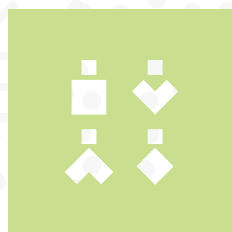
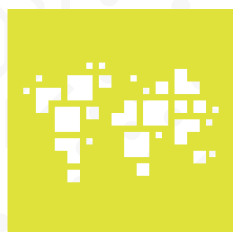
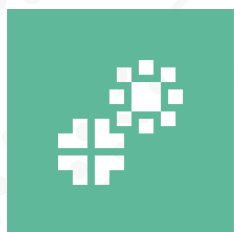


MISSION: DIGITAL FUTURE



FS- SAVVY / TECH- HEAVY

Industry expertise meets technology know-how: the right combination to strengthen banks for digital change.

PAGE 4

PAGE 16

Top employees for the digital society: our specialists are driving innovation with their expertise and creativity.

PEOPLE DRIVEN

TRULY GLOBAL

Networked across national boundaries:
standardised processes and methods are the
basis for successful cooperation.

PAGE 10



PAGE 22

We are the technology partner of leading
banks. Our work focuses on those topics
which concern our clients.

CLIENT- CENTRIC

OUR MISSION

On our way into a digital future: the epoch-defining digital transformation of our society continues to gather pace. It is a development full of challenges and opportunities. Especially for the financial services industry, which is perhaps affected more by digital transformation than most other sectors. What will the financial world of tomorrow look like? Which solutions do our clients need to stay ahead of the competition? How can this profusion of new possibilities be utilised in the best possible way? These are the key issues which we tackle on our **Mission: Digital Future**.

As a highly experienced technology partner of leading banks, our objective is to accompany them from start to finish. Drawing on our proven strengths. The four cornerstones of our mission define what we stand for and how we operate:

FS-savvy/Tech-heavy



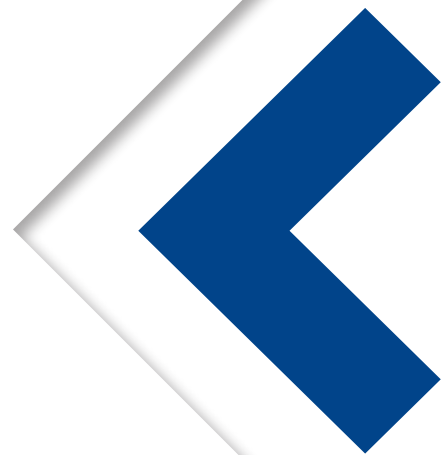
Truly global



People driven



Client-centric



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LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

What does it mean for a company to be among the best in its league? It means having high expectations and constantly being measured by them. Your company, GFT Technologies SE, is one of the leading IT service providers for the financial sector. Based on this self-image and the reputation we enjoy among leading financial institutions worldwide, we have always set the bar high. In 2017, unfortunately, we had to downgrade the expectations we had set for ourselves.

Let me give you a brief overview of our financial figures for the past financial year: at €418.81 million, consolidated revenue fell just short of the prior-year figure. Pre-tax earnings (EBT) of €18.13 million were down 45% on the previous year. The *Americas & UK* division generated segment revenue of €195.40 million in 2017 – 11% less than in the previous year. In the *Continental Europe* division, revenue rose by 11% to €222.48 million.

Above all, these figures reflect one thing: the differing conditions we faced in our client markets in 2017. Although our business performance was severely restricted by the unexpected cost-containment measures of two major investment banking clients, we enjoyed dynamic growth with our digital solution offerings for retail banking clients. This trend demonstrates that even in difficult phases, GFT is capable of winning new customers and expanding existing business relationships with attractive, new offerings.

The past financial year presented major challenges for us and demanded tremendous efforts from our c. 5,000 employees. I would therefore like to take this opportunity to thank you all sincerely for your extraordinary commitment. After taking the helm in June 2017, it has been fantastically motivating for me personally to work together every day with such a highly competent and experienced international team.

I would also like to thank you, dear shareholders. For your loyalty and your trust, even in such a demanding year for your company. Against this backdrop, and because we are confident that GFT will soon be back on track for growth, we propose to pay a dividend of €0.30 for the 2017 financial year.

We deliberately initiated a number of changes in the past financial year and thus laid the foundation for future growth. Our awareness of acting as a global team and collaborating more closely across national boundaries meant we took a decisive step forwards. We aligned our service offerings more closely with market needs in 2017 and systematically exploited our excellent references to tap new market segments. And by achieving a more balanced client profile, we made ourselves less susceptible to cyclical fluctuations in our market environment. Never before has there been so much renewal in our company in such a short time. Something we can all be proud of.

We succeeded in expanding our position as a trusted technology partner for many customers in 2017 and implemented ambitious, international projects – many of them award-winning. With the aid of strong partnerships, we expanded our technology know-how. We are well prepared for future topics in the financial industry. Blockchain, artificial intelligence, data analytics and cloud engineering have been firmly integrated into our everyday projects. In 2018, we plan to generate 25% of consolidated revenue with new technologies – 50% more than in 2017.

One of the most important changes we initiated in 2017 was the expansion of our business model to include the industrial sector. Why do we want to address these customers now? The global market for IT solutions in the field of Industry 4.0 is huge. We are convinced that now is the right time to systematically exploit this potential. The industrial sector needs extensive expertise in future technologies for the digital transformation of traditional industrial processes. This is our entry. Moreover, our international development centres offer a solution for the dramatic shortage of IT experts – especially among German small to medium enterprises (SMEs). Based on our network and strategic partnerships with platform providers, we see good opportunities for growth in this market environment. The first digitisation projects with major industrial clients in Germany were already launched in 2017. We intend to build on this.



“Mission: Digital Future” is the title of this Annual Report 2017. Maybe you’re asking yourself: is GFT really on a mission? Yes, because society is undergoing fundamental change. Digitalisation is revolutionising many industries. Established business models no longer work. New thinking, new forms of cooperation are needed. As a technology partner for our clients, we want to provide holistic support for banks with the digitisation of their business processes. That’s why we understand our task as a mission; as a long-term journey into a digital future, with GFT preparing the way and accompanying its clients.

Let us look ahead together. How will GFT position itself in future? The direction is clear: we want to strengthen our core business and develop further new business fields. To this end, we are investing steadily in the expansion of our digital solution portfolio and in our strategic partnerships. We undertake these measures on the basis of a solid structure. The aim is to achieve a sustainable expansion of our market position with clients in the financial services industry and the industrial sector.

We will continue to use 2018 as a year of realignment and anticipate growth impetus from digitisation projects and new technologies. In the financial year 2018, we expect revenue to be in the range of €400.00 million to €420.00 million – hindered once again by further cost savings of our two major investment banking clients – with an increase in EBITDA to at least €39.00 million. This represents a 14% increase over 2017 and reflects both higher margins and the successful implementation of measures to raise efficiency. EBT is expected to reach at least €25.00 million. By 2022, we plan to have reached revenue of €800.00 million with an EBITDA margin of around 12%.

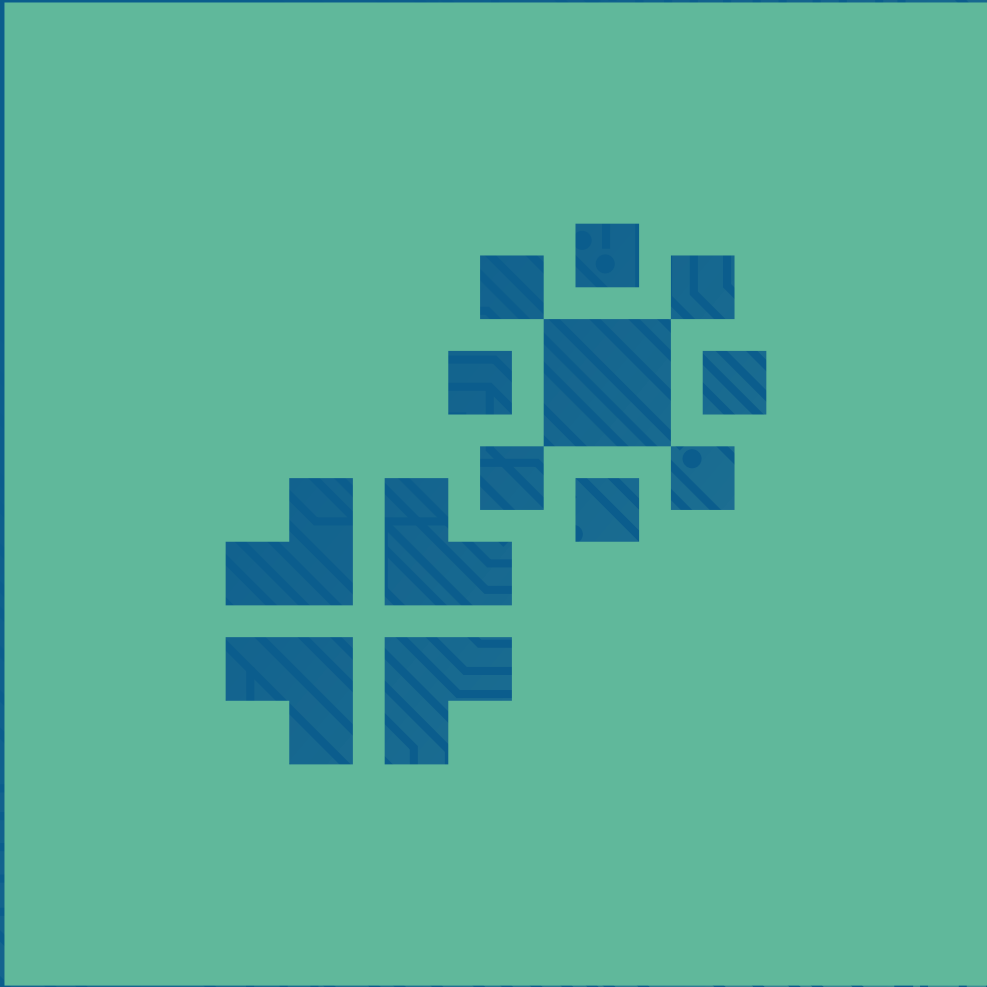
Dear shareholders, GFT is sticking to its principles: as a strong partner for banks and other organisations, we want to be the leader in the field of new technologies and play a decisive role in shaping the digitisation process. With this clear focus, we are on the right path and will maintain our dynamic momentum. We invite you to join us on this journey.

Best regards

Marika Lulay, CEO of GFT Technologies SE

FS- SAVVY/ TECH- HEAVY

FIT FOR THE DIGITAL FUTURE: advising banks on their digitalisation strategies and how to exploit their full potential requires detailed knowledge of the industry. Spotting technology trends early on and using them to develop new business models requires a deep understanding of the technologies involved. We combine both: industry and technology expertise. This enables us to give our clients the best-possible support on how to improve processes, reduce costs and tap new business opportunities.



Perfect blend: industry experts and technology specialists

Digitalisation is the most important topic for the financial services industry. Almost all banks have developed strategies and implemented initial projects. We act as an experienced partner to accompany them on this mission. Our teams are a perfect blend of industry experts and technology specialists who work closely together to seamlessly integrate new technologies into our clients' business models.

Digitalisation has redefined the relationship between banks and their customers, who now have the choice of when, where and how to do their banking. However, this is still not enough if banks want to retain their customers in the long term. They need to offer added value, for example by integrating third-party services into their offerings and positioning themselves as a platform operator; or by using so-called robo-advisors, which provide flexible and automated asset management services.

At the same time, banks should tackle a second aspect: the modernisation and digital transformation of their infrastructure and core processes. After all, a financial institution can only reap long-term benefits from its innovative developments if they have stable, efficient and adaptable systems. We therefore also provide our customers with support for fundamental tasks, such as: optimising their core banking system, restructuring their data architecture and making compliance processes transparent and controllable.

The full potential of digitalisation can only be unleashed when both processes – digitalisation and transformation – are intertwined. It is similar to the structure of human DNA: a helix with complementary interlocking strands. When both are fully functional and without defect, evolution can proceed. Or in our case: banks can successfully transition into the future.

The idea of 'co-innovation' is particularly important to us: the close cooperation with our clients and partners; **mutual inspiration and the common search for new ideas.** All this flows into our IT solutions to make them practical and groundbreaking.

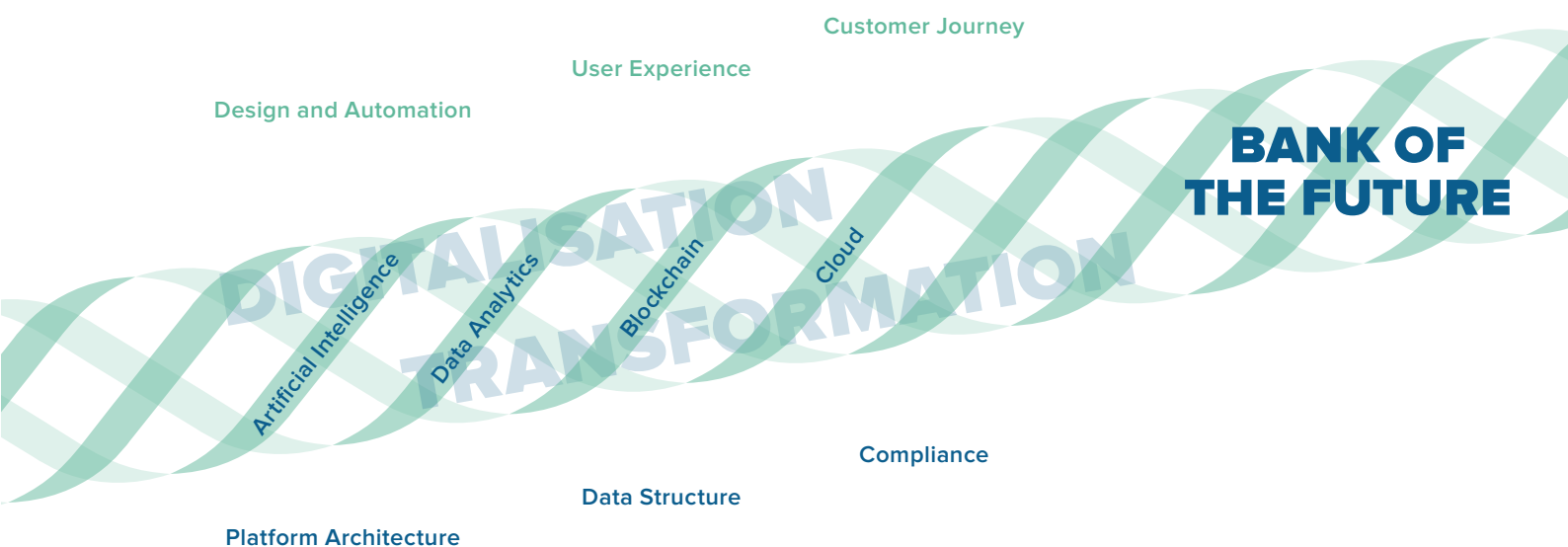


Carlos Eres,
Regional Director Southern & Eastern Europe

Experience the future, today, at the GFT Digital Innovation Lab

We simulate future scenarios for the financial world in our innovation labs. Based on the latest technologies, such as blockchain, data analytics, cloud computing and artificial intelligence, we develop the corresponding prototypes and integrate them into bespoke solutions for our clients – the first step towards tapping new business opportunities together.

Digital evolution: a challenging process



Innovative IT solutions based on blockchain, artificial intelligence (AI) and the cloud currently play a decisive role in the financial services industry. In all of these areas, we have successfully completed or are currently involved in ongoing projects, and are constantly seeking new opportunities for our clients – in the financial and industrial sectors.

Blockchain

Nearly all major banks are currently investing in blockchain – the technology that many experts believe will revolutionise the entire financial world. For example, in the future such technology may make it possible to buy a house without a solicitor or transfer money without a bank. This may still take some time, but the search for possible smart applications is in full swing. As a result, we are steadily expanding our expertise in the field of blockchain. At our blockchain incubator, we are currently focusing on the development of smart contracts. These intelligent and event-driven contracts based on blockchain technology offer huge potential for banks to make their processes more efficient. We have already successfully completed our first projects and, for example, tested a blockchain-based payment system for the Royal Bank of Scotland.

However, amid all the high expectations that banks have for the new technology, there are also concerns that the advent of blockchain might eventually challenge their own business models. They are therefore working on alternatives: 45 of the world's largest banks have formed the R3 consortium and developed their own proprietary distributed ledger platform called Corda. As a partner of the consortium, we are involved in the ongoing development of Corda, which is specifically tailored to the needs of the financial services industry.

Artificial intelligence

Another technology causing quite a stir in the financial community is artificial intelligence (AI). This is illustrated by the latest GFT Digital Banking Expert Survey, which polled 285 retail banking experts in eight countries. 94% of all respondents believe that AI-based solutions offer clear added value.

Where does the huge potential for this technology lie? One clear example is with the enormous pool of unstructured customer data held by banks. With the aid of self-learning systems, this data can be processed and utilised for analytical and advisory purposes.

According to the GFT survey, AI solutions are expected to improve a wide range of business functions – from back office routines to customer services and sales. The main targets here are to reduce operational costs (71% of respondents) and increase customer engagement (64% of respondents).

Cloud

As of 2019, stockbrokers in the USA will need to comply with the Consolidated Audit Trail (CAT). This US Securities and Exchange Commission (SEC) regulation will ensure that in future every transaction, including the brokers involved, is stored – resulting in huge costs and the threat of hefty penalties in the case of errors. In order to counter this danger, our specialists have developed a reporting app based on Amazon Web Services (AWS), a secure platform for cloud services. In this case, migrating data to the cloud not only offers cost benefits, but also promises greater data management security and transparency while also enabling continuous quality management.

Industry 4.0

Digital transformation is not only a major topic in the financial world; it is also in full swing in the industrial sector. Although the value chains are different, the same technologies are being used to implement the corresponding digitalisation projects. As a result, we are increasingly applying our expertise in the field of blockchain, data analytics, cloud computing, artificial intelligence and the internet of things, to the field of Industry 4.0. A market with huge potential, sales of Industry 4.0 solutions are expected to grow by an annual average of 15% until the year 2022 (source: MarketsandMarkets).

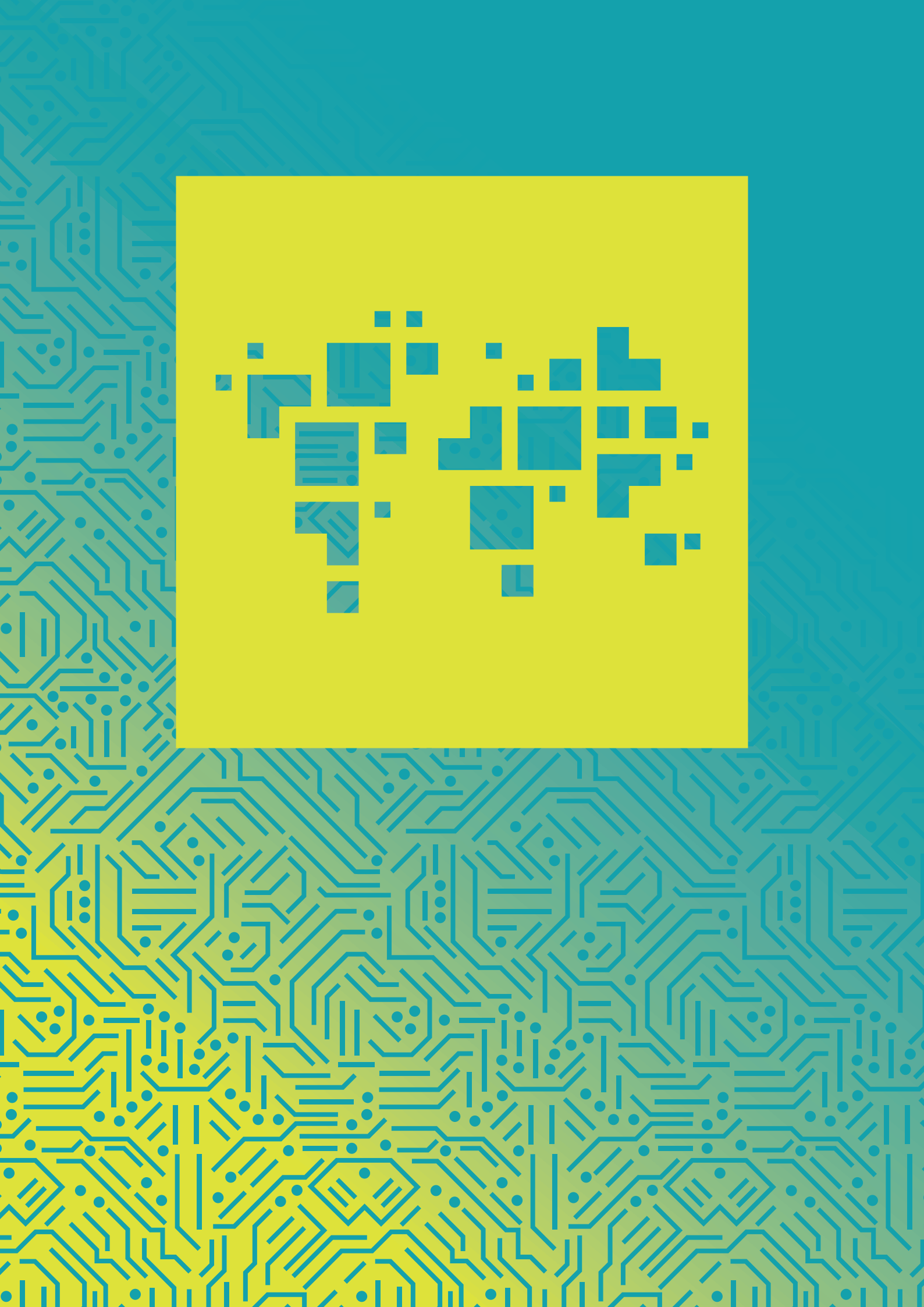
15%



Dream it, hack it, ship it!

This was the motto of the student hackathon HackUPC in Barcelona in October 2017, which GFT sponsored for the second time. The 700-plus participants of the coding marathon were given 36 hours to develop a software solution for one of the given tasks. For example, GFT's team of experts asked them to develop a new payment app based on Fidor Bank's open source interface. This produced a host of new approaches and ideas which were subsequently refined at the GFT Digital Innovation Lab.

The hackathon exemplifies our approach for driving innovation. In search of new ideas, we try to take a fresh perspective and use approaches.



TRULY GLOBAL

**SUCCESSFULLY NETWORKED
ACROSS NATIONAL AND
DEPARTMENTAL BOUNDARIES,**

GFT teams are curated according to the expertise required for each client or project. This works so smoothly because our methods and processes have been professionalised throughout the company. And more importantly: because we know and specifically utilise the abilities and cultural differences of the individual team members.

Transnational cooperation

GFT is at home in 11 countries worldwide, across Europe, North and South America, bringing together 34 languages and 66 different nationalities. For many of our client projects, we combine staff and know-how from across the entire company. Our Global Delivery Model makes us attractive for clients with regard to both flexibility and cost.

Professionalised: process and resource management

The foundations must be right. Our group-wide corporate values, as well as our standardised systems and processes ensure seamless cooperation throughout the GFT Group. Examples include our shared resource management system, and our efficient group-wide knowledge management system that ensures the necessary expertise is always available for the client. We have expanded strongly around the world over the past few years, necessitating adjustments to our infrastructure and internal processes. We have reorganised and harmonised processes across various areas of GFT worldwide. Our development methods and processes are certified according to CMMI – a globally recognised model for the definition of proven development practices – so that our work has the same quality in all locations.

Pooling individual strengths

For cooperation to succeed across both national and cultural boundaries, it is also important to understand how international colleagues approach certain problems differently. The best way to learn this is on site and face-to-face. Optimum results are achieved with staff who can serve as a link or moderator between different cultures. This is why GFT encourages staff to spend a certain period in other GFT locations – or even make a permanent move abroad.

GFT uses the

CMMI model

across the Group for optimised processes in all projects.

Software developer Pedro Castelo originally worked for GFT in Sorocaba, Brazil, before moving to Germany in mid-2017.

“It’s really exciting for me to see how digital innovation is driving the financial services industry. I have the feeling that I’m in the right place at the right time! Besides, I really appreciate how analytical and efficient my German colleagues are, and I am very grateful for everything I’ve learned here so far. I already took part in transnational technology training sessions while I was in Brazil and attended various workshops, webinars and lectures – both as a participant and as a speaker. I feel strongly that sharing knowledge with others is what helps us progress as individuals and as a company.”

Marcin Biel works at GFT’s facility in Łódź, Poland, and is also a member of the German delivery team.

“I spend time in both Łódź and Eschborn – for example, one week in Poland and the next in Germany. I’m in constant contact here with the German project managers and help them work closely with our developers in Poland. The German sales team relies heavily on our expertise. We all value the opinions and know-how of one another. This is what makes us so successful as a team in client projects.”



One bank – one service provider – seven countries

In March 2017, we launched one of our largest-ever projects on the American continent. As a strategic partner, we are helping a major US retail bank drive the digital transformation of its internal processes. One area of focus is the implementation of open application programming interfaces (open APIs). The bank is active in both North and South America; in locations where GFT also has facilities.

Why was GFT chosen? In addition to being able to provide local GFT staff at the client’s various sites, our technology expertise was also a perfect match for the client’s requirements. And a further decisive factor: we have already successfully completed similar projects for various clients in Spain.

In the early phase, the project members came from seven different countries: Brazil, Canada, Costa Rica, Mexico, Spain, the UK and the USA. The project started in March 2017 with intensive API training held by experienced Spanish experts on the basis of their previous project experience. After the know-how transfer phase was completed, project management was transferred to our American colleagues due to their client proximity. For assistance with development, they utilise experts from GFT’s South American development centres.

The partnership with the client has since been extended to include additional tasks. For example, the bank’s mainframe computers are due to be modernised and optimised in order to increase efficiency.

Our locations

GFT has facilities in 11 countries. With our Nearshore Delivery Model, we pool expertise and make it available in a flexible way across the company. Within this GFT-wide network of experts, there are development teams in Poland and Spain working on client projects with colleagues in Germany and the UK, while our colleagues in South America work primarily on projects with colleagues in North America.

USA/CANADA

Our colleagues in North America focus mainly on investment banks, asset managers, and increasingly retail banks.

MEXICO

Since 2015, our Mexican development centre has mainly been involved in projects for clients in North America.

COSTA RICA

With over 100 employees, Costa Rica is a major development centre for North America.

BRAZIL

GFT teams in Brazil develop for the South American market and also provide key support for US projects.



UK

Based in the key global financial centre, London, our clients include investment banks and a growing number of retail banks.

GERMANY

Client proximity: our four sites in Germany implement complex digitisation projects, mainly for retail banks.

POLAND

The development expertise of our employees in Łódź, Poznań and Warsaw is primarily used to support clients in the UK.

SWITZERLAND

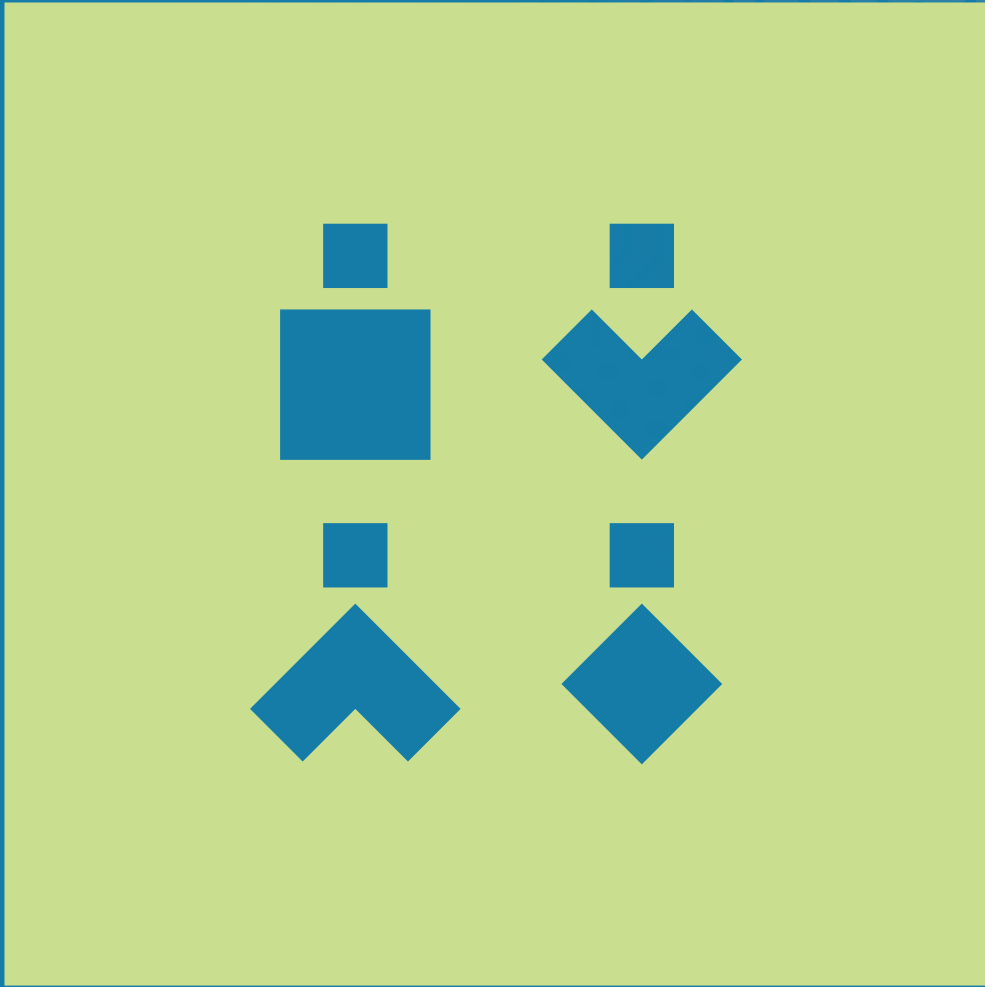
A team of around 50 experts implement complex core banking projects for Swiss banks. Clients also include insurance companies, as well as the federal and cantonal tax authorities.

SPAIN

At seven locations, our coding teams in Spain work on various projects across Europe. The GFT Digital Innovation Lab – a centre for innovative development – is based in Barcelona.

ITALY

Our Italian clients are in both the banking and insurance sectors. Our GFT colleagues are also pioneers in the field of blockchain.



PEOPLE
DRIVEN

IN THE MIDST OF THE CURRENT RAPID DIGITAL TRANSFORMATION PROCESS,

it is still people who drive innovation. At GFT, we value the skills and dedication of our c. 5,000 employees and foster a culture of diversity. Each individual can make a difference and help advance our cause. We are a strong global team with a creative and results-oriented approach. On a mission to effect change.

Top employees for a digital society

To make our digital future a reality, we need people with a strong desire for change. We are well aware that our success as an IT company depends above all on our c. 5,000 employees around the world: on their know-how, their drive, their identification with the job and the company. This is why we do everything we can to attract the best minds worldwide to join GFT.

Drivers of digital change: every single employee

What do top employees expect from their employer these days? It has long been more than just an attractive salary and job security. The best people in their field want a job that is rewarding and helps them develop. They want to be able to balance the demands of their private and professional lives. And they want to make a difference. All these things they can achieve at GFT.

We promote professional and personal diversity and encourage our employees to bring their potential and creativity to their daily work. It is no coincidence that we have established ourselves as a driver of innovation for our clients. Our employees grasp the opportunities that digitalisation brings. They know that GFT values their opinion. They are part of a strong team whose success is rooted in the commitment of the individual as well as the smooth interaction of the group. Just as GFT is constantly changing in a dynamic environment, each individual grows with the challenges they take on – often excelling themselves.

Bright prospects for ambitious employees

In addition to individual training opportunities, we attach great importance to the personal development of our employees. As part of a group-wide mentoring programme, experienced colleagues pass on their experience to junior staff in order to promote their professional and personal development. Management programmes such as the Accelerated Leadership Programme and the Cross Cultural Management Training programme have been set up to recruit and nurture executives from within the company. Talented experts are coached in these programmes and prepared for the next step in their career.

With regard to working conditions, we offer intelligent solutions on an individual basis with career models tailored to the individual situation of each employee. Rather than demanding a constant on-site presence, our flexible and trust-based working hours at varying locations help employees maintain a healthy balance between work and their private lives.

Such individual measures have also been successful with regard to promoting the role of female colleagues. Instead of standardised support programmes, the holistic approach of our HR strategy offers effective structures that reflect the needs of our female employees. In 2017, women accounted for 26% of all GFT Group employees – a figure above the industry average. And the average share of women in management positions at GFT is 13%. Since 2012, we have been investigating the effectiveness of our internal measures to promote career opportunities for women within the framework of the Women's Career Index developed by the German Federal Ministry for Family Affairs. For many years, we have been among Germany's top ten 'female-friendly' companies in this ranking.

Strong corporate culture

To ensure the long-term loyalty of our top employees, we have created group-wide structures which provide a stimulating working environment and personal support, as well as flexible and international career models. The foundation for all our efforts is a strong and mature corporate culture. It is an expression of our jointly defined corporate values and a compass for our daily interaction with clients, partners and each other.

Caring | Committed | Collaborative | Creative | Courageous. Our corporate values are reflected in our everyday working lives: in an open culture we communicate via various channels, such as the CEO blog 'Connecting the dots' launched in 2017. Or in the presentation of our Values Awards, in which employees are nominated by their colleagues and honoured for their special achievements. In order to discover the thoughts and concerns of our employees, we also regularly conduct group-wide employee surveys. This feedback is then used to develop measures to help us create an even better working environment.

