to IAS 12 – Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction[2,4]
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3,4]

[1] Applicable for fiscal years beginning on or after January 1, 2022.

[2] Applicable for fiscal years beginning on or after January 1, 2023.

[3] Date of initial application postponed indefinitely.

[4] EU endorsement not yet given

SNP Schneider-Neureither & Partner SE is examining the future impact of the enumerated standards, amendments and interpretations on the consolidated financial statements. It is currently assumed that they will not have a material impact on the Group's financial position and financial performance.

5. SCOPE OF CONSOLIDATION

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

Company name	Company headquarters	Share ownership in %
SNP Deutschland GmbH	Heidelberg, Germany	100
SNP Applications DACH GmbH	Heidelberg, Germany	100
SNP GmbH	Heidelberg, Germany	100
Innoplexia GmbH	Heidelberg, Germany	100
ERST European Retail Systems Technology GmbH	Hamburg, Germany	100
Hartung Consult GmbH	Berlin, Germany	100
SNP Austria GmbH	Pasching, Austria	100
SNP (Schweiz) AG	Steinhausen, Switzerland	100
SNP Resources AG	Steinhausen, Switzerland	100
Harlex Consulting Ltd.	London, U.K.	100
SNP Digital Hub Eastern Europe sp. z o.o.	Suchy Las, Poland	100
SNP Labs Sp. z o.o.[4]	Suchy Las, Poland	100
SNP Transformations, Inc.	Jersey City, New Jersey, USA	100
ADP Consultores S.R.L.	Buenos Aires, Argentina	100
ADP Consultores Limitada	Santiago de Chile, Chile	100
ADP Consultores S.A.S.	Bogotá, Colombia	100
SNP Schneider-Neureither & Partner ZA (Pty) Limited	Johannesburg, South Africa	100
Shanghai SNP Data Technology Co., Ltd.	Shanghai, China	100
Qingdao SNP Data Technology Co., Ltd.	Qingdao, China	100
SNP Transformations SEA Pte. Ltd.	Singapore, Singapore	81
SNP Transformations Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	81
SNP Australia Pty Ltd.	Sydney, Australia	100
SNP Japan Co.,Ltd.	Tokyo, Japan	100
SNP LATAM-MÉXICO S. de R.L. DE C.V.[1]	Mexico City, Mexico	100
EXA AG[2]	Heidelberg, Germany	74.9
EXA AG India Pvt. Ltd[2]	Bangalore, India	74.9
EXA AG America LLC[2]	Reston, Virginia, USA	74.9
Datavard AG[3]	Heidelberg, Germany	100
Datavard Software GmbH[3]	Heidelberg, Germany	100
Datavard s. r. o.[3]	Bratislava, Slovakia	100
Datavard Software, s. r. o.[3]	Bratislava, Slovakia	100
Datavard AG[3]	Regensdorf, Switzerland	100
Datavard Inc.[3]	West Chester, PA, USA	100
Datavard Pte. Ltd.[3]	Singapore, Singapore	100

[1] SNP LATAM-MÉXICO S. de R.L. DE C.V. was established in April 2021.

[2] With economic effect on March 1, 2021, SNP acquired 74.9% of the shares in the EXA Group. Please see Point 10 for further information.

[3] With economic effect as of August 1, 2021, 100% of the shares were acquired in the Datavard Group.

[4] SNP Labs Sp. z o.o. was established in June 2021 as All for One Poland Sp. z o.o. and was renamed SNP Labs Sp. z o.o. in September 2021.

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

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

6. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are based on the annual financial statements of SNP Schneider-Neureither & Partner SE and its consolidated subsidiaries and are prepared according to uniform Group-wide accounting methods. Subsidiaries are fully consolidated from the acquisition date, i.e., from the time the Group achieves control. Their inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

The fiscal year of SNP Schneider-Neureither & Partner SE and its subsidiaries bar two exceptions ends on December 31. The fiscal year ends on September 30 at SNP Labs Sp. z o.o., while at EXA AG India Pvt. Ltd the fiscal year ends on March 31.

Associates

The financial statements of the associate are prepared as of the same reporting date as the financial statements of the Group. Adjustments to Group-wide accounting methods are made, as required.

7. CURRENCY TRANSLATION AND HYPERINFLATION

The consolidated financial statements are prepared in euros, the functional currency of the parent company and the reporting currency.

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

We are applying the financial reporting for hyperinflationary economies, IAS 29, to our subsidiary in Argentina, namely by adjusting this subsidiary’s annual financial statements – prepared on a historical cost basis – for the current period while taking into account the change in the general purchasing power of the local currency based on relevant price indices as of the reporting date. The consumer price index IPC (Índice de precios al consumidor) is used for this purpose. The index value applied as of the reporting date was 582.4575 (December 31, 2020: 385.8826 / December 31, 2019: 283.4442). The adjusted annual financial statements of our subsidiary in Argentina are translated at the closing rate on the reporting date. The adjustments apply to all of the items in the financial statements which have not yet been expressed in the unit of measurement applicable as of the reporting date. A loss in the amount of € 912 million (previous year: € 136 million) resulted from the net financial position.

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

Company	Country	Currency	Closing rates		Average rates	
			2021	2020	2021	2020
SNP (Schweiz) AG	Switzerland	CHF	1.0331	1.0802	1.0811	1.0703
SNP Resources AG	Switzerland	CHF	1.0331	1.0802	1.0811	1.0703
Datavard AG*	Switzerland	CHF	1.0331	*	1.0811	*
Harlex Consulting Ltd.	U.K.	GBP	0.8403	0.8990	0.8596	0.8892
SNP Labs Sp. z o.o.**	Poland	PLN	4.5969	**	4.5652	**
SNP Digital Hub Eastern Europe sp. z o.o.	Poland	PLN	4.5969	4.5597	4.5652	4.4432
SNP Transformations, Inc.	USA	USD	1.1326	1.2271	1.1827	1.1413
EXA AG America LLC*	USA	USD	1.1326	*	1.1827	*
Datavard Inc.*	USA	USD	1.1326	*	1.1827	*
SNP Schneider-Neureither & Partner ZA (Pty) Limited	South Africa	ZAR	18.0625	18.0219	17.4766	18.7685
Shanghai SNP Data Technology Co., Ltd.	China	CNY	7.1947	8.0225	7.6282	7.8708
Qingdao SNP Data Technology Co., Ltd.	China	CNY	7.1947	8.0225	7.6282	7.8708
SNP Transformations SEA Pte. Ltd.	Singapore	SGD	1.5279	1.6218	1.5891	1.5736
Datavard Pte. Ltd.*	Singapore	SGD	1.5279	*	1.5891	*
SNP Transformations Malaysia Sdn. Bhd.	Malaysia	MYR	4.7184	4.9340	4.9015	4.7935
SNP Australia Pty Ltd.	Australia	AUD	1.5615	1.5896	1.5749	1.6554
SNP Japan Co.,Ltd	Japan	JPY	130.3800	126.4900	129.8800	121.7755
EXA AG India Pvt. Ltd*	India	INR	84.2292	*	87.4392	*
ADP Consultores S.R.L.***	Argentina	ARS	116.1301	103.3018	116.1301	***
ADP Consultores Limitada	Chile	CLP	964.4400	870.6600	897.3935	902.8930
ADP Consultores S.A.S.	Colombia	COP	4,509.0620	4,212.0210	4,425.3307	4,224.7180
SNP LATAM-MÉXICO S. de R.L. DE C.V.**	Mexico	MXN	23.1438	**	23.9852	**

* The EXA and Datavard Groups were acquired in Year 2021. The previous-year figures are not relevant for these companies.

** SNP Labs Sp. z o.o. and SNP LATAM-MÉXICO S. de R.L. DE C.V. were established in April 2021. The previous-year figures are not relevant for these companies.

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

8. USE OF ESTIMATES

The preparation of the consolidated financial statements requires estimates and assumptions made by the Managing Directors that affect the amounts of assets, liabilities, income and expenses disclosed in the consolidated financial statements and the disclosure of contingent liabilities. Actual results may deviate from these estimates.

The most important assumptions about the future and other key sources of uncertainty regarding estimates as of the reporting date, as a result of which a significant risk exists that a material adjustment to the carrying amounts of assets and liabilities could be necessary, are discussed below.

Estimates are also subject to a heightened level of uncertainty due to the currently highly dynamic course of the coronavirus pandemic and the crisis in Ukraine. SNP assessed the expected impact of the coronavirus pandemic within the scope of its preparation of its consolidated financial statements as of December 31, 2021, in particular in performing impairment testing for goodwill and intangible assets and in determining the impairment for expected credit losses on trade receivables and contract assets. SNP assumes that the estimates and assumptions made in relation to its financial statements appropriately reflect its position as of the preparation of the consolidated financial statements.

Realization of Revenue

Progress in customer-specific projects is measured by means of the input-based cost-to-cost method. Under this method, the total anticipated cost of the project, its resulting percentage of completion, the revenue it is expected to generate as well as other factors must be estimated. The underlying assumptions and estimates inherent in the determination of the degree of completion affect the amount and timing of revenue recognition so that it is subject to uncertainty. If sufficient information is not available, revenue is recognized only in the amount of the costs that have been incurred.

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

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

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

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

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

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

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

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

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

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

Accounting for Business Combinations
Within the scope of accounting for business combinations, discretionary judgments are necessary within the scope of the assessment as to whether an intangible asset can be identified and should be recognized separately from goodwill. In addition, an estimate of the fair values of the identifiable acquired assets and assumed liabilities as of the date of acquisition entails significant discretionary judgments on the part of the management. The necessary assessments are based on the information that is available as of the date of acquisition, as well as the expectations and assumptions that the management deems appropriate. These discretionary judgments, estimates and assumptions may have a significant impact on our financial position and financial performance due to the following reasons, for example:

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

Subsequent Accounting for Goodwill and Other Intangible Assets
Discretionary judgments are necessary:

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

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

- changes to business strategy
- Internal forecasts
- estimates of our weighted average cost of capital (WACC)
- Capitalization of research and development costs

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

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

9. KEY ACCOUNTING POLICIES

In order to improve the clarity and informational value of the financial statements, individual items in the statement of financial position and in the income statement have been aggregated and disclosed separately in the Notes.

Financial Instruments

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

Receivables are derecognized when their non-collectability is determined with definitive effect. Financial liabilities are derecognized when the contractual obligations are settled, canceled or have expired. Trade receivables without a significant financing component are stated at the transaction price in accordance with IFRS 15.

Financial Assets

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

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

Financial assets which are "measured at fair value through profit or loss" comprise contingent purchase price receivables resulting from company sales and derivative financial instruments with a positive fair value which are entered into to hedge interest rate risk and are not included in hedge accounting as hedging instruments.

The Group did not hold any assets in the "measured at fair value through other comprehensive income" category in the reporting year or in the previous year.

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

The IFRS 9 simplified impairment model is applied in order to determine the impairment for trade receivables and contract assets. The expected credit losses are determined over the entire term by means of an impairment matrix. For the purposes of the impairment matrix, we have assigned our local subsidiaries to various risk classes, mainly on the basis of the information available regarding the country risk classification for their home country. We then assess the default risk for trade receivables and contract assets on the basis of the historical default risks as well as information available in relation to the country risk classification. On the basis of our analyses – including in the context of the impact of the ongoing coronavirus pandemic – historical default rates generally serve in this respect as a reasonable approximation of the default risks envisaged in the future. Outstanding receivables are continuously monitored at a local level in order to determine whether there are any objective indications that the credit standing of our trade receivables and contract assets is impaired. Information e.g. regarding significant financial difficulties for the customer or non-compliance with a payment plan will indicate the impairment of trade receivables and contract assets. If these aspects apply, the impairment is adjusted accordingly, meaning the receivables are considered to have been lost (risk class 6) and a 100% write-down is recognized. Our consolidated income statement includes expenses resulting from expected credit losses due to the application of the impairment matrix as well as customers with impaired credit standing separately under "Impairment on receivables and contract assets." Outstanding debts are written off in part or entirely if we assume that their realization is improbable. For example, this may be the case if the insolvency proceedings for the customer have been completed or all of the options for the recovery of claims have been exhausted.

We apply the general impairment rules under IFRS 9 for bank balances, debt instruments and loans, as well as other financial receivables not classified at fair value through profit or loss. We exclusively invest financial resources with well-known financial institutions in order to minimize the default risk. By virtue of the historical default data, we do not envisage any significant credit risk in this respect. On account of the small number of individual items, impairment for other financial assets has been determined on the basis of the specific credit risk.

Financial Liabilities

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

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

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

This working capital loan has been carried at fair value as of initial recognition and will be subsequently measured at amortized cost, in accordance with the effective interest method. The difference between the payment received and the fair value of the loan, determined at the time of initial recognition on the basis of a market interest rate, is a benefit which has been treated as a government grant. This grant has been recognized in the statement of financial position as deferred income, under other nonfinancial liabilities, and will be released to income over the term of the loan, in accordance with the effective interest method. In the income statement, this release of deferred income has been presented as a decrease in interest expense (net method). As of the balance sheet date, deferred income amounts to € 246 thousand (previous year: € 389 thousand).

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

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

Fair Value of Financial Assets and Liabilities

The measurement methods applied to determine the fair value of financial instruments include:

- quoted market prices or dealer prices for similar financial instruments
- the discounted cash flow method
- option pricing models

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

Goodwill

Goodwill of € 70,376 thousand (previous year: € 33,605 thousand) was largely assigned to the Services business segment for the purpose of impairment testing. The goodwill of the EXA Group which was acquired in the 2021 fiscal year was assigned to a separate business segment. The goodwill of the Datavard Group which was acquired in the 2021 fiscal year was assigned to the Services business segment. Goodwill is attributable to the cash-generating units as follows:

in € thousand	2021	2020
Services	56,211	48,016
Software	3,696	3,081
EXA	10,469	0
Reclassification to disposal group	0	-17,492
Total	**70,376**	**33,605**

The impairment test is based on the value in use, which is determined by discounting the planned cash flows resulting from the continuation of the individual units. Cash flow planning is based on the current operating results and a three-year business plan. Cash flows in subsequent years are updated using a constant growth rate of 1.0% (previous year: 1.0%). These cash flow forecasts are discounted to the value in use at a pretax rate of 9.7% to 10.0% (previous year: 9.6%). Business planning takes into account both current information and historical developments. The planning numbers for 2022 still take into account the negative impacts of the coronavirus pandemic in particular, which are nevertheless not considered beyond 2022. No impairment losses were required either in the reporting year or in the previous year.