CARING



COMMITTED



COLLABORATIVE



CREATIVE



COURAGEOUS





Interview with Guillermo Rodríguez, Global Head of HR

GFT HAS GROWN STRONGLY OVER THE PAST FEW YEARS. HOW CAN WE MAKE C. 5,000 EMPLOYEES AROUND THE WORLD INTO A UNIFIED GFT TEAM?

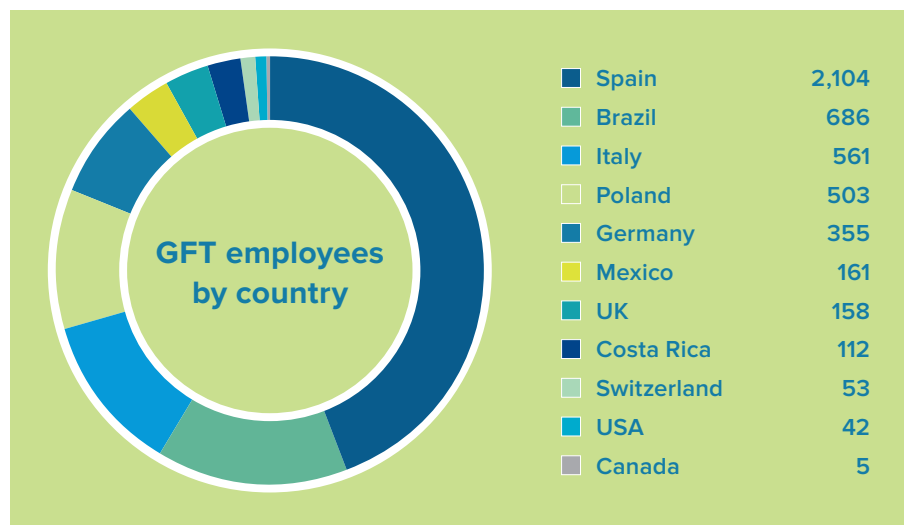
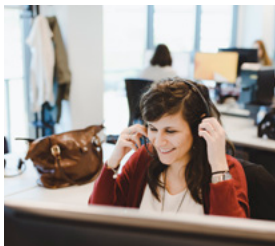
Our corporate culture and our unique GFT spirit play a central role in these endeavours. The binding values that GFT set itself have proven to be a firm rock in such a dynamic environment. Our employees value the possibility to work in highly professional, international teams – and that their opinions and unique characteristics are respected. Diversity is no empty phrase for us. We've created structures throughout the group to ensure that the abilities of each individual are used and nurtured in the best possible way.

HOW CAN WE ATTRACT THE BEST EMPLOYEES IN A GLOBAL COMPETITION FOR TALENT?

The work at GFT is exciting. We target specialists around the world in a variety of ways and demonstrate that we have the topics that will interest them. GFT is where they'll get the chance to make a difference in an international environment. Naturally, there's strong competition for the best people, but both experienced experts and newcomers to the industry can be tempted with interesting and honest job opportunities at GFT.

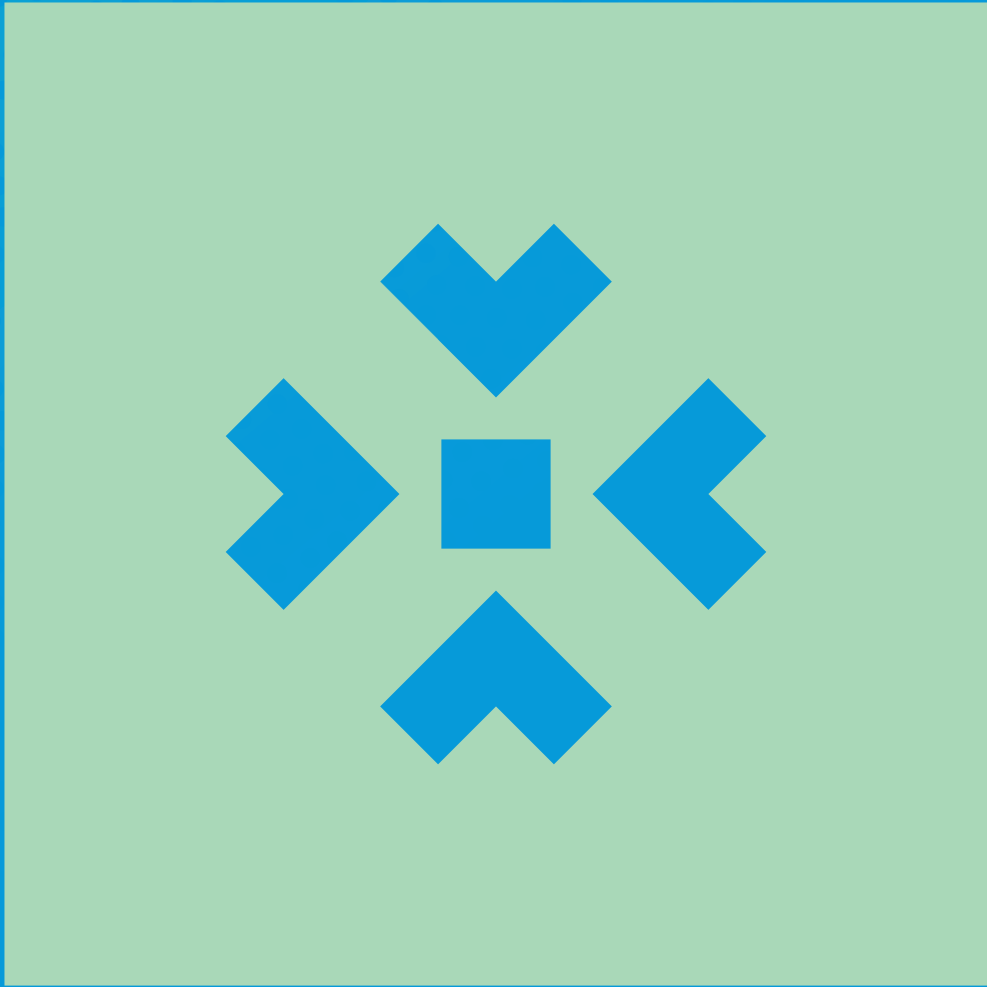
WHAT COMES TO MIND WHEN YOU THINK ABOUT THE DIGITAL FUTURE?

The countless possibilities to exchange ideas. Just think how quickly and easily you can get in touch with people across international borders and time zones. Both at work and in private. Digitalisation gives us the opportunity to do things in a completely different way, instead of only doing the same things using a new tool or platform. The path into the digital future requires us to rethink how we approach projects and how we collaborate. I'm convinced this will bring people closer together.



**CREATING CLEAR AND
MEASURABLE ADDED VALUE
IN LONG-TERM CUSTOMER
RELATIONSHIPS –** that is our

overriding principle. GFT's experts work shoulder-to-shoulder with financial service providers around the world. The company's organisational structure and processes are firmly aligned with the needs of our clients' markets. And this pays off: we have repeatedly proven our worth in numerous challenging projects. Leading banks place their trust in GFT and are working together with us to drive their digitalisation agenda.



CLIENT-
CENTRIC

Consistently client-centric

In 2017, we continued to assist financial institutions with the digital transformation of their business processes, and a number of these projects were honoured with prestigious awards. In focus: the topics that help our clients. Based on their needs and requirements, we create the solutions that will shape tomorrow's digital banking world.

Thinking ahead: exceeding client expectations

Dedicated experts who are prepared to look and think ahead, and who are willing to go the extra mile for their client: our employees have the necessary industry and technology expertise to develop sustainable business models based on new technologies. And they have the experience as well as the courage to think outside the box. Their aim is not simply to execute wishes, but to provide honest and expert advice – not simply to meet requirements, but to surprise clients with innovative ideas and novel approaches. And to impress them with the outstanding quality of their solutions.

But how can added value be measured in real terms? In 2016, we developed a rating system for one of our clients in the financial services industry. It enables them to give regular and in-depth feedback on all the services we provide. This unique tool not only helps the client visualise the real benefit of our work, but is now also used to measure the productivity of other service providers. A clear example of added value for the financial institution – and the basis for further trust and cooperation, which we were able to strengthen once again in 2017.



It takes more than just technical know-how to safely steer banks through the digital transformation process. The complexity of the projects requires **passion as well as an open and honest dialogue** with the client.

This creates a partnership of equals, which ultimately benefits both sides.

Alfio Puglisi,
Regional Director
Central Europe

Award-winning cooperation: Deutsche Bank's 'dbPalace'

One example of the successful cooperation with our client Deutsche Bank is the development of the 'dbPalace' platform, which was honoured in 2017. A 200-strong team of experts from GFT and Deutsche Bank worked closely together on the project at eight locations around the world. The aim was to establish a banking platform which simplifies risk management and P&L accounting. The main requirements were: reduce processing time, decrease the error rate, and avoid unnecessary duplication.

The team comprising both GFT and Deutsche Bank specialists developed a dynamic and agile IT environment with simplified structures to enhance efficiency. It succeeded in raising output by 35% while at the same time reducing development costs by 50%. The new platform has replaced around 2,000 end-user applications and is capable of handling the day-to-day tasks of over 1,000 users.

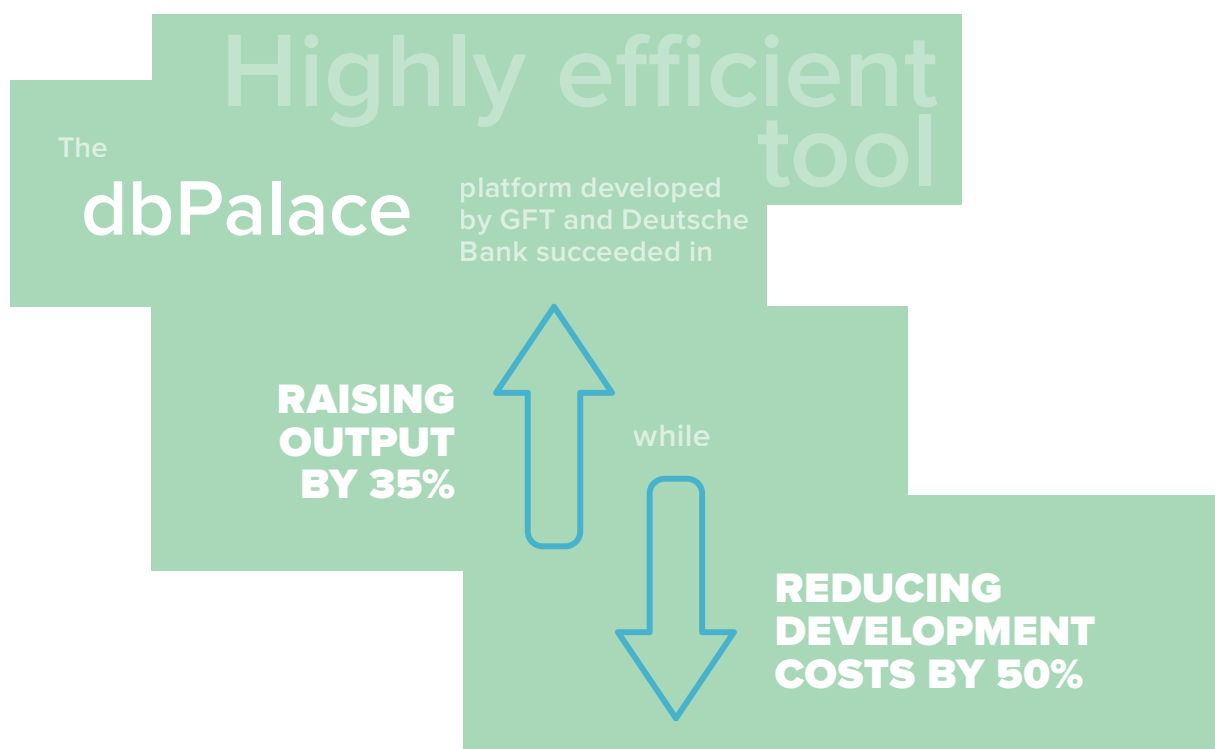
'dbPalace' enables Deutsche Bank to react even faster to customer and market demands. Competitive advantages and existing innovation potential can be

unlocked more efficiently, response times shortened, and work processes optimised. In addition, the platform provides an improved user experience and gives management an integrated and constant overview of all business transactions.

GFT and Deutsche Bank were recognised as overall winners in the 'Best Fintech Partnership' category at the Financial Innovation Awards 2017 for their successful cooperation on 'dbPalace'.

The **FINANCIAL INNOVATION AWARDS**

are one of the most important
awards in the financial services
industry, showcasing the best
innovation across the sector
each year.





dbPalace is an example of a programme where the needs and requirements of Finance are understood and acted upon by a passionate and committed IT team, with the users at the heart of every decision. It has been excellent working with GFT on this project. They understand my business requirements and were very focused on helping to deliver solutions we can really use.

Chris Bezuidenhout,
CIO for Markets Finance at Deutsche Bank
18 December 2017

Multi-disciplinary team: 100% digital onboarding

Strictly digital: an application developed and implemented by GFT offers customers of Brazilian bank Banco Original 100% digital onboarding and account management. This radically changes the bank's onboarding process: away from time-consuming procedures which tie up tremendous resources within the bank, towards a fast, fully digital and autonomous process. It now takes no longer than 20 minutes to open an account – while still meeting all compliance regulations.

A team of 20 GFT experts worked hand-in-hand with client specialists for nine months during the project delivery phase. The application has given the bank a

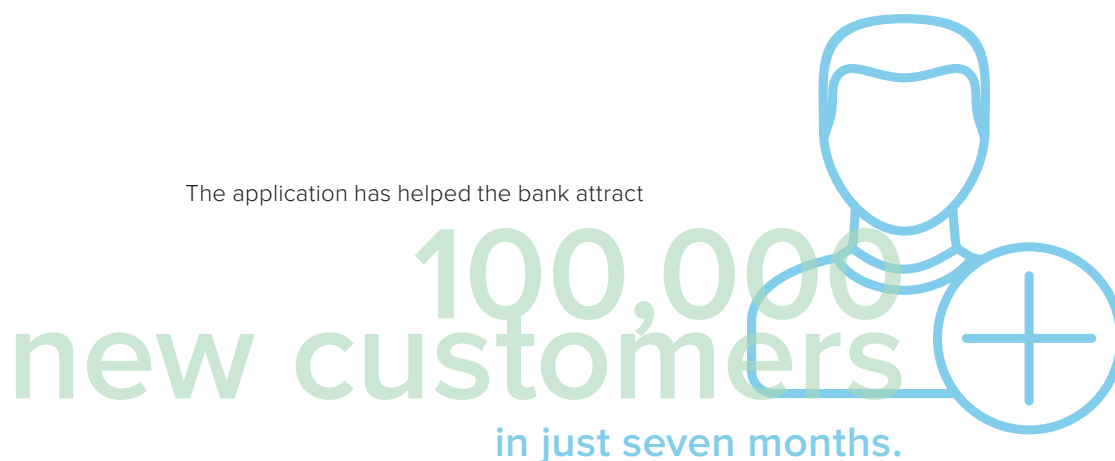
decisive competitive advantage in the Brazilian financial services sector – it even makes it the world's first financial institution to offer customers completely digital self-service. Starting with the onboarding process, all aspects of banking can now be handled via a mobile device – 24/7.

GFT's tailored application was honoured in 2016 with the eFinance award and in 2017 with the IDC Real Results FinTech Award, securing top spot in the Customer Engagement category. In an international comparison, GFT came 41st in the 2017 IDC FinTech Rankings – making it the only German company to be ranked among the top 100 fintech companies.



The combination of convenience, agility and operational efficiency makes the application extremely attractive to the user and enables us to differentiate ourselves from the competition with an end-to-end digitalisation strategy. The team of GFT and Banco Original experts displayed **great flexibility, commitment and multidisciplinary expertise** to successfully deliver on all our requirements.

Carlos Augusto de Oliveira,
CIO, Banco Original



STRONG PARTNER FOR DIGITALISATION

Driving the digital transformation

As an industry specialist and technology partner of leading financial institutions, our aim is to help shape the financial world of the future. We therefore respond to external conditions and trends in our clients' markets as early as possible and drive the development and efficient management of the necessary technological expertise within the GFT Group. Our focus is on digitalisation – a development with tremendous implications for financial institutions around the world requiring fundamental adjustments to their business models and significant investment in IT over the coming years. We have defined fast-growing business fields: retail and private banks are driving the expansion of user-friendly and efficient mobile apps; platform models are becoming increasingly important. With a few exceptions, investment banks have gradually completed their costly and time-consuming compliance projects and are now pooling human and financial resources into projects aimed at raising efficiency.

To ensure the success of their digitalisation strategies, banks will have to drive two different processes in parallel: the modernisation of their infrastructure and the development of innovative applications. These two aspects are intertwined and only their successful combination will enable banks to achieve sustainable results. We are therefore focusing on a portfolio of solutions which takes this development into account. We assist our clients with the modernisation and digital transformation of their systems by offering solutions to optimise core banking systems, restructure data and implement compliance requirements. At the same time, we work together with them to develop innovative applications in new fields, such as modular banking, process automation or virtual reality.

On the basis of this solution portfolio, we are systematically expanding our existing customer relationships while simultaneously broadening our client base. In North America and the UK, for example, we previously focused on investment banks – now we are also targeting retail banks. To enable this, we are drawing on our experience from successfully completed projects and customer references in countries where the digitalisation process is more advanced, such as in Spain, Italy and Brazil.

We are responding to the growing shortage of digitalisation experts by steadily expanding our nearshore locations, which we intend to integrate more closely into the development process in future. IT specialists in South America, as well as in Southern and Eastern Europe, work hand-in-hand with our consultants at the client's facility.

Future technologies driving growth

We have identified blockchain, cloud engineering, data analytics and artificial intelligence as pioneering technologies for the digitalisation of the financial world. After expanding our service portfolio in the field of new technologies, we will systematically drive the corresponding projects in the current and future financial years. This will enable us to expand our involvement with existing customers and at the same time seize the opportunity to broaden our customer base.

In 2018, we plan to generate 25% of consolidated revenue with new technologies – an increase of 50% over the previous year. We see particularly strong growth potential in the fields of blockchain, artificial intelligence and cloud technology, which are relatively new to the market. Projects in these areas are expected to contribute around €15 million to consolidated revenue in 2018. We also want to increase sales of established technologies such as DevOps and data analytics to €80 million in 2018.

Tapping new business fields

We also see growth potential in the industrial sector, where the digital transformation of processes is in full swing. The global market potential for future-proof IT solutions in the field of Industry 4.0 is correspondingly huge.

Our goal for 2018 is to leverage our technology expertise in the areas of data analytics, blockchain, cloud engineering and artificial intelligence in order to add further industrial clients. This includes, above all, the German engineering sector – a market which we already successfully entered with initial projects in



New technologies like blockchain or artificial intelligence are key growth drivers for us – both in the financial services and industrial sectors. At the same time, we can counter the extreme shortage of highly skilled IT specialists with our international development centres. This qualifies us as a strong and reliable partner for digitalisation projects.

Marika Lulay, CEO of GFT Technologies SE

2017. We have also successfully implemented our first projects in embedded banking, in which financial transactions are integrated into the supply chains of traditional industries. In order to exploit the market potential as fully as possible, we rely heavily on our international development centres and strategic partnerships with platform providers.

In 2018, we will invest more in the differentiation of our offerings and in our sales organisation and anticipate initial revenue in the mid-single-digit millions. This field is expected to gain considerable momentum in the following years.

Innovation and partnership

In order to identify technology trends and develop innovative solutions for the financial services industry at an early stage, we will continue to optimise our group-wide innovation management system. In 2018, we plan to enhance our Digital Innovation Lab in Barcelona through the use of virtual reality components. We work closely with our clients, FinTechs and research organisations to translate these findings into new digital business models.

We are expanding our portfolio of services via strategic partnerships. As a technology partner of the R3 network, for example, we have been involved in the development of a blockchain platform specifically tailored to the needs of the financial services industry since 2017.

Medium-term outlook

Our strategy is geared towards sustainable and profitable growth. We plan to achieve revenue of €800 million with an EBITDA margin of around 12% by 2022. This is based on average organic growth of 10% per year as well as acquisitions focused mainly on North America. Our strategic activities in 2018 and the successful implementation of measures aimed at boosting our operating efficiency and raising margins will lay the foundation for our medium-term growth.

Strong foundation: the guidelines for our strategy

When deciding on our strategic investments, we are guided by the four dimensions of our defined mission: FS-savvy/Tech-heavy, Truly global, People-driven and Client-centric. Every single aspect is driven by targeted strategic initiatives and programmes. This ensures that individual decisions are not made in isolation, but that all initiatives steer us towards our long-term goals.

GFT ON THE CAPITAL MARKET

Review of the past stock market year

The international stock markets performed better over the course of 2017 than experts predicted at the beginning of the year. In addition to the continued expansionary policy of most central banks, the leading share indices were buoyed in particular by robust global economic growth and improved corporate earnings. Global political uncertainties only temporarily interrupted this upward trend. The US indices Dow Jones and S&P 500 climbed to new record highs and ended the year with gains of 25% and 19%, respectively. The Nasdaq technology index rose 28% year on year. Following positive economic data, demand for European equities was also strong. At the end of the year, the German benchmark index DAX had risen by 13%, the MDAX by 18% and the TecDAX by 40%.

Performance of the GFT share

The GFT share started 2017 with strong gains and reached its year-high of €21.59 on 5 January. The capital market interpreted the company's guidance for the financial year 2017 announced on 2 March as an indication of slower growth. On this day, the share price fell by 11% on the previous day to stand at €18.21. The GFT share failed to recover over the course of the month and closed the first quarter of 2017 at a price of €17.87.

In April, the GFT share was exposed to increased volatility. Only in the last trading days of the month did it register a clear upturn. This positive trend continued in May, driving the share above the €20 mark again on 9 May. Following the announcement of company figures for the first quarter of 2017 on 11 May, the share price climbed above the €21 mark in the middle of the month. However, the GFT share came under pressure amid sell-offs on the international technology exchanges in June and ended the month at €18.17.

On 10 July, the share price fell by roughly 11% to €16.40 as the market reacted to the announcement of updated guidance for the financial year 2017. In August, the share price began to rally and passed the €17 mark again on publication of the half-year results in mid-August. The GFT share came under pressure again in September, ending the quarter at €15.87.

On 24 October, the company announced a further downgrade of its revenue and earnings guidance for the financial year 2017. The share price dropped to €13.58 on this day. It subsequently

failed to make up lost ground in November and fell to a year-low of €10.96 on 10 November. Later in the quarter, the share recovered somewhat and closed the stock market year 2017 at €13.05 – a decline of 36% compared to the previous year's closing price (€20.50). The average daily trading volume in 2017 amounted to 119,378 shares and was thus slightly above the prior-year figure (2016: 112,325 shares).

Share capital unchanged

As of 31 December 2017, the share capital of GFT Technologies SE amounted to €26,325,946 divided into 26,325,946 no-par bearer shares. The prorated share of capital attributable to each no-par share is €1.00.

Shareholder structure

Company founder and Chairman of the Administrative Board Ulrich Dietz bought a total of 45,000 GFT shares via the Xetra trading platform in the reporting period. As a result, his proportion of voting stock increased from 26.3% to 26.4% of share capital. As of 31 December 2017, Maria Dietz continued to hold 9.7% of voting rights. The free float portion (according to the definition of Deutsche Börse) amounted to 63.9% at the end of the year. According to the aforementioned definition, 'non-free float' applies to all shares held by a shareholder whose accumulated total accounts for at least 5% of a company's share capital attributable to a particular share class.

Annual General Meeting

The Annual General Meeting of GFT Technologies SE was held in Stuttgart on 31 May 2017. Approximately 50% of the share capital with voting rights was represented. Shareholders adopted the company's proposals on all items of the agenda with large majorities. This included the adoption by the Annual General Meeting of a dividend of €0.30 for the financial year 2016. As in the previous year, this corresponds to a total dividend payout of €7.90 million.

Pro-active communication and a continuous exchange of views are particularly important in turbulent times. In 2017, we did a good deal to provide our shareholders, investors, analysts and the general public with comprehensive and up-to-date information about the development of GFT Technologies SE.

Dr Jochen Ruetz, CFO of GFT Technologies SE



Capital market communication

In 2017, the CFO and the Investor Relations team once again provided the capital market participants with timely and comprehensive information on the GFT Group's strategic and economic development. Meetings with institutional investors and analysts took place at various investor conferences in Europe and the USA, as well as at numerous roadshows in Germany, the UK, France, several Scandinavian countries and Switzerland. In addition, the CFO and Investor Relations team used numerous one-to-one discussions to explain the company's business model, as well as its performance and expectations. One highlight of investor relations activities in the past year was the Capital Markets Day held at our Corporate Center in Stuttgart on June 29. During this event, the GFT Group management gave an overview of the strategic alignment and presented innovative projects based on new technologies. In addition, a client from Spain presented how GFT had helped define and implement his company's digitalisation strategy.

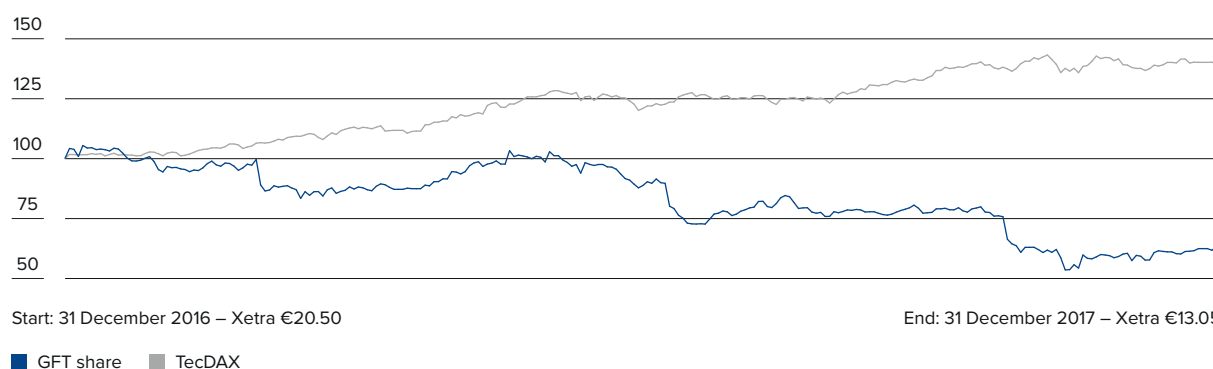
The company briefed institutional investors and analysts about its quarterly results, guidance updates and strategic decisions by means of conference calls. All presentations, excerpts from conference calls, and the quarterly and annual reports can be found in the Investor Relations section of our corporate website gft.com.

Information on the GFT share

	FY/2017	FY/2016
Prior year-closing quotation (Xetra closing price on the last trading day)	€20.50	€31.59
Year-closing quotation (Xetra closing price on the last trading day)	€13.05	€20.50
Percentage change	-36%	-35%
Year-high (daily closing prices Xetra)	€21.59 (05/01/2017)	€30.38 (04/01/2016)
Year-low (daily closing prices Xetra)	€10.96 (10/11/2017)	€16.37 (06/07/2016)
Number of shares on 31 December	26,325,946	26,325,946
Market capitalisation on 31 December	€343 million	€540 million
Average daily trading volume in shares (Xetra and Frankfurt)	119,378	112,325
Earnings per share from continued operations	€0.68	€0.92

Source: Bloomberg
 Initial stock market quotation: 28/06/1999
 ISIN: DE0005800601
 Market segment: Prime Standard
 Indices: DAXplus 30 Family, GERMAN GENDER INDEX

Share performance indexed 2017 – GFT Technologies SE vs. TecDAX



ADMINISTRATIVE BOARD REPORT

In the financial year 2017, the Administrative Board of GFT Technologies SE conducted its duties in accordance with the legal provisions, the company's articles of association and its own rules of procedure. It discussed in great detail all major activities and individual measures, as well as questions of strategy, and adopted the necessary resolutions. The results of business activities were monitored and critically examined.

In the reporting period, the Administrative Board focused primarily on the challenging course of business and the sales and earnings trend, whereby deviations from planned developments – and their causes – were discussed in detail. In particular, the Administrative Board discussed the order situation and the development of business with investment banks in the UK and the USA. Further topics on the Administrative Board's agenda included the company's medium-term growth prospects and strategic alignment, as well as financial, investment and HR planning together with the associated risks.

Cooperation between the Administrative Board and the Managing Directors

The Managing Directors regularly informed the Administrative Board – in written and verbal reports both during and outside its meetings – about the current state of business, the earnings trend, major projects and deviations from planned developments by means of ongoing target/actual comparisons. All reports also formed the basis for extensive discussions within the Administrative Board.

In addition to the meetings, the Chairman of the Administrative Board was also in regular contact with the Managing Directors throughout the year.

All transactions requiring the approval of the Administrative Board were presented to the Administrative Board, which carefully examined and discussed the transactions on the basis of the written documents and oral explanations provided.

The above procedure ensured that the Administrative Board was able to fulfil its duties diligently and promptly at all times.

Due to the low number of its members, the Administrative Board chose not to form any committees. In accordance with statutory obligations, all tasks could and can be performed in a sensible and transparent manner by the Administrative Board as a complete body.

Meetings of the Administrative Board as well as discussions held outside of meetings

The Administrative Board held six meetings and five conference calls in the financial year 2017. Resolutions on particularly urgent matters were adopted outside meetings by e-mail circulation.

Individualised disclosure of participation in meetings of the Administrative Board of GFT Technologies SE in the financial year 2017

	Meetings	Conference calls
Ulrich Dietz (Chairman)	6/6	5/5
Dr Paul Lerbinger (Deputy Chairman)	6/6	5/5
Dr-Ing Andreas Bereczky	5/6	5/5
Maria Dietz	6/6	5/5
Marika Lulay	6/6	5/5
Dr Jochen Ruetz	6/6	5/5
Prof Dr Andreas Wiedemann	6/6	3/5

Administrative Board meetings in the financial year 2017

The business development of the GFT Group, as well as the short, medium and long term corporate and financial planning, was discussed in detail at every meeting of the Administrative Board.

At the **meeting** in Berlin on **29 January 2017**, Ulrich Dietz announced that he would step down from his position as Managing Director and CEO with effect from the end of the Annual General Meeting on 31 May 2017. The Administrative Board appointed Marika Lulay as CEO and elected Ulrich Dietz as its Chairman and Dr Paul Lerbinger as its Deputy Chairman, each with effect from the end of the Annual General Meeting.

Moreover, in the absence of the Managing Directors, the Administrative Board adopted a resolution regarding the personal targets for Ulrich Dietz for the period up to the Annual General Meeting.



I've been serving GFT in a new role since June 2017: as Chairman of the Administrative Board. After three decades of responsibility for the company's operational management, it's given me a fascinating change of perspective. In my new role, I can devote more time to our "Mission: Digital Future" and GFT's long-term strategic development.

Ulrich Dietz, Chairman of the Administrative Board

In a **conference call** on **20 February 2017**, the signing of a long-term lease for office space in Eschborn was approved.

In a **conference call** on **1 March 2017**, the Administrative Board discussed the preliminary figures of the annual and consolidated financial statements for the financial year 2016 as submitted by the Managing Directors. The dividend proposal submitted by the Managing Directors was also the subject of discussions. Following its own detailed examination, the Administrative Board approved the preliminary figures and the dividend proposal.

The **balance-sheet meeting** was held in Stuttgart on **22 March 2017**. The Administrative Board examined in detail the annual financial statements of GFT Technologies SE, the consolidated financial statements, the combined management report and the proposal for allocating net income on the basis of the documents provided well in advance, and in particular the audit reports and unqualified audit opinion of KPMG Wirtschaftsprüfungsgesellschaft AG, Berlin. Moreover, the documents were discussed thoroughly with the Managing Directors during the meeting, which was also attended by the chief auditor. The latter presented the audit results in detail and answered all questions in detail. As a result, the Administrative Board was able to satisfy itself that the audit and audit report had been executed in an orderly and proper manner. The results of the Administrative Board's own review corresponded with those of the auditors. With the approval of the annual financial statements and consolidated financial statements as at 31 December 2016, the financial statements for the year were formally adopted.

At the same meeting, the agenda for the Annual General Meeting 2017 was also discussed in detail and adopted. The auditors proposed for election confirmed that there were no circumstances which might cast doubt on their independence.

Following lengthy consultation, the Administrative Board agreed to a proposal to establish a Group Executive Board as of 1 June 2017. The duties of this committee are providing advice and preparing decisions.

In the absence of the Managing Directors, the Administrative Board adopted a resolution regarding the personal targets for Marika Lulay and Dr Jochen Ruetz for the financial year 2017. With regard to their variable compensation, the Administrative Board also adopted a resolution regarding the degree to which the targets of all Managing Directors had been achieved for the financial year 2016.

At the **meeting** in Milan on **8 May 2017**, the Managing Directors presented the results for the first quarter of 2017, the quarterly announcement and the current forecast for the financial year. In addition, the Administrative Board was informed about the GFT Group's business in Italy. The local management team explained in detail the current situation and trend, as well as the strategy.

At its **meeting** in Stuttgart on **30 May 2017**, the Administrative Board discussed the Annual General Meeting taking place on the following day and adopted targets for the share of women on the Administrative Board and the two most senior management levels.

During the **conference call** on **10 July 2017**, the Managing Directors informed the Administrative Board in detail about the GFT Group's current position and the deviations from its targets. The Administrative Board discussed in detail the proposed measures and the adjusted forecast for 2017.

The results for the first six months of 2017 and the half-yearly financial report were the topics of the **conference call** held on **7 August 2017**.

Following detailed consultation and discussion on the medium-term financial structure, the Administrative Board agreed to the conclusion of promissory note agreements during the **conference call** on **26 September 2017**.

At its **meeting** in Stuttgart on **6 November 2017**, the Administrative Board discussed in detail the results for the third quarter of 2017, the quarterly statement and the amended forecast for the financial year 2017. It also received detailed information on the current business situation of the GFT Group in the UK and USA and discussed the measures introduced by the Managing Directors. A further topic of discussion was the current political situation in Catalonia.

In the absence of Ulrich Dietz, the Administrative Board led by its Deputy Chairman agreed to a consultancy contract between RB Capital GmbH, whose sole shareholder and Managing Director is Ulrich Dietz, and GFT Technologies SE.

At the **meeting** on **12 December 2017**, the Managing Directors presented the proposed budget for the financial year 2018 and explained the company's medium-term planning, including financial, investment and manpower planning. The Administrative Board discussed the proposals in detail before adopting the budget. Following this, the Administrative Board issued the Declaration of Compliance with the German Corporate Governance Code (GCGC) according to section 22 (6) SEAG in conjunction with section 161 AktG. In addition to the targets for its composition, it adopted a skills profile and diversity concept for the Administrative Board.

In the absence of Ulrich Dietz, the Administrative Board led by its Deputy Chairman discussed in detail the conclusion of a share purchase and transfer agreement for 80% of the share capital of CODE_n GmbH (until 04.01.2018: GFT Innovations GmbH) with RB Capital GmbH, whose sole shareholder and Managing Director is Ulrich Dietz.

It agreed to the sale and transfer of the shares under specified conditions. It also adopted the conclusion of an agreement detailing the performance of services by GFT Innovations GmbH for GFT Technologies SE.

Corporate Governance and Declaration of Compliance

In the financial year 2017, the Administrative Board once again discussed in detail the rules of good corporate governance and their application within the GFT Group. Detailed information on the corporate governance principles and their implementation within the GFT Group is presented in the Corporate Governance Report.

At its meeting on 12 December 2017, the Administrative Board issued its declaration on the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG. The document was published on the company's website www.gft.com/compliance on 13 December 2017 and is also included in the Corporate Governance Statement, which is available online at www.gft.com/governance.

The members of the Administrative Board fulfilled their duties with regard to training, as recommended in section 5.4.5 (2) GCGC, both during and outside of its meetings. In the course of Administrative Board meetings, current accounting and corporate governance issues in particular were discussed and information received, for example, from the external auditors. Members also studied the latest literature and in some cases attended events, in particular on issues regarding corporate governance and financial reporting.

Conflicts of interest and their treatment

Administrative Board members did not participate in discussions or the adoption of resolutions on transactions between themselves and GFT Technologies SE, or companies belonging to the GFT Group. This also applies if the contractual partner is not the member of the Administrative Board himself but a company for which the Administrative Board member works or in which he holds a controlling interest. This is done to avoid any suspicion of a conflict of interest.

Annual financial statements and consolidated financial statements 2017

The annual financial statements as at 31 December 2017 of GFT Technologies SE, the consolidated financial statements of the GFT Group as at 31 December 2017, and the combined management report for the GFT Group and GFT Technologies SE were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, which awarded an unqualified audit opinion in each case. As part of the audit remit, the auditors concluded that the Administrative Board had taken appropriate steps to fulfil its tasks pursuant to section 22 (3) sentence 2 SEAG, in particular to establish a system, and concluded that this monitoring system was suitable for the timely detection of developments which might jeopardise the continued existence of the company.

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has been the auditing company elected for the auditing of GFT Technologies SE and the GFT Group since the financial year 2012. As of the financial year 2012, Hanns-Jörg Schwebler has signed the statements, and as of the financial year 2017, Arne Stratmann has been the auditor responsible for conducting the audit.

Each member of the Administrative Board received in good time: the annual financial statements, the consolidated financial statements and the combined management report as at 31 December 2017, as well as the audit reports of the auditors, the other documents to be examined and the proposal of the Managing Directors for the allocation of net income. All of the above documents – with the exception of the annotated auditor's reports – were explained by the Managing Directors at the Administrative Board meeting of 21 March 2018. In particular, the Administrative Board discussed the key audit matters described in the audit certificate, as well as the audit procedures performed. The meeting was also attended by the chief auditor, who reported on the priorities and the results of the audit and stated that no material weaknesses in the internal control system and risk management system in relation to the financial reporting process had been detected. He answered in detail all questions relating to the key audit matters and the audit procedures performed.

The qualification, independence and efficiency of the auditors was checked by the Administrative Board, especially in connection with discussions on the annual financial statements, the half-yearly financial report and the quarterly statements. The auditors reported on other services rendered and declared that pursuant to sections 7.2.1 GCGC there were no circumstances which might have impaired their independent and unbiased audit.

The Administrative Board examined itself all documents submitted on the annual and consolidated financial statements, including the audit reports of the auditors, and discussed any issues – especially with regard to the key audit matters – at length with the Managing Directors and the chief auditor. It is the firm belief of the Administrative Board that these documents were prepared in an orderly manner and comply with statutory requirements, as do the audit and the audit reports. The Administrative Board has no objections and, on the basis of its own review, concurs with the findings of the audit. At its meeting on 21 March 2018, it approved the annual financial statements for 2017 of GFT Technologies SE and the consolidated financial statements of the GFT Group for 2017, as prepared by the Managing Directors, with a corresponding resolution. The annual financial statements of GFT Technologies SE for 2017 were thus adopted. On the basis of its own review, and in consideration of the economic situation of the company, the Administrative Board believes that the proposal of the Managing Directors concerning the allocation of net income and a dividend payment of €0.30 per ordinary share entitled to dividends is reasonable and therefore supports this proposal.

Personnel changes

Ulrich Dietz stepped down from his position as Managing Director and CEO with effect from the end of the Annual General Meeting on 31 May 2017. As of this date, Marika Lulay has been his successor in the position of CEO. GFT Technologies SE has had two Managing Directors as of this date: Marika Lulay, CEO, and Dr Jochen Ruetz, CFO.

The Administrative Board elected Ulrich Dietz as its Chairman and Dr Paul Lerbinger (the former Chairman) as its Deputy Chairman with effect from the end of the Annual General Meeting on 31 May 2017.

Thank you

The Administrative Board would like to thank all shareholders for their continued trust. It is also indebted to the Managing Directors and all employees of the GFT Group's companies for their hard work and personal commitment in the challenging financial year 2017.

Stuttgart, 21 March 2018

For the Administrative Board



Ulrich Dietz

Chairman of the Administrative Board

CORPORATE GOVERNANCE REPORT

A comprehensive system of good and responsible corporate governance is an important foundation for the sustainable value creation of the GFT Group. For its corporate governance system, the Administrative Board of GFT Technologies SE observes all legal regulations and is guided by the recommendations of the German Corporate Governance Code (GCGC) as published by the respective Government Commission.

Corporate governance of GFT Technologies SE and the GFT Group

GFT Technologies SE is a European Company (SE) listed in Germany. It is primarily subject to the guidelines of Regulation (EC) number 2157/2001 of 8 October 2001 on the Statute for a European Company (SE Regulation) and the German Act Implementing Regulation (EC) number 2157/2001 on the Statute for a European Company ('SE-Ausführungsgesetz' – SEAG). Insofar as the SE Regulation and the SEAG do not contain more specific regulations, the German Stock Corporation Act (Aktiengesetz – AktG) also applies, among others. Moreover, the articles of association of GFT Technologies SE and the rules of procedure for the Administrative Board and the Managing Directors form the basis for corporate governance.

In addition, the respective local legislation applies for the companies belonging to the GFT Group. The rules of procedure for these affiliated companies take both these regulations into account as well as those which apply to the Group's parent company GFT Technologies SE.

The Administrative Board of GFT Technologies SE regularly considers the corporate governance of the company and the Group. The Managing Directors and all managers are responsible for its integration in the companies belonging to the GFT Group.

With a few justified exceptions, GFT Technologies SE observes the recommendations of the GCGC (www.dcgk.de). The latest Declaration of Compliance of the Administrative Board of GFT Technologies SE concerning the recommendations of the 'Government Commission on the German Corporate Governance Code' is permanently available on the corporate website of GFT Technologies SE at www.gft.com/governance. This also applies to declarations of compliance submitted in previous years.

The current Declaration of Compliance is also included in the combined Corporate Governance Statement for the GFT Group and GFT Technologies SE. The Corporate Governance Statement is available on the website of GFT Technologies SE at www.gft.com/governance.

Shareholders, Annual General Meeting and Investor Relations

Shareholders exercise their rights and cast their votes at the General Meeting of GFT Technologies SE, where they can interact directly with the Administrative Board and the Managing Directors. The Annual General Meeting is held once per calendar year. GFT Technologies SE publishes the necessary documents and information on its website in preparation for the event. Shareholders can cast their votes at the General Meeting either in person or via a proxy of their choice. The company also appoints one or more proxies who are bound by the voting instructions received. Shareholders can issue their instructions to these proxies in writing, by fax or electronically. Those shareholders attending the General Meeting can also instruct a proxy to vote for them in accordance with the conditions announced at the Annual General Meeting.

The company provides its shareholders, as well as financial analysts, shareholders' associations, the media and interested members of the public, with regular and up-to-date information on the development of business. Information on the company's extensive Investor Relations activities is presented on the website of GFT Technologies SE (www.gft.com/ir). There is also a financial calendar here with sufficient advance notification of important regular publications (such as the consolidated financial statements and annual financial statements, the half-yearly financial report and the interim statements), as well as the dates of the Annual General Meeting, the balance-sheet press conference and the analysts' conferences. The latest investor presentations and analyst assessments are also available here.

Governing, supervisory and management bodies, single-tier management and control structure

GFT Technologies SE has a single-tier management and control structure. It is characterised by the fact that the company is managed and supervised by a single executive body, the Administrative Board. The Managing Directors are responsible for the company's operating business.

Administrative Board

The Administrative Board of GFT Technologies SE consists of seven members. It comprises leading business figures with detailed knowledge and international experience of the IT sector, banking, finance and law. The Administrative Board consists exclusively of shareholder representatives.

As of 1 January 2017, three Managing Directors – and as of 31 May 2017 two – were appointed by the Administrative Board; consequently, the non-executive members of the Administrative Board were always in the majority.

All members of the Administrative Board were elected by the Annual General Meeting of 23 June 2015 for the period ending on expiry of the Annual General Meeting which decides on discharge for the financial year 2020, but for no longer than six years per term. Two members of the Administrative Board already served on the Supervisory Board of GFT Technologies AG before its conversion to GFT Technologies SE in 2015: Dr Paul Lerbinger as of 14 January 2011 (in the period from 31 May 2011 to 31 May 2017, he was Chairman of the Supervisory Board and after the company's conversion Chairman of the Administrative Board) and Dr-Ing Andreas Bereczky as of 31 May 2011.

The Administrative Board includes more than two former members of the former Executive Board of GFT Technologies AG. This is due to the single-tier system. Whereas the Executive Board is responsible for management in a dual-tier system, this function is allocated to the Administrative Board in a single-tier system. All Managing Directors were previously members of the Executive Board of GFT Technologies AG. The desired continuity in the company's management personnel necessitated that more than two former members of the Executive Board of GFT Technologies AG should serve on the Administrative Board after the company's conversion.

Information about the meetings of the Administrative Board in the financial year 2017 is published in the Administrative Board Report contained in the Annual Report 2017. Information on the working procedures of the Administrative Board can be found in the combined Corporate Governance Statement. This is published on the website of GFT Technologies SE (www.gft.com/governance).

Skills profile, targets for composition and independence

At its meeting on 12 December 2017, the Administrative Board adopted targets for its composition and a skills profile for its members.

Skills profile

The members of the Administrative Board as a whole should have the essential skills required in view of the GFT Group's activities. In particular, these include in-depth management experience and knowledge for a capital market-oriented, internationally operating group, in the area of corporate strategy and development, and in other key areas such as controlling and risk management, auditing, legal affairs and compliance.

In accordance with section 27 (1) sentence 4 SEAG in conjunction with section 100 (5) AktG, at least one member of the Administrative Board must also have expertise in the areas of accounting or auditing and the members as a whole must be acquainted with the information technology industry.

Targets for composition

The Administrative Board of GFT Technologies SE should be composed in such a way that the necessary skills are represented, more than half the members are independent, conflicts of interest are avoided, the ownership structure is reflected, and diversity is taken into account.

The Administrative Board has set targets for the proportion of female members in line with statutory obligations arising from the German law on the equal participation of women and men in leadership positions in the private and the public sectors of 24 April 2015. The first review was made on 15 September 2015. After this date, the share of women on the Administrative Board was to reach 28.6% by 30 June 2017. On 30 May 2017, the Administrative Board resolved that the share of women on the Administrative Board was also to be 28.6% on 30 June 2022.

A regular limit to the term of office for Administrative Board members has not been set, in derogation from number 5.4.1 (2) GCGC. A regular limit would deprive the Administrative Board of the necessary flexibility in nominating candidates for election to the Administrative Board by the Annual General Meeting.

Achievement of composition targets

The current Administrative Board meets the desired skills profile. It also meets all targets regarding composition, including the determined share of female members. Moreover, the members as a whole are acquainted with the sector in which the company operates.

Independence

The Administrative Board believes that four of its members are independent as defined by 5.4.2 GCGC: these are Dr Paul Lerbinger, Dr-Ing Andreas Bereczky, Maria Dietz and Prof Dr Andreas Wiedemann. In accordance with the GCGC, the Administrative Board also believes that family or business relations with shareholders or between members of the Administrative Board only call its independence into question if these relations might lead to permanent conflicts of interest.

Details on the members of the Administrative Board including their CVs are available on the website of GFT Technologies SE (www.gft.com/administrative-board). Disclosures on the respective professions of Administrative Board members and a list of the seats they hold on mandatory supervisory boards or comparable committees in Germany and abroad are contained in the CVs. Disclosures on their relations with related companies and persons are presented in the notes to the consolidated financial statements.

Managing Directors

GFT Technologies SE currently has two Managing Directors. The Administrative Board appointed Marika Lulay as Chair of the Managing Directors and Chief Executive Officer (CEO) with effect from the end of the Annual General Meeting on 31 May 2017. Until this time, the position was held by Ulrich Dietz. Marika Lulay was previously Managing Director and Chief Operating Officer (COO).

The Managing Directors and the divisions they head are presented in the notes to the consolidated financial statements.

A Group Executive Board has also been established. As of 1 June 2017, it assists the Managing Directors with the fulfilment of their tasks. In addition to the two Managing Directors, it comprises two executives from the regions. The tasks of the Group Executive Board are providing advice and preparing decisions.

Information on the working procedures of the Managing Directors is provided in the combined Corporate Governance Statement for the GFT Group and GFT Technologies SE (www.gft.com/governance).

A list of seats held by the Managing Directors on mandatory supervisory boards or comparable committees in Germany and abroad is contained in the CVs provided on the corporate website of GFT Technologies SE (www.gft.com/management). Any relations held with related companies and persons are presented in the notes to the consolidated financial statements.

Remuneration for members of the Administrative Board and the Managing Directors

Disclosures on remuneration for members of the Administrative Board and the Managing Directors are to be found in the Remuneration Report section of the combined management report for the GFT Group and GFT Technologies SE.

Managers' transactions

In accordance with article 19 of regulation (EU) number 596/2014 of 16 April 2014 on market abuse (Market Abuse Regulation), all persons performing managerial duties and persons closely related to them must report within three business days all transactions with shares of GFT Technologies SE and related financial instruments to the issuer and the German Federal Financial Supervisory Authority. However, this only applies to transactions made after a total volume of EUR 5,000 within a calendar year has been reached.

GFT Technologies SE must publish the corresponding information without delay, and no later than three business days after receipt.

The information received and published by GFT Technologies SE can be found online at www.gft.com/governance. It is also printed in the Company Register.

Compliance

It is an overriding principle of the Administrative Board that all employees of the GFT Group comply with legally and ethically correct procedures in their daily business. The most important legal regulations and defined ethical standards for the GFT Group are summarised in the 'Code of Ethics & Code of Conduct'. This forms the basis for the GFT Group's compliance culture. In order to ensure that the corresponding conduct is observed and regarded as a matter of course in everyday business, the appropriate measures have been introduced (Compliance Management System) based on the GFT Group's risk situation.

The Administrative Board has set up a Compliance Office. It is responsible for the group-wide implementation of the Compliance Management System, which includes the following levels of action: prevention, detection, reaction and improvement.

The Compliance Office advises, provides guidance and conducts training. Employees are encouraged to report incidents or suspected misconduct. Various communication channels are available for this purpose. If there is any suspicion of misconduct, the Compliance Office leads the investigation efforts.

The Administrative Board continuously analyses the business structure, group size, areas of activity, regional orientation and many other aspects. It is assisted by the Compliance Office. Based on this analysis, the Administrative Board assesses the potential compliance-related operational, legal and financial risks as well as reputational risks and, if necessary, initiates the appropriate adjustments to the compliance management system.

COMBINED MANAGEMENT REPORT

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1 Basic principles of the Group

1.1 Basis of presentation

This combined management report for the GFT Group and GFT Technologies SE was prepared in accordance with sections 289, 289a, 315 and 315e of the German Commercial Code (Handelsgesetzbuch – HGB). Unless stated otherwise, the following information applies to the GFT Group and to GFT Technologies SE.

1.2 Business model

Group structure

As the strategic management holding company, GFT Technologies SE, domiciled in Stuttgart, Germany, is responsible for the management and control of all legally independent companies of the GFT Group. In addition to defining the corporate targets and strategy, its key responsibilities include steering the Group's risk and financial management. Moreover, GFT Technologies SE provides group-wide administrative services and manages global

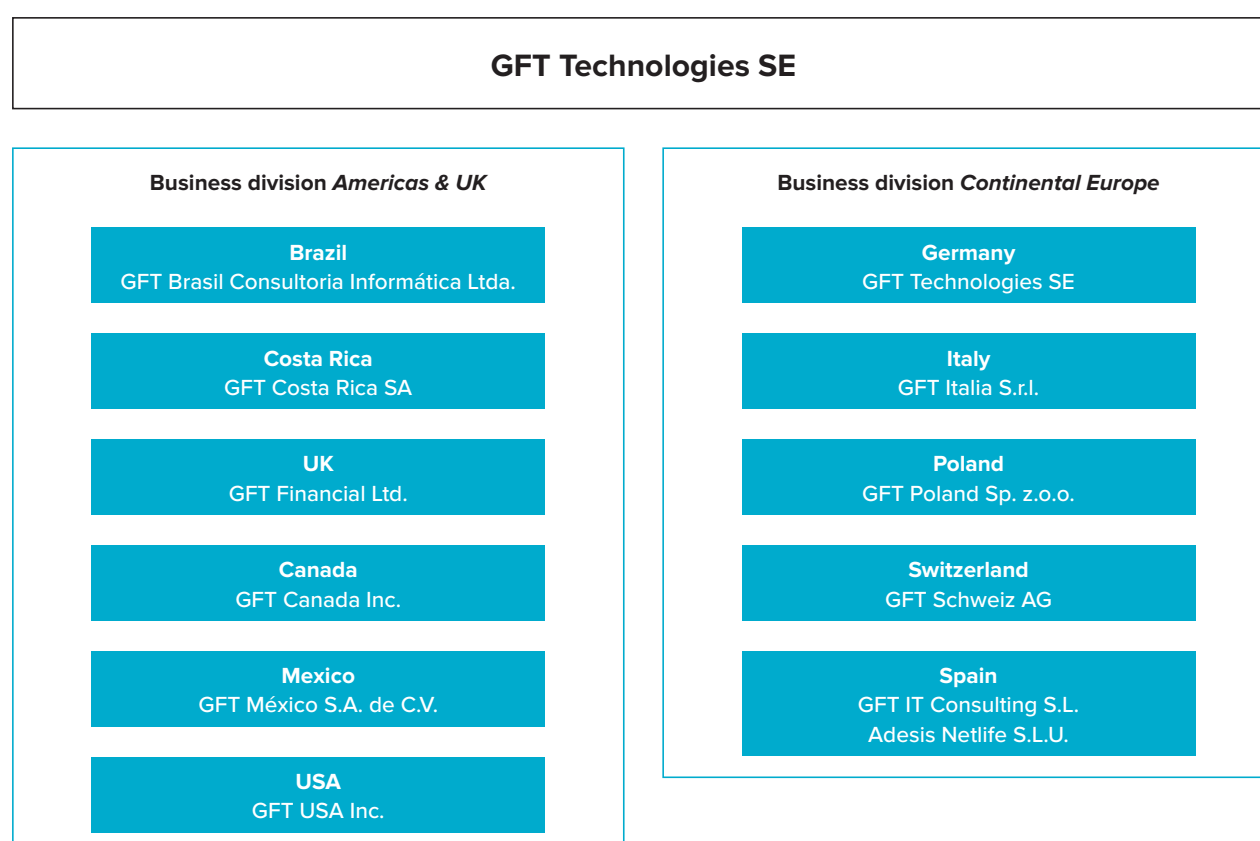
Corporate Communications. In addition, GFT Technologies SE acts as a separate legal entity for operating business in Germany. In accordance with its single-tier management and supervision structure, the Administrative Board of GFT Technologies SE is responsible for the management and control of the GFT Group: it sets the group-wide alignment of business strategy and supervises its operational implementation by the Managing Directors.

The Administrative Board currently comprises seven members: Ulrich Dietz (Chairman), Dr Paul Lerbinger (Deputy Chairman), Marika Lulay (CEO), Dr Jochen Ruetz (CFO), Dr-Ing Andreas Bereczky, Maria Dietz and Prof Dr Andreas Wiedemann. The Managing Directors appointed by the Administrative Board are Marika Lulay (CEO) and Dr Jochen Ruetz (CFO). Ulrich Dietz stepped down from his position as Managing Director and CEO of GFT Technologies SE at his own request and with effect from the end of the Annual General Meeting on 31 May 2017. The Administrative Board appointed Marika Lulay, formerly COO, as successor to the position of CEO.

As of 31 December 2017, GFT Technologies SE employed 4,740 people in 11 countries and controlled 22 subsidiaries either directly or indirectly.

A full list of subsidiaries and other investments is provided in the notes to the consolidated financial statements.

Structure of the GFT Group with the most important Group companies



Acquisition of Mecanización de Empresas S.A.

In October 2017, the GFT Group acquired the Spanish IT company Mecanización de Empresas S.A., Alicante, Sain, via its subsidiary GFT Iberia Holding S.A.U.. Founded in 1973, Mecanización de Empresas has 73 employees in Alicante and generated revenue of around €3.7 million in 2016. Prior to the transaction, the company traded under the Mecemsa brand and provides services for the development and maintenance of software for real estate companies.

Business operations

GFT Technologies SE is a globally aligned technology partner for digital transformation in the financial and industrial sectors. Its clients include leading retail and investment banks in Europe, North and South America, as well as certain industrial companies in Germany. Its range of services includes consulting on the development and realisation of innovative IT strategies, the development of bespoke IT solutions, the implementation of bank-specific standard software, and the maintenance and further development of business-critical core banking applications. GFT Technologies SE has many years of experience and extensive specialist knowledge in application development within the framework of legacy IT infrastructures – as are typical for major banks.

Growth is currently being driven by the ongoing digitisation process in the financial services sector with the aim of streamlining business processes, reducing operating costs and reducing the competitive pressure created by new fintech providers. The main focus is on future technologies such as blockchain, cloud engineering, artificial intelligence and Industry 4.0. In 2017, the GFT Group decided to expand its focus by targeting industrial companies in addition to financial service providers. Due to the huge potential offered by the digital transformation of value chains, the GFT Group is investing heavily in the expansion of its digital solutions for the industrial sector.

In accordance with the internal management and reporting, the business activities of the GFT Group are divided into two segments:

The *Americas & UK* segment comprises the operating companies in the following countries:

- Brazil
- Costa Rica
- UK
- Canada
- Mexico
- USA

The *Continental Europe* segment comprises the operating companies in the countries:

- Germany
- Italy
- Poland
- Switzerland
- Spain

The *Continental Europe* segment is largely dominated by retail banking clients at present, while clients in the *Americas & UK* segment are mainly from the field of investment banking.

With the aid of its Global Delivery Model, which combines customer proximity and quality with attractive cost benefits (onshore/nearshore model), the GFT Group can reliably supply its range of solutions to the core markets of Europe and the Americas. The company's consultants and sales staff are in direct contact with clients (onshore) to provide advice on the development of strategies and to coordinate their projects. Cost-effective development services for clients in Europe are provided by the company's own development centres in Spain and Poland, while highly skilled development teams in Brazil and Costa Rica (nearshore) work on client projects in the USA.

1.3 Management system

The GFT Group's strategy is aimed at achieving a sustainable increase in enterprise value by continually expanding competitive advantages. As part of its strategic planning, it determines how this objective is to be achieved in the targeted countries and market segments. The internal management system comprises regulations and measures for the organisational implementation of management decisions and the permanent monitoring of their effectiveness. All Group executives are involved in this management process. This includes the Administrative Board, the Managing Directors, the managing directors of the Group's subsidiaries, and the managers responsible for group-wide administrative functions.

In mid-2017, the Group Executive Board was founded in order to add weight to the Group's international presence and promote greater cooperation in the corporate management process. It comprises the two Managing Directors and two regional executives. The tasks of the Group Executive Board include providing advice, preparing decisions and supporting the work of the Managing Directors. The country organisations provide the Managing Directors with regular reports on the course of business and the implementation of management decisions, while analysing the opportunities and risks for future development. The monthly reports of the country organisations on the development of key performance indicators, compared to the respective budgets, serve as an internal controlling instrument.

Key performance measures for the GFT Group

The key performance indicators (KPIs) used to measure the success of strategy implementation in the GFT Group are consolidated revenue, EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBT (earnings before taxes). Other performance measures are also used for the internal management process. These include revenue by country, market segment and industry, as well as contribution margins and account collection targets. The success of the two segments is measured using the segment performance indicators revenue and earnings before taxes (EBT), amongst others. Segment revenue and segment earnings also include transactions between the business segments. Such transactions are conducted at market prices and on an arm's-length basis.

A key non-financial performance indicator for the GFT Group is the productive utilisation rate. The latter is based solely on the use of staff in client projects and does not include any sales activities or involvement in internal projects.

Target/actual and year-on-year comparisons of key financial performance indicators and year-on-year figures for the utilisation rate are to be found in the Economic Report. Moreover, the Economic Report includes an explanation of further key non-financial performance indicators which play an important role for the company's successful development but are not used to steer all areas of the company. These include measures for attracting and retaining skilled employees, as well as quality management during the processing of client projects.

A key component of the internal management process is the Group's systematic opportunity and risk management aimed at identifying, assessing and steering opportunities and risks which may lead to positive or negative deviations from targets. Further information on this topic is provided in sections 3 "Risk Report" and 4 "Opportunities Report".

Key performance measures for GFT Technologies SE

The KPIs used to measure the business success of GFT Technologies SE are revenue and EBT. The financial performance measure EBITDA, used by the GFT Group, is not a KPI for GFT Technologies SE.

Explanations on the key performance measures used in the annual report can be found on the GFT website at www.gft.com/performanceasures.

1.4 Research and development

The GFT Group continually analyses the most important technology trends of relevance for the digital transformation of the finance sector and the topic of Industry 4.0. On this basis, the GFT division develops pioneering solutions and helps its clients enhance their competitive position by gaining a technological lead. The Applied Technologies Group is responsible for conducting innovative basic research at the Spanish development centre in Sant Cugat del Vallès, near Barcelona. It prepares and evaluates trend analyses, examines the viability of new technological developments, builds prototypes of new application solutions and supports the sales teams with solution approaches.

The technologies and prototypes developed by Applied Technologies are showcased for partners and clients at the Digital Innovation Labs in Spain, the UK, Germany and Brazil. Typical customer-bank interactions are simulated in various scenarios to illustrate the bank of the future. Newly opened in January 2017, the Digital Innovation Lab in Barcelona plays a pioneering role with its extended concept of an ecosystem for cooperation between IT experts, universities, customers and start-ups from industry and the finance sector. One focus of research in 2017 was the potential of augmented reality technologies for application development.

The GFT Group invested a total of €7.88 million in research and development during the reporting period 2017 (2016: €7.43 million). The largest share of this total (€6.07 million or 77%) was accounted for by personnel expenses (2016: €4.29 million or 58%). Expenses for external services amounted to €0.25 million (2016: €0.34 million), corresponding to 3% (2016: 5%) of total research and development costs.

1.5 Corporate Governance Statement

The Corporate Governance Statement to be submitted by GFT Technologies SE and the GFT Group pursuant to sections 289f and 315d of the German Commercial Code (HGB) is available online at www.gft.com/governance.

1.6 Separate non-financial report for the Group

The separate non-financial report for the Group pursuant to section 315b (3) number 2b HGB (CSR Report) will be available online at www.gft.com/sustainability as of 30 April 2018.

2 Economic report

2.1 General conditions

Macro-economic conditions

The global economy achieved solid growth in 2017. In its economic outlook of January 2018, the International Monetary Fund (IMF) assumes growth of 3.7% for the past year. This is 0.2%-points more than expected in October 2017. The economists believe that this positive trend was driven by an increasingly synchronous recovery of the industrial nations and emerging economies. In addition to the USA, which has recently benefited from the tax reform passed in late 2017, the IMF has identified Asia and Europe as the main drivers of the current upturn. The European economy enjoyed a strong recovery in 2017.

This assessment is shared by the experts of the European Central Bank in their economic report of December 2017, which documented a solid economic recovery for all eurozone countries and sectors. They calculated growth in gross domestic product (GDP) of 2.4% for 2017 and thus significantly raised their forecast of 2.2% from September 2017. The key factors were the rise in consumer spending, the increased capital spending of companies and export growth prompted by the current global economic upturn. Although the UK lost momentum in the first half of 2017, its economy was also able to recover slightly towards the end of the year. However, the IMF's experts stressed that there were still imbalances within the eurozone, for example in the labour market and in wage developments. Particularly strong growth was identified in Italy, the Netherlands and Germany.

This is confirmed by the German central bank (Deutsche Bundesbank) in its monthly report from January 2018, in which the pace of economic growth in Germany is described as high. The order situation in the industrial sector (driven by lively demand from abroad) and the labour market environment are just as high as the sentiment among companies and consumers. The Federal Statistical Office calculated GDP growth of 2.2% for 2017.

Sector-specific conditions

According to the US market research institute Gartner, the global IT market grew by 3.3% in 2017. It therefore developed much better than initially expected. Gartner's experts identified software (+8.5%) and IT services (+4.0%) as the main growth drivers. The world's financial institutions invested 3.4% more than in the previous year in 2017. Whereas retail banks displayed significantly stronger growth than investment banks in 2016, the trend converged somewhat in the past financial year with growth rates of 3.3% (retail) and 3.8% (investment). Investment focused mainly on digitisation projects aimed at improving the customer experience. Future technologies, such as artificial intelligence and blockchain, also became increasingly important for banks.

The German market for information technology and telecommunications (ICT) performed better than initially expected in 2017. According to the German digital association Bitkom, sales of the respective products and services grew by 2.2% – compared to 1.9% assumed in the first half of the year. The main growth driver was once again the IT segment with growth of 3.9%, compared to just 0.1% for the telecommunications segment. Sales of IT services improved by 2.3%. According to Bitkom, this consistently positive development is aggravating the labour market situation: there are currently 55,000 vacancies for IT specialists.

Impact on the GFT Group

The digital transformation of the financial services sector and the increasing use of new technologies, such as blockchain and cloud, are important growth drivers for the GFT Group. The GFT Group combines industry and technology expertise in order to seamlessly integrate new technologies into the business models of its clients. This has enabled the GFT Group to expand its market position as the technology leader in the financial services sector. The decline in revenue caused by the cost-containment measures of two major clients was thus almost fully offset.

2.2 Development of business

Overview of business development

The GFT Group got off to a good start in the financial year 2017 and closed the first quarter with revenue growth of 14%, compared to the same quarter in the previous year. Due to the onset of cost-containment measures introduced by two major investment banking clients in the second quarter, the revenue trends of the GFT Group's two business divisions began to diverge over the course of the year.

In its *Continental Europe* division, the GFT Group utilised the consistently high demand for solutions for the digitisation of business processes in the retail banking sector and raised revenue by 11% to €222.48 million in the financial year 2017 (2016: €200.52 million).

By contrast, the *Americas & UK* division was significantly burdened by the cost-containment measures of two major clients, which led to project postponements and cancellations. Revenue in the first six months was down 5% on the previous year. By the end of the year, revenue of €195.40 million was 11% below the prior-year figure (2016: €219.42 million). Adjusted for the revenue contribution of these two major clients, the *Americas & UK* division achieved dynamic growth of 21%. This was partly due to the expansion of business with existing clients, and partly a result of initial success in targeting new clients in the retail banking sector.

For the financial year 2017 as a whole, the GFT Group posted revenue of €418.81 million – just less than 1% below the prior-year figure (2016: €422.56 million). The guidance issued on 24 October 2017 of €415 million for the financial year 2017 was thus slightly exceeded. The Group had already downgraded its revenue guidance from €450 million to €425 million on 10 July.

Earnings were burdened by a number of special items in the financial year 2017. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were impacted by restructuring costs and investments in the expansion of digital solution offerings, among other things, and consequently declined by 27% to €34.31 million (2016: €46.71 million). Pre-tax earnings (EBT) amounted to €18.13 million (2016: €33.05 million). As a result, the guidance figures issued on 24 October 2017 (EBITDA: €34.00 million, EBT: €18.00 million) were met. In July, the figures had already been downgraded to €42.00 million and €26.00 million, respectively.