As part of a sensitivity analysis for the cash-generating units, the planned segment revenue was reduced by 5%, the weighted cost of capital before tax was increased by 0.5 percentage points or the EBIT margin was reduced by 0.5 percentage points. Goodwill impairment is likewise not required on this basis in the various business segments. In case of a 10% decrease in the planned segment revenue, a 1.0 percentage point increase in the weighted cost of capital before taxes or a 1.0 percentage point reduction in the EBIT margin, goodwill impairment will not be required in the Software and EXA business segments. In the Service business segment, a 1.0 percentage point reduction in the EBIT margin will require impairment in the amount of € 6,818 thousand, while in case of a 1.0 percentage point increase in the cost of capital before taxes, goodwill impairment will be required in the amount of € 3,529 thousand.

There is estimate uncertainty regarding the following assumptions underlying the calculation of the value in use of each unit:

- EBIT margin
- Discount rate
- Growth rate

The EBIT margins are calculated on the basis of the expected average values, applying the findings of the three previous fiscal years. The calculation also takes into account working capital effects.

The discount rates represent current market assessments regarding the specific risks relevant to the cash-generating units, including the interest effect and the specific risks of the assets. The calculation of the discount rate takes into account the specific circumstances of the Group and the business segment being tested for impairment and is based on its weighted average cost of capital (WACC). The weighted average cost of capital (WACC) was derived from the capital asset pricing model (CAPM). Data from a financial services provider was used in part to derive the beta factor in a peer-group analysis (peer companies in the same industry) in order to take into account the business segment-specific risk. Other parameters are the market risk premium and the basic interest rate. The weighted average cost of capital reflects both debt and equity.

The growth rates are based on industry-related expected values.

In the 2021 reporting year, there were negative currency translation effects with regard to goodwill of € 3,460 thousand (previous year: € -3,386 thousand) in accordance with IAS 21. This includes a positive effect in the amount of € 3,080 thousand from the application of IAS 29 (previous year: € 245 thousand).

Intangible assets
Amortization is based on useful lives of three to ten years.

There are currently no intangible assets with indefinite useful lives.

Research and Development Costs
In the 2021 fiscal year, pure research and development expenses totaling € 19,046 thousand (previous year: € 16,452 thousand) were recognized as expenses, since a clear distinction between the research and development phases was not possible. This corresponds to 11.4% of revenue (previous year: 11.4%). Including segment-specific overhead expenses, the volume of expense amounts to € 30,832 thousand (previous year: € 34,439 thousand, adjusted figure for previous year: € 29,215 thousand) or 18.5% of revenue (previous year: 24.0%, adjusted figure for previous year: 20.3%)

In the 2021 fiscal year, software costs and externally awarded development work in the amount of € 358 thousand (previous year: € 266 thousand) as well as work performed in the amount of € 158 thousand (previous year: € 119 thousand) which was mainly required for the completion of internal software projects have been capitalized as advance payments.

Property, Plant and Equipment
Property, plant and equipment essentially comprise office equipment, vehicles and computers and are depreciated on a straight-line basis over an economic useful life of one to twenty years.

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

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

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

If the interest rate underlying the lease cannot be readily determined, the Group will apply the incremental borrowing rate of interest, i.e. the interest rate that the relevant lessee would be required to pay if it needed to raise funds in order to purchase an asset of comparable value, in a comparable economic environment, for a comparable term, with comparable collateral and subject to comparable conditions. Since the Group is unable to use any recently provided third-party funding as a starting point, the Group applies a risk-free interest rate and adjusts this in line with the lessee's credit risk. Further adjustments are made for the lease term, the country-specific risk and the lease currency.

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

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

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

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

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

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

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

The Group has applied Amendments to IFRS 16 – Covid-19-Related Rent Concessions. The Group is applying the simplified rules provided for in the practical expedient and is not therefore obliged to assess whether permitted rent concessions as a direct result of the coronavirus pandemic constitute a lease modification. The Group is applying the practical expedient for contracts with similar characteristics and in similar circumstances. For rent concessions within the scope of leases for which the Group is not applying the practical expedient or to which the practical expedient is not applicable, the Group assesses whether this constitutes a lease modification. For more detailed information, please see Point 21 "Leases."

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

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

Liabilities

Financial Liabilities
See comments in the "Financial instruments" section.

Provisions for Pensions
The calculations required for the projected unit credit method are based on actuarial studies taking into account biometric data. The amounts recognized in the statement of financial position include the actuarial gains and losses arising from changes in inventories and deviations between the assumptions made and actual developments. Actuarial gains and losses are offset without effect on profit or loss. The expense incurred from the allocation of pension provisions in the amount of the current service cost is reported under personnel costs, while the interest component contained therein is recognized in net finance costs.

Under defined contribution plans, contributions are immediately offset as an expense. Since there are no other obligations aside from these contributions, no provisions are required.

Share-Based Payment Arrangements

Share-based payment arrangements are recognized in accordance with IFRS 2.

In 2021, the Board of Directors agreed a long-term incentive scheme (LTI scheme) with the Managing Directors. This remuneration is thus provided in the form of shares in SNP SE. The relevant final LTI amount is calculated according to the actual level of achievement of the budgeted target EBIT. In order to calculate the final amount, the base amount is multiplied by the level of target achievement for the actual EBIT figure. If the actual EBIT matches the budgeted target EBIT, this represents a 100% level of target achievement. If the actual EBIT exceeds or is lower than the budgeted target EBIT, the level of target achievement increases or decreases accordingly. If the EBIT actually achieved is 80% or less, an 80% target achievement level is recognized ("floor"); however, if the EBIT actually achieved is 120% or more, a 120% target achievement level is recognized ("cap"). The level of target achievement between the floor and cap is determined by means of linear interpolation. The final amount thus calculated is subsequently converted into a net amount ("final net amount") by deducting a notional income tax rate of 45%. This final net amount is the amount used to calculate the number of SNP shares to be granted. The number of SNP shares to be granted within the scope of the tranche for the year under assessment ("Final number of SNP shares") is calculated by dividing the final net amount by the SNP share price and, in order to avoid fractions, rounding the resulting amount up or down to achieve a whole number of shares. The relevant price is the volume-weighted average price of the SNP share in Xetra trading on the Frankfurt Stock Exchange (or a successor system) over the last 20 trading days (closing price on trading day) of the year preceding the year under assessment, rounded up or down to two decimal places. The applicable price for 2021 is € 54.85. The resulting expense is shown in the personnel expenses item, the liability increases the capital reserves.

The long-term incentive scheme (LIT) established by the Group for Managing Directors with effect as of January 1, 2019, is a cash-settled share-based payment transaction. The resulting expenses and liabilities by way of settlement of these obligations are recognized over the expected vesting period. This amount is remeasured on each reporting date and is valued by means of an option pricing model. Fair value changes are recognized through profit or loss. The resulting expense is shown in the personnel expenses item, the liability as employee-related provisions or liabilities. The 2019 LTI program ended in the 2020 fiscal year and the related payment was made in the 2021 fiscal year.

In the 2020 financial year, SNP SE launched a stock option plan with settlement in equity instruments for certain employees. These are measured at the fair value of the equity instrument on the grant date. Please see Point 29 for further information on the determination of the fair value of the equity-settled share-based payment transactions. The fair value determined as of the grant of the equity-settled share-based payment transactions is recognized as an expense on a straight-line basis over the period up to the date on which the equity instruments become vested – with a corresponding increase in the capital reserves – and is based on the Group's expectations regarding the equity instruments which are expected to become vested. On each reporting date, the Group is required to review its estimates regarding the number of equity instruments which become vested. The effects of the changes to the original estimates must be recognized in profit and loss, where applicable. They will be recognized such that the overall expense reflects the change in the estimate and results in a corresponding adjustment of the capital reserves.

Treasury Shares

In the period up to February 21, 2013, SNP Schneider-Neureither & Partner SE bought back a total of 7,294 treasury shares. Following the allocation of bonus shares (capital increase from company funds resolved by the Annual General Meeting on May 16, 2013), the number of treasury shares held in 2018 was 21,882. In the 2019 and 2020 fiscal years, a further 53,820 treasury shares were repurchased. As of the end of the program on May 11, 2021, a further 37,000 shares had been purchased. The number of treasury shares currently held is 112,702. The acquisition cost of € 4,892,214.13 has been disclosed as a negative item in equity in accordance with IAS 32.33.

Taxes

Deferred taxes

Deferred tax assets for accounting and measurement differences and for tax loss carryforwards that have been accumulated and can be carried forward have been recognized only to the extent that it can be assumed with sufficient probability that these differences will lead to the recognition of a corresponding benefit in the foreseeable future. As a general rule, the next four fiscal years are considered to be the foreseeable future. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as noncurrent assets and liabilities.

No deferred tax liabilities are recognized on retained profits of subsidiaries and associates, as the direct parent company can influence/control the time at which the temporary differences of € 11,608 thousand (previous year: € 1,322 thousand) are reversed and it is likely that they will not be reversed in the near future. For all deductible differences resulting from shares in subsidiaries and associates, deferred tax assets are only recognized to the extent that the temporary differences are likely to be reversed in the foreseeable future and taxable results will be available for use.

Deferred tax assets are recognized on the basis of the relevant companies' budgetary accounting. This budgetary accounting is revised annually and requires a large number of assessments. These assessments may be revised due to changes in the market and the competitive environment, the respective company's customer structure and the general economic situation. Due to regular reassessment, the deferred tax assets item may be subject to significant fluctuations.

Realization of Revenue

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

Our revenue is generated from the following typical performance obligations:

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

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

EXA
- Consulting services
- Licenses
- Maintenance

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Financial Result

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

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

10. ACQUISITIONS / BUSINESS COMBINATIONS

Acquisition of the EXA Group

With economic effect on March 1, 2021, SNP acquired 74.9% of the shares in the EXA Group. The remaining 25.1% of EXA shares are retained by Divya Vir Rastogi, CEO and co-founder of EXA, with a put option from 2024 and a call option from 2025. In addition, a put option applies overall for up to 10% of the shares. This option may be exercised three months after the adoption of the annual financial statements as of December 31, 2021 or December 31, 2022. From an economic viewpoint, the shares were attributable to SNP SE as of March 1, 2021.

The EXA Group consists of its parent company, EXA AG in Germany, as well as a subsidiary in India and a subsidiary in the USA. EXA is a leading provider of transformation solutions in the area of financial management with a focus on the topics of operational transfer pricing and the global value chain. The SNP Group expects the strategic expansion of its portfolio to produce considerable synergies in go-to-market strategies and product development, which will have a positive impact on its performance. Furthermore, this acquisition will increase the proportion of recurring revenues within the SNP Group.

From a Group perspective, due to existing put/call options 100% of the shares are attributable to SNP SE as of March 1, 2021. At this time, business operations were incorporated into the 2021 consolidated financial statements. The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method.

Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

in € thousand	
Cash and cash equivalents	10,516
Liabilities	1,000
Liability from options on shares attributable to the non-controlling interest	14,291
Total transferred consideration	**25,807**

The purchase price installment was paid with liquid assets in March and May 2021. This liability was paid in October 2021.

Expenses Associated with the Business Combination

The Group incurred expenses related to the business combination of € 115 thousand, consisting of legal and consulting fees. These expenses are included in other operating expenses.

Identifiable Acquired Assets and Assumed Liabilities

The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

in € thousand	
Intangible assets	10,174
Property, plant and equipment	141
Right-of-use assets	372
Cash and cash equivalents	9,544
Receivables	1,065
Contract assets	776
Other assets	392
Provisions for pensions	-399
Trade payables	-232
Contract liabilities	-275
Other liabilities	-3,266
Deferred taxes	-2,953
Total identifiable acquired net assets	**15,339**

The gross amount of contractual receivables amounts to € 1,066 thousand. The total contractual fixed amounts are expected to be recoverable.

Since the time of acquisition, the EXA Group has contributed € 9,197 thousand to Group revenue and € 2,571 thousand to Group earnings before taxes. If the business combination had taken place at the beginning of the year, revenue would have been € 11,027 thousand and Group earnings before taxes would have been € 3,067 thousand.

Goodwill

The goodwill resulting from the acquisition was recorded as follows:

in € thousand	
Transferred consideration	25,807
Fair value of identifiable net assets	-15,339
Goodwill at the time of acquisition	**10,468**

Of the € 25,807 thousand in consideration transferred, the initial portion of the purchase price amounting to € 10,516 thousand was paid in March and May 2021 and thus represents a cash outflow. A further purchase price share in the amount of € 1,000 thousand was settled in October 2021.

The amount of the consideration resulting from the options on shares attributable to the non-controlling interest is determined by the contractually agreed put or call option. The put option may be exercised in 2024 at the earliest, while the call option may be exercised in 2025. The exercise price will be calculated on the basis of the average EBITA in the three years prior to the exercise of the option. The call option does not meet the definition criteria of a derivative within the meaning of IFRS 9 and is therefore not recognized as an off-balance sheet pending transaction. The put option is accounted for using the anticipated acquisition method. Accordingly, a financial liability is recognized in the amount of the present value of the exercise price of the put option and subsequently measured at amortized cost. The liability from the put option attributable to the non-controlling interest is reported under non-current financial liabilities. The shares attributable to non-controlling interest are correspondingly reported as if they were attributable to the Group. No equity instruments were issued for the acquisition of shares.

The goodwill resulting from the acquisition, in the amount of € 10,468 thousand comprises the value of the expertise, the employees and future revenue prospects. None of the goodwill recognized is expected to be tax-deductible.