The implementation of innovative IT projects led to significant tax refunds especially in Spain. As a result, the tax rate for the financial year 2017 was just under 2% instead of the expected 20%. Consolidated net income of €17.81 million was therefore well above the figure anticipated in the third quarter of 2017 (2016: €24.23 million).

Performance compared to guidance

KPIs in € million	Forecast (01/03/2017)	Forecast (10/07/2017)	Forecast (24/10/2017)	Results	Δ % (01/03/2017)	Δ % (24/10/2017)
Revenue	450.00	425.00	415.00	418.81	-6.9	0.9
EBITDA	48.50	42.00	34.00	34.31	-29.3	0.9
EBT	35.00	26.00	18.00	18.13	-48.2	0.7

Key figures by quarter (unaudited)

in € million	Q1/2017	Q2/2017	Q3/2017	Q4/2017	2017	2017 vs. 2016 in %
Revenue	111.10	106.67	98.75	102.29	418.81	-1%
EBITDA	9.92	8.42	10.76	5.21	34.31	-27%
EBT	6.63	2.89	7.16	1.45	18.13	-45%

2.3 Development of revenue

Development of consolidated revenue

In the financial year 2017, the GFT Group generated total revenue of €418.81 million and thus 1% less than in the previous year (€422.56 million). Habber Tec Brazil (acquired in April 2016) contributed €9.40 million to total revenue (2016: €4.28 million). Revenue of the Spanish IT company Mecemsa amounting to €0.84 million is included as of December 2017.

In the fourth quarter of 2017, revenue of the GFT Group fell year on year by 6% to €102.29 million (Q4/2016: €108.28 million).

Consolidated revenue in the financial year 2017

	2017		2016		Δ %
	€ million	share %	€ million	share %	
GFT Group organic	408.57	98%	418.28	99%	-2%
Habber Tec Brazil ¹	9.40	2%	4.28	1%	>100%
Mecemsa ²	0.84	0%	0.00	0%	n.a.
GFT Group	418.81	100%	422.56	100%	-1%

¹ Included in the previous year as of April 2016

² As of October 2017

Consolidated revenue in the fourth quarter of 2017 (unaudited)

	Q4/2017		Q4/2016		Δ %
	€ million	share %	€ million	share %	
GFT Group organic	100.06	98%	107.54	99%	-7%
Habber Tec Brazil ¹	1.39	1%	0.74	1%	88%
Mecemsa ²	0.84	1%	0.00	0%	n.a.
GFT Group	102.29	100%	108.28	100%	-6%

¹ Included in the previous year as of April 2016

² As of October 2017

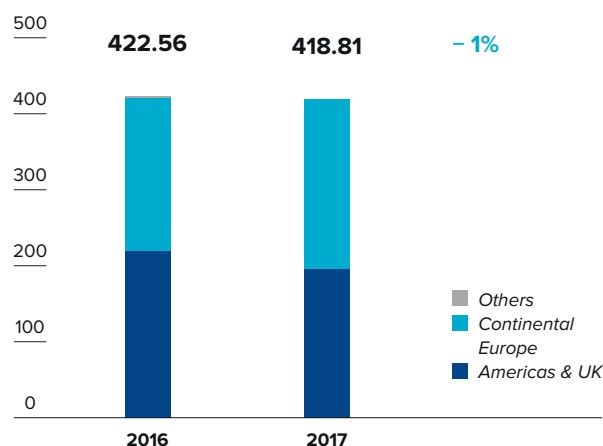
Revenue by segment

There were diverging revenue trends for the GFT Group's two segments, *Americas & UK* and *Continental Europe*, in 2017. Persistently strong demand from retail banks for digital solutions resulted in revenue growth of 11% to €222.48 million in *Continental Europe* (2016: €200.52 million). As a result, this segment accounted for 53% of consolidated revenue (2016: 47%).

By contrast, revenue in the *Americas & UK* division fell by 11% to €195.40 million (2016: €219.42 million). This was largely due to the cost-containment measures of two major investment banking clients, which were introduced in the second quarter of 2017 and lasted until the end of the year. This revenue decline could only be offset in part by new client business with retail banks. This division's share of total revenue fell to 47% (2016: 52%).

In the Others division, revenue decreased by 64% to €0.93 million (2016: €2.62 million). In the previous year, the CODE_n new.New Festival accounted for the major share of revenue.

Revenue by segment in € million



Revenue by segment in the financial year 2017

	2017		2016		Δ %
	€ million	share %	€ million	share %	
Americas & UK	195.40	47%	219.42	52%	-11%
Continental Europe	222.48	53%	200.52	47%	11%
Others	0.93	0%	2.62	1%	-64%
GFT Group	418.81	100%	422.56	100%	-1%

Revenue by segment in the fourth quarter of 2017

The comparison with the fourth quarter of 2016 shows a similar trend: revenue in the *Americas & UK* segment fell by 18% to €43.74 million (Q4/2016: €53.18 million). The GFT Group generated €58.29 million with clients in the *Continental Europe* segment – an increase of 6% over the fourth quarter of 2016 (€54.90 million).

Revenue by segment in the fourth quarter of 2017 (unaudited)

	Q4/2017		Q4/2016		Δ %
	€ million	share %	€ million	share %	
Americas & UK	43.74	43%	53.18	49%	-18%
Continental Europe	58.29	57%	54.90	51%	6%
Others	0.26	0%	0.20	0%	29%
GFT Group	102.29	100%	108.28	100%	-6%

Revenue by country

With revenue of €114.15 million, the **UK** remained the GFT Group's largest sales market in 2017. The cost-containment measures of two major investment banking clients, however, resulted in a year-on-year decline in revenue of 18%

(2016: €138.83 million). Consequently, this country's share of total revenue fell from 33% to 27%. Compared to the fourth quarter of 2016, revenue was down 22% from €31.88 million to €24.80 million.

With a 21% share of total revenue, **Spain** was the GFT Group's second largest sales market in 2017. Revenue here rose by 13% to €87.86 million (2016: €78.05 million). The strong demand from Spanish retail banks for digital solutions led to a dynamic business trend in Spain. Compared to the last quarter of 2016, revenue rose by 4% – from €21.38 million to €22.31 million. Figures for the fourth quarter of 2017 included revenue of €0.84 million from Mecanización de Empresas for the first time.

The GFT Group's clients in **Germany** also invested increasingly in digitisation projects during the reporting period. There was a corresponding increase in revenue of 11%, from €51.99 million in 2016 to €57.50 million in the reporting period. As a result, the country's share of total revenue rose by 2%-points to 14%. There was also a strong year-on-year increase in revenue in the final quarter of the year. The GFT Group achieved revenue growth of 32% to €16.36 million in the fourth quarter of 2017 (Q4/2016: €12.41 million).

Revenue with **Italian** clients fell by 3% to €54.40 million (2016: €56.10 million). The share of total revenue remained stable at 13%. In a comparison of the final quarters, revenue was down 7% at €14.54 million (Q4/2016: €15.67 million).

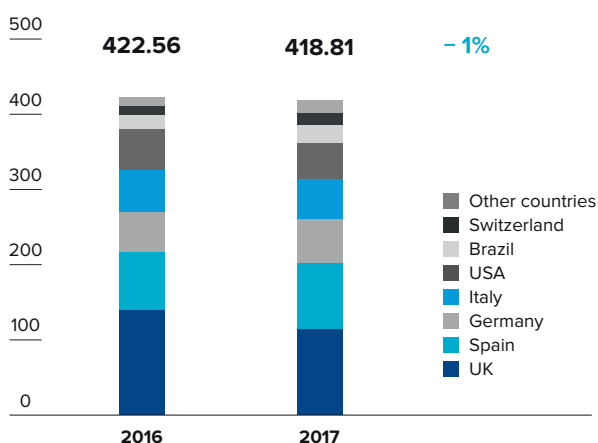
As in the UK, the revenue trend in the **USA** was burdened by the above mentioned cost-containment measures. As a result, the GFT Group's revenue in this country fell by 13% to €47.73 million (2016: €55.18 million). The USA therefore accounted for 11% (2016: 13%) of total revenue. Compared to the fourth quarter of 2016, revenue in the fourth quarter of 2017 declined by 15% to €11.49 million (Q4/2016: €13.58 million).

The GFT Group raised its sales to clients in **Brazil** by 27% to €23.79 million in the reporting period (2016: €18.78 million). Habber Tec Brazil accounted for €9.40 million of this total (2016: €4.28 million). The revenue contribution of Brazil rose by one percentage point to 6%. In a quarterly comparison, revenue was down 16% (Q4/2016: €6.44 million; Q4/2017: €5.39 million).

In **Switzerland**, the GFT Group posted revenue growth of 35% in 2017. At €15.45 million (2016: €11.41 million), the country contributed 4% to consolidated revenue. The rise is mainly due to the shifting of projects from clients in Germany to clients in Switzerland. In the fourth quarter of 2017, however, Switzerland posted a year-on-year revenue decline of 29% (Q4/2016: €4.00 million). The main reason was the scheduled completion of a major project in the third quarter of 2017.

Revenue comprised under **Other countries** contains mainly Costa Rica, Canada, Luxembourg, Mexico, Poland and Portugal. Revenue here increased by 47% to €17.93 million (2016: €12.22 million). There was a positive impact from revenue with a new client in Canada. In a quarterly comparison, revenue in the fourth quarter of 2017 almost doubled to €4.57 million (Q4/2016: €2.92 million).

Revenue by country
in € million



Revenue by country in the financial year 2017

	2017		2016		Δ %
	€ million	share %	€ million	share %	
UK	114.15	27%	138.83	33%	-18%
Spain	87.86	21%	78.05	18%	13%
Germany	57.50	14%	51.99	12%	11%
Italy	54.40	13%	56.10	13%	-3%
USA	47.73	11%	55.18	13%	-13%
Brazil	23.79	6%	18.78	5%	27%
Switzerland	15.45	4%	11.41	3%	35%
Other countries	17.93	4%	12.22	3%	47%
GFT Group	418.81	100%	422.56	100%	-1%

Revenue by country in the fourth quarter of 2017 (unaudited)

	Q4/2017		Q4/2016		Δ %
	€ million	share %	€ million	share %	
UK	24.80	24%	31.88	29%	-22%
Spain	22.31	22%	21.38	20%	4%
Germany	16.36	16%	12.41	11%	32%
Italy	14.54	14%	15.67	14%	-7%
USA	11.49	11%	13.58	13%	-15%
Brazil	5.39	5%	6.44	6%	-16%
Switzerland	2.83	3%	4.00	4%	-29%
Other countries	4.57	5%	2.92	3%	57%
GFT Group	102.29	100%	108.28	100%	-6%

2.4 Earnings position

Earnings position of the GFT Group

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the GFT Group fell by €12.40 million to €34.31 million in the financial year 2017 (2016: €46.71 million), corresponding to a decline of 27%. EBITDA was burdened by one-off effects for adapting the sales organisation to the reduced capital spending of investment banks in the UK and USA (€2.80 million), as well as by earn-out payment obligations for company acquisitions in the previous year (€1.00 million) and losses from the sale of 80% of shares in the innovation drive CODE_n (€0.41 million). There was an opposing positive impact from lower expenses for the accounting of bonus provisions due to the business performance (€1.40 million). After adjustment for the above mentioned special items, EBITDA of €37.12 million was 21% or €9.59 million below the corresponding prior-year figure. In addition, EBITDA was burdened by exchange rate effects of €-2.45 million (2016: €-1.97 million) – mostly as a result of the persistently weak British pound. The remaining year-on-year difference in earnings is mainly due to underutilisation of staff in the UK and USA, as well as to increased investment in staff in connection with the expansion of digital solution offerings. Apart from the result from deconsolidation, EBITDA also contains total expenses of €0.77 million (2016: €1.47 million) for the innovation drive CODE_n.

After deduction of depreciation and amortisation, and consideration of impairment, the remaining **earnings before interest and taxes (EBIT)** for the financial year 2017 amounted to €19.79 million. This figure is €15.00 million or 43% below the corresponding prior-year figure (2016: €34.79 million). Earnings were strongly influenced by an impairment charge of €2.00 million on the goodwill of the *Americas & UK* segment in the second quarter. Adjusted for this special item, EBIT of €21.79 million was 37% below the prior-year figure (2016: €34.79 million). Depreciation and amortisation were only slightly higher than in the previous year.

Earnings before taxes (EBT) of €18.13 million were down €14.92 million or 45% (2016: €33.05 million). The operating margin of 4.3% was 3.5%-points below the prior-year figure (2016: 7.8%). After adjustment for special items contained in EBITDA and EBIT, the EBT result of €22.94 million was 31% below the prior-year figure €33.05 million.

In the reporting period, the GFT Group generated **net income** of €17.81 million, compared to €24.23 million in the previous year. The less than proportionate decrease of €6.42 million or 26% compared to EBT resulted mainly from tax income for previous years (especially credits for research and development costs in Spain), as well as positive effects from deferred taxes for loss carryforwards. The **tax expense** disclosed under income taxes amounted to €0.32 million (2016: €8.82 million). The effective tax ratio in the reporting period was 2% (2016: 27%). Further information on income taxes is provided in section 2.6 of the notes to the consolidated financial statements.

Earnings per share fell to €0.68 (2016: €0.92), based on 26,325,946 outstanding shares.

Earnings (EBT) by segment

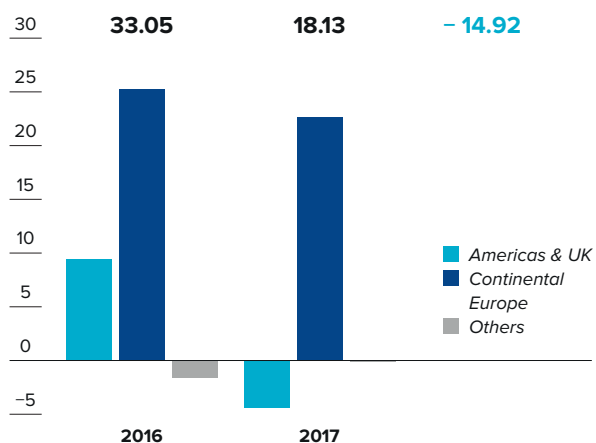
Pre-tax earnings (EBT) of the *Americas & UK* segment fell by €13.83 million to €-4.40 million in the financial year 2017 (2016: €9.43 million). The operating margin – based on external revenue – decreased to -2.3% (2016: 4.3%). The decline reflects decreased profitability due to lower revenues in this segment and underutilisation of staff in the UK and USA. Segment earnings also include restructuring costs of €2.80 million, earn-out payment obligations for prior-year company acquisitions of €1.00 million and an impairment charge on goodwill of €2.00 million. Reduced expenses for bonuses had an opposing positive impact on earnings of €0.50 million. Adjusted for these special items, the *Americas & UK* segment reported pre-tax earnings of €0.90 million with an operating margin of 0%. The segment result was also negatively influenced by exchange rate effects of €-2.30 million (2016: €-1.91 million).

Pre-tax earnings (EBT) of the *Continental Europe* segment fell by 10% to €22.68 million in the reporting period (2016: €25.26 million). The operating margin – based on external revenue – amounted to 10% (2016: 13%). The main reason for the decline were personnel investments for the development of software solutions based on new technologies, focusing also on the industrial sector.

Earnings of the Others category improved by €1.49 million, from €-1.64 million to €-0.15 million, due primarily to higher Group allocations for the two operating segments. Segment earnings in the financial year 2017 include an extraordinary burden from losses of €0.41 million resulting from the sale of 80% of shares in CODE_n. There were positive one-off effects of €0.60 million from reduced expenses for bonuses.

The Others category – presented as a reconciliation column in segment reporting – comprises items which by definition are not included in the segments. It also includes elements of the Group headquarters which are not allocated, e.g. items or revenue relating to corporate activities only occasionally incurred or generated. Moreover, the reconciliation comprises expenses for CODE_n and activities in connection with the Group's headquarters in Stuttgart.

Earnings (EBT) by segment
in € million



Earnings (EBT) by segment in the financial year 2017

	2017		2016		Δ € million
	€ million	Margin %	€ million	Margin %	
Americas & UK	-4.40	-2%	9.43	4%	-13.83
Continental Europe	22.68	10%	25.26	13%	-2.58
Others	-0.15	-	-1.64	-	1.49
GFT Group	18.13	4%	33.05	8%	-14.92

Earnings (EBT) by segment in the fourth quarter of 2017 (unaudited)

	Q4/2017		Q4/2016		Δ € million
	€ million	Margin %	€ million	Margin %	
Americas & UK	3.09	7%	2.80	5%	0.29
Continental Europe	1.40	2%	7.86	14%	-6.46
Others	-3.04	-	-1.31	-	-1.73
GFT Group	1.45	1%	9.34	9%	-7.89

Consolidated earnings position by income and expense items
Other operating income fell by €1.69 million to €4.57 million (2016: €6.26 million). The decrease is mainly influenced by lower positive exchange rate effects of €0.09 million (2016: €1.55 million).

The **cost of purchased services** decreased by €4.26 million or 7% to €55.59 million in the reporting period (2016: €59.85 million). This item includes the purchase of external services, which in the reporting period were provided increasingly by internal staff. The ratio of revenue to cost of purchased services was one percentage points down on the previous year at 13% (2016: 14%).

Personnel expenses of €271.80 million were €17.14 million or 7% higher than in the previous year (2016: €254.66 million). The increase resulted from a higher average headcount compared to the previous year, as well as from severance payments made in the UK and USA following adjustments to the sales organisation in these countries. The proportion of revenue to personnel expenses (the personnel cost ratio) rose year on year from 60% to 65%.

Depreciation and amortisation of tangible and intangible assets, including **impairment charges on goodwill**, rose by €2.60 million to €14.52 million (2016: €11.92 million). The increase resulted mainly from impairment on goodwill of the *Americas & UK* segment amounting to €2.00 million.

Other operating expenses decreased by €5.87 million to €61.67 million (2016: €67.54 million). The main cost elements were operating, administrative and selling expenses, which fell in total by €6.30 million to €56.19 million (2016: €62.49 million). Other operating expenses also include negative exchange rate effects of €2.54 million (2016: €3.52 million), due mainly to the persistent weakness of the British pound.

The **financial result** including earnings of financial investments valued at equity amounted to €-1.68 million in the financial year 2017 (2016: €-1.80 million).

2.5 Earnings according to HGB

The GFT Group's dividend policy recommends a dividend payout ratio of between 20% and 40% of consolidated net income for the financial year. Within this range, the aim is to achieve a dividend rate of approximately 30%, whereby upward and downward adjustments may be made depending on the organic and inorganic growth of the GFT Group.

A detailed explanation of the annual net income of GFT Technologies SE according to HGB is provided in section 8 of the combined management report. This states that annual net income in the financial year 2017 amounted to €10.16 million. No transfers were made to revenue reserves.

The Administrative Board will therefore recommend to the Annual General Meeting on 21 June 2018 to distribute an unchanged dividend to shareholders of €0.30 per no-par share from the balance sheet profit. At 44%, the dividend payout ratio is thus slightly above the company's targeted range of 20% to 40%. It will also suggest carrying forward the remaining amount of €4.59 million after payment of the total dividend of €7.90 million.

2.6 Financial position

The GFT Group's central financial management aims to ensure the permanent liquidity of all Group companies. The Treasury division implements financial policy and risk management on the basis of the agreed guidelines and permanently monitors both existing and potential financial risks. The GFT Group uses derivative financial instruments as required to hedge against currency and interest rate risks. The GFT Group pursues a prudent investment strategy which currently focuses exclusively on short-term periods. A detailed presentation on the assessment of liquidity risks and risks from fluctuations in currencies and interest rates, including the countermeasures taken, is provided in section 3 "Risk Report".

As the parent company of the GFT Group, GFT Technologies SE has concluded a number of promissory note agreements and a syndicated loan agreement in order to secure the long-term funding of the Group. The syndicated loan agreement was concluded in the financial year 2015 with a banking consortium comprising Deutsche Bank AG, Landesbank Baden-Württemberg and UniCredit Bank AG. In the financial year 2017, the term of the syndicated loan agreement was extended from five to seven years. The amount of up to €80.00 million comprises two tranches, a Facility A credit line of up to €40.00 million and a Facility B revolving credit line of up to €40.00 million. At the end of the reporting period, €40.00 million of Facility A and €0.00 million of Facility B had been drawn. The interest rate is variable: for both facilities it is a fixed premium set per calendar year depending on the GFT Group's level of debt and the chosen Euribor rate – 1, 2, 3 or 6 months.

New promissory note agreements totalling €52.00 million were concluded in the reporting period. As €17.50 million of the existing promissory note agreements totalling €25.00 million were redeemed, the GFT Group currently has outstanding promissory note agreements of €59.50 million. Of this amount, €40.50 million are fixed-interest and the remaining €19.00 million variable-interest loans.

During the term of the loan agreements, the GFT Group is subject to specific financial covenants, mainly ancillary loans conditions. These mostly refer to specific financial covenants which must be met. The assumption of financial liabilities and the provision of collateral is also limited. If specific financial covenants and other rules of conduct are not met, this may lead to the immediate termination of the loan agreements. From the current perspective, there are no significant risks relating to the non-achievement of financial covenants or non-compliance with the other rules of conduct which are known to the company.

Cash and cash equivalents rose by €9.95 million to €72.24 million (31 December 2016: €62.29 million). This increase in Group liquidity is mainly due to cash from operating activities as well as from bank borrowing. This was offset in particular by cash outflows for dividend payments and capital expenditure.

At the end of the reporting period, the GFT Group had unused credit lines of €68.34 million. The net liquidity of the GFT Group – calculated as the stock of disclosed cash and cash equivalents less financial liabilities – improved from €–42.05 million in the previous year to €–39.29 million as of 31 December 2017.

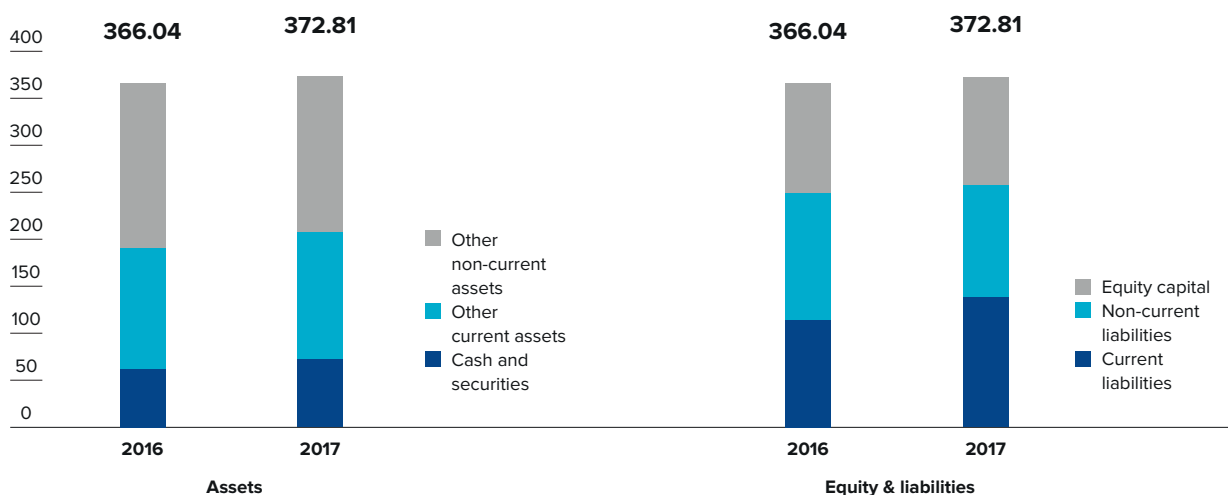
In the financial year 2017, **cash flows from operating activities** amounted to €23.70 million (2016: €19.99 million). The year-on-year increase of €3.71 million is mainly due the decline in trade receivables of €6.73 million (2016: €–24.36 million). This was negatively opposed by the change in other assets of €–18.61 million (2016: €–0.27 million) and the reduced consolidated net income of €17.81 million (2016: €24.23 million).

Cash flows from investing activities in 2017 amounted to €–9.01 million, compared to €–16.71 million in the previous year. This was mainly due to the fall in capital expenditure from €9.29 million in 2016 to €4.72 million in the reporting period. Cash flows from investing activities were also influenced by reduced payments for the purchase of consolidated companies less acquired cash and cash equivalents of €2.79 million (2016: €6.66 million). Payments for property, plant and equipment mainly concerned standard investments in the field of IT. There were opposing effects in particular from higher investments in application software, resulting in cash outflows for investments in intangible assets of €2.15 million (2016: €0.95 million).

Cash flows from financing activities in the reporting period led to a net outflow of €2.91 million (2016: inflow of €13.01 million). The decrease of €15.92 million resulted mainly from the reduced level of net borrowing. Cash receipts from the assumption of financial loans of €51.99 million (2016: €22.01 million) were opposed in the reporting period by a reduction in financial liabilities of €44.79 million (2016: €1.11 million). The payment to shareholders of €7.90 million agreed at the Annual General Meeting of 31 May 2017 (dividend payment for the financial year 2016) resulted in a cash outflow of the same amount as in the previous year.

2.7 Asset position

Group balance sheet structure
in € million



Assets

in € million	31/12/2017	31/12/2016
Other non-current assets	165.14	175.54
Other current assets	135.43	128.21
Cash and securities	72.24	62.29
	372.81	366.04

Equity & liabilities

in € million	31/12/2017	31/12/2016
Equity capital	115.32	117.18
Non-current liabilities	119.60	134.65
Current liabilities	137.89	114.21
	372.81	366.04

The **balance sheet total** increased from €366.04 million as of 31 December 2016 to €372.81 million as of 31 December 2017. This growth of €6.77 million was mainly due to increased cash and cash equivalents and resulted primarily from a higher proportion of non-current redeemable financial liabilities.

Non-current assets of €165.14 million were below the prior-year level (2016: €175.54 million), due mainly to a reduction in intangible assets and goodwill. The reduction in intangible assets of €6.26 million to €23.28 million (2016: €29.54 million) was largely due to currency translation effects. The decline in goodwill of €5.36 million to €101.71 million (2016: €107.07 million) resulted mainly from an impairment of goodwill for the *Americas & UK* segment of €2.00 million as well as exchange rate conversion effects. Goodwill includes an amount from the initial consolidation of Mecanización de Empresas S.A., Alicante, Spain, acquired in the financial year, amounting to €1.70 million.

As of 31 December 2017, **current assets** were €171.7 million above the prior-year figure at €207.68 million. On the one hand, this was due to an increase in cash and cash equivalents to €72.24 million (2016: €62.29 million). On the other hand, the rise is due to increased other assets of €11.75 million (2016: €5.94 million) and an increase in current income tax assets to €7.98 million (2016: €3.23 million). There was an opposing effect from the decline in trade receivables of €3.83 million to €113.48 million (2016: €117.31 million). The decrease in trade receivables was largely in connection with the development of business in the past financial year.

The **equity capital** of the GFT Group fell by €1.86 million to €115.32 million as of 31 December 2017 (31 December 2016: €117.18 million). Based on net income for the period of €17.81 million, the decline in equity was due to the dividend paid to shareholders of the parent company in June 2017 of €7.90 million, as well as negative changes in the adjustment amount for foreign currency translations of €6.01 million – due to the devaluation of the British pound and caused by net investment in foreign subsidiaries. Moreover, changes in revenue reserves not affecting net income of €–23.94 million (compared to €–20.30 million in the previous year) contributed to the decline in equity. Changes not affecting net income of €–3.64 million relate to an increase in variable compensation for a company acquisition in the financial year 2013. As of 31 December 2017, the Group's balance sheet profit amounted to €57.22 million and was thus €9.91 million higher than in the previous year (2016: €47.31 million).

The **equity ratio**, i.e. equity as a proportion of the balance sheet total, decreased by one percentage point to 31% (2016: 32%) while the balance sheet total rose by 2%.

Non-current liabilities declined by €15.05 million in the reporting period and amounted to €119.60 million as of 31 December 2017 (2016: €134.65 million). The decrease is mainly due to the complete allocation of variable purchase price liabilities and conditional considerations for company acquisitions of €31.88 million to current liabilities. There was an opposing effect from the rise in financial liabilities, which were €20.20 million higher than in the previous year at €106.24 million (2016: €86.04 million). The rise resulted mainly from the reallocation of short-term to long-term financial liabilities.

There was an increase in current liabilities of €23.68 million to €137.89 million in the financial year 2017 (2016: €114.21 million). Within the **current liabilities**, other financial liabilities rose by €32.82 million to €34.73 million (2016: €1.91 million) due to the reclassification of variable purchase price liabilities and conditional considerations for company acquisitions from non-current liabilities. In addition, other liabilities rose by €2.40 million to €44.37 million (2016: €41.97 million), while financial liabilities in particular fell by €13.02 million to €5.29 million (2016: €18.31 million).

Due mainly to the increase in borrowing, the GFT Group's **debt ratio** rose by one percentage point over the previous year to stand at 69% as of 31 December 2017 (2016: 68%).

2.8 Overall assessment

The GFT Group faced exceptional challenges in the past financial year. The revenue target of €450 million was not achieved. The extensive cost-containment measures of two major investment banking clients led to a decline in revenue in the *Americas & UK* division, which could only be offset in part by increased demand for digitisation solutions in the *Continental Europe* segment. This also placed a burden on earnings of the GFT Group, which was compounded by increased investment in new technologies. The realignment of the *Americas & UK* division was successfully concluded in 2017.

The equity ratio of 31% as of 31 December 2017 was only slightly down on the prior-year figure of 32% and reflects the solid capital and balance sheet structure of the GFT Group.

2.9 Non-financial performance indicators

Employees

HR strategy

As a technology partner for digital transformation in the financial services industry, the GFT Group is shaped by the performance, skills and experience of its employees. In addition to attracting and retaining highly skilled and motivated employees, HR strategy focuses on furthering their careers and tailoring their working environment.

The GFT Group has a globally aligned HR organisation with locally operating HR departments. Group-wide standards are defined for HR activities and cross-company measures adopted, which are then implemented according to the specific national requirements.

Personnel development

As of 31 December 2017, the GFT Group employed a total of 4,740 people – 3% down on the previous year (31 December 2016: 4,870 employees). Restructuring measures in the USA and the UK in particular led to a fall in headcount. This also impacted the personnel trend at the downstream nearshore development centres in Poland and Brazil, where headcount fell by 15% and 14%, respectively. By contrast, development centres focusing on digitisation projects especially for *Continental Europe*, were expanded in line with increased demand: in Mexico, headcount rose by 39%, in Costa Rica by 6% and in Spain by 4%.

The headcount trend in detail: there were 1,164 full-time employees in the *Americas & UK* segment at year-end, 13% fewer than at the end of the previous year (31 December 2016: 1,333). By contrast, there was a slight rise in the *Continental Europe* segment to 3,455 employees – compared to both the year-end figure (31 December 2017: 3,428) and prior-year quarter (30 September 2017: 3,388).

The holding company employed 121 people at the end of the reporting period, 11% more than one year earlier (31 December 2016: 109). In particular, there was an increase in IT security capacities during the first three quarters.

As of 31 December 2017, headcount in Germany rose by 15% to 355 (31 December 2016: 310). Compared to the prior-year quarter (30 September 2017: 343), headcount remained virtually unchanged.

The productive utilisation rate, based on the use of production staff in client projects, amounted to 89% in the reporting period (2016: 90%). Headcount is calculated on the basis of full-time employees. Part-time staff are included on a prorated basis.

Employees by country

	31/12/2017	31/12/2016	Δ	Δ in %
Spain	2,104	2,023	81	4%
Brazil	686	797	-111	-14%
Italy	561	554	7	1%
Poland	503	594	-91	-15%
Germany	355	310	45	15%
Mexico	161	116	45	39%
UK	158	235	-77	-33%
Costa Rica	112	106	6	6%
Switzerland	53	56	-3	-5%
USA	42	73	-31	-42%
Canada	5	6	-1	-17%
Total	4,740	4,870	-130	-3%

Employees by segment

	31/12/2017	31/12/2016	Δ	Δ %
Americas & UK	1,164	1,333	-169	-13%
Continental Europe	3,455	3,428	27	+1%
Others	121	109	12	+11%
GFT Group	4,740	4,870	-130	-3%

Attracting and retaining highly skilled staff

As an IT service provider, the recruitment of highly skilled and motivated employees is one of the company's main success criteria – especially in view of the ongoing shortage of IT specialists. For the GFT Group, recruiting also involves their professional and personal development and their retention within the company.

In 2017, the GFT Group rolled out an extensive group-wide campaign to strengthen its employer branding, entitled "Ready to grow". It is the GFT Group's promise to offer its employees a suitable environment in which they can grow and develop. Key measures include the introduction of a new performance management model for staff reviews and personnel development, as well as the promotion of international careers, for example by supporting relocations to different countries, and the establishment of a global recruiting team. The first successful pilot projects included offers in Brazil for assignments in Spain, and in Spain for assignments in Germany. This is accompanied by a group-wide HR platform: a portal that pools all employee-related data.

In order to attract young talent, the GFT Group collaborates closely with universities in Brazil, Germany, Poland and Spain. GFT is also a partner company for various dual study programmes in Germany.

Tailored career and working models

The GFT Group supports employees on all hierarchical levels and in all functions with the planning and implementation of their individual, long-term career goals. On the one hand, this includes a transparent career model that enables each employee to develop in the best possible way; on the other hand, solutions that are tailored to the respective needs and life situation of each employee are considered when structuring the respective working conditions. Flexible working hours and mobile work without strict presence requirements enable staff to find the right work-life balance. The GFT Group also offers bespoke part-time options, for example during or after parental leave, and supports the planning of longer career breaks (sabbaticals).

The range of in-house training options is specifically tailored to the core areas of software development, IT architecture, consulting, sales and project management. A mentoring program promotes development by providing one-on-one support. A range of programmes, such as the GFT Accelerated Leadership Program or Cross Cultural Management Training, prepares employees specifically for their next career level. In addition, managers are provided with coaching and special mentoring.

Open communication

Open, two-way communication is the basis for a trusting relationship between employees and their company. As a result, the group-wide information channels have increasingly been developed into interactive platforms. This includes the digital staff newsletter "Newstime", which publishes articles from various countries every two weeks. The CEO blog "Connecting the Dots" was also launched during the reporting year. It contains articles on company events and industry developments, as well as numerous brief snapshots from around the world. The blog includes the possibility for staff to leave comments – also anonymously. Direct e-mail communication with the Chief Executive Officer was also established in 2017 with the launch of the "CEO Line".

Regular local events, such as Town Halls or Office Days, give staff the opportunity to exchange views with top management and other employees from different divisions.

During annual appraisal meetings, employees and HR supervisors review the achievement of personal and professional goals during the previous year and define new goals for the year ahead.

The group-wide staff survey conducted every two years is an important instrument for gauging target achievement. The response rate has steadily increased over the years: from 47% in the first year, to 60% for the second survey and a rate of 65% in 2017. A systematic analysis of the survey results enables dynamic adjustments to be made and produces a set of performance indicators for the Group as a whole and for each country. Management is then obliged to continually work on improving these performance indicators.

Quality management

The realisation of complex IT projects places high demands on project management – from the identification and analysis of customer requirements, to technical implementation, to the integration of components and the verification and validation of the solution.

GFT applies strict standards for its software development process: the company has been using the CMMI (Capability Maturity Model Integration) reference model since 2005 and has Level 3 certification. This rating confirms that projects are conducted according to an adapted standard process with constant group-wide process optimisation in order to guarantee top-quality implementation. In addition to Brazil, Germany, Italy, Spain, the UK and the USA, the development centres in Costa Rica

and Poland were certified for the first time in 2017. In addition to quality management, GFT also meets high standards in the field of data privacy and IT security. The global Information Security Management System (ISMS) has fulfilled the ISO/IEC 27000 standard since 2013.

3 Risk report

3.1 Principles

Aims of the risk management system

The main objective of the GFT Group's risk management system is to identify risks at an early stage that may have a negative impact on the Group's sustainable growth or a direct impact on its financial position and performance. The focus is on avoidance of all risks that might endanger the company's continued existence. Insofar as risks cannot be avoided, the assessment of the impact on the GFT Group and the likelihood of occurrence is an integral part of the risk management system in order to evaluate risks and derive appropriate measures to minimise them, taking into account the associated opportunities. The Group Risk Committee (GRC), comprising the global risk officers, plays a key role in this matter.

Internal control and risk management organisation

The risk management system of GFT Technologies SE is embedded in the risk management organisation of the GFT Group.

As an internationally operating company, the GFT Group is continually exposed to internal and external risks which need to be monitored and limited. To this end, a group-wide risk management system has been established in order to identify and analyse risks at an early stage and take appropriate counter-measures. The system serves to recognise potential occurrences that might lead to a lasting or significant impairment of the company's financial position and performance. The GFT Group employs suitable controlling instruments to monitor the risks.

The implemented risk management system ensures compliance with the relevant legislation as well as the effective management of risks. In order to guarantee the effectiveness of the GFT Group's global risk management system and enable the aggregation of risks and transparent reporting, a consistent, integrated approach to the management of corporate risks has been implemented.

The risk management system comprises a variety of control processes and control mechanisms and represents an essential element of the corporate decision-making process. It has therefore been implemented throughout the GFT Group as a fundamental component of the business processes. The main principles and the organisational structures, measurement and monitoring processes are defined in a risk management guideline.

The group-wide risk management function (headed by Group Controlling) and the risk owners (GRC) are charged with updating and implementing the risk management guideline. At the same time, the risk inventory is regularly updated and risks assessed on an annual basis. Within the central risk management system of the GFT Group, each employee has the opportunity to report escalations in risk categories, which are then measured by the risk category owners.

All managers of the GFT Group are involved in the group-wide risk policy and associated reporting processes. This includes the global risk owners of the various departments, the Managing Directors and the chief executives of Group subsidiaries, as well as those managers responsible for processes and projects.

Risk management system

The Risk Management Guideline regulates the handling of risks within the GFT Group and defines a uniform methodology valid across the entire Group. The guideline is regularly reviewed and adjusted as required, but at least once a year. The effectiveness of the risk management system is monitored by regular audits of the Corporate Audit division. Moreover, the external auditors check every year whether the risk management system is suited to recognising existential risks at an early stage.

The GFT Group's risk management system is integrated into its business processes and decisions and thus embedded into group-wide planning and controlling processes. Risk management and control mechanisms are precisely coordinated with each other. They ensure that relevant risks for the company are recognised and assessed as early as possible.

The identification of risks takes place at different levels of the company. This is to ensure that risk tendencies are recognised and consistent risk management is practised across all departments. Moreover, each employee is called upon to inform their superiors about foreseeable risks and/or to report escalations in risk categories to the central risk management system of the GFT Group.

The centrally organised GRC, headed by the Chief Financial Officer (CFO), is at the heart of the standardised risk reporting process. All managers with global responsibility for a particular function are included in the committee. It coordinates the various management bodies and ensures they are provided with swift and continual information. The GRC is also responsible for the continual analysis of GFT's risk profile, for initiating measures to prevent risks and for the corresponding control instruments. In addition, the GFT Group's management bodies hold regular meetings in dedicated groups (mainly Group Management Board and GRC) in order to exchange risk-relevant information between the operative and central divisions across all levels, locations and countries.

The planning and identification of internal and external risks is carried out jointly by the risk category responsables and the business units or national companies. Depending on the estimated probability of occurrence and potential impact (such as the potential loss or damage amount), risks are classified as “high”, “medium” or “low”. The key risk indicators are summarised in the risk inventory.

Risks are monitored in close cooperation between the global risk owners and the department managers in the operational areas. They also jointly ensure the implementation of effective strategies to minimise risks. Risks can either be reduced by taking pro-active countermeasures or consciously accepted. The department managers are responsible for continuously monitoring the risks and the effectiveness of countermeasures. Risks are hedged against by taking out insurance cover if this is considered useful with regard to the economic benefits.

The GRC receives regular reports on the status of the risk management system and its implementation in the Group’s various divisions. Moreover, it is informed about the financial outlook, risk-relevant KPIs and the current risk status of operational projects at its regular meetings.

Description of the accounting-related internal control and risk management system acc. to sections 289 (4) and 315 (4) HGB

The internal control and risk management system for the accounting of the GFT Group and the annual financial statements of GFT Technologies SE is linked with the company-wide risk management system. It includes organisational and monitoring structures to ensure that business items are recorded, processed and analysed in accordance with statutory regulations and are subsequently incorporated into the consolidated financial statements according to IFRS and the annual financial statements of GFT Technologies SE pursuant to the German Commercial Code (Handelsgesetzbuch, HGB) in a compliant manner.

The accounting process of the GFT Group (including GFT Technologies SE) ensures that the full and correct amounts and disclosures are included in the instruments of financial reporting (accounting, components of the financial statements, the Group Management Report and Management Report) and that the relevant legal and statutory requirements are fulfilled. The respective structures and processes also comprise the risk management system and internal control measures in relation to the accounting process.

Key elements of risk management and control in the accounting process include a clear allocation of responsibilities and controls in the preparation of annual financial statements, as well as transparent regulations in the form of accounting guidelines. Further important control principles in the accounting process include the “four-eye principle” and a clear separation of functions.

The Group Consolidation department transfers all relevant changes in the accounting and measurement policies to the group-wide guidelines on accounting and revenue recognition. Together with the financial reporting calendar, these guidelines form the basis for the financial reporting process. The subsidiaries of GFT Technologies SE are responsible for compliance with group-wide accounting standards in their financial statements and are supported and monitored to this end by the Group Consolidation department. External service providers are used for the valuation of pension obligations, purchase price allocations in the course of company acquisitions or other complex accounting transactions. The consolidation is performed globally by the Group Consolidation department. Internal Audit performs audits of the accounts prepared by the consolidated companies.

Risk assessment

As part of the risk management system, risks are classified as “high”, “medium” or “low” according to the estimated probability of occurrence and their potential impact on business targets. The scales used to measure these indicators are presented in the tables below.

Probability of occurrence	Description
1 to 33%	more unlikely
34 to 66%	likely
67 to 99%	more likely

According to this classification, the risk category responsables define a “more unlikely” risk as one whose probability of occurrence is low, and a “more likely” risk as one whose occurrence can be expected within a given period of time.

The effects of these risks are classified in the groups “insignificant”, “moderate” or “significant”.

Effects	Description
insignificant	limited negative impact on business, financial position, earnings and cash flow
moderate	negative impact on business, financial position, earnings and cash flow
significant	considerable negative impact on business, financial position, earnings and cash flow

Risks are classified as “high”, “medium” or “low” according to the estimated probability of occurrence and their impact based on business, reputation, financial position, earnings and cash flow.

Probability of occurrence	Effects		
	insignificant	moderate	significant
likely	l	l	m
more likely	l	m	h
eher wahrscheinlich	m	h	h

l = low risk m = medium risk h = high risk

Risk factors

The risk positions listed below are those which the GFT Group identifies and monitors as part of its risk management system. The risk positions were evaluated in the past financial year and adjusted to the changed requirements and market conditions. Accordingly, the risks have been broken down into six main risk categories, instead of the previous four. These are: market and sector risks, strategic risks, organisational risks, project-related risks, financial risks and risks relating to the disclosure of information. These in turn are subdivided into further categories.

The common factor for all risks described in this report is that their occurrence may have a critical impact on the GFT Group’s business, financial position, earnings and cash flow. At the same time, they may increase other risks and result in a negative deviation from current revenue and earnings targets. Each risk is classified on a scale of low, medium or high.

Risk positions of the GFT Group

Market and sector risks

- Macroeconomic environment
- Financial services sector
- Competition

Business strategy risks

- Strategic business model
- Demand for existing solutions
- Acquisition and integration risks

Organisational risks

- Personnel risks
- Organisational and governance risks

Project life cycle risks

- Project risks
- Guarantee and litigation risks
- Technological project risks

Financial risks

- Liquidity risks
- Exchange rate and interest rate fluctuation risks
- Accounting risks

Communication and information risks

- Unauthorised disclosure of information

3.2 Market and sector risks

Macroeconomic environment

The main macroeconomic risks of the GFT Group include the overall economic situation, the general propensity to invest and price developments on the IT market. The political and economic development of the economies in core markets has an impact on the investment behaviour of customers. In the financial year 2017, the GFT Group generated 81% of its revenue in Europe, so that in particular the European environment is of importance.

Events such as a regional or global economic crisis, military conflicts, terrorist attacks or fluctuations in national currencies can have a lasting impact on demand for solutions and services, for example due to delays in project contracts, rising credit risks of customers, changed refinancing costs or other distortions of competition.

The GFT Group prepares for the occurrence of such macroeconomic risks by taking appropriate measures such as changing its investment priorities, adjusting the portfolio of services, making organisational changes or hedging.

The GFT Group estimates the probability of these macroeconomic risks as likely. The effects on the GFT Group can range from insignificant to significant, so that in total these risks are classified as high.

Focus on financial services sector

The GFT Group has a strong focus on the financial services sector. In the financial year 2017, 91% of revenue was generated with clients in this industry. There are risks, for example, in the form of regional or global financial crises, a loss of public confidence in banks and states, a lack of or excessive regulation of financial service providers, as well as typical sector demand cycles.

In order to keep these market risks low, the GFT Group broadens both its client base and service portfolio in the area of its core competencies. Measures include the conclusion of long-term contracts, intensive customer support at the level of top management, a focus on high-quality consulting services in the field of core banking applications and targeted account management.

The GFT Group estimates the probability of the risk of focusing on the financial services sector as likely, its impact on the GFT Group can range from insignificant to significant, and the resulting risks in total are therefore classified as high.

Competition

The global market for IT services is fiercely competitive. The GFT Group must compete with a number of companies of varying size and international scope. Risks may arise, for example, from new competitors with cheaper price structures, pioneering technological innovations and changes in the organisational structures of bank with a focus on internal IT departments.

These competitive risks may adversely affect the market shares of the GFT Group if the currently occupied or targeted solution areas are replaced by new technologies or cheaper providers.

The GFT Group is working hard to meet the requirements of its clients by anticipating their needs with innovative solutions and by investing in future-oriented topics such as the digitisation of banking processes and the implementation of compliance requirements. The GFT Group's software development model offers further competitive advantages. The Applied Technology team continually monitors market developments and new technologies in order to flexibly adapt the portfolio of services where necessary.

The GFT Group estimates the probability of competitive risks as likely and their impact on the GFT Group as more moderate, so that in total these risks are classified as medium.

3.3 Business strategy risks

Strategic business model

Risks arising from the strategic business model or from grasping strategic opportunities are integrated into the strategic planning process. Strategic risks are given priority in their analysis by top management.

As the long-term impact of strategic risks and their impact on the financial position and performance, as well as cash flow, is difficult to quantify, such qualitative factors as economic and technology trends, compliance requirements and competition are included in risk assessment as strategic factors.

The country managers and risk officers of the individual departments evaluate potential strategic risks in their areas of responsibility and regularly report identified risks at the highest management level (Managing Directors and GRC). There is a particular focus on strategic risks during the annual budget process: risks are evaluated and assessed, and corrective measures introduced if necessary in order to avoid or at least minimise the risk.

The GFT Group estimates the probability of risks from its strategic business model as more unlikely. Their impact on the GFT Group may be significant, so that in total these risks are classified as medium.

Demand for existing IT solutions

The demand for the IT solutions offered by GFT depends heavily on market and sector trends in the financial services sector and, in particular, on the strategic alignment of its main clients.

The risks that can arise from changing demand for GFT's existing solutions are difficult to quantify in terms of impact and probability of occurrence. In order to minimise the risk, GFT's strategic business model is based on a wide range of services and solutions for our clients. GFT works with strategic technology partners to identify changes in demand trends as soon as possible.

The group-wide "Business Marketing" function ensures documentation and access to standardised bidding processes, solutions and references. In addition, managers responsible for specific markets are supported during marketing campaigns in order to accelerate the distribution of the solutions provided by GFT.

The group-wide "Go to Market" (GTM) function, which is divided into retail and investment banking due to their different requirements, supports managers responsible for specific markets during the bidding process and takes into account customer requirements for existing or new solutions. GTM is supported by the Applied Technologies in the case of new trends or solutions.

The Business Marketing, GTM and Applied Technologies strategy is set by the Managing Directors, to whom there are direct reporting lines.

The GFT Group estimates the probability of risks arising from demand for its existing IT solutions as more unlikely. Their impact on the GFT Group may be moderate to significant, so that in total these risks are classified as medium.

Acquisitions

Inorganic growth is firmly anchored in the GFT Group's strategy. Targeted acquisitions minimise risks in various areas, expand the range of existing solutions, expand the customer portfolio and reduce dependence on markets. The risks in this field include false assessments regarding the integration concept, potential customers, staff qualifications, management skills, or legal and warranty risks.

The acquisition process is supported by the "Merger & Acquisition" team based on standardised structures, processes and templates. Experience gained from previous acquisitions is used to optimise standards. The GFT Group has made a total of seven acquisitions since 2011.

These risks are dealt with by commissioning external experts in advance of any acquisition to assess the legal and commercial risks and the quality of the customer relationships (due diligence). Moreover, a qualitative evaluation of the employees and managers to be transferred is made prior to acquisition. The integration concept is also prepared in detail prior to any corporate acquisition on the basis of experience from previous takeovers.

On the one hand, acquisitions help to minimise risks, but on the other hand, risks arise during integration into the GFT Group's existing structures. The post-merger integration process is headed by the Global Head of Operations and is based on a multi-level standard integration process that balances risk and effort and decides between minimal and the various stages up to full integration. The Global Head of Operations is responsible for compliance with standards and has a coordinating role in local post-merger integration processes.

The GFT Group estimates the probability of risks in connection with company acquisitions as likely and their impact on the GFT Group may be significant in certain cases. In total, these risks are therefore classified as high. As a consequence, company acquisitions are examined very thoroughly and the subsequent integration process is well prepared.

3.4 Organisational risks

Personnel risks

Highly qualified and motivated employees are a key success factor for the GFT Group. Risks arise if the employees required for the implementation of the acquired projects are not available, if the technological skills of employees do not (or no longer) satisfy market needs, or if team sizes are reduced by above-average staff turnover. These risks may lead to inadequate utilisation of the Group's own employees and thus result in fixed costs not being covered. Staff departures may incur additional costs for personnel recruitment measures. The GFT Group counters these risks by positioning itself as an attractive employer which seeks to retain its specialists and executives. The respective HR policy measures include attractive working conditions, personal space, attractive remuneration systems, tailored career models and extensive training. With the aid of targeted recruitment measures, the Group strives to attract new talent and to develop its positive presence on the job market. Potential under-utilisation of own employees is counteracted by regular and intensive utilisation management. The GFT Group estimates the probability of personnel risks as likely, while their impact on the GFT Group can be moderate and in total these risks are therefore classified as medium.

Legal environment risks

The legal requirements to be observed by the GFT Group have intensified significantly over the past years. Even if the GFT Group does not infringe any laws, an alleged violation of laws or an accusation brought forward can have a seriously negative impact on its reputation and thus on its share price.

The wide variety of relevant legal regulations makes it difficult to assess such legal risks. If the relevant laws are not observed or the requirements of customers (e.g. regarding data privacy and information security) are not sufficiently met, this might lead to investigations by the supervisory authorities, liability claims, fines and the loss of customers and thus affect the business and economic success of the GFT Group.

The Legal Affairs department regularly reviews new legal requirements in the business and corporate environment of the GFT Group. Based on this latest information, internal legal processes and corporate guidelines are continuously kept up to date. The GFT Group takes particular care to ensure that all employees are familiar with, and comply with, its code of conduct (Business Conduct Guideline), the data protection rules and the regulations on information security.

Moreover, as a further risk-reducing measure in the field of operating activities, master contracts drafted by the Group's own legal department are used as far as possible. With the exception of companies in Italy, any deviations from the standards and the clients' own contracts are checked and negotiated by the GFT Group's legal department. The companies in Italy are supported completely by external legal advisors. These measures ensure that liability risks associated with the contracts (for example, warranties or industrial property rights) are regulated in a clear and transparent way and limited to a reasonable amount. The companies belonging to the GFT division in Italy are supported by external lawyers. Contractual provisions that go beyond the general requirements of the GFT Group (such as the assumption of unlimited liability or the agreement of excessive penalties) require the express approval of the Managing Directors.

The GFT Group estimates the probability of legal risks as not predominantly likely, their impact on the GFT Group may be significant however, and in total these risks are therefore classified as medium.

3.5 Project life cycle risks

Project risks

The core business of the GFT Group comprises consulting, the development of software solutions, and the implementation of international IT projects. Depending on the complexity of the project, the type of order or solution offered, this may involve contractual, technological and economic risks. As a result, project delays, insufficient quality or lack of resources may lead to economic losses, compensation claims, lack of repeat business and damage to the Group's reputation.

In order to keep these project risks at a manageable level, the GFT Group employs a standardised and computer-aided bidding process which makes the calculated margins and potential risks transparent for all employees. Offers are released by defined specialists and managers at all levels of the hierarchy depending on the economic size and risk profile of the project.

Project processing includes a risk management system integrated into project management methods, which safeguards the implementation or provision of services. The internationally recognised Capability Maturity Model Integration (CMMI®) process model is used. Application of the CMMI® process has in the past enabled us to significantly reduce technical problems such as projects going over budget or deadlines not being met. Project and quality management have been optimised with the successfully certified further development of internal processes according to CMMI® Level 3. In addition to Brazil, Germany, Italy, Spain, the UK and the USA, the development centres in Costa Rica and Poland were certified for the first time in 2017. The corporate division "Risk & Quality Management" examines group-wide compliance with the CMMI® model and the implementation of risk management requirements, and reports any deviations to the responsible managers and the Managing Directors.

The staff required for the completion of contracted projects are coordinated by the local staffing managers. The required manpower capacities and technological knowledge for the project are continuously planned. The resulting utilisation in the following months is defined on the basis of the in-house workforce and project utilisation. Any lack of capacity is offset by hiring new staff or purchasing external services. Foreseeable surplus capacities are counteracted by early communication to the sales department, which then steps up its sales activities.

The relevant project risks of the GFT Group are made transparent for the manager responsible by means of standardised escalations of the respective departments (Risk & Quality Management, controlling). In the course of standardised monthly reporting, the main project risks are communicated to the Managing Directors who initiate additional countermeasures where appropriate.

The project business of the GFT Group is not possible without project risks – which are generally offset by project opportunities. GFT estimates the probability of such project risks as likely. Their impact on the GFT Group can be significant in certain cases, and in total this risk is therefore classified as high and extensive methods and processes of risk management are employed.

Guarantee and litigation risks

The possible economic harm caused by the infringement of industrial property rights, and in particular third-party party rights to patents and software, may lead to considerable damage. Due to the increasingly frequent disputes between licensors and licensees, the growing relevance of patents in the field of software and the ever-increasing use of open source software, the GFT Group has established mechanisms for the preparation of bids to customers which are designed to reduce legal risks and potential damages claims in this field.

The “Chief Security Officer” of the GFT Group is currently responsible for examining any pre-existing patents. In addition, a technical and legal process has been introduced which accompanies the use of open source components during bid preparation and throughout the project activities. During the bid preparation stage, any open source components which are used are checked by the project managers with regard to licensing using a matrix system; technical alternatives are discussed – where necessary – with the project managers. On the basis of this review, the use of specific open source software is possible, possible only to a limited extent, or not possible at all.

The GFT Group estimates the probability of operating risks as more unlikely. Their impact on the GFT Group can be significant in certain cases, so that in total these risks are classified as a medium risk.

Technological environment risks

The GFT Group safeguards its future market success as a leader in technology and innovation by identifying technological trends early on and introducing corresponding measures to quickly implement suitable technologies. The short life cycles of IT systems, technologies and software solutions are a key element of the business environment. There is a risk that major developments may not be recognised quickly enough, or underestimated and not applied or implemented. This may have a negative impact on the development of business and revenue.

The GFT Group’s Marketing department and sales managers observe market developments, prepare market studies and evaluate them. The Applied Technologies team monitors technological trends, prepares trend analyses and undertakes group-wide research and development. The Group’s own IT processes are regularly examined and adapted to new technologies. In addition, the company services and maintains its IT infrastructure to ensure efficient and reliable operation and constant availability. Numerous protective measures, such as data backups, access protection, firewalls, virus scanners and software to detect any penetration of the computer systems, all

serve to protect the IT infrastructure. This is intended to guarantee operational capability and exclude unauthorised access to key data or the loss of such data as effectively as possible.

The GFT Group estimates the probability of such technological risks as more unlikely, their impact on the GFT Group can be significant however, and in total therefore these risks are classified as medium.

3.6 Financial risks

Liquidity risks

The liquidity of the GFT Group ensures its ability to conduct business. Local or global turbulence among banks, customers or capital markets can result in risks for investments made and receivables due and thus adversely affect the liquidity position. Such risks may arise, for example, from delayed receipt of receivables or the partial or complete loss of receivables from customers. On the investment side, capital market turbulence, rating downgrades and bank failures may lead to write-downs on investments made with an impact on earnings.

The GFT Group has a centralised financial management system with daily financial reporting. The most important objective is to ensure sufficient liquidity for the Group. Outstanding receivables are analysed as part of the monthly consolidated reporting process so that countermeasures can be initiated at an early stage. In the case of new customers, credit checks are carried out during the bidding process. On the investment side, the GFT Group pursues a conservative investment policy with an exclusively short-term focus at present.

In addition to a syndicated loan agreement, GFT Technologies SE has taken out several promissory note loans to secure its long-term funding. There are certain rules of conduct for the GFT Group during the term of the loan agreement. These mainly refer to specific financial covenants which must be met and the assumption of financial liabilities and the provision of collateral is limited. If specific financial covenants and other rules of conduct are not met, this may lead to the immediate termination of the syndicated loan agreement. From the current perspective, there are no significant risks relating to the non-achievement of financial covenants or non-compliance with the other rules of conduct which are known.

The GFT Group estimates the probability of these liquidity risks as more unlikely. However, their impact on the GFT Group may be significant so that in total this risk is classified as medium.

Exchange rate and interest rate fluctuation risks

As an internationally operating group of companies which prepares its accounts in euro, operations and financial ratios may be influenced by currency and interest rate fluctuations. As all currencies must be converted into euro, exchange rate fluctuations involve risks for the financial position and performance. The financial structure, investments and other balance sheet items are subject to interest rate fluctuations on the capital markets, which may have a negative impact on earnings, and especially on the interest result and other items of the income statement subject to discounting.

In the calendar year 2017, the proportion of consolidated revenue attributable to business in foreign currencies increased from 32% to 34%. The periodic fluctuations of individual currencies can have a significant impact on the revenues and results of the GFT Group.

The Treasury department continuously monitors the existing and potential currency risks for revenue, earnings and balance sheet items. Where required, the GFT Group uses financial instruments to hedge against exchange rate fluctuations. In particular, the exchange rates of the Brazilian real, the US dollar and the British pound are closely observed as they are of particular importance for the Group. Interest rate risks are managed by the Group's treasury management, which uses financial instruments as required.

In order to limit the risk of interest rate changes for a loan with a nominal amount of €40.00 million and variable interest, an interest cap was concluded with an upper interest rate of 1.00%. Changes in interest rates can lead to fluctuations in the market value of the derivative financial instrument. Such market value fluctuations cannot be viewed in isolation from the hedged underlying transaction as the derivative and underlying transaction form a valuation unit with regard to their offsetting value development. For a more detailed presentation, see section 5.5 of the notes to the consolidated financial statements.

At the end of the reporting period 2017, there were no further significant financial instruments used for risk management purposes.

The GFT Group estimates the probability of interest rate risks as more unlikely and the impact on the GFT Group as moderate so that in total these risks are classified as low. However, the probability of exchange rate risks is estimated as likely, while the impact on the GFT Group can be moderate so that in total these risks are classified as medium.

Accounting risks

The GFT Group's accounts are prepared according to IFRS regulations, as well as local accounting regulations in the national companies. Changes and new implementation guidelines on accounting policy and other standards, especially with regard to revenue recognition, can have a negative impact on the published financial results.

Accounting risks may affect the GFT Group in such a way that previously made forecasts and estimates about the future development of financial ratios can no longer be met due to changes in accounting standards, or may require retroactive adjustments, which in turn can lead to negative reactions on the capital market.

The GFT Group regularly examines reform proposals for changes to accounting policies of relevance to its activities and environment. Moreover, the Group Consolidation department and the CFO discuss upcoming changes in accounting standards with the auditors. Based on such latest information, accounting policies are kept up-to-date and any impact on forecasts is analysed.

The GFT Group estimates the probability of accounting risks as more unlikely, although their impact on the GFT Group can be significant. All in all, these risks are therefore classified as medium.

3.7 Communication and information risks

One of the basic prerequisites for achieving the adopted growth targets in the long term is the good reputation of the GFT Group. The premature or unintentional disclosure of confidential information, such as unpublished financial data, mergers and acquisitions, customer or personal data, may result in fines and sanctions. This might also have a direct impact on the share price and the company's image.

The GFT Group has taken organisational measures to prevent such unauthorised disclosure of confidential information. These include instructions and guidelines on the handling of confidential information.

The GFT Group estimates the probability of communication and information risks as more unlikely, although their impact on the GFT Group can be significant. All in all, these risks are therefore classified as medium.

3.8 Overall risk assessment

At the time of preparing this report, there are no recognisable risks that might jeopardise the existence of the GFT Group. No permanent or substantial impairment of the financial position and performance of the company is expected. The early warning system for the detection of risks implemented by the GFT Group is constantly evolving and will be reviewed by the external auditor in accordance with statutory requirements.

4 Opportunity report

Opportunity management

The GFT Group's opportunity management enables it to identify potential opportunities, to evaluate the required investments and to assess the associated risks.

To this end, the GFT Group assesses the relevant market and competitive analyses. Together with clients and partners, scenarios for current and future technology and industry trends are developed and solutions examined with regard to their market potential. Customer requirements, market changes and new technologies are all given equal consideration. Taking account of the critical success factors, specific opportunities are then derived for the target markets that flow into research and development, the alignment of the service portfolio and business planning.

Those identified opportunities which are likely to occur have been included in the outlook for 2018 and the medium-term prospects, which are set out in the Forecast Report. The following section focuses on developments, trends or events which might lead to a positive deviation from the outlook for 2018 and the medium-term prospects.

Opportunities from the economic and sector environment

Macroeconomic and sector-based conditions have an impact on business, the financial position, earnings and cash flow. The outlook for 2018 and the medium-term prospects are based on the expectation that future macroeconomic and sector-based conditions comply with the presentation in the Forecast Report of this combined management report. Should the global economy and/or the target industries perform better than presented in this outlook, the revenue and results may exceed current guidance and the medium-term prospects.

Opportunities from research and development

The ability to identify customer needs, anticipate industry developments, master new technologies and examine possible applications is critical for the market success of GFT. In order to identify and future-proof new trends, our specialists at the GFT Digital Innovation Labs test a wide range of new devices, cutting-edge technologies and innovative banking solutions. The GFT Group's innovative development work focuses on future topics such as cloud engineering, blockchain and artificial intelligence. Together with clients, universities, start-ups

and international technology partners, optimisation potential is identified and the feasibility of various approaches reviewed. Finally, scenarios and prototypes of new application solutions are developed and presented in the labs.

Opportunities from international development centres

The GFT Group's Delivery Model combines customer proximity and quality with attractive cost benefits. Strategy concept work and consultation are conducted in direct contact with clients (onshore). For Europe, the services are provided at nearshore development centres in Poland and Spain. Our facilities in Brazil, Costa Rica and Mexico are responsible for the North American market.

The international development centres are permanently improved with the aim of maintaining an efficient and cost-effective global delivery network. Further staff hiring is planned at major locations in the coming years, which will leverage additional economies of scale and increase per capita earnings.

Opportunities from further growth markets

The GFT Group continually develops its sales network in order to support existing customers globally and to gain new customers in high-growth markets. In addition, local specialisations are systematised and these competencies are then marketed across borders to customers in all sales regions (cross-selling). In the UK and USA, where investment banks currently account for the major share of revenue, the GFT Group will focus more on digitalisation solutions for retail banks in future. Reference projects with clients in countries like Spain and Brazil, in which digitalisation is already more advanced, are being used. The sales region USA offers particularly large potential in this field.

Opportunities from new technologies

The GFT Group accompanies financial institutions with the digital transformation of their business processes. Thanks to its extensive technological expertise, the company's portfolio of offerings includes both the technical transformation of financial institutions and the development of innovative IT solutions. It also uses sector-independent technologies such as blockchain, cloud engineering, data analytics and artificial intelligence. In the coming years, these will help make the sector fit for the future so that it can fully exploit the benefits of digitisation. The GFT Group's objective is to modernise existing systems and make them future-compliant. From cloud innovation to modular banking, robo advisory and disruptive UX solutions, based on augmented and virtual reality, the GFT Group offers its clients bespoke modules based on their specific needs. As a technological pioneer in this field, the company is well positioned to implement promising projects and thus generate new orders.

Opportunities from the Industry 4.0 sector

The above mentioned potential can also be exploited in other sectors. The Industry 4.0 sector is particularly promising. Expertise in the design of payment processes acquired in the financial sector offers numerous possibilities for the integration of financial transactions into industrial value chains. Due to the anticipated scale of the potential offered by digital transformation in the industrial sector, the GFT Group will also target industrial clients for the first time and invest more in the expansion of its solution portfolio and the development of this new business field.

Opportunities from Brexit

The UK's decision to leave the European Union is accompanied by uncertainties regarding the further development of the British and European economies. Nevertheless, this may also result in opportunities for the GFT Group's business. Relocating UK financial institutions to new sites within the European Union requires investment in those new locations. Even existing locations would have to be upgraded. The GFT Group can help banks adapt their IT systems to the new needs and requirements and implement new platforms.

5 Takeover-relevant information

Disclosures pursuant to section 289a (1) and section 315a (1) German Commercial Code (HGB) and explanatory report of the Administrative Board acc. to section 48 (2) sentence 2 SE-Implementation Act (SEAG) in conjunction with section 176 (1) sentence 1 German Stock Corporation Act (AktG)

Structure of the share capital (number 1):

At the end of the reporting period, the issued share capital of GFT Technologies SE amounted to €26,325,946.00. It is divided into 26,325,946 shares. The proportionate amount of share capital allocated to each share totals €1.00. All shares of GFT Technologies SE were issued as ordinary bearer shares without nominal value (no-par shares). The shares are fully paid up. All shares have the same rights and obligations. Each share grants one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares (number 2):

Legal regulations, in particular section 136 AktG and section 44 German Securities Trading Act (WpHG), exclude voting rights for the affected shares in the respective specified cases. We are not otherwise aware of any restrictions affecting voting rights or the transfer of shares.

Shareholdings exceeding 10 percent of the voting rights (number 3):

GFT Technologies SE is aware of the following shareholding that exceed 10 percent of the voting rights: as at 31 December 2017, Ulrich Dietz (Chairman of the Administrative Board of GFT Technologies SE), Germany, held 26.423% directly and 0.004% indirectly of total voting rights.

Shares with special control rights (number 4):

There are no shares with special rights conferring control.

System of control over voting rights when employees own shares and their control rights are not exercised directly (number 5):

We are not aware of any employees who hold shares and do not exercise their control rights.