A cash inflow of € 9,544 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 1,972 thousand.

Acquisition of the Datavard Group

With effect on August 1, 2021, SNP acquired 100% of the shares in the Datavard Group. The Datavard Group consists of its parent company, Datavard AG in Germany, as well as subsidiaries in the USA, Switzerland, Slovakia and Singapore. Datavard has operated on the market for more than 20 years and focuses on transformations and data management in SAP landscapes. In its Transformation business segment, Datavard assists companies with the process of migration to SAP S/4HANA, the modernization of their data warehouse and analytic landscape and with mergers and acquisitions, carve-outs and split-offs. In its Data Management business segment, Datavard offers data lifecycle management, business intelligence and analytics solutions as well as innovative cloud connectivity solutions which enable SAP customers to integrate and utilize SAP data in applications in the areas of artificial intelligence, machine learning and the internet of things. The acquisition of the Datavard Group plays an important role in the implementation of SNP's platform strategy. This enables companies to generate maximum added value from their data transformation by means of a single software solution.

The acquisition took effect on August 1, 2021; at this time, the business operations were incorporated into the 2021 consolidated financial statements. The initial consolidation took place in accordance with IFRS 3 ("Business Combinations") using the acquisition method.

Transferred Consideration

Summarized below is the fair value of each major class of consideration as of the acquisition date:

in € thousand	
Cash and cash equivalents	16,240
Liabilities	3,033
Equity instruments (173,333 shares)	9,499
Total transferred consideration	**28,772**

The purchase price installment was paid with liquid assets in July 2021.

The outstanding liability was settled in January 2022.

The fair value of the 173,333 shares which were issued within the scope of the purchase price payment is based on the stock exchange price of SNP SE on July 28, 2021, of EUR 54.80 per share.

Expenses Associated with the Business Combination
The Group incurred expenses related to the business combination of € 424 thousand, consisting of legal and consulting fees. These expenses are included in other operating expenses.

Identifiable Acquired Assets and Assumed Liabilities
The fair values of the identifiable assets and liabilities as of the acquisition date are presented below:

in € thousand	
Intangible assets	10,936
Tangible fixed assets	321
Right-of-use assets	1,278
Cash and cash equivalents	4,256
Receivables	2,862
Contract assets	2,969
Other assets	899
Deferred tax receivables	426
Provisions for Pensions	-926
Trade payables	-341
Contract liabilities	-2,041
Other liabilities	-9,523
Deferred tax liabilities	-3,548
Total identifiable acquired net assets	**7,568**

The gross amount of contractual receivables amounts to € 2,863 thousand. The total contractual fixed amounts are expected to be recoverable.

Since the time of acquisition, the Datavard Group has contributed € 7,157 thousand to Group revenue and € 704 thousand to Group earnings from continuing operations before taxes. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been € 17,895 thousand and Group earnings from continuing operations before taxes would have been € 707 thousand.

Goodwill
The goodwill resulting from the acquisition was recorded as follows:

in € thousand	
Transferred consideration	28,772
Fair value of identifiable net assets	-7,568
Goodwill as of acquisition date	**21,204**

Of the € 28,772 thousand in consideration transferred, the initial portion of the purchase price amounting to € 16,240 thousand was paid in July 2021 and thus represents a cash outflow. A further purchase price share in the amount of € 3,033 thousand will be settled in January 2022. A third component of the purchase price was a capital increase against a contribution in kind through the issuance of 173,333 new shares. This capital increase against a contribution in kind was entered in the commercial register in December 2021.

The goodwill resulting from the acquisition, in the amount of € 21,204 thousand comprises the value of the expertise, the employees and future revenue prospects. None of the goodwill recognized is expected to be tax-deductible.

A cash inflow of € 4,256 thousand resulted from the transaction, leading to a net cash outflow from the Group's perspective of € 11,984 thousand.

11. SALE OF THE DISPOSAL GROUP SNP POLAND

In the fourth quarter of 2020, SNP announced its intention to sell its SAP services business in Poland to the All for One Group SE. Accordingly, in the 2020 financial statements the assets and liabilities of the subsidiary were classified as a disposal group held for sale.

SNP Poland Sp. z o.o. was sold on September 30, 2021, with effect as of October 1, 2021.

Disclosures concerning the disposal of the subsidiary

The carrying amounts of the assets and liabilities as of the date of sale (September 30, 2021) are as follows:

in € thousand	9/30/2021
Current assets	*11,242*
Cash and cash equivalents	2,494
Trade Receivables and Other Receivables	6,559
Contract assets	87
Inventories	1,491
Other nonfinancial assets	611
Noncurrent assets	*21,661*
Goodwill	15,626
Intangible fixed assets	1,633
Tangible fixed assets	516
Right-of-use assets	3,488
Other financial assets	62
Deferred tax assets	336
Total assets	**32,903**
Current liabilities	*-7,795*
Trade Payables and Other Liabilities	-3,506
Contract liabilities	-97
Tax liabilities	-322
Financial liabilities	-829
Other nonfinancial liabilities	-3,041
Noncurrent liabilities	*-1,907*
Financial liabilities	-1,663
Deferred tax liabilities	-244
Total liabilities	**-9,702**
Net assets	**23,201**

Determination of the Disposal Gain

For the time being, only 51% interest in SNP Poland Sp. z o.o. was sold to All for One Group SE. For the remaining 49%, reciprocal call and put options were agreed which will apply from the end of 2023 onwards. Due to the reciprocal options, a full sale was already recognized from an economic point of view as of the date of deconsolidation. The overall sales price for all of the shares consists of a contractually agreed fixed sales price of EUR 15 million plus variable sales price components which are dependent on the operating result (EBIT) of SNP Poland in the last two fiscal years prior to the exercise of the option. The variable sales price component is presented as a purchase price receivables under the other financial assets. The performance-relates variable sales price component is subject to a minimum cap (€ 0 million) and a maximum cap (€ 13 million).

in € thousand	2021
Consideration received or still outstanding	
Cash and cash equivalents	8,000
Purchase price receivable	19,791
Total fee	27,791
Carrying amount of the sold net assets	-23,201
Disposal Gain Before Income Taxes and Reclassification of the Foreign Currency Translation Reserve	**4,590**
Reclassification of the foreign currency translation reserve	-2,171
Income tax expense on the disposal gain	-60
Disposal gain after income taxes	**2,359**

The disposal gain has been recognized in other operating income.

NET CASH INFLOW FROM SALE

in € thousand	2021
Cash consideration received	8,000
Cash and cash equivalents sold	-2,494
Net cash inflow from sale	**5,506**

Assets and Liabilities of the Disposal Group Classified as Held for Sale

As of December 31, 2020, the following assets and liabilities associated with the disposal group were reclassified to the “held for sale” category:

in € thousand	
Current assets	*-8.430*
Cash and cash equivalents	-3,444
Trade receivables and other receivables	-4,794
Contract assets	-88
Inventories	-10
Other nonfinancial assets	-94
Noncurrent assets	*-22.968*
Goodwill	-17,492
Intangible fixed assets	-1,659
Tangible fixed assets	-429
Right-of-use assets	-3,009
Other financial assets	-38
Deferred tax assets	-341
Assets held for sale	**31,398**
Current liabilities	*6,616*
Trade payables and other liabilities	1,877
Contract liabilities	8
Tax liabilities	114
Financial liabilities	803
Other nonfinancial liabilities	3,814
Noncurrent liabilities	*2,203*
Financial liabilities	1,909
Deferred tax liabilities	294
Liabilities resulting from assets held for sale	**-8,819**
Net assets of disposal group	**22,579**

The cumulative foreign currency losses recognized in other comprehensive income which are attributable to discontinued operations as of December 31, 2020, amounted to € 1,842 thousand.

12. EARNINGS PER SHARE

		2021	2020
Earnings attributable to SNP SE shareholders in € thousand		989	-1,520
Weighted average number of shares (basic)	Shares	7,115,145	6,810,391
Weighted average number of shares (diluted)	Shares	7,115,145	6,810,391
Basic earnings per share	€ / share	0.14	-0.22
Diluted earnings per share	€ / share	0.14	-0.22

13. SEGMENT REPORTING

Segment reporting was prepared in accordance with IFRS 8. Based on the Group's internal reporting and organizational structure, the presentation of individual information from the consolidated financial statements is subdivided according to segment.

in € thousand	Services	Software	EXA	Total
External revenue				
2021	107,185	50,587	9,197	166,969
2020	93,913	49,868	0	143,781
Segment earnings (EBIT)				
2021	1,745	13,941	2,560	18,246
Marge	1.6%	27.6%	27.8%	10.9%
2020 (adjusted)	-3,428	14,910	0	11,482
Marge	-3.7%	29.9%	0.0%	8.0%
2020 (as reported)	2,135	9,686	0	11,821
Marge	2.3%	19.4%	0.0%	8.2%
Depreciation, amortization and write-downs included in the segment earnings*				
2021	4,398	2,562	186	7,146
2020	5,024	2,440	0	7,464

* Including impairments on property, plant and equipment of € 0 thousand (previous year: € 234 thousand) and impairments on right-of-use assets of € 589 thousand (previous year: € 408 thousand).

RECONCILIATION

in € thousand	2021	2020 (adjusted)	2020 (as reported)
Result			
Total reportable segments	18,246	11,482	11,821
Expenses not allocated to the segments	-11,944	-10,642	-10,981
of which depreciation, amortization and write-downs	*-2,808*	*-920*	*-920*
EBIT	**6,302**	**840**	**840**
Net financial result	-1,678	-1,576	-1,576
Earnings before taxes (EBT)	**4,624**	**-736**	**-736**

Due to more precise information regarding the calculation of the business segment-related expenses, the previous-year figures have been restated accordingly.

REPORTING BY REGION

in € thousand	Revenue (external)		Noncurrent assets		Investments	
Regions	2021	2020	2021	2020	2021	2020
CEU	93,873	78,402	84,616	33,930	55,830	1,394
EEMEA (Eastern Europe, Middle East, Africa)	19,484	22,622	0	22,365	0	206
Latin America	22,497	15,290	14,465	11,626	77	860
JAPAC (Asia-Pacific Japan)	10,155	5,347	3,795	3,941	24	56
USA	13,616	14,567	5,712	4,987	39	240
UK	7,344	7,553	6,811	6,450	0	0
Reclassification to disposal group	0	0	0	-22,365	0	0
Total	**166,969**	**143,781**	**115,399**	**60,934**	**55,970**	**2,756**

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

The Software business segment includes the "software licensing," "maintenance" and "cloud solutions" performance obligations. Key services include the development and marketing of the in-house data transformation platform CrystalBridge® with its software module combinations. In addition, sales of third-party software are also included in this business segment. SNP also reports revenue generated through software as a service (SaaS); in the period under review, this amounts to € 2,608 thousand (previous year: € 2,249 thousand). Out of the total revenue in the Software business segment, € 33,371 thousand (previous year: € 28,305 thousand) was realized over time and € 17,216 thousand (previous year: € 21,564 thousand) at a specific point in time.

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

In line with the Group's internal reporting and organizational structure and on account of the differences between its various products and services, EXA AG, which was acquired in the 2021 fiscal year, is reported as a separate business segment; it was initially consolidated as of March 1, 2021. EXA is a leading provider of transformation solutions in the area of financial management with a focus on the topics of operational transfer pricing and the global value chain. EXA's solutions enable companies to use software to manage their supply chains and to monitor their internal transfer prices transparently and efficiently. This is a key advantage in particular for companies with global operations. Software and other services are provided within the EXA Group. The revenue achieved in the EXA business segment is exclusively recognized over a period of time.

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

Transfer prices between business segments are determined based on customary arm's length conditions between third parties. Segment income, segment expenses and segment earnings include transfers between business segments. These transfers are eliminated during consolidation.

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

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

in € thousand	2021	2020
Bank deposits	40,332	29,401
Cash in hand	5	4
Reclassification to disposal group	0	-3,444
Total	**40,337**	**25,961**

15. OTHER FINANCIAL ASSETS

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Term deposit investment	0	0	0	20,000	0	20,000
Purchase price receivables	1,017	18,925	19,942	0	0	0
Loans and other financial receivables	159	128	287	383	101	484
Derivatives	0	0	0	0	4	4
Rent deposits	0	1,039	1,039	0	525	525
Reclassification to disposal group	0	0	0	0	-38	-38
Total	**1,176**	**20,092**	**21,268**	**20,383**	**592**	**20,975**

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

16. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are comprised as follows:

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Gross carrying amount for trade receivables	34,166	0	34,166	30,721	0	30,721
Impairment on trade receivables	-359	0	-359	-327	0	-327
Reclassification to disposal group	0	0	0	-4,794	0	-4,794
Total	**33,807**	**0**	**33,807**	**25,600**	**0**	**25,600**

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

17.CONTRACT ASSETS AND CONTRACT LIABILITIES

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

Contract assets in € thousand	2021	2020
As of January 1	**32,275**	**22,953**
Current changes	12,718	9,417
Impairment on contract assets	-12	-7
Reclassification to disposal group	0	-88
As of December 31	**44,981**	**32,275**

Contract liabilities in € thousand	2021	2020
As of January 1	**8,312**	**6,440**
Revenue recognized during the reporting year	-6,261	-6,174
Additions	9,637	8,054
Reclassification to disposal group	0	-8
As of December 31	**11,688**	**8,312**

The changes in the total contract amounts in the 2021 fiscal year are largely the result of ongoing business operations and the associated changes in project progress and settlement. In the current reporting period, an amount of € 6,261 thousand (previous year: € 6,174 thousand) that had been included in contract liabilities at the beginning of the period was recognized in revenue from contracts with customers. We expect more than 90% (previous year: 95%) of the contract liabilities recognized on December 31, 2021, to be recognized as revenue in the next reporting period.