Legal regulations and provisions in the articles of association governing the appointment and replacement of executive board members (number 6):

As a company with a single-tier management and control structure, GFT Technologies SE applies the disclosure obligations of section 289a (1) number 6 HGB and section 315a (1) number 6 HGB on the appointment and dismissal of executive board members to the Managing Directors. Their appointment and dismissal is governed by article 43 of Council Regulation (EC) number 2157/2001 on the Statute for a European Company (SE-VO) and section 40 SEAG. Reference is made to these regulations. Pursuant to section 16 of the articles of association of GFT Technologies SE, the Administrative Board appoints one or more Managing Directors. The Administrative Board can appoint one of these Managing Directors as Chief Executive Officer and one as Deputy Chief Executive Officer. In each case, the appointment and dismissal of Managing Directors requires a majority of two thirds of votes cast by the Administrative Board, whereby abstentions or invalid votes are deemed to be votes not cast. The articles of association of GFT Technologies SE do not contain any further regulations on the appointment and dismissal of Managing Directors. Should one of the required Managing Directors be missing, section 45 SEAG states that a court may appoint a Managing Director on application of one of the persons involved.

Rules governing amendments to the articles of association (number 6):

The requirements for amendments to the articles of association are regulated in particular in article 59 SE-VO and section 51 SEAG. Reference is made to these provisions. According to section 51 SEAG, the articles of association may determine, unless binding statutory regulations state otherwise, that a simple majority of votes cast is sufficient for a resolution of the Annual General Meeting to amend the articles of association, providing that at least half of share capital is represented. The articles of association of GFT Technologies SE make use of this provision in section 23 (4). A larger majority is required for an amendment to the company's object, for a resolution on relocating the registered offices of the SE to a different EU member state, and for other legally binding cases (section 51 sentence 2 SEAG). The Annual General Meeting can assign the authority to amend the articles of association to the Administrative Board insofar as such amendments merely relate to the wording. This is permitted for GFT Technologies SE by the provisions in section 21 (1) of the articles of association. Moreover, the Administrative Board is authorised by a resolution of the Annual General Meeting to amend the wording of section 4 (1) and (7) of the articles of association in accordance with the respective use of Authorised Capital 2017 and after expiry of the utilisation and authorisation period.

Executive board authorities, particularly the issuing and buy-back of shares (number 7):

As a company with a single-tier management and control structure, GFT Technologies SE applies the disclosure obligations of section 289a (1) number 7 HGB and section 315a (1) number 7 HGB to the Administrative Board.

Authorised capital:

The Administrative Board is authorised until 13 June 2021 to increase the share capital of GFT Technologies SE by up to €10,000,000.00 through a one-time-only or repeated partial issuance of bearer shares (no-par shares) against cash contributions and/or contributions in kind (Authorised Capital).

The Administrative Board is authorised to exclude the legal subscription right of shareholders,

- to remove fractional amounts from subscription rights;
- in the case of capital increases for contribution in kind for the granting of shares to acquire companies, company divisions, interests in companies or other assets in connection with the aforementioned company acquisitions (even if a purchase component is paid in cash in addition to shares);
- in the case of a capital increase for cash contribution if the issue price of the new shares is not significantly lower than the stock exchange price and the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation. This restriction is to be applied to those shares which are issued during the term of this authorisation by utilising

an authorisation for the disposal of treasury shares valid at the time this authorisation becomes effective in accordance with section 186 (3) sentence 4 AktG. This restriction is also to be applied to shares that have been, or will be, issued for the purpose of servicing convertible bonds/warrants if these bonds are issued during the effectiveness of this authorisation in accordance with section 186 (3) sentence 4 AktG;

- in the case of a capital increase for the issue of employee shares if the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation.

The Administrative Board is authorised to determine a start date for dividend rights which differs from the statutory regulations and to determine the further details of a capital increase and its implementation, in particular the issue amount and the fee to be paid for the new shares, as well as the granting of subscription rights by means of indirect subscription rights pursuant to section 186 (5) AktG.

Conditional capital:

Conditional Capital 2017 (sections 192 et seq. AktG) is regulated in section 4 (7) of the articles of association of GFT Technologies SE.

A conditional increase in the company's share capital (Conditional Capital 2017) of up to €10,000,000.00 is authorised through the issue of a maximum of 10,000,000 new bearer shares. A conditional increase in share capital is only implemented if the bearers of conversion or warrant rights from convertible or warrant bonds (or a combination of these instrument), which were issued by GFT Technologies SE or a domestic or foreign company in which GFT Technologies SE directly or indirectly holds a majority of voting rights and capital, on the basis of the authorisation adopted by the Annual General Meeting of 31 May 2017 agenda item 6, exercise their conversion or warrant rights or fulfil their conversion or warrant obligations from such convertible or warrant bonds, and insofar as the conversion or warrant rights or conversion or warrant obligations are not settled via treasury shares, nor shares from authorised capital, nor by other consideration.

The new shares participate in the profit from the beginning of the financial year in which they are issued; by way of derogation, the Administrative Board may, to the extent legally permissible, stipulate that the new shares participate in the profit from the beginning of a previous financial year for which no resolution of the Annual General Meeting regarding appropriation of profit has been taken at the time of their issue. The Administrative Board is authorised to determine the further specifics in connection with the issue of shares under this contingency.

Purchase of treasury shares:

With a resolution adopted by the Annual General Meeting of 23 June 2015, GFT Technologies SE is authorised to purchase treasury shares up to a total of 10% of share capital as at the time of the Annual General Meeting resolution. The authorisation may be exercised once or several times and in full or in partial amounts. However, the treasury shares purchased on the basis of this authorisation, together with those treasury shares already held by GFT Technologies SE or attributed to it pursuant to sections 71a et seq. AktG, may at no time exceed 10% of the respective share capital. The purchase of treasury shares is made via the stock exchange or as part of a public purchase offer made to all shareholders by GFT Technologies SE. The purchase price per share paid by GFT Technologies SE (exclusive of any ancillary costs) may not exceed, or fall below, the arithmetic mean price for shares of the same class and with the same rights in GFT Technologies SE in the closing auction of Xetra trading (or a comparable successor system) over the ten trading days on which a closing auction was held prior to the purchase of treasury shares or, in the case of a public offer, prior to the day on which the public offer was announced, by more than 10%. In the case of a public offer, the volume of the offer may be limited. The authorisation was granted for every legally permissible purpose, and in particular for the following purposes:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- to cancel shares;
- to offer the corresponding shares for purchase to employees of GFT Technologies SE and affiliated companies of GFT Technologies SE as defined by section 15 AktG;
- to sell the shares with the exclusion of shareholder subscription rights while meeting the requirements of section 186 (3) sentence 4 AktG.

The sale of purchased treasury shares must always be made via the stock exchange or by means of a public offer made to all shareholders. GFT Technologies SE was authorised, however, to employ a different selling method, with the exclusion of shareholder subscription rights, should this be necessary in the interests of GFT Technologies SE, in order to use the shares as follows:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- to offer the corresponding shares for purchase to employees of the company and affiliated companies of GFT Technologies SE as defined by section 15 AktG.

The Administrative Board was also authorised, with the exclusion of shareholder subscription rights, to sell the acquired treasury shares in ways other than via the stock exchange or by way of a public offer to all shareholders, provided that the shares issued with the exclusion of shareholder subscription rights pursuant to section 186 (3) sentence 4 AktG do not exceed 10% in total of share capital, neither at the time this authorisation becomes effective nor at the time when this authorisation is exercised. Those shares issued during the term of this authorisation, utilising an authorisation to issue new shares from Authorised Capital pursuant to section 186 (3) sentence 4 AktG with the exclusion of shareholder subscription rights valid at the time this authorisation became effective, are to be included in this limitation. Also to be included are those shares issued, or still to be issued, for the settlement of warrant/convertible bonds, providing such bonds were issued during the effective term of this authorisation pursuant to section 186 (3) sentence 4 AktG.

In all the above cases, the selling price of a company share (excluding transaction costs) may not be significantly lower than the arithmetic mean price for shares of the same class and with the same rights in GFT Technologies SE in the closing auction of XETRA trading (or a comparable successor system) over the ten trading days on which a closing auction was held prior to the sale of treasury shares or prior to the date on which contract for the sale of treasury shares is concluded. The authorisations to sell may be exercised separately or together, in whole or in part. If exercised in part, the authorisation may be utilised on several occasions. The authorisation applies to shares of GFT Technologies SE already held by GFT Technologies SE at the time this authorisation was granted.

The Administrative Board was also authorised to cancel treasury shares without any further resolution of the Annual General Meeting. The authorisation to cancel shares may be exercised in whole or in part. If exercised in part, the authorisation may be utilised on several occasions. The authorisation applies to shares of GFT Technologies SE already held by GFT Technologies SE at the time this authorisation was granted. Cancellation results in a capital reduction. Contrary to the aforementioned, the Administrative Board may determine that share capital is not reduced, but that the proportion of the remaining shares in the share capital is increased pursuant to section 8 (3) AktG. In this case, the Administrative Board is authorised to adjust the number of shares stated in the articles of association.

The authorisation to purchase treasury shares became effective on 23 June 2015 and is valid until 22 June 2020.

Material agreements of the parent company conditional to a change of control following a takeover bid (number 8):

GFT Technologies SE has signed several promissory note agreements totalling €59.5 million which grant termination rights to the respective lender in the event that, without prior consent of the respective lender, a person or a number of people acting in unison as defined by section 2 (5) German Takeover Act (Wertpapiererwerbs und Übernahmegesetz – WpÜG), or persons acting on behalf of such persons (with the exception of those defined “Permitted Owners” defined below) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE. The term “Permitted Owners” refers to (i) the spouses Ulrich and Maria Dietz and their offspring, as well as (ii) persons acting on behalf of one or more of the aforementioned persons.

A banking consortium has provided GFT Technologies SE with a syndicated, half-revolving credit line for a total amount of up to €80 million, of which €40 million had been drawn at the end of the reporting period. The consortium members were granted the right to terminate their portion if a person or a group of people who have coordinated their actions pursuant to section 2 (5) WpÜG, or persons acting on behalf of such persons (with the exception of Ulrich Dietz and/or Maria Dietz and/or their offspring) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE.

A bank in Germany has provided GFT Technologies SE with a master credit line for a total amount of up to €20 million, of which €5 million had been drawn at the end of the reporting period. The bank was granted the right to terminate the master credit line if a person or a group of people who have coordinated their actions pursuant to section 2 (5) WpÜG, or persons acting on behalf of such persons (with the exception of Ulrich Dietz and/or Maria Dietz and/or their offspring) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE.

GFT Technologies SE provides services under a master agreement with Deutsche Bank AG, which also grants Deutsche Bank AG the right to terminate the master agreement and the attendant separate agreements in the case of a change of control. Under this definition, a change of control occurs if (i) a competitor of Deutsche Bank AG buys shares in GFT Technologies SE, and/or an affiliated company which has concluded one or more separate agreements under the master agreement, to the extent that the competitor is able to assume decisive positions within GFT Technologies SE or (ii) a third person who is listed in the embargo list of Deutsche Bank AG purchases half or more of the shares in GFT Technologies SE, or one of the aforementioned affiliated companies, or gains control of their business.

In the service contracts of its Managing Directors, GFT Technologies SE has granted the latter special termination rights in the event of a change of control. Further details are provided in the explanations below.

Compensation agreements with executive board members and employees in the event of a change of control (number 9):

As a company with a single-tier management and control structure, GFT Technologies SE exclusively applies the disclosure obligations of section 289a (1) number 9 HGB and section 315a (1) number 9 HGB, regarding compensation agreements made with executive board members for the case of a takeover offer, to its Managing Directors.

For the event of a change of control, GFT Technologies SE has agreed identical, time-limited special termination rights with each Managing Director. A change of control exists after the purchase of a minimum of 30% of voting rights in GFT Technologies SE by a third party or by several third parties acting together. A change of control is also deemed to exist on conclusion of an affiliation agreement (as defined by section 291 AktG) by GFT Technologies SE as a dependent company, or if GFT Technologies SE merges with a non-group legal entity, or in other comparable situations. If a Managing Director should justifiably exercise his or her special termination rights, they shall have a one-off claim to severance pay. This amounts to 50% of the fixed salary which would have accrued without exercising the special termination right up to the end of the regular contract period, but at least 50% and a maximum of 100% of a full annual fixed salary.

6 Remuneration report

Principles of the compensation system pursuant to section 289a (2) HGB and section 315a (2) HGB and disclosures pursuant to section 285 no. 9 HGB and section 314 (1) no. 6 HGB, as well as in compliance with the recommendations in section 4.2.5 (3) German Commercial Code (GCGC)

In accordance with the requirements of the German Commercial Code (HGB), the German Accounting Standards and the International Financial Reporting Standards (IFRS), this report explains the principles of the remuneration system for the Supervisory Board and the Managing Directors of GFT Technologies SE. It also follows the recommendations of the German Corporate Governance Code (GCGC), insofar as the Administrative Board has not stated deviations to the latter in its Declaration of Compliance. This remuneration report provides disclosures according to section 285 no. 9 HGB and section 314 (1) no. 6 HGB, which are applied in accordance with article 61 of the Statute for a European Company (SE-VO).

The Remuneration Report contains all disclosures required by section 4.2.5 GCGC. In its latest Declaration of Compliance of 12 December 2017, however, the Administrative Board of GFT Technologies SE declared that the company had waived the use of model tables pursuant to the GCGC recommendations as it believes this would not provide any further informational content to the shareholders.

Administrative Board

In accordance with section 15 of the articles of association of GFT Technologies SE, remuneration for the members of the Administrative Board is set by the Annual General Meeting. The Annual General Meeting may adopt a higher payment for the chair and deputy chair of the Administrative Board. Payment is due at the end of each financial year. Members of the Administrative Board who only served on the Administrative Board for part of the financial year, receive one-twelfth of annual remuneration for each month of their membership they commenced.

The Annual General Meeting of GFT Technologies SE on 14 June 2016 adopted a resolution that the Administrative Board members of GFT Technologies SE should receive fixed remuneration retroactively for the full financial year 2016 of €43,000.00, while the Chairman of the Administrative Board should receive €86,000.00 and the Deputy Chairman of the Administrative Board should receive remuneration of €64,500.00 – in each case for the respective financial year and in addition to the reimbursement of expenses and the reimbursement of any VAT due on the remuneration and expenses. Those Administrative Board members – including the Chairman and his Deputy – who have been appointed Managing Directors of the company do not receive any Administrative Board remuneration insofar as they already receive remuneration for their duties as Managing Directors. This compensation regulation applies until the Annual General Meeting decides otherwise.

Total compensation for the members of the Administrative Board in the past financial year amounted to €252,625.00 (2016: €215,000.00). In the financial year 2017, an amount €84,000.00 (2016: €0.00) was incurred for consultancy services provided by RB Capital GmbH, whose sole shareholder and managing director is Ulrich Dietz. There were no other benefits or payments granted to members of the Administrative Board for personally rendered services, and in particular consultancy and referral services. There are currently no stock option programmes or similar securities-oriented incentive systems in place for the Administrative Board. No Administrative Board members were granted loans by the company or any affiliated company in the reporting period.

The members of the Administrative Board received the following compensation in financial year 2017 for their work on the Administrative Board of GFT Technologies SE (in euro):

Remuneration of the Administrative Board

in €	2016	2017
Ulrich Dietz (Chairman) ¹	0.00	50,166.67
Dr Paul Lerbinger (Deputy Chairman) ²	86,000.00	73,458.33
Dr-Ing. Andreas Bereczky	43,000.00	43,000.00
Maria Dietz	43,000.00	43,000.00
Marika Lulay	0.00	0.00
Dr. Jochen Ruetz	0.00	0.00
Prof Dr Andreas Wiedemann	43,000.00	43,000.00
Total	215,000.00	252,625.00

¹ From 1 January 2017 to the expiry of the Annual General Meeting on 31 May 2017, Ulrich Dietz was not only a member of the Administrative Board but simultaneously also a Managing Director (CEO) of the company and received compensation solely in this capacity. As of the expiry of the Annual General Meeting on 31 May 2017, Ulrich Dietz was no longer a Managing Director and since this time he has received compensation as Chairman of the Administrative Board.

² Until the expiry of the Annual General Meeting on 31 May 2017, Dr Paul Lerbinger was Chairman of the Administrative Board. Since this time, he has been Deputy Chairman of the Administrative Board.

Managing Directors

Compensation for the Managing Directors is set by the Administrative Board. Amongst other things, it depends on the responsibilities of the respective Managing Director.

Remuneration is composed of performance-based and non-performance-based components. The non-performance-based component is paid in monthly amounts, i.e. twelve times per financial year. The performance-based components are granted as one-off payments. Stock option programmes or similar securities-oriented incentive systems do not currently exist.

In addition, the respective remuneration includes fringe benefits, such as the benefit in kind from the provision of a company vehicle also for private use, premiums for appropriate accident insurance and subsidies for pensions and health insurance within the customary range.

The first performance-based compensation component is linked to the attainment of targets for the key earnings figure of consolidated EBT (Earning Before Taxes) as well as the attainment of personal targets for the financial year agreed individually with the Administrative Board for each Managing Director. If the agreed minimum target is not reached, no corresponding variable compensation is paid. This component is capped individually for each Managing Director.

The second performance-based compensation component (value growth bonus) is based on multi-year, future-based development, considering both positive and negative trends. The value growth bonus is linked to the multi-year development of the ratio between EBT and revenue at Group level.

All variable remuneration amounts and total remuneration are capped.

No Managing Director was granted a loan or advance by the company or any affiliated company.

No special capping of payments to the Managing Directors in the event of premature termination has been agreed. The legal regulations therefore apply.

With reference to the contractual arrangements in the event of a change of control, reference is made to section 289a (1) HGB and section 315a (1) HGB, "Compensation agreements with executive board members in the event of a change of control (no. 9)", (see section: Takeover-relevant information).

Total remuneration for the Managing Directors in financial year 2017 amounted to €1,311,187.13 (2016: €2,216,784.14). The company had three Managing Directors for the entirety of the financial year 2016. In the reporting period, the company had three Managing Directors up to the expiry of the Annual General Meeting on 31 May 2017, and thereafter two Managing Directors.

Remuneration of the Managing Directors in the financial year 2017 acc. to HGB (benefits)

The Managing Directors received the following compensation (benefits granted acc. to HGB in euro):

Ulrich Dietz (Managing Director until expiry of the Annual General Meeting on 31 May 2017)

in €	2016	2017	minimum	maximum
Non-performance-based compensation	399,999.96	166,666.65	166,666.65	166,666.65
Fringe benefits	8,075.67	3,310.47	3,310.47	3,310.47
Sub-total	408,075.63	169,977.12	169,977.12	169,977.12
Performance-based compensation				
short-term	247,012.79	41,567.00	0.00	1,500,000.00
long-term	120,000.00	0.00	0.00	200,000.00
Total	775,088.42	211,544.12	169,977.12	1,869,977.12

Marika Lulay

in €	2016	2017	minimum	maximum
Non-performance-based compensation	380,000.04	380,000.04	380,000.04	380,000.04
Fringe benefits	47,929.79	35,075.58	35,075.58	35,075.58
Sub-total	427,929.83	415,075.62	415,075.62	415,075.62
Performance-based compensation				
short-term	219,178.40	82,067.00	0.00	1,250,000.00
long-term	190,000.00	100,000.00	0.00	265,000.00
Total	837,108.23	597,142.62	415,075.62	1,930,075.62

Dr Jochen Ruetz

in €	2016	2017	minimum	maximum
Non-performance-based compensation	273,333.36	300,000.00	300,000.00	300,000.00
Fringe benefits	35,445.17	35,240.39	35,240.39	35,240.39
Sub-total	308,778.53	335,240.39	335,240.39	335,240.39
Performance-based compensation				
short-term	185,808.96	77,260.00	0.00	1,250,000.00
long-term	110,000.00	90,000.00	0.00	160,000.00
Total	604,587.49	502,500.39	335,240.39	1,745,240.39

Allocation pursuant to the recommendations of section 4.2.5 (3) GCGC for the Managing Directors (in euro):

The following table presents the allocation of fixed compensation and fringe benefits, as well as short-term and long-term variable compensation for the financial year 2017.

in €	Ulrich Dietz (until 31 May 2017)	Marika Lulay	Dr Jochen Ruetz
Non-performance-based compensation	166,666.65	380,000.04	300,000.00
Fringe benefits	3,310.47	35,075.58	35,240.39
Sub-total	169,977.12	415,075.62	335,240.39
Performance-based compensation			
short-term	277,067.00	265,067.00	206,260.00
long-term	490,000.00 ¹	0.00	0.00
Total	937,044.12	680,142.62	541,500.39

¹ Value of long-term variable compensation for the financial years 2013 to 2016

Other disclosures

The company takes out D&O insurance for the members of the Administrative Board and the Managing Directors of GFT Technologies SE. It is concluded or prolonged annually. The insurance covers the personal liability risk in the event of claims for financial losses. The policy includes a deductible for the Managing Directors which complied, and continues to comply, at all times with the requirements of section 93 (2) sentence 3 AktG.

With regard to the D&O insurance, no deductible is agreed upon for those members of the Administrative Board who are also Managing Directors. The company is of the opinion that a deductible for members of the Administrative Board provides no additional incentive to carry out their activities with due diligence and in accordance with the statutory provisions.

7 Forecast report

7.1 Macroeconomic and sector development

Macroeconomic development

In its latest economic outlook published in January 2018, the International Monetary Fund (IMF) forecasts a further upturn in the global economy. Driven by the current recovery in Europe and Asia, and in particular the tax reform in the USA, the IMF's experts predict global growth of 3.9% in 2018 and 2019. In October of last year, they had forecast an increase of just 3.7% for each year. However, the IMF believes that in order to achieve long-term stable growth, the structural deficiencies in various countries must first be addressed and wealth needs to be distributed more fairly.

In its economic report of December 2017, the European Central Bank (ECB) predicts that the eurozone will maintain its solid growth trajectory in the coming years. Compared to its outlook of September 2017, the bank's experts significantly upgraded their forecast. They currently anticipate gross domestic product (GDP) growth in the eurozone of 2.3% in the current year, 1.9% in the coming year and 1.7% in 2020. They continue to forecast growth in consumer spending and consumption as a result of improvements in the labour market. At the same time, the propensity of companies to invest in capital goods is increasing due to their improved earnings and favourable financing conditions. Exporters in the eurozone are benefiting from the positive impact of the global economic upswing. However, external demand growth is set to fall from 4.4% this year to 3.5% in 2020. According to the IMF, the Brexit negotiations represent a threat to the EU's financial markets. If they fail, this could lead to a sharp slump in the economy. The economists also expressed concerns about the development of Spain in view of Catalonia's push for independence.

Strong demand from abroad in combination with a healthy revival of capital spending by companies and a positive situation on the labour market are all expected to fuel strong growth in Germany: Deutsche Bundesbank forecasts GDP growth in Germany of 2.5% for the current year, 1.7% for the following year and 1.5% in 2020. However, the economists believe that high capacity utilisation, especially on the labour market, would become a limiting factor in the medium term.

Sector development

According to Gartner, the global IT market will gain further momentum in 2018. In its January 2018 update, the market research firm forecast an increase in global IT spending of 4.5% – thus raising the previous forecast of October 2017 by 0.2 percentage points. The strongest growth is predicted for software (9.4%) and IT services (5.3%). However, the possible effects of Brexit, currency fluctuations and a feared global recession remain uncertainty factors. Gartner regards blockchain technology, the Internet of Things, machine learning and artificial intelligence as the key growth drivers.

Financial institutions will also invest heavily in IT again in 2018, according to Gartner. After IT spending of investment banks grew more strongly than those of retail banks in the past year, the situation is expected to reverse again in 2018. Gartner expects growth of 3.5% for retail banks and 2.8% for investment banks.

For the German IT market, the digital association Bitkom anticipates growth of 1.7% in 2018. As in previous years, it predicts much stronger growth of 3.1% for the IT sector than for the telecommunications sector (0.4%). The biggest increase is forecast for the software segment (6.3%), followed by IT services (2.6%). Persistently high demand in these two areas underlines that digitisation has reached all sectors of the economy. Whereas cloud computing has already become firmly established, the industry association believes that Big Data and the Internet of Things still have high growth potential. However, this growth will also exacerbate the shortage of IT specialists, which could get much worse in 2018 and become a brake on growth.

7.2 Expected development of the GFT Group

Following a challenging financial year 2017, the GFT Group regards 2018 as a year of consolidation. It will be marked by volatile revenue expectations on the one hand and multiple growth opportunities on the other.

The *Continental Europe* division will continue to focus on IT solutions for retail banks in 2018 and plans to achieve overall revenue growth of 3%. Without the two major clients, the division is expected to grow by 10%. In addition to projects for the implementation of regulatory requirements, growth is expected to be stimulated by the need to restructure data and modernise IT infrastructures. Moreover, we intend to systematically target various areas of the industrial sector with our service offerings in the *Continental Europe* division during the current financial year. These efforts will focus above all on the German engineering industry, which we already successfully penetrated with initial projects in the financial year 2017. In 2018, we expect industrial clients to contribute initial group-wide revenue in the mid-single-digit millions. In order to fully utilise the market potential, we will focus strongly on our international development centres and strategic partnerships with platform providers.

In the *Americas & UK* segment, we expect increasing demand for digitisation solutions for investment banking and asset management, which we are currently targeting with our solution portfolio. In the current financial year, we will expand existing customer relationships while at the same time stepping up our efforts to acquire new customers in the retail banking sector. To this end, we aim to leverage our many years of experience in implementing complex digitisation projects in the European and South American retail markets and plan to expand our international development centres. Without the two major investment banking clients, we expect revenue growth of 23% for the *Americas & UK* segment in the financial year 2018.

The GFT Group's revenue trend will continue to be impacted by the budget restrictions of its two major clients in the current financial year. Depending on the extent of these restrictions, revenue generated with these clients may decline year on year within a range of -27% to -16%. It can be assumed, however, that in the medium to long term, these clients will once again produce growth opportunities with intelligent IT solutions for reducing costs and streamlining processes. In order to reduce our reliance on the cost-containment measures of certain key clients in future, we will systematically continue the broadening of our customer profile and the related risk reduction measures launched in 2017 in the financial year 2018.

The main growth drivers in the financial year 2018 will be projects based on the technologies blockchain, cloud, data analytics and artificial intelligence. After successfully expanding our digital services portfolio over the past few years, these new technologies will enable us to expand our customer base during the current financial year and beyond, while establishing ourselves as a technology partner with our existing clients. In 2018, we plan to generate 25% of consolidated revenue with new technologies – an increase of 50% over the previous year. Blockchain, cloud and artificial intelligence projects are expected to contribute around €15 million to consolidated revenue in 2018; sales of technologies, such as DevOps and data analytics, are expected to grow to €80.00 million.

On the basis of these developments, the GFT Group expects revenue within a range of €400.00 million and €420.00 million for its financial year 2018. Thanks to the successful implementation of measures to raise operating efficiency and improve margins, we anticipate an increase in EBITDA to at least €39.00 million (2017: €34.31 million) with EBT of €25.00 million (2017: €18.13 million) in the financial year 2018. We can confirm our medium-term forecast and plan to reach revenue of €800.00 million in 2022 with an EBITDA margin of around 12%.

Assumptions for the forecasts

Our forecasts are based on the above assumptions regarding overall economic development and the development of the financial services sector and IT industry. These forecasts take account of all events known at the time of preparing this report that might have an impact on the performance of the GFT Group.

7.3 Overall statement on the expected development

Based on our technology-focused service portfolio and proven operational strengths, we expect to expand our market position in 2018 – for clients in both the financial services sector and the industrial sector. Growth is expected to be stimulated by projects based on new technologies, such as blockchain, cloud, data analytics and artificial intelligence. In view of the ongoing volatility of revenue with its two major investment banking clients, the Group expects revenue to be on a par with the previous year but with significantly higher margins.

8 Explanations on the separate financial statements of GFT Technologies SE (HGB)

8.1 General

The annual financial statements of GFT Technologies SE were prepared in accordance with the regulations of the German Commercial Code (HGB), taking into account the supplementary provisions of the German Stock Corporation Act (AktG). They are published in the electronic Federal Gazette. The annual financial statements are permanently available online at www.gft.com/financialreport.

The management report of GFT Technologies SE has been combined with the management report of the GFT Group. The economic conditions of GFT Technologies SE are largely identical to those of the Group as described in detail in section 2.1 "General economic and sector-specific conditions".

8.2 Research and development

GFT Technologies SE invested a total of €1.62 million in research and development during the financial year 2017 (2016: €2.65 million). As in the previous year, personnel expenses of €0.17 million or 11% accounted for only a small proportion (2016: €0.42 million or 14%). Expenses for external services amounted to €0.25 million (2016: €0.17 million), corresponding to 15% (2016: 6%) of total research and development costs.

8.3 Development of business

In the financial year 2017, total revenue amounted to €73.72 million and was thus 12% below the prior-year figure of €83.63 million and 18% below the forecast figure of €90.00 million. Taking into account the change in work in progress and other operating income, total performance rose year on year by 6% in the reporting period.

EBT was up €2.26 million to €10.61 million (2016: €8.35 million) and thus €0.39 million or 4% below the planned figure of €11.00 million. The productive utilisation rate of operating business in Germany was 81% in the reporting period and thus just 1%-point below the prior-year forecast.

8.4 Development of revenue

In its financial year 2017, GFT Technologies SE generated **revenue** of €73.72 million. This was €9.91 million or 12% below the prior-year figure of €83.63 million. The development of revenue for GFT Technologies SE depends heavily on the completion of projects, above all in connection with major contracts. The positive effect in the previous year from the invoicing of a major project worth €14.28 million could only be offset in part. Due to the changed definition of revenue introduced by the German Accounting Directive Implementation Act (BilRUG) in the previous financial year, revenue now also includes income from group-wide service functions. Adjusted for income from Group cost allocations, revenue amounted to €54.10 million, representing a year-on-year decline of 13% (2016: €61.87 million).

Income from Group cost allocations of €18.85 million was down 13% (2016: €21.76 million), due mainly to reduced IT allocations for services.

With the exception of Group cost allocations, GFT Technologies SE once again generated most of its revenue in Germany.

8.5 Earnings position

Overview of earnings position

Earnings before taxes (EBT) of GFT Technologies SE improved by €2.26 million to €10.61 million in the reporting period, compared to €8.35 million in the previous year. This was primarily due to an increase in the operating result of €-0.04 million to €2.42 million caused by the rise in total performance, which more than offset an 11% rise in increase personnel expenses.

The productive utilisation rate of operating business (without holding activities) of GFT Technologies SE fell slightly by 2%-points – from 83% in the previous year to 81% in the financial year 2017. The productive utilisation rate is one of the most important non-financial performance indicators. It refers solely to the use of production staff in client projects and does not include any sales activities or internal projects.

Earnings position by income and expense items

Changes in inventories of work in progress rose by €11.47 million to €1.24 million, compared to €-10.23 million in the previous financial year. This was mainly due to closing-date effects from projects not yet invoiced.

Other operating income increased year on year by €3.16 million to €10.00 million (2016: €6.84 million) as a result of higher IT overhead allocations.

In addition to revenue, the increase in inventories of work in progress and other operating income resulted in a **total performance** of €84.97 million for the financial year 2017 (2016: €80.24 million).

The **cost of purchased services** fell by 3% to €31.24 million (2016: €32.17 million). The ratio of cost of purchased services to total performance declined slightly to 37% (2016: 40%). The Spanish subsidiary GFT IT Consulting S.L. is still the most important supplier.

Personnel expenses increased year on year by 11% to €30.82 million (2016: €27.80 million), mainly due to new hiring.

In the reporting period, **other operating expenses** amounted to €19.03 million and were thus on a par with the previous year (2016: €19.21 million). They still mainly comprise expenses for services received, licence fees, legal and consulting fees, expenses in connection with external finance and travel expenses.

The **financial result** decreased slightly to €8.19 million (2016: €8.39 million) and was dominated by two opposing effects. Decreased investment income of €9.62 million (2016: €10.65 million) was offset by lower expenses from profit transfer agreements of German Group companies amounting to €1.26 million (2016: €-1.87 million) and reduced writedowns on financial assets of €0.54 million (2016: €0.99 million).

Income taxes totalled €0.44 million (2016: €0.00 million). The imputed tax ratio in the financial year 2017 was 4%.

The **annual net income** rose by €1.82 million, from €8.34 million to €10.16 million. The development of net income is mainly due to the improved operating result.

8.6 Financial position

The financial management of GFT Technologies SE ensures the permanent liquidity of all Group companies. Please refer to section 2.6 “Financial position” for a more detailed description of the GFT Group’s financial structure.

As of 31 December 2017, GFT Technologies SE held cash and cash equivalents amounting to €31.71 million and thus €18.07 million more than at the end of 2016. The cash inflow resulted mainly from the external financing as well as closing-date effects on working capital.

The net liquidity of GFT Technologies SE – a product of cash and cash equivalents disclosed in the balance sheet less bank borrowing – improved from €-83.36 million in the previous year to €-72.79 million as of 31 December 2017.

8.7 Asset position

At €199.64 million, the **balance sheet total** of GFT Technologies SE was €10.77 million or 6% above the prior-year figure. This was mainly due to an increase in liquid funds.

Non-current assets were €12.48 million lower than in the previous year due to a reduction in financial assets, which in turn resulted mainly from a fall in loans to affiliated companies of €13.47 million.

Inventories of **work in progress** rose year on year by €1.24 million or 34% to €4.85 million as of 31 December 2017.

Receivables and other assets were largely unchanged at €59.60 million (31 December 2016: €59.64 million). Whereas **trade receivables** in particular were up by €6.49 million to €24.56 million (31 December 2016: €18.07 million), **receivables from affiliated companies** declined by €7.32 million, from €40.57 million to €33.25 million as of 31 December 2017. The increase in trade receivables was due to closing-date effects. Trade receivables continue to be dominated by claims from the mutually agreed termination and final invoicing of an implementation project between a software vendor and its end customer in the financial year 2016, for which the GFT Group acted as sub-contractor. The main reason for the decline in receivables from affiliated companies was the redemption of a loan to the UK subsidiary amounting to €9.80 million.

The increase in **prepaid expenses** from €2.69 million to €6.66 million as of 31 December 2017 is mainly due to period-based IT licences.

On the liability side, **shareholders’ equity** rose by €2.26 million to €63.71 million in the reporting period (31 December 2016: €61.45 million). The increase was mainly in connection with the net income for the year of €10.16 million (2016: €8.34 million). This was offset by the dividend payment to shareholders of €7.90 million. The equity rate at the end of the reporting period amounted to 32% (31 December 2016: 33%).

Compared to 31 December 2016, **provisions** rose slightly to €10.81 million (31 December 2016: €10.37 million). A main factor for this trend were **tax provisions**.

As of 31 December 2017, **liabilities** amounted to €125.01 million (31 December 2016: €117.05 million). The increase resulted mainly from a €7.50 million rise in **bank liabilities** for the financing of customer receivables as well as funding domestic and foreign Group subsidiaries. Moreover, the change was due to a rise in **trade payables** caused by closing-date effects. There was an opposing decrease in **liabilities due to affiliated companies** of €5.48 million.

Due in particular to the increase in borrowing, the debt ratio of GFT Technologies SE increased by 1%-point to 68% as of 31 December 2017 (31 December 2016: 67%).

8.8 Overall assessment

GFT Technologies SE posted growth in total performance of 6%, raised EBT to €10.61 million and thus recorded a strong development in its financial year 2017. The main growth driver was the demand for solutions to digitise retail banks.

As of 31 December 2017, GFT Technologies SE had an equity ratio of 32% (2016: 33%) and thus continues to have a solid capital and balance sheet structure.

The economic position of GFT Technologies SE continues to be dominated by its operating activities and those of its subsidiaries. GFT Technologies SE participates in the operating results of its subsidiaries via dividend payments. As a result, the economic position of GFT Technologies SE is fundamentally the same as that of the GFT Group, as explained in section 2.8.

8.9 Risk and opportunity report

The risk management system of the GFT Group applies in the same way to GFT Technologies SE. The risks of the subsidiaries have an indirect impact on GFT Technologies SE as the parent company of the GFT Group. A standardised assessment of risks and opportunities across the entire Group is provided in section 3 "Risk Report" and section 4 "Opportunity Report".

8.10 Forecast report

The future business trend of GFT Technologies SE is largely subject to the same influencing factors as for the GFT Group. Detailed information on the expected macroeconomic and sector developments, as well as the development of the GFT Group, and the assumptions on which Group guidance is based is provided in section 7 "Forecast Report".

For the financial year 2018, we expect GFT Technologies SE to achieve revenue and EBT slightly above the prior-year level. A decrease in the operating result due to increased investments in staffing for the expansion of digital service offerings for industrial clients is to be offset by higher investment income. The productive utilisation rate from operating business in Germany is expected to be on a par with the previous year (81%).

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Consolidated Balance Sheet

as at 31 December 2017, GFT Technologies SE

Assets

[illegible]

Equity and liabilities

in €	Notes	31/12/2017	31/12/2016
Shareholders' equity			
Share capital	2.9	26,325,946.00	26,325,946.00
Capital reserve	2.9	42,147,782.15	42,147,782.15
Retained earnings			
Other retained earnings	2.9	22,243,349.97	22,243,349.97
Changes not affecting net income	5.3	-23,936,399.37	-20,296,182.84
Other comprehensive income			
Actuarial gains/losses	2.10	-2,670,281.68	-2,764,248.94
Currency translation differences	2.9	-6,010,354.83	2,215,605.09
Consolidated net profit	2.9	57,222,179.27	47,311,135.14
		115,322,221.51	117,183,386.57
Non-current liabilities			
Other financial liabilities	2.12, 5.3	0.00	32,843,970.47
Financial liabilities	2.12, 5.5	106,243,843.28	86,035,062.67
Provisions for pensions	2.10	8,573,473.57	8,689,968.64
Other provisions	2.11	1,586,594.52	1,490,306.35
Deferred tax liabilities	2.6	3,199,680.73	5,591,639.19
		119,603,592.10	134,650,947.32
Current liabilities			
Other provisions	2.11	37,718,328.73	37,064,690.69
Tax liabilities	2.6	1,301,986.41	2,437,281.25
Financial liabilities	2.12, 5.5	5,291,219.39	18,308,325.27
Trade payables	2.12	14,469,618.07	12,516,758.54
Other financial liabilities	2.12, 5.3	34,732,187.82	1,913,480.78
Other liabilities	2.13	44,374,703.30	41,967,283.30
		137,888,043.71	114,207,819.83
		372,813,857.34	366,042,153.72

Consolidated Income Statement

for the financial year 2017, GFT Technologies SE

in €	Notes	2017	2016
Revenue	5.2	418,811,089.09	422,559,342.33
Other operating income	3.1	4,573,066.55	6,257,419.88
		423,384,155.64	428,816,762.21
Cost of purchased services	3.2	55,589,669.62	59,847,890.62
Personnel expenses			
a) Salaries and wages	3.3	226,175,409.01	211,118,950.78
b) Social security contributions and expenditures	3.3	45,624,917.63	43,541,919.76
		271,800,326.64	254,660,870.54
Depreciation and amortisation of intangible assets and property, plant and equipment	3.4	12,517,947.93	11,916,686.30
Goodwill impairment		2,000,000.00	0.00
Other operating expenses	3.5	61,672,860.58	67,542,987.20
Result from operating activities		19,803,350.86	34,848,327.55
Other interest and similar income	3.7	218,271.86	215,994.32
Result of investments accounted for using the equity method	2.3	-11,664.09	-54,161.67
Interest and similar expenses	3.7	1,882,804.39	1,962,437.53
Financial result		-1,676,196.62	-1,800,604.88
Earnings before taxes		18,127,154.24	33,047,722.67
Income taxes	2.6	318,326.31	8,819,040.49
Net income for the year		17,808,827.93	24,228,682.18
Earnings per share – basic	5.4	0.68	0.92

Consolidated Statement of Comprehensive Income

for the financial year 2017, GFT Technologies SE

in €	Notes	2017	2016
Net income for the year		17,808,827.93	24,228,682.18
Items that will not be reclassified to the income statement			
Actuarial gains/losses	2.10	317,079.15	-42,912.51
Income taxes on items in the other comprehensive income	5.1	-223,111.89	6,015.16
Items that may be reclassified to the income statement			
Currency translation of net investments in foreign business operations		-1,075,974.17	0.00
Gains/losses from currency translation of foreign subsidiaries	5.1	-7,149,985.75	-6,463,154.79
Other comprehensive income		-8,131,992.66	-6,500,052.14
Total comprehensive income		9,676,835.27	17,728,630.04

Consolidated Statement of Changes in Equity

as at 31 December 2017, GFT Technologies SE

	Notes	Share capital	Capital reserve	
in €				
Balance at 1 January 2016		26,325,946.00	42,147,782.15	
Dividends to shareholders	2.9			
Dividends to non-controlling interests	5.3			
Valuation of variable purchase price liabilities	5.3			
Total comprehensive income				
Balance at 31 December 2016		26,325,946.00	42,147,782.15	
Balance at 1 January 2017		26,325,946.00	42,147,782.15	
Dividends to shareholders	2.9			
Dividends to non-controlling interests	5.3			
Valuation of variable purchase price liabilities	5.3			
Total comprehensive income				
Balance at 31 December 2017		26,325,946.00	42,147,782.15	

¹ Net income for the year

Retained earnings		Other comprehensive income		Consolidated net profit/loss	Total equity
Other retained earnings	Changes not affecting net income	Actuarial gains/losses	Currency transla- tion differences		
22,243,349.97	-3,201,360.01	-2,727,351.59	8,678,759.88	30,980,236.76	124,447,363.16
				-7,897,783.80	-7,897,783.80
	-1,428,876.87				-1,428,876.87
	-15,665,945.96				-15,665,945.96
		-36,897.35	-6,463,154.79	24,228,682.18 ¹	17,728,630.04
22,243,349.97	-20,296,182.84	-2,764,248.94	2,215,605.09	47,311,135.14	117,183,386.57
22,243,349.97	-20,296,182.84	-2,764,248.94	2,215,605.09	47,311,135.14	117,183,386.57
				-7,897,783.80	-7,897,783.80
	-1,594,116.38				-1,594,116.38
	-2,046,100.15				-2,046,100.15
		93,967.26	-8,225,959.92	17,808,827.93 ¹	9,676,835.27
22,243,349.97	-23,936,399.37	-2,670,281.68	-6,010,354.83	57,222,179.27	115,322,221.51

Consolidated Cash Flow Statement

for the financial year 2017, GFT Technologies SE

in €	Notes	2017	2016
Net income for the year		17,808,827.93	24,228,682.18
Income taxes	2.6	318,326.31	8,819,040.49
Interest income		1,664,532.53	1,746,443.21
Interest paid		-1,633,123.73	-1,778,708.19
Interest received ¹		126,082.44	165,666.87
Income taxes paid		-5,471,938.93	-7,164,458.87
Depreciation and amortisation of intangible assets and property, plant and equipment and impairment losses on goodwill	2.1.2.2	14,517,947.93	11,916,686.30
Changes in provisions		1,377,872.45	-4,097,275.99
Other non-cash expenses and income		-1,786,594.87	2,275,709.64
Net proceeds on disposal of intangible assets and property, plant and equipment		63,991.49	5,969.60
Changes in trade receivables		6,728,640.94	-24,355,433.49
Changes in other assets		-18,614,430.30	-266,627.81
Changes in trade payables and other liabilities		8,595,118.06	8,498,950.83
Cash flow from operating activities	4.0	23,695,252.25	19,994,644.77
Proceeds from disposal of property, plant and equipment		62,898.08	81,874.42
Proceeds from disposal of investments		0.00	117,022.72
Proceeds from disposal of non-consolidated equity investments		251,000.00	0.00
Capital expenditure for intangible assets	2.1	-2,151,756.19	-947,369.64
Capital expenditure for property, plant and equipment	2.2	-4,721,472.24	-9,294,784.64
Proceeds for loans granted to third parties		619,755.00	0.00
Cash outflows for acquisitions of consolidated companies net of cash and cash equivalents acquired		-2,788,563.70	-6,661,892.90
Proceeds from the sale of consolidated companies net of cash and cash equivalents transferred		-286,124.75	0.00
Cash flow from investing activities	4.0	-9,014,263.80	-16,705,150.04

¹ In prior year shown under cash flow from investing activities.

in €	Notes	2017	2016
Proceeds from borrowing	5.5	51,986,239.06	22,013,760.94
Cash outflows from loan repayments	5.5	-44,794,564.33	-1,106,722.56
Dividends paid to shareholders	2.9	-7,897,783.80	-7,897,783.80
Dividends paid to minority shareholders		-2,200,000.00	0.00
Cash flow from financing activities	4.0	-2,906,109.07	13,009,254.58
Effect of foreign exchange rate changes on cash and cash equivalents		-1,819,123.32	-985,795.88
Net increase in cash and cash equivalents		9,955,756.06	15,312,953.43
Cash and cash equivalents at beginning of period	4.0	62,290,469.48	46,977,516.05
Cash and cash equivalents at end of period	2.8	72,246,225.54	62,290,469.48

Notes to the Consolidated Financial Statements

for the financial year 2017, GFT Technologies SE

1 Principles and methods

1.1 General information

The consolidated financial statements of GFT Technologies SE and its subsidiaries as of 31 December 2017 have been drawn up in application of section 315e of the German Commercial Code (HGB) (consolidated financial statements according to international accounting standards) and are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). In addition, the commercial law provisions to be observed pursuant to section 315 (f) HGB have been taken into account.

GFT Technologies SE is a European public limited company (Societas Europea, SE) with headquarters in Germany. The company is registered in the Commercial Register of the District Court of Stuttgart under number HRB 753709 with its registered offices at Schelmenwasenstrasse 34, 70567 Stuttgart. The financial year corresponds to the calendar year.

The consolidated financial statements of GFT Technologies SE have been prepared in euro (€), the functional currency of the company. Unless stated otherwise, amounts are stated in thousand euros (€ thsd.). Amounts are rounded using standard commercial methods.

With the exception of changes due to new or amended standards and interpretations, the accounting and measurement methods used in the previous year have been maintained.

The consolidated financial statements were adopted by the Administrative Board on 21 March 2018 and released for publication.

1.2 New accounting regulations

Accounting regulations to be applied for the first time in the financial year

The initial application of the following new international accounting standards according to IFRS, as well as interpretations and amendments of standards and interpretations, had no or no material effect on the presentation of the financial position and performance of the GFT Group:

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements 2014 – 2016: Amendments to IFRS 12

Due to the amendments to IAS 7, which require extended disclosures on changes in liabilities arising from financing activities, an additional reconciliation between opening and closing balance sheet amounts for liabilities arising from financing activities has been included in the notes to the consolidated financial statements (see note 4 Explanations on items of the consolidated cash flow statement).

Accounting regulations not yet mandatory

The following standards and interpretations, as well as interpretations and amendments of standards and interpretations, have already been endorsed by the European Union but are only mandatory for annual financial statements published after 31 December 2017.

IFRS pronouncements to be applied in the future (EU endorsed)

	IFRS pronouncement	Mandatory for financial years beginning on or after
Amendment to IFRS 4	Application of IFRS 9 with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 15	Clarification of IFRS 15, Revenue from Contracts with Customers	1 January 2018
Annual Improvements 2014 – 2016	Amendments to IFRS 1 and IAS 28	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 Financial Instruments

The version of IFRS 9 published in July 2014 replaces the existing guidelines contained in IAS 39 “Financial Instruments: Recognition and Measurement” and is effective for fiscal years beginning on or after 1 January 2018.

IFRS 9 sets out the requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. In addition, the new standard contains regulations on general hedge accounting. The application of IFRS 9 also results in extensive disclosure requirements in both transition and ongoing application. Changes compared to IFRS 7 “Financial Instruments: Disclosures” mainly concern regulations on impairment.

The new classification and measurement rules for financial assets (debt instruments) are based on the business model underlying the portfolio and the type of cash flows the financial instrument has. Accordingly, debt instruments in future will either be measured at amortised cost, at fair value through profit or loss, or through equity at fair value. Equity instruments are always measured at fair value through profit or loss. When the OCI option is exercised, changes in the fair value are recognised through equity and are no longer reclassified to the income statement when sold. The rules for financial liabilities have been largely adopted from IAS 39.

IFRS 9 introduces a new impairment model for financial assets measured at amortised cost or at fair value through equity. This replaces the previous model based on incurred losses of IAS 39 with a model based on expected credit losses.

The GFT Group will use the simplified approach for trade receivables (with and without a financing component), contract assets and lease receivables, which recognises expected credit losses over the entire term. For other financial assets, GFT applies the general approach of determining the expected 12-month credit loss, unless there has been a significant increase in credit risk since initial recognition.

The assessment so far of the effects on the consolidated financial statements from applying IFRS 9 as of 1 January 2018 does not indicate any significant effects in the field of classification and measurement, impairment and presentation of hedges on the financial position and performance. The effects of the transition to IFRS 9 cannot be reliably quantified as yet, as a determination of the transition effects within the GFT Group has not yet been finalised. It will have been completed by the time the interim statement for the first quarter is prepared.

The GFT Group has elected to apply the modified retrospective method in its consolidated financial statements when transitioning to IFRS 9. Thereafter, the cumulative adjustment amounts from the retrospective application of the new standard will be recognised in equity as an adjustment to the opening balance sheet amount as of 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB published IFRS 15 “Revenue from Contracts with Customers” in May 2014. The new standard sets out a comprehensive framework for determining whether, at what level and when revenue is recognised. It replaces all currently existing guidelines on recognising revenue, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”.

The GFT Group is obliged to apply IFRS 15 for the first time for financial years beginning on or after 1 January 2018. The GFT Group has decided to adopt the modified retrospective method during transition to IFRS 15 in its consolidated financial statements, according to which the cumulative adjustment amounts are recognised as of 1 January 2018.

The group-wide project to analyse the effects of applying IFRS 15 in the consolidated financial statements has been completed. No significant effects on the financial position and performance of the GFT Group are expected from the application of IFRS 15. The implementation project has not yet been completed.

IFRS 16 Leases

Published by the IASB in January 2016, IFRS 16 Leases replaces the former standard on lease accounting IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. The new standard is mandatory from 1 January 2019. The GFT Group has decided against early adoption.

The basic idea of the new standard is that the lessee discloses all leases and the related contractual rights and obligations in the balance sheet in a standard manner. It thus removes the former distinction between operating leases and finance leases for the lessee. The lessee discloses the present value of future lease payments for all leases plus directly attributable costs. At the same time, a corresponding right-of-use for the underlying asset is capitalised (right-of-use asset). Similarly, finance leases continue to be carried at adjusted cost, while the right-of-use is depreciated in scheduled amounts. There are recognition exemptions for short-term leases with terms of up to one year.

For the lessor, the regulations are largely in line with the provisions of IAS 17 and continue to classify leases as finance or operating leases. The list of criteria for the assessment of a finance lease was adopted unchanged from IAS 17.

The new standard results in more extensive disclosure requirements for both the lessee and the lessor. These are intended to provide users of financial statements with a better understanding of the effects of leases on the financial position and performance.

A detailed assessment of the potential effects on the consolidated financial statements is still pending. As the quantitative effects depend on various future economic conditions, they cannot be reliably determined as yet.

The most significant impact on the consolidated financial statements will be the recognition of new assets and liabilities for operating leases. As of 31 December 2017, payment obligations for non-cancellable operating leases amount to €44 million (see note 5.6 Other financial obligations).

IFRS pronouncements to be applied in the future without EU endorsement

The IASB and the IFRIC have adopted further standards and interpretations, as well as amendments to standards and interpretations, that are not yet mandatory for the financial year 2017.

IFRS pronouncements to be applied in the future (not yet endorsed by the EU)

	IFRS pronouncement	Mandatory for financial years beginning on or after
Amendments to IFRS 2	Share-based Payment	1 January 2018
Amendments to IAS 40	Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2015 – 2016	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinite

According to current assessment, the new or amended IFRS pronouncements presented in the table above have no significant impact on the presentation of the GFT Group's financial position and performance.

1.3 Consolidated group

In addition to GFT Technologies SE, the consolidated financial statements as of 31 December 2017 also included the following subsidiaries (fully consolidated):

- GFT UK Limited, London, UK
- GFT Technologies S.A., Madrid, Spain (formerly GFT Iberia Holding, S.A.U., Sant Cugat del Vallès, Spain)
- GFT IT Consulting S.L., Sant Cugat del Vallès, Spain
- GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil
- GFT USA Inc., New York, USA
- GFT Schweiz AG, Zurich, Switzerland
- GFT UK Invest Limited, London, UK
- GFT Appverse, S.L.U., Sant Cugat del Vallès, Spain
- GFT Real Estate GmbH, Stuttgart, Germany
- SW34 Gastro GmbH, Stuttgart, Germany
- GFT Holding Italy S.r.l., Milan, Italy
- GFT Italia S.r.l., Milan, Italy
- Med-Use S.r.l., Milan, Italy
- GFT Financial Limited, London, UK
- GFT Canada LLC, Toronto, Canada
- GFT Poland Sp. z o. o., Łódź, Poland
- GFT Invest GmbH, Stuttgart, Germany
- GFT Costa Rica S.A., Heredia, Costa Rica
- Adesis Netlife S.L.U., Madrid, Spain
- GFT México S.A., México DF, Mexico
- GFT Peru S.A.C., Lima, Peru
- GFT Technologies (Ireland) Ltd., Dublin, Ireland
- Mecanización de Empresas, S.A., Alicante, Spain

The following changes to the consolidated group occurred in the financial year 2017:

In an agreement dated 6 October 2017, GFT Iberia Holding, Sant Cugat del Vallès, Spain, (renamed GFT Technologies S.A., Madrid, Spain, on 13 December 2017) acquired 100% of shares in the Spanish service provider Mecanización de Empresas, S.A., Alicante, Spain, for a purchase price of €2.5 million.

With effect from 31 December 2017, 80% of shares in CODE_n GmbH, Stuttgart, Germany (formerly GFT Innovations GmbH, Stuttgart, Germany) were sold. As of this date, the company is carried as an associated company using the equity method.

In addition, GFT USA Consulting LLC, New York, USA, was merged with Waterline Group Inc., Boston, USA, by way of universal succession at the beginning of the financial year.

A list of equity holdings acc. to section 313 (2) HGB is presented on page 101.

1.4 Consolidation principles

The assets and liabilities of domestic and foreign companies included in the consolidated financial statements are stated in accordance with uniformly applicable accounting and valuation methods.

The consolidated financial statements comprise GFT Technologies SE and the companies it controls. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Equity attributable to minority shareholders and their share of profit or loss is shown separately in both the statement of financial position and income statement.

Capital is consolidated through application of the purchase method by offsetting the investment carrying amounts with the revalued equity of the subsidiaries at the time of acquisition. In this process, the acquired assets, debts and possible liabilities are stated at their current value at the time of acquisition. Remaining positive differences are reported as goodwill. Negative differences from initial consolidation are eliminated after renewed assessment and recognised in profit or loss. The hidden reserves and encumbrances disclosed are amortised on the basis of the corresponding assets and debts.

The write-ups or depreciation on equity interests in Group companies shown in individual financial statements are cancelled again in the consolidated financial statements.

Group-internal gains and losses, revenue, expenses, and income, as well as receivables and liabilities existing between consolidated companies are eliminated.

Income tax effects have been taken into consideration and deferred taxes are reported in the consolidation processes.

The Italian Sempla Group was consolidated in 2013 according to the anticipated acquisition method. We refer to note 5.3.

Those investments in which GFT Technologies SE holds a significant influence (associated companies) – usually due to an equity holding of between 20% and 50% – are valued in accordance with the equity method. For investments valued in accordance with the equity method, historical costs are increased or reduced annually by the amount of respective equity changes in the GFT Group's stake. For first-time inclusion of investments in accordance with the equity method, differences from first-time consolidation are treated in accordance with the principles of full consolidation. Financial assets reported according to the equity method as of 31 December 2016 concerned the investment in eQuadrige Software Private Limited (eQuadrige), Trichy, India, and Parkpocket GmbH, Munich, Germany. Both companies were sold in the financial year 2017 (see note 2.3.).

As a result of the sale of 80% of shares in CODE_n GmbH, Stuttgart, Germany (formerly GFT Innovations GmbH, Stuttgart, Germany) as of 31 December 2017, the company is since carried as an associated company.

The balance sheet dates of companies included in the consolidated financial statements correspond to the date of the consolidated financial statements (31 December 2017).

1.5 Foreign currency

Business transactions in foreign currency

Business transactions in foreign currency are translated into the functional currency of the Group companies – where different to the national currency of the Group's home country – at the currency spot rates on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency on the reporting date are translated into the functional currency at the currency spot rates of exchange on the reporting date. Foreign currency gains and losses of monetary items result from the difference between amortised cost in the functional currency at the beginning of the financial year, adjusted for the effective interest rate and payments of the year, and the amortised cost in the foreign currency, translated at the exchange rate at the end of the financial year.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate valid on the date when fair value was assessed. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates on the date of the initial transaction.

Currency translation differences are always recognised in the income statement of the period.

Foreign operations

Assets and liabilities of foreign operations, including goodwill and adjustments to fair value arising on acquisition, are translated into euro at the exchange rate valid on the balance sheet date. Income and expenditure from foreign operations are translated at the exchange rate valid on the date of the respective transaction.

Currency translation differences are recognised in other comprehensive income and disclosed in equity under foreign currency reserves (Foreign currency translations).

If Group companies leave the consolidated group, the applicable currency translation difference is liquidated affecting net income.

In the reporting period, the loans to the fully consolidated subsidiaries GFT Financial Ltd., London, UK, and GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil, were treated as a net investment for the first time. The income from this transaction amounted to €1,076 thousand.

1.6 Accounting and valuation methods

Acquired intangible assets and goodwill

Intangible assets acquired for consideration are capitalised at historical costs and – with the exception of goodwill – are subject to depreciation on a straight-line basis over their economic useful life. This particularly involves customer bases that are depreciated over a period of four-and-a-half to ten years; the depreciations start at the purchase date. Impairments are taken into consideration through non-scheduled depreciation. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised which may not exceed amortised cost. No write-ups are recognised in subsequent periods for goodwill already written down.

Goodwill, including goodwill from the capital consolidation is no longer subject to scheduled depreciation. In accordance with IAS 36 goodwill is audited annually for possible impairment. If events or changed circumstances indicating a possible impairment occur, the impairment test has to be performed more frequently.

As part of the impairment test of goodwill in the GFT Group, the residual carrying amounts of individual cash-generating units with their respective recoverable amount, i.e. the higher value from fair value less cost to sell, and value-in-use, are compared.

If the carrying amount of the cash-generating unit is higher than the recoverable amount, there is an impairment loss in the amount of the difference. In the first step, goodwill of the affected strategic unit thus determined is written off in the amount of the impairments and recognised as expense. A possible remaining residual amount is distributed over the other assets of the respective strategic business unit proportionally to the carrying amount up to their fair value less selling costs, their value in use, or at most the entire carrying amount. Value adjustments are shown in the income statement under depreciation.

The cash value of future payments is used as the basis to determine the achievable amount, due to continuous use of the strategic unit and whose disposal is expected at the end of its useful life. The payment forecast is based on the current plans of the GFT Group. The capitalisation rate is determined as a post-tax rate, with consideration of a risk component.

Although estimates of the useful lives of certain assets, assumptions concerning the economic environment and developments, and estimates of the discounted future cash flows are believed to be appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment losses in the future or – except in the case of goodwill – to reversals of impairment losses.

Research and development costs, internally produced intangible assets

Research costs are registered as an expense in the period they are incurred. Development costs are capitalised as intangible assets provided the capitalisation requirements under IAS 38 are satisfied, and in particular insofar as an economic benefit for the GFT Group is expected to be generated by the intangible asset. If the requirements for capitalisation are not met, development expenditures are registered in the period they are incurred in. The acquisition or production costs of an internally produced intangible asset include all costs that can be directly allocated to the development process and an appropriate share of development-related overhead costs.

Borrowing costs which can be directly attributed to the purchase or manufacturing of a qualified, internally produced intangible asset are capitalised as part of the historical or production costs of this asset. Depreciation is charged over three years from the time of completion on a straight-line basis and is based on the regular use of these development costs in the GFT Group.

Property, plant and equipment

Property, plant and equipment are stated at historical costs, reduced by scheduled use-related depreciation and non-scheduled depreciation. Schedule depreciation is applied on a straight-line basis over the useful life, from three to thirty-three years. Repairs and maintenance costs are recognised as expense when they are incurred. Retroactive historical or production costs are capitalised if there is future economic benefit through the costs associated with the tangible asset.

Non-scheduled depreciation on property, plant and equipment is executed in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below the carrying amount. The recoverable amount is the higher value from value in use and fair value, minus selling costs. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised. Please refer to the information on intangible assets and impairment test above for the impairment test procedure.

If property, plant and equipment (or non-current intangible assets) are leased, and if the economic ownership remains with the lessor, the leasing rates are recognised on a straight-line basis as an expense over the term of the leasing relationship (operating lease).

Government grants

Government grants are recognised as income when there is reasonable assurance that the right has been granted and the conditions associated with the grant have been met.

Financial instruments

A financial instrument in a contract that simultaneously leads to the creation of a financial asset at one company and to a financial liability or an equity instrument at another company. Financial instruments recorded as financial assets or financial liabilities are always listed separately. Financial instruments are recorded as soon as the GFT Group becomes the contracting party of the financial instrument. Financial instruments are initially recognised at fair value. Transaction costs directly attributable to the acquisition or the issue are included when determining the asset value if the financial instruments are not measured at fair value through profit or loss. For subsequent valuation, financial instruments are assigned to one of the valuation categories listed in IAS 39.

Financial assets

Financial assets especially include trade receivables, cash and cash equivalents, other receivables and existing loans, securities, specific financial investments and derivative financial assets with positive fair values. Normal purchases and sales of financial assets are shown in the balance sheet on the settlement date.

Financial assets measured at fair value through profit or loss comprise financial assets held for trading purposes, including derivatives, unless they have been designated as hedging instruments. Certain securities existing at the time, which were classified as at fair value through profit or loss in the course of the initial application of the revised IAS 39 in 2005 also fall into this category. Amendments to the fair value of financial assets in this category are recorded as recognised in profit or loss at the time of the increase in value or impairment.

Loans and receivables

are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are valued at amortised cost using the effective interest method. The trade receivables, the financial receivables shown in the other assets and cash and cash equivalents are assigned to this valuation category. Profits and losses are recorded in the consolidated profit or loss if the loans and receivables are written off or depreciated. The interest effects from applying the effective interest method are also recorded as being recognised in profit or loss.

Held-to-maturity financial assets

are non-derivative financial assets with fixed or determinable payments and a fixed maturity date until which they are to be held. They are accounted for at amortised cost using the effective-interest method.

Available-for-sale financial assets

comprise those non-derivative financial assets which have not been assigned to one of the aforementioned categories. These are in particular equity (investment) measured at fair value, and liabilities (securities) not held to maturity. After initial valuation, available-for-sale financial assets are measured at fair value, with the non-realised profits or losses recognised directly in equity in the market assessment reserve. If there are actual references to impairment, or if amendments to the fair value of a debt instrument result from currency fluctuations, these are recognised in profit or loss. When financial assets are retired, the cumulative profits or losses recognised in equity from the valuation are recorded at fair value through profit and loss. If the fair value of unquoted equity instruments cannot be determined with sufficient reliability, the shares are valued at amortised cost (if applicable, minus impairment). Interest received is recognised in profit or loss as interest income using the effective interest method. Dividends are recognised in profit or loss when the legal claim to payment arises.

Financial assets are written off if the contractual rights to cash flows from the financial assets no longer exist or the financial assets are transferred with all the material risks and opportunities.

Impairment of financial assets

The carrying amounts of financial assets which are not measured at fair value through profit or loss are examined on each balance sheet date to establish whether actual references (such as considerable financial difficulties on the part of the debtor, increased risk of insolvency on the part of the debtor, breach of contract, significant changes in the technological environment and the market environment of the debtor) indicate an impairment. In the case of equity instruments, a sustained or significant reduction in the fair value is an actual reference to a potential impairment. The GFT Group carries out an individual assessment of the impairment requirement on a case-by-case basis.

Loans, receivables and held-to-maturity financial assets

The size of the impairments in the case of loans and receivables is the difference between the carrying amount of the assets and the present value of the expected future cash flow (with the exception of future loan defaults not yet suffered) discounting the original effective interest rate of the financial asset. The impairment is recognised in profit or loss. If the impairment sum falls in one of the following audit periods, and this reduction can be actually attributed to a situation occurring after the recognition of the impairment, the previously recognised impairment is reversed through profit or loss. The impairments of loans and receivables (for example, trade receivables) are mainly recognised in value adjustment accounts. The decision regarding whether a credit risk will be taken into account by means of a value adjustment account or via a direct reduction in the receivable depends on the estimated level of bad debt probability. If receivables are classified as irrecoverable, the corresponding impaired asset is written off.

Available-for-sale financial assets

If an available-for-sale asset is impaired in its value, an amount previously recognised only directly in equity is recognised in the income statement as the sum of the difference between the costs of purchase (minus any repayments or amortisation) and the current fair value, minus any valuation allowances for this financial asset already previously recognised in profit or loss. Reversal of an impairment loss in the case of equity instruments which are classified as available-for-sale is recognised directly in equity. Reversal of an impairment loss in the case of debt instruments is recognised in profit or loss if the increase in the fair value of the instrument can actually be attributed to an occurrence that took place after the impairment was recognised in profit or loss.

Financial liabilities

Financial liabilities include in particular trade payables, liabilities to banks or other lenders, conditional purchase price obligations, specific other liabilities and derivative financial liabilities with negative fair values. Financial liabilities are measured at fair value at the time of their initial recognition.

Financial liabilities measured at amortised cost

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading purposes. Derivatives are classified as being held for trading purposes unless they have been included in hedge accounting as hedging instruments and are effective as such. Profits or losses from financial liabilities which are held for trading purposes are recognised in profit or loss.

Financial liabilities are derecognised if the contractual liabilities have been paid, cancelled or expired.

Other receivables and liabilities as well as borrowing costs

Deferrals, prepayments and other non-financial assets and liabilities are carried at amortised cost. They are reversed on a straight-line basis or as the performance obligation is discharged.

Borrowing costs are recorded as an expense in the period in which they occur, provided that they cannot be directly attributed to the purchase or manufacturing of a qualified asset and are then to be capitalised as part of the historical or production costs of this asset.

Provisions

Provisions for employee benefits are made according to IAS 19. The actuarial valuation of pension provisions is based on the projected unit credit method prescribed in IAS 19. In addition to pensions and acquired entitlements known at the balance sheet date, expected future increases in salaries and pensions are also considered.

Other provisions are formed in accordance with IAS 37 if, relative to third parties, a present liability exists from a past event that in the future probably results in an outflow of resources, and its amount can be reliably estimated. Other provisions are valued in accordance with IAS 37, possibly also in accordance with IAS 19, using the best possible estimate of the expenses that would be required to discharge the present liability as of the balance sheet date. If outflows of funds for a liability are only anticipated after more than one year, then the provisions are stated with the cash value of the foreseeable outflow of funds. Provisions are not offset with retrospective claims.