A total transaction price of € 63,521 thousand (previous year: € 110,800 thousand) is allocated to those performance obligations that had not been satisfied (in full) as of December 31, 2021. The management expects 80–90% of this amount (previous year: 80–90%) to be recognized as revenue in the 2022 fiscal year and the rest in subsequent periods.

18. OTHER NONFINANCIAL ASSETS

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Prepaid expenses	1,785	134	1,919	1,669	147	1,816
Receivables from current tax assets	1,459	0	1,459	827	0	827
Miscellaneous other assets	761	0	761	453	0	453
Reclassification to disposal group	0	0	0	-95	0	-95
Total	**4,005**	**134**	**4,139**	**2,854**	**147**	**3,001**

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

19. INTANGIBLE ASSETS

Intangible assets have developed as follows:

in € thousand Cost	Goodwill	Concessions, industrial protective rights, similar rights and assets, and licenses to such rights and assets	Capitalized development costs	Advance payments made for intangible assets	Total
As of January 1, 2020	**54,194**	**14,175**	**430**	**1,617**	**70,416**
Additions	0	559	0	137	696
Additions from company acquisitions	53	583	0	0	636
Disposals	0	-28	0	0	-28
Reclassifications	0	1,500	0	-1,500	0
Exchange rate differences	-3,386	-610	0	0	-3,996
Reclassification to disposal group	-17,256	-3,549	0	0	-20,805
As of December 31, 2020 / January 1, 2021	**33,605**	**12,630**	**430**	**254**	**46,919**
Additions	0	470	0	0	470
Additions from company acquisitions	31,672	21,110	0	0	52,782
Disposals	0	-1	0	0	-1
Reclassifications	0	254	0	-254	0
Exchange rate differences	3,460	208	0	0	3,668
Dissolution of disposal group	1,639	0	0	0	1,639
As of December 31, 2021	**70,376**	**34,671**	**430**	**0**	**105,477**
Cumulative amortization and impairment					
As of January 1, 2020	**0**	**8,195**	**138**	**0**	**8,333**
Depreciation and write-downs	0	1,792	62	0	1,854
Disposals	0	28	0	0	28
Exchange rate differences	0	-384	0	0	-384
Reclassification to disposal group	0	-1,939	0	0	-1,939
As of December 31, 2020 / January 1, 2021	**0**	**7,692**	**200**	**0**	**7,892**
Depreciation and write-downs	0	3,813	61	0	3,874
Disposals	0	-1	0	0	-1
Exchange rate differences	0	52	0	0	52
As of December 31, 2021	**0**	**11,556**	**261**	**0**	**11,817**
Carrying value December 31, 2020	**33,605**	**4,938**	**230**	**254**	**39,027**
Carrying value December 31, 2021	**70,376**	**23,115**	**169**	**0**	**93,660**

There are no restrictions on ownership or disposal. .

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have developed as follows:

in € thousand **Cost**	**Land, land rights and buildings on third-party land**	**Other equipment, operating and office equipment**	**Advance payments and assets under construction**	**Total**
As of January 1, 2020	**1,185**	**10,005**	**0**	**11,190**
Additions	78	1,239	124	1,441
Disposals	-401	-223	0	-624
Exchange rate differences	-46	-190	0	-236
Reclassification to disposal group	-78	-889	0	-967
As of December 31, 2020 / January 1, 2021	**738**	**9,942**	**124**	**10,804**
Additions	1,043	1,183	28	2,254
Additions from company acquisitions	17	447	0	464
Disposals	-31	-1,306	0	-1,337
Reclassifications	124	0	-124	0
Exchange rate differences	84	231	0	315
As of December 31, 2021	**1,975**	**10,497**	**28**	**12,500**
Cumulative amortization and impairment				
As of January 1, 2020	**482**	**5,195**	**0**	**5,677**
Depreciation and write-downs	135	1,616	0	1,751
Impairment	148	86	0	234
Disposals	-401	-193	0	-594
Exchange rate differences	-5	-87	0	-92
Reclassification to disposal group	-15	-553	0	-568
As of December 31, 2020 / January 1, 2021	**344**	**6,064**	**0**	**6,408**
Depreciation and write-downs	162	1,365	0	1,527
Disposals	-15	-958	0	-973
Exchange rate differences	60	165	0	225
As of December 31, 2021	**551**	**6,636**	**0**	**7,187**
Carrying value December 31, 2020	**394**	**3,878**	**124**	**4,396**
Carrying value December 31, 2021	**1,424**	**3,861**	**28**	**5,313**

There are no restrictions on ownership or disposal.

21. LEASES

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

Right-of-use assets

The following right-of-use assets were recognized as of December 31, 2021:

in € thousand	Land, land rights and buildings on third-party land	Other equipment, operating and office equipment	Total
As of January 1, 2020	**15,478**	**2,373**	**17,851**
Depreciation and write-downs	-2,985	-1,185	-4,170
Impairment	-393	-15	-408
Additions	8,120	1,615	9,735
Remeasurement	-2,362	331	-2,031
Modification	-37	0	-37
Disposals	0	-1	-1
Exchange rate differences	-377	-54	-431
Reclassification to disposal group	-2,232	-765	-2,997
As of December 31, 2020 / January 1, 2021	**15,212**	**2,299**	**17,511**
Depreciation and write-downs	-2,972	-992	-3,964
Impairment	-589	0	-589
Additions	1,328	606	1,934
Additions from company acquisitions	1,261	391	1,652
Remeasurement	-356	-23	-379
Disposals	0	0	0
Exchange rate differences	258	3	261
As of December 31, 2021	**14,142**	**2,284**	**16,426**

In the 2020 fiscal year, it was decided to merge both office locations in Heidelberg. The rental agreement for the vacated site is valid until 2024. As of December 31, 2020, we expected to be able to sublet the freed-up office space from mid-2022 onwards. Accordingly, the right-of-use asset was impaired by € 393 thousand. We now assume that it will not be possible to sublet this office space. We expect a recoverable amount of € 0 thousand (previous year: € 785 thousand). This resulted in impairment affecting profit and loss of € 589 thousand (previous year: € 393 thousand) in the 2021 fiscal year.

Lease Liabilities

Please see Point 24 for information on the Group's lease liabilities, Point 36 for comments on its liquidity risk and Point 43 for an overview of the development of financial liabilities.

Amounts Recognized in the Income Statement

The income statement for the 2021 fiscal year is as follows:

in € thousand	2021	2020
Depreciation of right-of-use assets	3,964	4,170
Impairments of right-of-use assets	589	408
Revenue from the waiver of lease payments	-16	-179
Interest expenses on lease liabilities	530	593
Expenses resulting from short-term leases	214	31
Expenses resulting from leases of low-value assets	65	56
Total	**5,346**	**5,079**

As of December 31, 2021, the Group had short-term leases for Datavard's new locations in Germany, Switzerland and Singapore. These leases expired in 2021 or else have been terminated.

The total cash outflow resulting from leases for the 2021 fiscal year was € 4,533 thousand (previous year: € 4,973 thousand).

As of December 31, 2021, possible future outflows of funds in the amount of € 486 thousand (previous year: € 749 thousand) (undiscounted) were not included in the lease liability since an extension of the leases is not reasonably certain.

In 2020 and 2021, the Group negotiated rent concessions for rented office premises with its landlords in Germany, Argentina and Poland as a response to the impact of the coronavirus pandemic. The Group applies the practical expedient for rent concessions caused by COVID-19. The amount recognized in profit and loss that reflects the changes to the lease payments in the reporting period related to rent concessions for which the Group applied the practical expedient for rent concessions caused by COVID-19 is € 16 thousand (previous year: € 179 thousand).

For further information on leases, please see Point 9 on the key accounting policies and Point 8 on the use of estimates.

22. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the 2012 fiscal year, an equity investment of 24% of the share capital of Composite Design Transformation GmbH, Walldorf, was acquired. The objective of this company is IT consulting. In the 2012 fiscal year, the value of the investment was written down to € 1.00. Based on current information, there have been no changes in the measurement of the fair value of the investment.

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

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

No further risks are associated with the investments. From the Group's perspective, these investments are classified as immaterial.

23. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are comprised as follows:

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Trade payables	8,339	0	8,339	6,490	0	6,490
Reclassification to disposal group	0	0	0	-1,877	0	-1,877
Total	**8,339**	**0**	**8,339**	**4,613**	**0**	**4,613**

24. FINANCIAL LIABILITIES

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Liabilities to banks	33,454	34,872	68,326	7,228	44,025	51,253
Purchase price obligations	3,336	267	3,603	1,904	386	2,290
Liabilities from put options attributable to non-controlling interests	0	14,360	14,360	0	0	0
Leasing obligations	4,015	14,290	18,305	4,146	16,930	21,076
Derivative financial instruments	0	0	0	0	5	5
Other financial liabilities	206	115	321	283	61	344
Reclassification to disposal group	0	0	0	-803	-1,909	-2,712
Total	**41,011**	**63,904**	**104,915**	**12,758**	**59,498**	**72,256**

In February 2017, SNP Schneider-Neureither & Partner SE reached an agreement with investors on the issuance of promissory note loans with a total volume of € 40.0 million. The volume is spread across fixed and variable interest-bearing tranches in terms of three to seven years. The average yield at the time of issuance of the promissory note loans amounted to 1.41% per annum. In March 2020, the first tranche of the promissory note loans was repaid, with a volume of € 5,000 thousand. This was refinanced by taking out a loan in the amount of € 2,000 thousand and, in part, by means of short-term loans within the scope of a € 5,000 thousand credit line agreement.

The promissory note loans were recognized in the statement of financial position, less the brokerage commission and plus deferred interest, at € 39.6 million. As of December 31, 2021, the carrying value is € 35.2 million (previous year: € 35.3 million).

The loan with a volume of € 2,000 thousand has a term of two years and is repaid on a quarterly basis. The rate of interest is based on the 3-month Euribor plus a credit margin. A payer swap (interest rate swap) and a floor have been entered into in order to hedge against the risk of rising money market interest rates.

In addition, in May 2020 SNP took out a € 10,000 thousand loan which is refinanced by the bank KfW through KfW's entrepreneur loan program (37), as part of its 2020 special program (within the scope of the "coronavirus assistance for companies" one-off measures, supported by the package of measures implemented by the German government in response to the coronavirus pandemic). Since September 2021 and until June 2025, the loan is being repaid on a quarterly basis in equal installments of € 625 thousand.

In March 2020, SNP (Schweiz) AG received a CHF 500 thousand COVID-19 loan with a term of five years under Art. 3 of the Swiss COVID-19 Joint Surety Ordinance. This loan may only be used to cover current liquidity requirements. The rate of interest is 0%. The borrower has the right to terminate this agreement at any time with immediate effect. This loan was terminated in July 2021 and was repaid in November 2021.

In February 2021, SNP SE signed a finance agreement with the European Investment Bank in the amount of € 20 million. The loan has a term of five years and bears interest at a fixed rate of 1.101% per annum. The loan was recognized at fair value less transaction costs and is subsequently measured at amortized cost.

These purchase price obligations have mainly resulted from future payment obligations within the scope of company acquisitions in 2020 and 2021.

No collateral is provided for financial liabilities. Instead, standard covenants are agreed that include termination options. The financial figures serving as the basis for these covenants were all fulfilled in 2021.

25. CONTINGENT ASSETS/CONTINGENT LIABILITIES

In addition to the trade receivables and other receivables listed in the statement of financial position, there are contingent receivables as of the reporting date.

There is insurance coverage for pending litigation. As of the reporting date, it is assumed that the insurance will probably cover at least part of the damages if they arise. This is, however, not entirely assured. The amount of the actual allocations will likely amount to half the damage.

In the course of the preparation of the consolidated financial statements for the 2020 fiscal year, there was a lack of usability for a property in the USA accounted for as a right-of-use asset from as early as the beginning of its lease in 2019. SNP is reviewing possible compensation claims, especially with regard to advance rent payments made. SNP assumes that it has compensation claims on the merits. It will only be possible to estimate the financial impact of these compensation claims at a later date.

Within the scope of the sale of 51% of the shares held in SNP Poland Sp. z.o.o. – including the agreement of call and put options for the remaining 49% of the shares – a variable purchase price component was agreed on the basis of future earnings contributions. The receivable for the earnout was calculated on the basis of corporate planning for the next two years and was discounted by an interest rate of 3.25%. An undiscounted amount of € 10,588 thousand was calculated for the earnout. The undisconted earnout amount is contractually capped at a minimum of € 0 thousand and a maximum of € 13,000 thousand. This results in a contingent asset of € 2,412 thousand. In addition, variable shares were agreed for liquidity and working capital equalization. It is not possible to make any reliable assessment of contingent assets or contingent liabilities on this basis.

As well as the provisions shown in the statement of financial position, contingent liabilities amount to € 1,280 thousand (previous year: € 4,727 thousand).

The contingent liability as of December 31, 2021, with an upper limit of € 1,280 thousand applies in connection with the acquisition of the EPROCURE Group. The likelihood that the company will be asked to pay the conditional purchase price is considered to be low given the developments in 2021 and projections for the coming years.

26. OTHER NONFINANCIAL LIABILITIES

	2021			2020		
in € thousand	Current	Noncurrent	Total	Current	Noncurrent	Total
Employee-related liabilities	20,135	0	20,135	17,250	0	17,250
Other taxes	4,052	0	4,052	3,215	0	3,215
Subsidies	116	131	247	143	246	389
Other nonfinancial liabilities	2,307	0	2,307	1,431	0	1,431
Reclassification to disposal group	0	0	0	-3,814	0	-3,814
Total	**26,610**	**131**	**26,741**	**18,225**	**246**	**18,471**

Employee-related liabilities mainly relate to vacation and bonus obligations as well as obligations for employee-related social security contributions.

27. OTHER PROVISIONS

Other provisions developed as follows in the 2021 fiscal year.

in € thousand	As of 1/1/2021	Currency effects	Utilization	Reversal	Addition	Acquisition business enterprise	As of 12/31/2021
Archiving costs	26	0	0	0	0	2	28
Legal costs	1,040	38	-215	-20	103	0	946
Employee-related provisions	58	0	-58	0	0	126	126
Total	**1,124**	**38**	**-273**	**-20**	**103**	**128**	**1,100**

Provisions are established if an obligation exists in relation to third parties, the outflow of resources is probable and the expected obligation can be reliably estimated.

The provisions for legal costs have resulted from the legal disputes which are pending as of December 31, 2021. Please see Point 46 for further information.

The Group expects that the costs for the overwhelming portion of the other provisions will arise within the next fiscal year.

28. SHARE-BASED PAYMENT TRANSACTIONS

In 2019, an agreement providing for virtual shares was signed with a total of 24 employees as part of their variable remuneration. Overall, 17,329 virtual shares resulted on the basis of a prescribed exercise price. The employees will be paid half of the value of these shares in 2020 and the other half in 2021. Their value will be calculated on the basis of the number of shares, multiplied by the 2019 closing price for the payment in 2020 and multiplied by the 2020 closing price of € 60.50 for the payment in 2021. The entitlements under this scheme will be vested throughout this period. In 2020, the number of eligible employees declined to 21. Overall, 16,358 virtual shares were issued over the two years. The program for virtual shares expired as of December 31, 2020.

A total amount of € 269 thousand has been recognized as personnel expenses for the grant of the virtual shares in the 2020 fiscal year. The employee-related liability in the amount of € 466 thousand as of December 31, 2020, was paid out in the 2021 fiscal year.

In 2019, the Board of Directors agreed a long-term incentive scheme (LTI scheme) 2019–2020 with the Managing Directors. A sub-target of the LTI scheme, with a weighting of 25%, is tied to the share price trend. The right to payment has been calculated as follows:

If the share price, calculated on the basis of the weighted average over the past 30 trading days (Xetra), in 2020 exceeds the initial value at the start of 2019 by 50%, then this sub-target will have been fulfilled 100%. The actual price fluctuation will be compared with the price fluctuation on the basis of 100% target attainment, in order to determine the actual level of target attainment. The weighted closing price was € 54.45. The entitlements under this scheme were vested throughout this period. The program for virtual shares expired as of December 31, 2020.

Overall in 2020, a pro rata amount of € 1,008 thousand was recognized as personnel expenses for the sub-target of the LTI scheme 2019–2020 tied to the share price trend. The employee-related liability in the amount of € 1,308 thousand as of December 31, 2020 was paid out in the 2021 fiscal year.

In April 2021, the Board of Directors agreed a long-term incentive (LTI) program with the Managing Directors, with an overall term of five years per tranche. For each tranche of this program, the company will grant a Managing Director shares in the company (SNP shares), the number of which will depend on the achievement of certain financial performance indicators in the first year of the tranche in question. Following the transfer, these shares are subject to a roughly four-year holding obligation. The relevant final LTI amount is calculated according to the actual level of achievement of the budgeted target EBIT. In order to calculate the final amount, the base amount is multiplied by the level of target achievement for the actual EBIT figure. If the actual EBIT matches the budgeted target EBIT, this represents a 100% level of target achievement. If the actual EBIT exceeds or is lower than the budgeted target EBIT, the level of target achievement increases or decreases accordingly. If the EBIT actually achieved is 80% or less, an 80% target achievement level is recognized ("floor"); however, if the EBIT actually achieved is 120% or more, a 120% target achievement level is recognized ("cap"). The level of target achievement between the floor and cap is determined by means of linear interpolation. The final amount thus calculated is subsequently converted into a net amount ("final net amount") by deducting a notional income tax rate of 45%. This final net amount is the amount used to calculate the number of SNP shares to be granted. The number of SNP shares to be granted within the scope of the tranche for the year under assessment ("Final number of SNP shares") is calculated by dividing the final net amount by the SNP share price and, in order to avoid fractions, rounding the resulting amount up or down to achieve a whole number of shares. The relevant price is the volume-weighted average price of the SNP share in XETRA trading on the Frankfurt Stock Exchange over the last 20 trading days (closing price on trading day) of the year preceding the year under assessment, rounded up or down to two decimal places. The applicable price for 2021 is € 54.85.

In the 2021 fiscal year, the Group recognized personnel expenses of € 513 thousand for the grant of the share-based LTI program which was created for the first time in 2021.

29. SNP 2020 STOCK OPTION PLAN

In April 2020, SNP launched a stock option plan with settlement in equity instruments for certain employees of the company. By virtue of its resolution passed on May 12, 2016, the Annual General Meeting has authorized the Executive Board of the company to repurchase shares of the company and to make use of shares purchased on the basis of this same resolution of the Annual General Meeting, inter alia, within the scope of an employee profit-sharing scheme, in line with the conditions prescribed therein. On the basis of this authorization, the company's Board of Directors has resolved the introduction of a 2020 Stock Option Plan comprising a maximum of 60,000 options. Upon exercise, a stock option will be converted into an ordinary share in the company. Employees must pay a fee of € 50 for the exercise of options. The options do not confer either a dividend right or a voting right. The options may be exercised at any time from the date as of which they may first be exercised up to their expiry if the average closing price of the share on the Xetra index exceeds € 60.66 in the four-week period prior to exercise. The plan has a term of 9 years, but options may not be exercised in the first 4 years of the waiting period. In the period up to December 31, 2021, overall 28,300 options (as of December 31, 2020: 30,950 options) had been issued within the scope of the plan at a weighted average exercise price of € 60.66. The estimated market values of the options granted as of this date total € 754 thousand (previous year: € 825 thousand). The market value of the options has been determined by means of a binomial model.

FAIR VALUES AND ASSUMPTIONS AT THE END OF 2021

Fair value of the option as of the issuance date	26.64
Option pricing model	Binomial model
Risk-free interest rate	-0.62%
Expected volatility	48.40%
Expected term	6.5 years
Remaining term as of 12/31/2021	7.5 years

The expected term that has been applied in this calculation has been determined on the basis of the management's best estimate, taking into consideration the consequences of non-transferability, exercise restrictions and behavioral considerations.

In the 2021 fiscal year, the Group registered personnel expenses in the amount of € 177 thousand (previous year: € 137 thousand) in connection with share-based remuneration transactions with settlement in equity instruments.

30. PROVISIONS FOR PENSIONS

Pension provisions comprise the following:

- SNP Austria GmbH's provisions for severance payments. It is required by law in Austria to make these provisions for its employees
- Commitments to the surviving dependents of a former Managing Director of SNP SE
- Commitments to the Chief Financial Officer of the parent company who left in 2011
- Pension provisions established by SNP SE and SNP Deutschland GmbH due to a company acquisition in 2015
- Pension provisions due to the acquisition of EXA AG
- Pension provisions at SNP (Schweiz) AG and at Datavard AG in Switzerland

Pension payments are currently being made only at SNP Deutschland GmbH.

Reinsurance policies are in place at SNP SE, SNP (Schweiz) AG and at Datavard AG in Switzerland that are pledged on behalf on the beneficiaries.

The consolidated financial statements include the following amounts from defined benefit plans for post-employment benefits:

in € thousand	2021	2020
Defined benefit obligation (DBO)	8,174	5,014
Fair value of plan assets	5,023	2,185
Net carrying amount of defined benefit plans	**3,151**	**2,829**

The cost for defined benefit plans breaks down as follows:

in € thousand	2021	2020
Current service cost	282	219
Net interest cost*	16	20
Expenses for defined benefit plans recognized in the consolidated income statement	**298**	**239**
Actuarial gains (-) / losses (+)	-721	-163
Gains (-) / losses (+) from plan assets (not including interest income)	-59	2
Remeasurement of defined benefit plans recognized in the consolidated statement of comprehensive income	**-780**	**-161**
Cost for defined benefit plans	**-482**	**78**

* Disclosed in the income statement under "other financial expenses."

The following table presents the development of the DBO in detail:

in € thousand	2021	2020
DBO at the beginning of the fiscal year	**5,014**	**4,925**
Current service cost	282	219
Interest expense	25	28
Remeasurement		
Actuarial gains (-) / losses (+) due to changes in financial assumptions	-623	-199
Benefit payments	-612	29
Foreign currency effects	290	12
Additions from company acquisitions	3,798	0
DBO at the end of the fiscal year	**8,174**	**5,014**

The following table shows the detailed reconciliation of changes in the fair value of plan assets:

in € thousand	2021	2020
Fair value of plan assets at the beginning of the fiscal year	**2,185**	**2,034**
Interest income	9	8
Remeasurement		
Gains (+) / losses (-) from plan assets without amounts contained in net interest expense and income	157	-38
Employer contributions	-217	60
Employee contributions	133	113
Foreign currency effects	206	8
Additions from company acquisitions	2,550	0
Fair value of plan assets at the end of the fiscal year	**5,023**	**2,185**

	2021	2020
Discount rate	0.3 to 1.1%	0.2 to 0.85%
Salary trends	0% to 3.6%	0% to 3.6%
Pension trends	0% to 2.0%	0% to 2.0%
Average employee turnover*)	0%	0%

*) Depending on years of service.

The calculation is based on actuarial studies prepared annually taking into account biometric data.

Sensitivity Analysis

A change in the fundamental assumptions above, with other assumptions remaining unchanged, would have increased or reduced the DBO as of December 31, 2021, as follows:

in € thousand	Defined benefit obligation			
	Increase		Decrease	
Basic assumption	**2021**	**2020**	**2021**	**2020**
Discount rate (1% change)	-507	-402	589	417
Future pension trend (1% change)	270	154	-239	-186
Future income trend (1% change)	89	70	-86	-176
Future mortality (-10% change)	179	71	-	-

As of December 31, 2021, the weighted average term of the defined benefit obligations was approximately 17 years (previous year: 17 years).

The employer contributions to plan assets expected for 2022 and the subsequent nine years amount to € 241 thousand per year.

The benefit payments expected in the next few years involve provisions for severance payments for employees of SNP Austria GmbH and pension payments for employees of SNP Deutschland GmbH. The actual payments depend on other criteria being fulfilled. An average annual payment of € 147 thousand is expected for the next ten years.

31. CURRENT TAX ASSETS, TAX LIABILITIES AND DEFERRED TAXES

Current tax assets and tax liabilities involve receivables and payables from current income taxes.

Income Taxes

Income taxes are comprised as follows:

in € thousand	2021	2020
Expenses for current taxes		
Current income taxes, year under review	2,226	2,130
Current income taxes for prior periods	496	-19
	2,722	2,111
Expense (previous year: income) from deferred taxes		
Change in timing differences, year under review	-1,546	-1,943
Change in timing differences, prior periods	-273	67
Change in tax assets from tax loss carryforwards	3,119	867
	1,300	-1,009
	4,022	**1,102**

As of the reporting date, the expected tax burden on taxable income is 30.0%, as in the previous year. This is comprised as follows:

Trade tax at a rate of assessment of 418%	14.63%
Corporate tax	15.00%
Solidarity surcharge (5.5% of the corporate tax amount)	0.82%
Applicable tax rate	30.45%
Rounded rate	30.00%

The deferred taxes recognized directly in equity under other components of equity can be seen in the statement of comprehensive income and are presented below:

in € thousand	2021			2020		
	Before Taxes	Taxes	After taxes	Before Taxes	Taxes	After taxes
Remeasurement of defined benefit obligations	711	-137	574	155	-64	91

Tax Reconciliation

The following table shows the reconciliation of the expected tax expense and the tax expense actually reported:

in € thousand	2021	2020
Earnings before taxes (EBT)	**4,624**	**-736**
Expected tax income/expense at a rate of 30%	1,387	-221
Effect of different tax rates	65	6
Effects of changes in tax rates	-1	0
Non-period current income taxes	346	-19
Non-period deferred taxes	-273	67
Foreign withholding tax	114	73
Expenses/income not affecting taxes	-726	371
Addition to valuation allowance on loss carryforwards	2,682	126
Waiver of capitalization of loss carryforwards in current year	739	741
Use of loss carryforwards not capitalized in current year	-275	0
Other factors	-35	-42
Actual income taxes	**4,023**	**1,102**

Deferred tax assets and deferred tax liabilities from temporary differences between the carrying amounts and the tax valuations of assets and liabilities are presented in the table below:

in € thousand	12/31/2021	12/31/2020
Deferred tax liabilities		
Intangible assets	-6,216	-651
Property, plant and equipment	-16	-177
Right-of-use assets	-3,818	-3,356
Receivables/contract assets	-2,216	-809
Other nonfinancial assets	-1,925	-282
Liabilities/contract liabilities	-825	-286
Other financial liabilities	-185	-49
Other nonfinancial liabilities	-555	-155
Deferred income	-142	-104
Deferred tax liabilities	-15,898	-5,869
Offsetting	9,926	5,572
Total deferred tax liabilities	**-5,972**	**-297**

in € thousand	12/31/2021	12/31/2020
Deferred tax assets		
Intangible assets	573	589
Property, plant and equipment	21	14
Tax loss carryforwards	2,857	2,933
Other tax benefits	117	168
Receivables/contract assets	830	632
Liabilities/contract liabilities	1,910	1,282
Other financial liabilities	0	1
Other financial assets	17	0
Inventories	2,397	322
Pension obligations	633	513
Noncurrent financial liabilities	3,415	3,787
Current financial liabilities	1,038	847
Other nonfinancial liabilities	1,196	707
Deferred tax assets	15,004	11,795
Offsetting	-9,926	-5,572
Total deferred tax assets	**5,078**	**6,223**

The capitalization of deferred taxes on tax loss carryforwards in the 2021 fiscal year continues to relate to the following companies:

in € thousand	Capitalized loss carryforwards
SNP Schneider-Neureither & Partner SE (parent company), Heidelberg, Germany	1.301
SNP Transformations, Inc., Jersey City, NJ, USA	589
Datavard Inc., West Chester, PA, USA	166
SNP Australia Pty Ltd., Sydney, Australia	153
Shanghai SNP Data Technology Co., Ltd., Shanghai, China	123
Innoplexia GmbH, Heidelberg, Germany	118
SNP (Schweiz) AG Steinhausen, Switzerland	114
Qingdao SNP Data Technology Co., Ltd., Qingdao, China	102
SNP Japan Co.,Ltd., Tokio, Japan	93
SNP Transformations SEA Pte. Ltd., Singapore, Singapore	80
Datavard Software, s. r. o., Bratislava, Slovakia	18
	2,857

The loss carryforwards in Germany, Singapore, Australia and the USA can be used without any time limit. In Japan, the tax losses can be carried forward over a period of ten years from when they occur. In Switzerland, the tax losses can be carried forward over a period of seven years from when they occur. In China and Slovakia, the tax losses can be carried forward over a period of five years from when they occur.

These tax loss carryforwards decreased in the 2021 fiscal year. Plans assume positive taxable income in subsequent years. Therefore, it is expected that the tax loss carryforwards will be further reduced in the coming years. As regards the use of the tax benefits recognized due to loss carryforwards, because of the positive order outlook, in the future, the Group's individual companies are expected to generate sufficient taxable income. The subsidiaries in the USA, China, Singapore and Australia, as well as the domestic company Innoplexia GmbH, have a history of tax losses. Due to the positive revenue forecasts and the strengthened management and governance structure for the overall Group, the new appointments to local management functions, the recently introduced and increased use of nearshoring for project execution, as well as sales measures and the planned expansion of the SAP S4/HANA project volume, the company expects to see taxable income that will match the tax loss carryforwards reported for the foreseeable future. The other tax benefits (€ 117 thousand) relate to ADP Consultores S.R.L., Buenos Aires, Argentina, the inflation-based adjustment made for tax purposes that must be offset against taxable profits in subsequent years.

An asset item for tax loss carryforwards will only be capitalized insofar as it appears probable within a planning horizon of four years that taxable income will be available that can be offset in the future. Overall, no deferred tax assets have been established for the tax loss carryforwards in the amount of € 19,637 thousand (previous year: € 11,452 thousand) that arose in previous years and in the year under review.

The non-capitalized tax loss carryforwards are subject to the following expiry dates:

in € thousand	12/31/2021	12/31/2020
up to 5 year	575	0
5–10 years	217	317
unlimited	18,845	11,135
	19,637	**11,452**

32. SUBSCRIBED CAPITAL

As of December 31, 2021, the share capital of the company amounted to € 7,385,780.00 (previous year: € 7,212,447.00) and was comprised of 7,385,780 (previous year: 7,212,447) ordinary no-par-value bearer shares of SNP Schneider-Neureither & Partner SE, each with a nominal value of € 1.00. Within the scope of its acquisition of the Datavard Group, on July 28, 2021, through partial utilization of authorized capital SNP Schneider-Neureither & Partner SE successfully completed a cash capital increase, as a result of which the company's share capital was increased by € 173,333.00, divided into 173,333 no-par-value bearer shares, to a total of € 7,385,780.00, divided into 7,385,780 shares. The new shares, which were issued at a price of € 54.80 per share, are entitled to dividends in the 2021 fiscal year, beginning on January 1, 2021. The capital increase was entered in the German commercial register on December 09, 2021. Since December 22, 2021, the new shares have been included in stock exchange trading.

33. AUTHORIZED CAPITAL

The Annual General Meeting held on June 6, 2019, has authorized the Board of Directors to increase the company's share capital in the period up to June 5, 2024, once or several times in partial amounts, by up to a total of € 3,301,223.00, against cash or in-kind contributions through the issuance of new no-par-value bearer shares (2019 Authorized Capital). In the event of cash contributions, the new shares may be taken over by one or more banks or companies within the meaning of Section 186 (5) (1) of the AktG with the obligation to offer them to shareholders for purchase (indirect subscription right). The Board of Directors is authorized to bar the subscription rights of shareholders in order to remove fractional shares from the subscription rights of shareholders; in case of capital increases against cash contributions in order to issue the new shares at an issue price that is not significantly lower than the market price (Sections 203 (1) and (2), 186 (3) (4) of the AktG) and provided that the number of shares issued does not exceed 10% of the share capital at the time the authorization becomes effective or – if this value is lower – at the time it is exercised (10% limit); for capital increases against contributions in kind, particularly for the purpose of directly or indirectly acquiring companies, operations or investments in companies or industrial property rights, licenses, patents, or other product rights or other assets; to the extent it is necessary, to ensure that the holders of warrants, convertible bonds or warrant-linked bonds issued by the company and its subsidiaries can be granted subscription rights for new shares to the extent that they will or would be entitled if they exercised their options or conversion rights. The authorization was partially exercised through the capital increase in July 2020, through the issuance of 610,000 shares. The authorization was also partially exercised in July 2021, within the scope of a capital increase against a contribution in kind in the context of the acquisition of the Datavard Group, through the issuance of 173,333 new shares. Following this further partial use, the authorized capital as of December 31 now amounts to € 2,517,890.00.

The proposal of canceling the existing authorized capital and making available in full a new authorized capital was not passed at the Annual General Meeting held on June 17, 2021.

Contingent Capital

The share capital is conditionally increased by up to € 3,606,223.00, divided into up to 3,606,223 no-par-value shares (2021 Contingent Capital). The contingent capital increase will be executed only to the extent that the owners or creditors of warrant or conversion rights or warrant-linked bonds or convertible bonds issued for cash or in-kind contributions and subject to conversion obligations that were issued or guaranteed by the company until June 16, 2026 – by virtue of the authorization of the Board of Directors and the resolution passed by the Annual General Meeting on June 17, 2021 – exercise their warrant or conversion rights or fulfill their conversion obligations if applicable, or if the company exercises an option to grant shares in the company in full or in part instead of paying the amount of money due, provided that a cash contribution is not granted or the company's treasury shares are not used for this purpose. The new shares will be issued in accordance with the aforementioned authorization at option and conversion prices to be determined. The new shares participate in profits from the beginning of the fiscal year in which they arise. The Board of Directors is authorized to determine further details regarding the execution of the contingent capital increase and to amend the wording of the articles of incorporation in accordance with the issuance of shares out of the contingent capital. No use was made of this in the 2021 fiscal year.

Treasury Shares

In the period from 2011 to 2013, the company purchased a total of 21,882 shares at a cost of € 414,650.19. As of December 31, 2021, the company continues to hold these shares.

On May 12, 2016, the Annual General Meeting authorized the company to acquire for the coming five years treasury shares up to a total of 10% of the outstanding share capital at the time of the resolution. In August 2019, the Board of Directors resolved a multi-year share buyback program beginning on September 1, 2019, and with a term ending no later than May 11, 2021. During this period, a maximum of 638,362 treasury shares will be repurchased via the stock exchange. This corresponds to 9.67% of the company's share capital. As part of this buyback program, a total of 53,820 shares were acquired at a price of € 2,298,008.59 in the 2019 and 2020 fiscal years. As of the end of the program on May 11, 2021, a further 37,000 shares had been purchased at a price of € 2,179,555.32.

On June 30, 2020, the Annual General Meeting authorized the company to acquire for the coming five years treasury shares up to a total of 10% of the outstanding share capital at the time of the resolution. At the same time, the existing authorization granted in 2016 was canceled.

The acquisition cost of € 4,892,214.13 for the total of 112,702 shares has been disclosed as a negative item in equity in accordance with IAS 32.33.

Acquired treasury shares have been recognized at cost and deducted from subscribed capital.

The security identification number for the shares is 720 370, ISIN: DE0007203705.

34. RETAINED EARNINGS AND CAPITAL RESERVES

Please see the consolidated statement of changes in equity for changes in retained earnings.

The capital reserves increased to € 96,818,104.19 (previous year: € 87,068,326.94). The increase resulted from the issuance of 173,333 new no-par-value bearer shares with a nominal share of share capital of € 1.00 per share. The issue price was € 54.80. As a result, subscribed capital per issued share increased by € 1.00, while capital reserves increased by the excess amount of € 9,325,315. This increase in capital reserves was reduced by the costs associated with the capital increase of € 49,432.10, less deferred tax liabilities of € 14,829.63. All in all, costs associated with capital increases of € 4,158,352.34, less deferred tax liabilities of € 1,247,505.71, have been offset in the capital reserves.

In addition, the obligations to issue equity instruments resulting from the 2020 Stock Option Plan and the LTI program in the amount of € 596 thousand (previous year: € 137 thousand) are reported under capital reserves. Please see Points 28 and 29 for further information.

35. NONCONTROLLING INTERESTS

The item involves 19% minority interests in the subsidiaries SNP Transformations SEA Pte. Ltd. and SNP Transformations Malaysia Sdn. Bhd. which were consolidated for the first time in the 2016 fiscal year.

The following disclosures relate to all of the companies in which the Group holds minority interests. The disclosures involve information prior to the elimination performed among other companies of the Group.

in € thousand	2021
Revenue	2,634
Result	-2,060
Income attributable to noncontrolling interests	-387
Other comprehensive income	-169
Comprehensive income	-2,230
Comprehensive income attributable to noncontrolling interests	-420
Current assets	2,797
Noncurrent assets	445
Current liabilities	3,579
Noncurrent liabilities	2,935
Net assets	-3,272
Net assets attributable to noncontrolling interests	-649
Cash flow from operating activities	-248
Cash flow from investing activities	-6
Cash flow from financing activities	-114
Net increase in cash and cash equivalents	-368
Dividends paid during the year to noncontrolling interests	0

36. FINANCIAL INSTRUMENTS

Objectives and Methods of Financial Risk Management

In the 2021 fiscal year, as well as investing in new and replacement property, plant and equipment and intangible assets and acquiring treasury shares SNP used cash and cash equivalents, first and foremost, in order to settle purchase price installments resulting from company acquisitions and for the repayment of loans and settlement of lease liabilities. These investments and repayments were financed by taking out loans.

In February 2021, SNP SE signed a finance agreement with the European Investment Bank in the amount of € 20 million. The loan has a term of five years and bears interest at a fixed rate of 1.101% per annum.

The short-term loan was repaid within the scope of a € 5,000 thousand credit line agreement in February 2021, and in July 2021 an amount of € 4,500 thousand was drawn down via a short-term money market loan.

The management monitors and manages the Group's financing and capital structure on an ongoing basis. For this it uses parameters such as the net debt ratio and the equity ratio. The Group can adjust dividend payments to shareholders in order to maintain or adjust its capital structure. As of December 31, 2021, and December 31, 2020, no changes were made to the objectives, policies or procedures for monitoring financing and managing the capital structure.

The possible risks arising from financial instruments included interest rate-related cash flow risks as well as liquidity, foreign currency and credit risks. The Group monitors these risks on an ongoing basis and compares individual risks to total risk exposure in order to determine risk concentrations. If necessary, the Group's management decides on strategies and procedures to manage individual types of risks, as presented below.

Credit Risk

The Group enters into transactions with creditworthy third parties. All customers wishing to conduct business with the company on a credit basis are subject to a credit check. In addition, the receivables portfolio is continuously monitored so that the Group is not exposed to any significant default risks. No credit is granted without prior review and approval according to the current regulations put in place by the Managing Directors. The Group has no significant risk concentrations.

For cash and cash equivalents, receivables and other financial assets of the Group, the maximum credit risk in case of default by a counterparty corresponds to the carrying amount of these instruments.

We apply the IFRS 9 simplified impairment model in order to determine the impairment for trade receivables and contract assets. Please see the comments under Point 9 for further information.

The following table shows the credit and default risk based on an impairment matrix as of December 31, 2021:

Classification	Loss rate in %	Carrying amounts in € thousand	Impairment in € thousand
Risk class 1 (Germany, Austria, Switzerland, USA, Australia and Singapore)	0.03	65,389	20
Risk class 2 (United Kingdom)	0.00	2,962	0
Risk class 3 (Slovakia, China, Japan, Malaysia and Chile)	0.41	8,059	33
Risk class 4 (Colombia and India)	0.41	727	3
Risk class 5 (Argentina)	0.41	1,714	7
Risk class 6 (Loss)	100.00	329	329
Total		**79,180**	**392**

The following table shows the credit and default risk based on an impairment matrix as of December 31, 2020:

Classification	Loss rate in %	Carrying amounts in € thousand	Impairment in € thousand
Risk class 1 (Germany, Austria, Switzerland, USA, Australia and Singapore)	0.02	48,767	9
Risk class 2 (United Kingdom)	0.00	1,992	0
Risk class 3 (Slovakia, China, Japan, Malaysia and Chile)	0.40	10,135	42
Risk class 4 (Colombia)	0.40	497	2
Risk class 5 (Argentina)	0.40	1,425	6
Risk class 6 (Loss)	100.00	289	289
Reclassification to disposal group		-5,136	-254
Total		**57,969**	**94**

The following table shows the development of impairment in relation to trade receivables and contract assets:

in € thousand	Trade receivables	Contract assets	Total
As of January 1, 2020	**155**	**14**	**169**
Amounts written off	-77	0	-77
Net remeasurement of impairment	249	7	256
Reclassification to disposal group	-254	0	-254
As of December 31, 2020	**73**	**21**	**94**
Amounts written off	-16	0	-15
Net remeasurement of impairment	302	12	313
As of December 31, 2021	**359**	**33**	**392**

The following significant changes to the gross carrying amounts of trade receivables contributed to the changes to impairment losses in 2021:

- Increased loss rate in all risk classes.
- Increased carrying amounts due to acquisitions.
- Increased carrying amounts in risk class 6 due to customers' heightened financial difficulties.

Liquidity Risk

The Group monitors the risk of a possible liquidity squeeze through ongoing cash flow planning and monitoring. The key goal is to ensure a minimum level of liquidity in order to safeguard solvency at all times. A high volume of cash therefore serves as a strategic reserve, which helps to keep SNP flexible, solvent and independent. As well as effective management of capital employed and liquid assets, SNP has reduced the liquidity risk that results from normal business activity and fulfillment of financial obligations by establishing appropriate lines of credit with various credit institutions, which it may draw upon in case of need.

Cash flows from the Group's financial liabilities had the following maturity dates:

	12/31/2021				
in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Promissory note loans	26,388	180	9,180	0	35,748
Liabilities to banks	7,716	2,866	24,324	0	34,906
Trade payables	8,339	0	0	0	8,339
Lease liabilities	4,683	4,252	6,988	3,948	19,871
Purchase price obligations	3,354	285	0	0	3,639
Liabilities from put options attributable to non-controlling interests	0	0	14,625	0	14,625
Other financial liabilities	206	115	0	0	321
	50,686	**7,698**	**55,117**	**3,948**	**117,449**

	12/31/2020				
in € thousand	Up to 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
Promissory note loans	689	26.388	9.360	0	36.437
Liabilities to banks	7.281	2.772	6.250	0	16.303
Trade payables	4.613	0	0	0	4.613
Lease liabilities	3.773	3.591	7.277	5.208	19.849
Purchase price obligations	1.904	159	285	0	2.348
Other financial liabilities	283	61	0	0	344
	18.543	**32.971**	**23.172**	**5.208**	**79.894**

Financial liabilities that can be repaid at any time are assigned to the earliest possible time period.

No material contractual cash flows result from the derivative liabilities.

Fair Value

Our financial instruments are primarily classified at amortized cost. The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements:

in € thousand Financial assets	IFRS 9 category	12/31/2021 Carrying amount	12/31/2021 Fair value	12/31/2020 (after reclassification to disposal group) Carrying amount	12/31/2020 (after reclassification to disposal group) Fair value
Cash and cash equivalents	Amortized cost	40.337	40.337	25.961	25.961
Purchase price receivable	Amortized cost	8.729	8.729	0	0
Purchase price receivable	Fair value (profit or loss)	11.213	11.213	0	0
Derivatives	Fair value (profit or loss)	0	0	4	4
Trade receivables	Amortized cost	33.807	33.807	25.600	25.600
Other financial assets	Amortized cost	9.015	9.015	20.971	20.971
Total		**103.101**	**103.101**	**72.536**	**72.536**

in € thousand Financial liabilities	IFRS 9 category	12/31/2021 Carrying amount	12/31/2021 Fair value	12/31/2020 (after reclassification to disposal group) Carrying amount	12/31/2020 (after reclassification to disposal group) Fair value
Trade payables	Amortized cost	8.339	8.339	4.613	4.613
Financial liabilities	Amortized cost	68.327	67.419	51.254	50.636
Derivatives	Fair value (profit or loss)	0	0	5	5
Purchase price obligations	Amortized cost	3.033	3.033	1.816	1.816
Purchase price obligations	Fair value (profit or loss)	569	569	474	474
Liabilities from put options attributable to non-controlling interests	Amortized cost	14.360	14.360	0	0
Lease liabilities		18.305	18.305	18.364	18.364
Other financial liabilities	Amortized cost	322	322	343	343
Total		**113.255**	**112.347**	**76.869**	**76.251**

Summary as per IFRS 9 category

in € thousand	12/31/2021 Carrying amount	12/31/2020 Carrying amount
Financial assets measured at amortized cost	91,888	72,532
Financial assets measured at fair value through profit or loss	11,213	4
Financial liabilities measured at amortized cost	94,380	58,026
Financial liabilities measured at fair value through profit or loss	569	479

Cash and cash equivalents, trade receivables measured at amortized cost, trade payables and other financial assets and liabilities have predominantly short remaining terms. For these short-term financial instruments, the carrying amount is a reasonable approximation of fair value. The step used to determine the fair value is not disclosed separately for these financial instruments.

The fair value of financial liabilities is measured on the basis of the yield curve, while taking credit spreads into consideration. They have therefore been assigned to level 2 in the valuation hierarchy.

The fair values of derivatives are determined using bank valuation models based on current parameters such as the yield curve and volatility of the interest rate level. They are assigned to level 2 in the valuation hierarchy.

The fair value of contingent purchase price obligations in connection with company acquisitions and contingent purchase price receivables in connection with company disposals that have, in each case, a measurement at fair value level 3 after subsequent measurement is determined in accordance with generally accepted valuation methods based on discounted cash flow analyses. The material inputs are, in addition to the factor-specific discount rates, the expectations for future cash flows and the earnings figures determined in purchase or sale agreements and relevant with regard to earn-out.

The fair value of liabilities from put options attributable to non-controlling interests is determined in accordance with generally accepted valuation methods based on discounted cash flow analyses. The main inputs are, in addition to the factor-specific discount rates, the expectations for the relevant earnings figures determined in purchase agreements. They have therefore been assigned to level 3 in the valuation hierarchy.

The changes to the financial instruments measured at fair value level 3 are as follows:

in € thousand	Purchase price receivables
Initial stock as of January 1, 2021	**0**
Sales	11,123
Income recognized in the income statement	90
Closing stock as of December 31, 2021	**11,213**

in € thousand	Purchase price obligations
Initial stock as of January 1, 2020	**0**
Acquisitions	464
Amounts Recognized in the Income Statement	10
Closing stock as of December 31, 2020 / initial stock as of January 1, 2021	**474**
Payments	-117
Amounts Recognized in the Income Statement	212
Closing stock as of December 31, 2021	**569**

The income recognized in the income statement comprises compound interest effects recognized as interest income.

Of the losses recognized in the income statement, € 181 thousand relate to the increase in the contingent purchase price obligation due to a reassessment of the earnings figures defined in the purchase agreements, which were recognized in other operating expenses. € 21 thousand relate to the compound interest effects recognized as interest expense. A further € 10 thousand relate to currency effects recognized in other operating expenses.

The Group determines at the end of each reporting period whether transfers have occurred between hierarchy levels by reviewing the classification (based on the input of the lowest level that is significant to the fair value measurement as a whole).

The general responsibility for monitoring all significant measurements of fair value, including level 3 fair values, belongs to the Finance department, which reports directly to the CFO. The finance department uses selected external valuers where necessary to determine the fair value of significant assets and liabilities. The selection criteria include market knowledge, reputation, independence and compliance with professional standards. The finance department decides which valuation techniques and inputs apply in each individual case in discussion with the external valuers.

The net gains or losses of the individual IFRS -9 categories are as follows:

in € thousand	12/31/2021	12/31/2020
From financial assets measured at amortized cost	-90	-3
From financial assets measured at fair value through profit or loss	95	4
From financial liabilities measured at amortized cost	-1,319	-784
From financial liabilities measured at fair value through profit or loss	-201	-17
Total	**-1,515**	**-800**

Net gains and net losses from financial instruments measured at fair value through profit or loss result from changes in the fair value.

For the assets measured at amortized cost, net gains and net losses include income from interest, expenses and income for expected credit losses, effects of currency translation, losses on disposal and income from receipts on receivables written off.

Net gains and net losses from liabilities measured at amortized cost include expenses for interest and effects from currency translation.

Interest income from financial assets measured at amortized cost amounts to € 93 thousand (previous year: € 30 thousand).

Interest expense from financial liabilities measured at amortized cost amounts to € 1,275 thousand (previous year: € 878 thousand).

Market Price Risk

Interest Rate Risk Management

The Group is financed in part through its operating cash flow. In order to finance organic and inorganic growth, SNP has also borrowed interest-bearing capital in the form of various bank loans and promissory note loans.

The bank loans attract interest at a fixed basic interest rate, with the exception of one loan. The floating-rate loan is hedged against interest rate risk through interest derivatives, resulting in a fixed interest rate on the loan over its entire term.

The yield on the various tranches of the promissory note loans consists of fixed and variable interest. The variable interest is based on Euribor. The variable portion of the promissory note loans amounts to € 20 million (previous year: € 20 million). Therefore, changes in market interest rates can lead to higher interest expense. If the six-month Euribor is positive, an increase of 50 basis points of the six-month Euribor will increase interest expense by € 0.1 million (previous year: € 0.1 million). The sensitivity analysis assumes that all other variables (except for the market interest rate) will remain unchanged. Management continuously monitors the development of market interest rates and the necessity of appropriate hedging measures.

Currency Risk

The Group companies conduct their operating business in the respective functional currency so that the corresponding foreign exchange risk is regarded as moderate. Currency risks result primarily from intragroup business relationships.

Currency Risk Management

The euro is the Group's functional currency and the reporting currency of the consolidated financial statements. A result of the Group's increasing internationalization outside the eurozone is that its operating business and financial transactions involve fluctuations in currency exchange rates. Exchange rate risks, which arise from orders from, and loans to, subsidiaries outside the eurozone, relate primarily to the absolute amount of the key figures reported in euros. Management continuously monitors the development of exchange rates and the necessity of appropriate hedging measures.

A sensitivity analysis has been carried out in order to be able to quantify the possible effects of exchange rate fluctuations on Group earnings. This shows the change in Group earnings in the event that the respective functional currency of the Group companies increases or decreases in value by 10% in relation to the foreign currency and all of the other parameters remain the same:

	2021		2020	
in € thousand	The euro loses in comparison to the currency	The euro gains in comparison to the currency	The euro loses in comparison to the currency	The euro gains in comparison to the currency
CHF	87	-106	29	-36
GBP	151	-185	-7	9
PLN	93	-117	120	-147
USD	-324	877	-244	299
SGD	-192	234	-136	166
MYR	26	-32	-17	21
CNY	-59	72	-14	17
ARS	-56	68	-19	23
CLP	22	-27	-16	20
COP	-1	1	13	-16
ZAR	0	0	0	0
AUD	37	-45	-74	91
JPY	-45	55	165	-201
INR	14	-17	0	0

Due to the inclusion of subsidiaries, the Group also reports assets and liabilities outside the eurozone which are denominated in local currencies. Fluctuations in currency exchange rates may result in changes in value at the conversion of these assets into euros. The changes in these net assets are reflected in the Group's equity through other comprehensive income.

Share Price Risk

As part of the presentation of market risks, IFRS 7 also requires disclosures about how hypothetical changes in risk variables affect the prices of financial instruments. Stock exchange prices are a particular concern as risk variables. As of December 31, 2021, and December 31, 2020, the Group held no significant financial instruments with related share price risks.

A sensitivity analysis has not been carried out due to the insignificant share price risk.

37. CAPITAL MANAGEMENT

	12/31/2021		12/31/2020		Delta as %
	in € thousand	As % of the total volume of equity and liabilities	in € thousand	As % of the total volume of equity and liabilities	Total
Equity	102,224	38	87,683	42	17
Current liabilities	89,516	34	53,986	26	66
Noncurrent liabilities	74,320	28	65,004	32	14
Liabilities	163,836	62	118,990	58	38
Total equity and liabilities	**266,060**	**100**	**206,673**	**100**	**29**

The Group pursues the goal of safeguarding its long-term corporate survival and preserving the interests of shareholders, employees and all others who read the financial statements.

The management of the capital structure is based on changes in the macroeconomic environment and risks from the assets being held.

The Group's strategy is directed toward the continuous and sustainable increase in the company's value.

As of December 31, 2021, the equity ratio had decreased to 38.4% (previous year: 42.4%).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

38. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in € thousand	2021	2020
Deconsolidation	2,419	0
Exchange rate differences	2,201	2,266
Advertising subsidies	321	386
Insurance compensation	275	154
Proceeds from the disposal of assets	176	45
Reversal of provisions and derecognition of liabilities	164	107
Other subsidies	60	85
Rent concessions	16	179
Other	816	229
Total	**6,448**	**3,451**

39. COST OF MATERIALS

This involves costs for purchasing external consultants to carry out projects (cost of purchased services) and for purchasing third-party licenses for resale.

40. PERSONNEL COSTS

Personnel costs include costs for defined contribution pension plans of € 446 thousand (previous year: € 425 thousand), not including insurance contributions to statutory pension plans. Contributions to statutory pension plans amounted to € 6,109 thousand (previous year: € 4,575 thousand).

Personnel costs include severance expenses of € 348 thousand (previous year: € 1,117 thousand).

The average number of employees in the Group changed as follows:

	2021	2020
Full-time	1,467	1,388

41. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in € thousand	2021	2020
Services	5,369	4,512
Advertising, representation	4,668	4,368
Rent, leases	2,254	1,823
Occupancy costs, energy	2,217	2,112
Legal and consulting costs	2,127	2,293
Vehicles	1,560	1,709
Other personnel costs	1,362	1,458
Foreign exchange losses	1,154	3,501
Communications	981	1,035
Insurance policies, contributions	711	582
Travel costs	499	1,245
Office supplies	393	376
Board of Directors	340	144
Expense associated with the disposal of assets	273	22
Payment transaction costs	157	122
Other	370	612
Total	**24,435**	**25,914**

Cost savings were achieved in the area of travel costs in particular on account of the coronavirus pandemic and the related travel restrictions. Customer projects were mainly handled remotely.

42. NET FINANCIAL RESULT

Net financial income is as follows:

in € thousand	2021	2020
Other financial income		
Term deposit investment	7	7
Derivatives	5	4
Pension obligations	9	8
Compounding on contract assets	9	13
Compounding on purchase price receivables	151	0
Other interest income	19	14
Total	**200**	**46**

in € thousand	2021	2020
Other financial expenses		
Bank interest	558	228
Derivatives	4	5
Interest for promissory note loans	598	611
Pension obligations	27	28
Leases	530	595
Compounding on purchase price obligations	24	29
Compounding on liabilities from put options attributable to non-controlling interests	69	0
Impairment losses	9	91
Other interest expenses	59	35
Total	**1,878**	**1,622**

OTHER NOTES

43. STATEMENT OF CASH FLOWS

The composition of cash and cash equivalents as of December 31, 2020, of € 29,405 thousand deviates from the carrying value of cash and cash equivalents of € 25,961 thousand due to the reclassification of cash and cash equivalents of the disposal group (€ 3,444 thousand). In the 2021 fiscal year, the balances once again match one another.

The cash flow from operating activities includes the following items: interest paid of € 1,277 thousand (previous year: € 772 thousand), interest received of € 35 thousand (previous year: € 13 thousand), income taxes paid of € 4,438 thousand (previous year: € 3,394 thousand) and income taxes received of € 85 thousand (previous year: € 444 thousand).

Cash flow from investing activities includes payments for company acquisitions of € 15,902 thousand (previous year: € 956 thousand). These relate to payments for the company acquisitions made in 2017, 2020 and 2021. The proceeds from the disposal of financial assets comprise the repayment of a term deposit investment made in 2020.

Noncash expenses and income include the following changes.

in € thousand	2021	2020
Deconsolidation gain	-2,419	0
Dissolution of disposal group	-1,639	0
Accrued interest	-341	126
Accounting loss noncurrent assets	141	-23
Deferred taxes	300	-1,541
Change of capital reserves due to stock option program	459	137
Remeasurement of defined benefit obligations	777	155
Currency effects	3,364	-499
Other	142	73
Total	**784**	**-1,572**

Liabilities from financing activities developed as follows:

in € thousand	Promissory note loans	Other loans	Lease liabilities	Total
As of January 1, 2020	**40,275**	**297**	**19,397**	**59,969**
Borrowed	0	17,022	0	17,022
New leasing additions	0	0	7,479	7,479
Repaid	-5,000	-938	-5,245	-11,183
Other payments	-544	0	0	-544
Noncash deferrals	611	-347	8	272
Exchange rate fluctuations	0	-62	-564	-626
Reclassification to disposal group	0	0	-2,711	-2,711
As of December 31, 2020	**35,342**	**15,972**	**18,364**	**69,678**
Borrowed	0	24,618	0	24,618
New leasing additions	0	0	1,920	1,920
Additions from company acquisitions	0	6,112	1,689	7,801
Repaid	0	-13,367	-4,254	-17,621
Other payments	-692	0	0	-692
Noncash deferrals	598	-195	345	748
Exchange rate fluctuations	0	-8	241	233
As of December 31, 2021	**35,248**	**33,132**	**18,305**	**86,685**

Other payments comprise, in particular, payments of interest and fees.

Noncash deferrals mainly consist of deferred interest expenses and subsidies reclassified to nonfinancial liabilities.

44. MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTORS

Since the transformation of SNP Schneider-Neureither & Partner AG into a European stock corporation (Societas Europaea/SE) in 2017, the company has been managed by its Board of Directors which determines the basic standards for its business activities and oversees their implementation by the Managing Directors.

Since the start of the fiscal year, the Board of Directors has had the following members: Dr. Michael Drill (Chairman), Gerhardt A. Burckhardt (Deputy Chairman), Rainer Zinow and Dr. Karl Benedikt Biesinger. Gerhard A. Burckhardt resigned from the Board of Directors on April 14. Dr. Michael Drill and Rainer Zinow resigned from the Board of Directors following the end of the Annual General Meeting on June 17, 2021. The Annual General Meeting of June 17, 2021, elected Prof. Dr. Claus Heinrich, Prof. Dr. Christoph Hütten, Sebastian Reppegather and Richard Roy as new members of the Board of Directors. At the same time, Dr. Karl Benedikt Biesinger was reappointed to the Board of Directors ahead of schedule. At the constituent meeting of the Board of Directors held following the Annual General Meeting, Prof. Dr. Claus Heinrich was elected as the Chairman and Dr. Karl Benedikt Biesinger as the Deputy Chairman of the Board of Directors.

At the start of the fiscal year, the Managing Directors consisted of the following persons: Michael Eberhardt (Chairman of the Managing Directors and CEO) and Prof. Dr. Heiner Diefenbach (CFO). Since August 1, 2021, Gregor Stöckler (COO) has served as an additional Managing Director.

45. RELATED PARTY TRANSACTIONS AND DISCLOSURES

According to IAS 24 “Related Party Disclosures,” transactions with persons or companies that may be influenced by the reporting company or could influence the company must be disclosed unless they have not already been included as a consolidated company in the consolidated financial statements.

Advances or Loans to Managing Directors or Contingent Liabilities Incurred on Behalf of These Persons

As of December 31, 2021, no loans, credits or advances were granted to any Managing Directors. Furthermore, SNP SE did not incur any contingent liabilities on behalf of Managing Directors in the reporting year.

Provisions for Pension Commitments to Managing Directors

In 2020, there were still provisions for the pension commitments to Dr. Andreas Schneider-Neureither, his heirs and to Ms. Petra Neureither (CFO until May 19, 2011). For this, SNP SE made provisions totaling € 169 thousand (previous year: € 108 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

Other Transactions

Until the 2020 fiscal year, SNP SE had signed several rental agreements for office space and parking spaces for cars. These agreements were concluded between a former Chairman of the Board of Directors (who is also a Managing Director) and related parties. In the 2020 fiscal year, related expenses amounted to € 422 thousand.

A legal consulting agreement has been concluded between SNP SE and RB Reiserer Biesinger Rechtsanwaltsgesellschaft mbH, of which the Board of Directors member Dr. Karl Biesinger is a managing director and shareholder. In the period up to December 31, 2021, related expenses were € 224 thousand (previous year: € 607 thousand); as of December 31, 2021, there were outstanding liabilities in the amount of € 60 thousand (previous year: € 39 thousand).

In the first quarter of 2020, SNP SE acquired from a member of the Board of Directors a minority interest of 22% in OORCCA GmbH for a purchase price of € 200 thousand.

A sublease agreement has been concluded between SNP Deutschland GmbH as the landlord and OORCCA GmbH as the tenant, an associate at which the Board of Directors member Dr. Karl Biesinger is a managing director and shareholder. As of December 31, 2021, related income was € 5 thousand (previous year: € 3 thousand); as of December 31, 2021, there were no outstanding receivables.

On the basis of employment contracts between SNP SE and a child of a member of the Board of Directors, salary payments were made including benefits in kind and fringe benefits. In the period up to December 31, 2021, related expenses were € 67 thousand. As of December 31, 2021, there were no outstanding liabilities or receivables.

In the previous year, salary payments were made including benefits in kind and fringe benefits on the basis of employment contracts between SNP SE and two children of members of the Board of Directors. In the 2020 fiscal year, related expenses amounted to € 100 thousand; as of December 31, 2020, this included receivables of € 1 thousand and obligations of € 3 thousand.

The total remuneration paid to the Managing Directors in the 2021 and 2020 fiscal years was as follows:

	Managing Directors		Former Managing Directors	
in € thousand	2021	2020	2021	2020
Benefits due in the short term	1,312	700	0	746
of which fixed remuneration	771	550	0	613
of which fringe benefits	83	62	0	32
of which defined benefit	454	84	0	81
of which defined contribution	4	4	0	20
Share-Based Payment Transactions	**513**	**445**	**0**	**420**
Multi-year variable remuneration	513	445	0	420
Subtotal	**1,825**	**1,145**	**0**	**1,166**
Termination benefits	**0**	**0**	**0**	**490**
Post-employment benefits	**0**	**0**	**155**	**296**
of which fixed remuneration	0	0	0	225
of which fringe benefits	0	0	5	0
of which defined benefit	0	0	150	71
of which defined contribution	0	0	0	0
Total	**1,825**	**1,145**	**155**	**1,952**

The total annual remuneration of the members of the Board of Directors is as follows:

in € thousand	2021	2020
Total remuneration	**358**	**139**
Of which fixed remuneration	232	94
Of which attendance fees (incl. committee meetings)	126	45

46. RISKS RESULTING FROM LEGAL DISPUTES

As part of its ordinary business activities, SNP is confronted with lawsuits and court proceedings. As of the reporting date of December 31, 2021, pending legal disputes mainly relate to proceedings with current and former employees.

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

As of December 31, 2020, one legal dispute was pending in which compensation claims have been asserted. In these proceedings, SNP was the defendant in a legal dispute involving two former employees whose contracts were terminated after only a short period. This legal dispute was resolved by means of a settlement in the 2021 fiscal year.

A lawsuit was filed by an employee in the USA at the beginning of 2021. The charges include allegations of sexual harassment by a former manager from 2018 to 2020. The company is currently investigating these allegations. The Company has made provisions for expected costs in connection with the litigation. The judicial process is still in its early stages. The recording of evidence is likely to begin during 2022. In accordance with IAS 37, further disclosures will not be made since the proceedings are still ongoing.

47. AUDITING AND CONSULTING FEES

In the fiscal year, fees for the auditor for the consolidated financial statements amounted to € 233 thousand (previous year: € 256 thousand), for other assurance services to € 39 thousand (previous year: € 31 thousand) and for other consulting services to € 18 thousand (previous year: € 0 thousand).

48. SUBSEQUENT EVENTS

In March 2022, SNP SE reached an agreement with investors on the issuance of a promissory note loan with a total volume of € 32.5 million. The floating-rate loans have been concluded for a term of five years. The current rate of interest is 1.50% p.a. The loans serve to refinance and settle borrower's note loans from 2017 with a volume of € 26 million and to finance further growth.

Following the end of the fiscal year, the conflict between Russia and Ukraine is a significant event after the reporting date. We have fairly limited business relationships with customers and suppliers in these countries. On the other hand, it is not possible to reliably estimate the indirect impact of the conflict on our business partners, and thus on the orders which they place with us, as well as the general cost rises resulting from this conflict for our company.

49. CORPORATE GOVERNANCE

The Managing Directors and the Board of Directors have issued a declaration on the German Corporate Governance Code. This has been made available on the company's website at https://www.snpgroup.com/en/corporate-governance.

Heidelberg, Germany, March 25, 2022

The Managing Directors

Michael Eberhardt

Gregor Stöckler

Prof. Dr. Heiner Diefenbach

CUSTOMER STORY

COLOMBINA

„We decided to use BLUEFIELD, the SNP solution, because of its software-based approach and methodology which, by not impacting on the business, allows one to sleep peacefully.“
Jesús Antonio Brand, Corporate IT Director, Colombina

Scan the QR code
and learn more about
the successful project.

ANNUAL FINANCIAL STATEMENTS

SNP Schneider-Neureither & Partner SE, Heidelberg

BALANCE SHEET (HGB)

as of December 31, 2021

ASSETS (in € thousand)		2021	2020
A. Fixed assets			
I. Intangible assets			
1. Concessions, industrial property rights and similar rights and values such as licenses to such rights and values	1,800		1,681
2. Payments on account	0		254
		1,800	1,935
II. Fixed assets			
1. Land, rights equivalent to property and buildings including buildings on third-party land	1,055		50
2. Other fixed assets and office equipment	2,181		1,762
3. Advance payments and assets under construction	0		124
		3,236	1,936
III. Financial assets			
1. Shares in affiliated companies	122,116		94,087
2. Loans in affiliated companies	4,087		2,663
3. Participations	228		228
		126,431	96,978
		131,467	100,849
B. Current assets			
I. Inventories			
Work in progress		89	8
II. Receivables and other assets			
1. Trade receivables	22,145		19,304
2. Receivables from affiliated companies	48,029		31,192
3. Other assets	548		474
		70,722	50,969
III. Cash reserves and bank balances		7,975	25,630
C. Deferred items		969	632
		211,223	**178,088**

LIABILITIES (in € thousand)		**2021**	**2020**
A. Equity			
I. Subscribed capital			
1. Subscribed capital	7,386		7,212
2. Own shares	(113)		(76)
		7,273	7,137
II. Capital reserves		99,414	89,807
III. Revenue reserves			
Statutory reserves		19	19
IV. Retained earnings		6,136	8,366
		112,842	105,329
B. Provisions			
1. Provisions for pensions and similar obligations	417		275
2. Tax provisions	255		506
3. Other provisions	5,460		4,587
		6,132	5,368
C. Liabilities			
1. Liabilities to financial institutions	68,846		51,274
2. Payments received on orders	21		0
3. Trade payables	3,044		2,522
4. Liabilities to affiliated companies	14,017		9,093
5. Other liabilities	5,768		4,166
		91,696	67,055
D. Deferred items		553	355
		211,223	**178,088**

SNP Schneider-Neureither & Partner SE, Heidelberg

PROFIT AND LOSS ACCOUNT (HGB)

for the period from January 1 to December 31, 2021

in € thousand		2021	2020
1. Sales revenue		34,152	33,641
2. Increase/Decrease in inventories of unfinished goods		80	8
3. Other capitalized own services		62	55
4. Other operating income - Of which expenses from foreign currency conversion: T€ 917 (previous year: T€ 388)		2,042	1,170
5. Material costs Costs for purchased goods		(966)	(1,159)
6. Personnel costs a) Wages and salaries	(15,482)		(14,198)
b) Social security and expenses for pensions and related employee benefits - Of which expenses for pensions: T€ 164 (previous year: T€ 123)	(2,434)		(2,021)
		(17,916)	(16,219)
7. Depreciation - Of intangible assets and property, plant and equipment		(1,172)	(1,253)
8. Other operating expenses - Of which expenses from foreign currency conversion: T€ 105 (previous year: T€ 1,332)		(26,767)	(26,213)
9. Income from participations - Of which from affiliated companies: T€ 2,025 (previous year: T€ 489)		2,025	489
10. Received profits due to a profit transfer agreement		10,205	12,411
11. Income from loans of financial assets - Of which from affiliated companies: T€ 100 (previous year: T€ 80)		100	80
12. Other interest and similar income - Of which from affiliated companies: T€ 151 (previous year: T€ 45)		160	57
13. Depreciation of financial assets		(750)	(1,200)
14. Interest and similar expenses - Of which from affiliated companies: T€ 28 (previous year: T€ 13)		(1,050)	(997)
15. Taxes on income		(280)	(245)
16. Income after taxes		**(74)**	**626**
17. Other taxes		(16)	(25)
18. Net income		**(88)**	**602**
19. Profit carries forward from previous year		8,366	8,948
20. Withdrawal from capital reserves		2,142	1,183
21. Net profit		**6,136**	**8,366**

DISCLAIMER

CONTACT

Do you have questions or need more information? We are at your disposal for further advice and information.

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This Annual Report is also available in German. The legally binding document is the original German version, which shall prevail in any case of doubt.

LEGAL NOTICE

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