Revenue and profit recognition

Revenues recognised in the income statement of the GFT Group mainly refer to maintenance, service and fixed-price projects. These are defined as follows:

Revenue from production contracts (mainly client-specific work contracts with the object of developing new customer software) is recognised in accordance with IAS 11, based on the percentage of completion of the business at the end of the reporting period. The percentage of completion is measured on the basis of the performance rendered as of the end of the reporting period as a ratio of the total expected project costs. The expected project costs are checked monthly. Earnings are recognised if the amount of revenue can be reliably estimated, if it is sufficiently probable that the economic benefit will accrue to the GFT Group, if the percentage of completion can be reliably determined at the end of the reporting period, and if the costs incurred for the business, as well as the costs that can be anticipated until it is fully completed, can be reliably determined. Revenue from production contracts within the meaning of IAS 11 is recognised separately by the GFT Group, but not disclosed separately in the consolidated income statement. Revenue from maintenance contracts refers to services rendered in a certain time period. The term of the maintenance contracts corresponds to the calendar year and revenue is thus recognised in a straight line during the year. Services rendered refer to services in connection with existing systems. Service projects mainly involve the provision of development services for client projects. Cooperation in a project is sold in such cases and no promise of success is given. Revenues are recognised according to the services rendered. The recognition of income from interest, usage charges, rent, license income and similar is deferred on an accruals basis; dividend income is recognised when the legal claim arises.

Income taxes

Current income taxes are calculated on the basis of the respective national taxable results of the year and the national tax regulations. In addition, current taxes of the year include adjustment amounts for possible tax payments and rebates due for years not yet assessed and possibly also interest and penalties on tax arrears. The change in deferred tax assets and liabilities is reflected in income taxes. An exception to the aforementioned are changes which are to be recognised directly in equity. Deferred tax assets and liabilities are determined on the basis of temporary differences between financial reporting and the tax basis of assets and liabilities, including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realised or a liability is settled. For this purpose, those tax rates and tax regulations are used which have been enacted or substantively enacted as of the end of the reporting period. Deferred tax assets are recognised to the extent that taxable profit at the level of the relevant tax authority will be available for the utilisation of the deductible temporary differences. The GFT Group recognises a valuation allowance for deferred tax assets when it is unlikely that a sufficient amount of future taxable profit will be available. Tax benefits resulting from uncertain income tax positions are recognised at the best estimate of the tax amount expected to be paid.

The calculation of income taxes for the GFT Group and its subsidiaries is based on the valid laws and ordinances of the individual countries. Due to their complexity, the tax items presented in the financial statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realisation of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realisable tax strategies. As future business developments are uncertain and are sometimes beyond the Group's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. At the end of each reporting period, the GFT Group carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Group assesses that the probability of future tax advantages being partially or fully unrealised is more than 50%, the deferred tax assets are impaired.

Discretionary decisions concerning the application of accounting methods

Discretionary decisions are to be made when applying the accounting and valuation methods. This applies in particular to the following items:

Financial assets are to be categorised as "held-to-maturity investments", "loans and receivables", "available-for-sale financial assets", and "financial assets measured at fair value through profit or loss". In the case of "available-for-sale financial assets", it must be decided whether and when an impairment should be recognised in profit or loss. The section "Accounting and valuation methods" includes an explanation of which decisions were taken by the GFT Group with regard to these items.

Management estimates and judgements, estimate uncertainties

In drawing up the consolidated financial statements, assumptions must be made to a certain extent that effect the amount and the presentation of reported assets and liabilities, earnings and expenses, as well as possible liabilities for the reporting period. These assumptions are mainly based on an assessment of the intrinsic value of intangible assets (especially goodwill), the valuation of purchase price obligations from company acquisitions, the determination of the economic useful life for fixed assets, the percentage of completion of customer projects in progress, the collectability of receivables, the accounting and valuation of provisions, and the usability of taxable loss carry-forwards that have resulted in the statement of deferred taxes. Assumptions are made on the basis of the most current information available. Due to developments that deviate from, or are beyond, Management's sphere of influence, actual amounts can vary from the originally expected estimated values. If the actual development deviates from the expected development, then the premises, and if necessary the carrying amounts, of the assets and liabilities concerned are adjusted accordingly. At the time the consolidated financial statements were drawn up there were no significant uncertainties underlying the assumptions, so that from the present perspective there is no reason to assume a significant adjustment to carrying amounts of assets and debts shown in the consolidated financial statements in the following financial year. Further information on the assumptions made in the preparation of these consolidated financial statements are to be found in the explanations of individual financial statement items.

2 Explanations on items of the consolidated balance sheet

2.1 Intangible assets, goodwill

Goodwill was subjected to a regular impairment test in accordance with IAS 36 in the financial year 2017. In addition, there is an obligation to test for impairment if there are any indications of impairment.

The impairment test was carried out at the level of the smallest cash-generating unit (CGU) on the basis of value in use. The definition of the CGUs is based on the two business segments *Americas & UK* and *Continental Europe*.

The *Americas & UK* segment comprises the operating companies in the following countries:

- UK
- USA
- Canada
- Brazil
- Costa Rica
- Mexico

The *Continental Europe* segment comprises the operating companies in the following countries:

- Germany
- Italy
- Switzerland
- Spain
- Poland

The impairment test of goodwill is based on the future anticipated cash flow as derived from planning. Planning of revenue and EBT is based on the adopted budget, which was carried forward with defined growth rates for the subsequent four years. Fifth year values were then extrapolated with a growth rate of 1% for the extended future. Cash flows of the CGUs *Americas & UK* and *Continental Europe* were discounted with an interest rate of 8.22% and 7.38% (2016: 8.06% and 8.22%). The interest rate before taxes for the CGUs *Americas & UK* and *Continental Europe* amount to 10.73% and 11.23% (2016: 11.19% and 11.41%). The recoverable amount of the CGUs was thus determined as value in use. The discount rate of the CGUs is determined specifically. The weighted cost of capital for each unit is calculated using the WACC method. The components comprise the risk-free interest rate, the country-specific market risk premium and the country-specific inflation delta, as well as a beta factor from the peer group to which GFT Technologies SE belongs.

For the cash flow forecasts of the CGUs *Americas & UK* and *Continental Europe*, management assumes that existing and new client business, based on planning for the financial year 2018, will increase by an average of 5.86% and 3.89% respectively in the years 2019 to 2022 and thereafter at a growth rate of 1%. Assumptions are based on orders already placed, as well as on experience and signals received from the markets.

The carrying amount of total goodwill is assigned to the two CGUs as follows:

Carrying amount of goodwill

in € thsd.	31/12/2017	31/12/2016
CGU		
<i>Americas & UK</i>	34,719	37,910
<i>Continental Europe</i>	66,990	69,164
	101,709	107,074

The impairment test on 31 December 2017 did not produce any indication for the impairment of goodwill.

Based on an impairment test conducted on 30 June 2017, an impairment charge of €2,000 thousand was recognised on goodwill of the CGU *Americas & UK*. The impairment charge was due to intensive cost savings of two major investment banking clients and the resulting decline in revenue as well as margin shortfalls.

Management determined that a possible change in one of the significant assumptions may cause the carrying amount of goodwill in the CGU *Americas & UK* to exceed the recoverable amount. The table below shows the value by which this assumption must change so that the estimated value in use corresponds to the carrying amount.

Necessary change so that value in use corresponds to the carrying amount

in %	31/12/2017	31/12/2016
Discount rate (WACC)	0.68	1.30

A negative change in free cash flow of 5% would not have resulted in any impairment. An increase in WACC of 1% as of the end of the reporting period would have resulted in an impairment of goodwill of €3,600 thousand.

The changes in intangible assets during the financial year 2017 were as follows:

Changes in intangible assets

	Goodwill	Software from PPA	Customer relationships	Development costs ¹	Other	Total
in € thsd.						
Acquisition or production costs						
Balance as of 1 January 2016	109,206	5,162	33,076	705	10,381	158,530
Additions	0	0	0	330	617	947
Acquisitions from business combinations	4,134	0	3,868	0	15	8,017
Net translation differences	-6,267	-68	-540	0	1,332	-5,543
Disposals	0	0	0	0	115	115
Balance as of 31 December 2016	107,074	5,094	36,405	1,035	12,229	161,837
Balance as of 1 January 2017	107,074	5,094	36,405	1,035	12,229	161,837
Additions	0	0	0	0	2,151	2,151
Acquisitions from business combinations	1,695	0	536	0	0	2,231
Net translation differences	-4,101	-40	-1,761	0	-977	-6,879
Disposals	959	0	0	0	482	1,441
Balance as of 31 December 2017	103,709	5,054	35,180	1,035	12,921	157,899
Accumulated amortisation and impairment losses						
Balance as of 1 January 2016	0	2,968	6,670	193	9,220	19,050
Additions	0	0	0	0	5	5
Amortisation/Goodwill impairment	0	1,140	4,554	206	945	6,845
Net translation differences	0	56	274	0	-919	-589
Disposals	0	0	0	0	92	92
Balance as of 31 December 2016	0	4,164	11,499	398	9,159	25,220
Balance as of 1 January 2017	0	4,164	11,499	398	9,159	25,220
Amortisation/Goodwill impairment	2,000	746	4,814	316	819	8,696
Net translation differences	0	-146	-1,407	0	1,159	-394
Disposals	0	0	0	0	613	613
Balance as of 31 December 2017	2,000	4,764	14,906	714	10,525	32,909
Carrying amounts						
Balance as of 31 December 2016	107,074	930	24,906	637	3,070	136,617
Balance as of 31 December 2017	101,709	290	20,274	321	2,396	124,990

¹ Concerns exclusively self-produced software

The carrying amount of software from business combinations has a residual useful life of 0.5 years. Capitalised development costs are the costs for software products with an estimated useful life of 1.5 to 2.5 years. The carrying amount of customer relationships has a residual useful life of 1.5 to 5.5 years.

The individual goodwill values and main intangible assets are listed in the table below:

Intangible assets in connection with company acquisitions

	Goodwill	Software	Customer relationships	Residual useful life (years)	Total
in € thsd.					
Carrying amounts					
Company acquisition 1	1,016	0	0		1,016
Company acquisition 2	3	0	0		3
Company acquisition 3	13,317	0	0		13,317
Company acquisition 4	3	0	0		3
Company acquisition 5	11,979	0	0		11,979
Company acquisition 6	6,218	0	0	0.0	6,218
Company acquisition 7	23,586	871	1,293	1.5	25,750
Company acquisition 8	36,482	59	13,371	5.5	49,912
Company acquisition 9	9,627	0	5,971	3.6	15,598
Company acquisition 10	4,844	0	4,272	5.3	9,115
Balance as of 1 January 2017	107,074	930	24,906		132,910
Carrying amounts of acquisitions in current financial year					
Company acquisition 11	1,695	0	536	0.8	2,231
Exchange rate-related changes in carrying amounts of the current financial year					
	-4,101	106	-563		-4,558
Disposals, amortisation and impairment of current financial year					
Company acquisition 1	0	0	0		0
Company acquisition 2	0	0	0		0
Company acquisition 3	0	0	0		0
Company acquisition 4	3	0	0		3
Company acquisition 5	0	0	0		0
Company acquisition 6	0	0	0		0
Company acquisition 7	0	581	517		1,098
Company acquisition 8	2,000	165	2,069		4,234
Company acquisition 9	0	0	1,325		1,325
Company acquisition 10	956	0	569		1,525
Company acquisition 11	0	0	125		125
Balance as of 31 December 2017	2,959	746	4,605		8,310
Carrying amounts					
Balance as of 31 December 2017	101,709	290	20,274		122,273

With the exception of goodwill, there are no intangible assets with unlimited useful lives within the GFT Group.

Development of consolidated intangible and tangible assets 2017

	Acquisition or production costs						As at 31/12/2017
	As at 01/01/2017	Additions from changes in consol- idated Group	Additions	Disposals	Disposals from changes in con- solidated Group	Currency changes	
in € thsd.							
Intangible assets							
Licences, industrial property rights and similar rights	54,763	536	2,151	248	234	-2,778	54,190
Goodwill	107,074	1,695	0	0	959	-4,101	103,709
	161,837	2,231	2,151	248	1,193	-6,879	157,899
Tangible assets							
Developed land and buildings	11,670	0	0	0	0	0	11,670
Other equipment, office and factory equipment in use	35,281	342	3,948	3,067	239	-302	35,964
Advance payments on office and factory equipment in use	0	0	244	0	0	0	244
Construction on foreign property	4,467	0	528	0	0	-376	4,620
	51,419	342	4,720	3,067	239	-678	52,498
	213,255	2,574	6,871	3,314	1,432	-7,557	210,397

Development of consolidated intangible and tangible assets 2016

	Acquisition or production costs						As at 31/12/2016
	As at 01/01/2016	Additions from changes in consol- idated Group	Additions	Disposals	Reclassifi- cations	Currency changes	
in € thsd.							
Intangible assets							
Licences, industrial property rights and similar rights	49,324	3,883	947	115	0	724	54,763
Goodwill	109,206	4,134	0	0	0	-6,267	107,074
	158,530	8,017	947	115	0	-5,543	161,837
Tangible assets							
Developed land and buildings	11,503	0	165	0	2	0	11,670
Other equipment, office and factory equipment in use	30,153	119	7,480	2,469	-2	0	35,281
Construction on foreign property	2,817	0	1,649	0	0	1	4,467
	44,473	119	9,295	2,469	0	1	51,418
	203,003	8,136	10,242	2,584	0	-5,542	213,255

Depreciation									Book values	
As at 01/01/2017	Additions from changes in consol- idated Group	Deprecia- tion of the financial year scheduled	Deprecia- tion of the financial year unsched- uled	Disposals	Disposals from changes in consol- idated Group	Currency changes	As at 31/12/2017		As at 31/12/2017	As at 31/12/2016
25,220	0	6,695	0	383	231	-393	30,910		23,280	29,543
0	0	0	2,000	0	0	0	2,000		101,709	107,074
25,220	0	6,695	2,000	383	231	-393	32,910		124,989	136,617
790	0	449	0	0	0	0	1,239		10,432	10,880
18,213	323	4,598	0	2,844	92	-29	20,169		15,795	17,068
0	0	0	0	0	0	0	0		244	0
1,205	0	776	0	0	0	-310	1,671		2,949	3,262
20,208	323	5,823	0	2,844	92	-339	23,079		29,419	31,211
45,428	323	12,518	2,000	3,227	322	-732	55,989		154,408	167,827

Depreciation						Book values		
As at 01/01/2016	Additions from changes in consol- idated Group	Deprecia- tion of the financial year scheduled	Disposals	Currency changes	As at 31/12/2016	As at 31/12/2016	As at 31/12/2015	
19,050	5	6,845	92	-589	25,220	29,543	30,274	
0	0	0	0	0	0	107,074	109,206	
19,050	5	6,845	92	-589	25,220	136,617	139,480	
407	0	383	0	0	789	10,880	11,096	
16,912	80	4,150	2,517	-412	18,213	17,069	13,242	
666	0	539	0	0	1,206	3,262	2,150	
17,985	80	5,072	2,517	-412	20,208	31,211	26,488	
37,035	85	11,917	2,609	-1,001	45,428	167,827	165,968	

2.2 Property, plant and equipment

The development of property, plant and equipment of the GFT Group is presented on pages 98 et seq..

Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation and accumulated impairment losses.

Acquisition or manufacturing costs include expenses directly attributable to the acquisition of the asset. The manufacturing costs of internally produced assets include the following:

- directly allocable material expenses and wages/salaries
- all other directly allocable costs incurred in order to put the asset in a condition which makes it ready for its intended purpose

The assets of the GFT Group do not include any internally produced assets at present. Any gain or loss from the disposal of property, plant and equipment (calculated as the difference between the net sales proceeds and the item's carrying amount) is recognised in profit or loss. The amounts disclosed in the item Construction on foreign property refer to leasehold improvements in rented offices. The amounts disclosed in the item Developed land and buildings mainly refer to the administration building in Stuttgart. The building is encumbered with a mortgage of €8 million. As in the previous year, non-scheduled depreciation on property, plant and equipment due to impairment was not necessary in the financial year 2017.

2.3 Financial assets

Investments at equity (shares in associated companies) recognised on 31 December 2017 concern the 20% stake in CODE_n GmbH, Stuttgart, Germany (formerly GFT Innovations GmbH, Stuttgart, Germany).

With effect from 31 December 2017, 80% of shares in CODE_n GmbH, Stuttgart, Germany (formerly GFT Innovations GmbH, Stuttgart, Germany) were sold. Due to the significant influence on the company and its resulting classification as an associated company, it has been carried in the balance sheet since 31 December 2017 using the equity method. As a result of the small scale of the company, its impact on the GFT Group is negligible.

The investments recognised on 31 December 2016 in Park-pocket GmbH, Munich, and eQuadriga Software Private Limited, Trichy, India, were sold with effect from 1 September 2017 and 30 November 2017.

The current result of companies carried using the equity method in the reporting period amounted to €12 thousand (2016: €54 thousand).

Equity holdings acc. to section 313 (2) HGB

in € thsd.	Share of the capital (in %)	Company equity 31/12/2017	Net income 2017
I. Direct investments			
Domestic			
CODE_n GmbH, Stuttgart, Germany ¹	20	782	0
GFT Real Estate GmbH, Stuttgart, Germany ²	100	364	0
SW34 Gastro GmbH, Stuttgart, Germany ³	100	533	0
GFT Invest GmbH, Stuttgart, Germany ⁴	100	25	0
Foreign			
GFT Schweiz AG, Zurich, Switzerland	100	4,534	2,864
GFT UK Limited, London, UK ⁵	100	35,020	611
GFT Technologies, S.A., Madrid, Spain ⁶	100	25,374	10,527
GFT Holding Italy S.r.l., Milan, Italy	100	10,909	8,378
GFT Technologies (Ireland) Ltd., Dublin, Ireland	100	0	0
II. Indirect investments			
Foreign			
GFT IT Consulting, S.L., Sant Cugat del Vallès, Spain	100	21,853	13,640
GFT Brasil Consultoria Informática Ltda., São Paulo, Brazil	100	7,679	-1,387
GFT USA Inc., New York, USA ⁷	100	10,325	1,136
GFT Appverse, S.L.U., Sant Cugat del Vallès, Spain	100	-23	-6
GFT UK Invest Limited, London, UK	100	0	0
GFT Italia S.r.l., Milan, Italy	80	25,565	4,303
Med-Use S.r.l., Milan, Italy	80	419	27
GFT Financial Limited, London, UK	100	7,075	3,537
GFT Canada Inc., Toronto, Canada	100	673	-396
GFT Poland Sp. z o. o., Łódź, Poland	100	4,343	902
GFT Costa Rica S.A., Heredia, Costa Rica	100	345	-609
Adesis Netlife S.L.U., Madrid, Spain	100	4,462	2,152
GFT Mexico, S.A. de C.V., Mexico D.F., Mexico	100	899	126
Mecanización de Empresas S.A., Alicante, Spain	100	533	839
GFT Peru S.A.C., Lima, Peru	100	-59	-6

¹ Until 31 December 2017, there was an agreement for the transfer of profits between CODE_n GmbH, Stuttgart (formerly GFT Innovations GmbH, Stuttgart) (profit-transferring company) and GFT Technologies SE. With effect from 31 December 2017, 80% of the shares were sold.

² There is an agreement for the transfer of profits between GFT Real Estate GmbH (profit-transferring company) and GFT Technologies SE.

³ There is an agreement for the transfer of profits between SW34 Gastro GmbH (profit-transferring company) and GFT Technologies SE.

⁴ There is an agreement for the transfer of profits between GFT Invest GmbH (profit-transferring company) and GFT Technologies SE.

⁵ With effect from 1 January 2017, the business operations and the corresponding assets and liabilities were transferred to GFT Financial Ltd. by means of an asset deal.

⁶ The former GFT Iberia Holding S.A.U. was renamed as GFT Technologies S.A. in the financial year 2017 and moved its registered offices from Sant Cugat del Vallès to Madrid.

⁷ GFT USA Consulting LLC, New York, USA, was merged with Waterline Group Inc., Boston, USA, by way of universal succession at the beginning of the financial year 2017.

2.4 Other assets

Composition of other assets

in € thsd.	31/12/2017	31/12/2016
Other non-current financial assets		
Deposits	452	763
Receivables from employees	0	15
Loans	0	620
Subsidy for research and development	2,940	0
Deferred interest	19	68
Others	161	100
Total non-current assets	3,572	1,566
Other current financial assets		
Deposits	498	773
Receivables from employees	361	233
Creditors with debit balance	11	6
Others	1,332	702
Total current financial assets	2,202	1,714
Other current assets		
Accruals	9,237	4,595
Claims for VAT and other tax refunds	1,463	370
Receivables from social security fund	621	37
Remaining purchase price receivable emagine	160	479
2 nd + 3 rd purchase price instalment CODE_n GmbH	200	0
Others	66	457
Total other current assets	11,747	5,938
Total current assets	13,949	7,652

There are receivables from associated companies of €140 thousand.

2.5 Inventories

The inventories disclosed mainly comprise raw materials, consumables and operating supplies.

2.6 Income taxes

The item "Income taxes" disclosed in the income statement includes:

Breakdown of income taxes

in € thsd.	2017	2016
Current tax expense	3,891	10,210
Deferred tax income	-3,573	-1,390
Tax expense	318	8,820

The current tax expense includes out-of-period current income tax income of €2,971 thousand (2016: €3,186 thousand).

Deferred income taxes

in € thsd.	31/12/2017	31/12/2016
From temporary differences	-2,493	-1,390
From tax loss carry-forwards	-1,080	0
Tax income	-3,573	-1,390

Deferred taxes recognised directly in equity related to actuarial gains/losses for pension obligations pursuant to IAS 19 amounting to €223 thousand. (2016: €6 thousand).

In December 2017, a bill to amend corporate tax law in the USA was adopted. As a result, the corporate tax rate for all US companies will be reduced from 35% to 21% with effect from 1 January 2018. In the past financial year, this resulted in tax income of €280 thousand from the measurement of deferred tax liabilities of the US subsidiary GFT USA Inc..

There was no corrected recognition of deferred tax assets on tax loss carry-forwards in 2017 (2016: €0 thousand).

Income tax claims

in € thsd.	2017	2016
Deferred tax assets	6,087	4,890
Long-term current income tax claims	995	884
Short-term current income tax claims	7,979	3,225
Total	15,061	8,999

Income tax liabilities

in € thsd.	2017	2016
Deferred tax liabilities	3,200	5,591
Current income tax liabilities	1,302	2,437
Total	4,502	8,028

The tax deferrals and accruals are allocated to individual balance sheet items separately for assets and liabilities as follows:

Deferred tax assets

in € thsd.	2017	2016
Intangible assets and property, plant and equipment	7,184	5,895
Receivables and other financial assets	1,909	2,398
Tax loss carry-forwards	3,480	2,400
Provisions for pensions	1,476	1,749
Other provisions	2,715	1,399
Other financial liabilities	264	0
Subtotal	17,028	13,841
Offsetting	-10,941	-8,951
Deferred tax assets	6,087	4,890

Deferred tax liabilities

in € thsd.	2017	2016
Intangible assets and property, plant and equipment	12,037	12,775
Receivables and other financial assets	41	186
Provisions for pensions	181	172
Other provisions	83	59
Other financial liabilities	1,799	1,350
Subtotal	14,141	14,542
Offsetting	-10,941	-8,951
Deferred tax liabilities	3,200	5,591

There are loss carryforwards for German Group companies amounting to €7.4 million (2016: €9.9 million) for corporation tax and loss carryforwards for trade tax of €4.5 million (2016: €7.5 million), as well as for foreign Group companies amounting to €9.3 million (2016: €9.6 million), for which no deferred tax assets could be formed as the recognition of deferred tax assets is not probable on the basis of current tax planning. Loss carryforwards for which no deferred tax assets could be formed are either non-forfeitable or forfeitable within a time horizon of 10 to 20 years.

In total, deferred tax assets carried for loss carryforwards amounted to €3,480 thousand as of 31 December 2017 (2016: €2,400 thousand)

The following table presents a reconciliation from the expected to the actual tax expense disclosed. For the calculation of the expected tax expense, the parent company's unchanged tax rate of 28% is multiplied with pre-tax earnings.

Reconciliation of effective tax rate

in € thsd.	2017	2016
Earnings before income taxes	18,127	33,048
Expected tax expenses at 28% (2016: 28%)	5,076	9,253
Other non tax-deductible expenses and tax-free income	992	-876
Recognition correction on deferred assets and change in tax loss carry-forwards without capitalisation of deferred taxes	1,154	3,425
Tax rate differences	-1,497	-287
Aperiodic effects	-4,702	-2,931
Tax rebates ¹	-1,081	0
Other tax effects and effects from permanent differences	376	235
Effective tax expense	318	8,819
Effective tax rate	1.76%	26.69%

¹ €-747 thousand included under aperiodic effects in the previous year

The total amount of temporary differences in connection with shares in affiliated and associated companies for which no deferred tax liabilities were carried in the balance sheet amounts to €143,337 thousand (2016: €139,180 thousand).

Deferred tax assets are netted with deferred tax liabilities if they refer to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the balance sheet, deferred tax assets and liabilities are not broken down into current and non-current. In the consolidated balance sheet, these are disclosed as in the following table.

Deferred tax assets and liabilities

in € thsd.	2017	2016
Deferred tax assets	6,087	4,890
Deferred tax liabilities	-3,200	-5,591
Net deferred tax assets	2,887	-701

The development of net deferred tax assets is shown in the following table:

Net deferred tax assets

in € thsd.	2017	2016
Balance as of 1 January	4,890	4,323
Addition	1,197	567
Balance as of 31 December	6,087	4,890

Within the Group, there are a number of years for which there are no final tax assessments. GFT Technologies SE believes it has made sufficient provisions for these open assessment years.

Due to the UK Government's request to withdraw from the EU on 29 March 2017 (Brexit), there is currently considerable uncertainty as to the timing of the exit, the exit process itself and the outcome of exit negotiations between the EU and the UK. In addition, UK tax status may change, with potential consequences for the GFT Group. However, the current uncertainties are too great to assess whether, how and when there may be income tax effects for the GFT Group.

2.7 Trade receivables

Trade receivables result from ongoing business and are all due in the short-term, as in the previous year. Required value adjustments based on the probable risk of default are taken into account with €3,443 thousand (2016: €2,886 thousand). Trade receivables, in accordance with IAS 11, include realised revenue from unfinished projects as of the balance sheet date in the amount of €25,034 thousand (2016: €9,166 thousand) minus prepayments received in the amount of €6,253 thousand (2016: €4,260 thousand). Order revenue from production orders as defined by IAS 11 are recognised separately but not disclosed separately in the consolidated income statement. Revenue of the GFT Group includes revenue of €144,990 thousand (2016: €105,650 thousand) recognised using the percentage of completion method. This was opposed by costs of €132,956 thousand (2016: €96,881 thousand). There was therefore a profit from production orders of €12,034 thousand (2016: €8,769 thousand). The are receivables from associated companies of €52 thousand (2016: €0 thousand).

Trade receivables

in € thsd.	31/12/2017	31/12/2016
Trade receivables	98,143	115,288
Revenue recognised from unfinished projects, in accordance with IAS 11	25,034	9,166
less prepayments received	-6,253	-4,260
Value adjustments	-3,443	-2,686
Balance as of 31 December	113,481	117,508

Revenue recognised acc. to IAS 11 developed as follows:

Revenue acc. to IAS 11

in € thsd.	31/12/2017	31/12/2016
Revenue recognised using PoC method (IAS 11)	144,990	105,650
Costs incurred	-132,956	-96,881
Profit	12,034	8,769

Value adjustments on trade receivables

in € thsd.	2017	2016
Balance as of 1 January	2,886	3,046
Additions	1,161	1,737
Drawings	-398	-122
Reversals	-175	-1,735
Disposals from changes to consolidated group	0	0
Exchange rate effects and other effects	-31	-40
Balance as of 31 December	3,443	2,886

2.8 Cash and cash equivalents

Cash and cash equivalents developed as follows:

Cash and cash equivalents

in € thsd.	31/12/2017	31/12/2016
Short-term bank deposits	72,239	62,283
Cash	7	7
Balance as of 31 December	72,246	62,290

2.9 Shareholders' equity

Please refer to the separately presented consolidated statement of changes in equity for the development of equity during the financial years 2017 and 2016.

As of 31 December 2017, share capital in the amount of €26,325,946.00 consisted of 26,325,946 no-par bearer shares (unchanged from the previous year) which all grant equal rights.

The capital reserve includes the amount that was obtained in the issue of shares over the calculated value. Other accumulated profit reserves are amounts that were formed from results in financial year 2016 and in previous financial years. The item "Changes without effect on profit/loss" in retained earnings includes the subsequent valuation of the company acquisition Sempla S.r.l. (now GFT Italia S.r.l.), Milan, Italy.

The changes in equity not affecting results include income and expenses to be recognised in other comprehensive income. The item "Foreign currency translations" includes non-realised currency effects, the item "Actuarial gains/losses" includes changes in pension provisions to be carried in equity.

The GFT Group's capital management concerns the consolidated equity attributable to the shareholders of the parent company GFT Technologies SE, whose structure and possible uses are largely determined by the capital structure of GFT Technologies SE. As there are no shares of non-controlling interests, the equity attributable to the shareholders of GFT Technologies SE corresponds to total consolidated equity. The aim of capital management is to secure the sustainable provision of equity for the Group under consideration of appropriate dividend payments to the shareholders. GFT is subject to external minimum capital requirements due to covenants in connection with the promissory note loans and syndicated loan. The covenants were met in full. The quantitative statements as to managed capital and the changes compared to the previous year are presented in the consolidated statement of changes in equity of the GFT Group.

In the financial year 2017, a dividend of €0.30 per share was distributed to shareholders, totalling €7,898 thousand (2016: €0.30 per share, totalling €7,898 thousand), from the balance sheet profit of the parent company GFT Technologies SE. It is proposed to distribute a dividend of €0.30 per share to shareholders, totalling €7,898 thousand from the balance sheet profit of GFT Technologies SE as of 31 December 2017.

Authorised capital

As of 31 December 2017, there was unutilised authorised capital in the amount of €10,000,000.00 (2016: €10,000,000.00).

Conditional capital

Conditional capital amounted to €10,000,000.00 as of 31 December 2017 (2016: €10,000,000.00).

2.10 Provisions for pensions

There are several forms of company pension within the GFT Group: employee benefits are provided through defined contribution and defined benefit plans as well as one-off payments on termination of employment. For defined contribution plans, contributions are paid by the Company based on legal or contractual regulations, or on a voluntary basis, to state or private pension insurance institutes. The contributions paid in the financial year 2017 for defined contribution plans to public and private pensions regulatory authority of €23,905 thousand (2016: €22,301 thousand) are included in personnel expenses.

Defined benefit plans in Germany exist due to direct individual commitments to retirement benefits, invalidity benefits, and provisions for dependents for an active manager and a manager who has left the company, as well as for a former Managing Director of a former subsidiary (pension recipient).

The defined benefit plans in Switzerland concern provisioning according to Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG). These plans represent so-called "BVG full insurance solutions". Due to the statutory minimum interest and conversion rate guarantees, these plans represent defined benefit plans in the meaning of IAS 19. For this reason, provisions were formed in the balance sheet for these plans on 31 December 2017 and in the previous year.

"Fully insured" BVG plans refer to those plans for which all actuarial risks, including capital market risks, are borne by an insurance company, at least temporarily. The BVG provisioning of the Swiss subsidiary of GFT Technologies SE comprises 56 active insured parties and no pension recipient as of 31 December 2017 (31 December 2016: 55 active insured parties and no pension recipient).

Severance payments under Italian law (Trattamento di Fine Rapporto, TFR) are one-off payments due as soon as the employee leaves the company. The size of the severance payment is based on the number of monthly salaries (indexed), whereby one service year entitles the employee to one monthly salary (annual salary divided by 13.5). Under certain circumstances, for example for the purchase of a home or medical care, the employee may receive an advance of up to 70% of the claim. As of the financial year 2007, these payments are to be made to the state social security institute (Istituto Nazionale della Previdenza Sociale, INPS) or an insurance provider nominated by the employee which is mandatory for companies with more than 50 employees. Below this threshold, transfers are voluntary and are not made by the Italian subsidiary GFT Italia S.r.l..

The obligations under Polish law also refer to severance payments which are required by law via the Polish Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS), whereby they become due on reaching the retirement age or with a decline in health or increased need for medical care. The sum is calculated on the basis of one monthly salary per employee and is disclosed at the discounted rate as of the beginning of employment.

Parameters for determining the actuarial values

	Germany		Switzerland		Italy		Poland	
	31/12/ 2017	31/12/ 2016	31/12/ 2017	31/12/ 2016	31/12/ 2017	31/12/ 2016	31/12/ 2017	31/12/ 2016
Probability of fluctuation	–	–	BVG 2015	BVG 2015	10.00%	10.00%	9.30%	8.70%
Pensionable age	63	63	65/64	65/64	67	67	65/60	65/60
Salary increases (employee / manager)	N/A	2.00%	2.00%	2.00%	1.5%+ Inflation	1%+ Inflation	3.50%	3.50%
Salary increases (manager)	–	–	–	–	1.5%+ Inflation	1%+ Inflation	–	–
Pension increases	2.00%	2.00%	0.00%	0.00%	2.63%	2.63%	–	–
Discount rate	1.44%	1.40%	0.80%	0.80%	1.30%	1.31%	3.20%	3.50%
Expected return on plan assets	0.00%	0.00%	0.80%	0.80%	–	–	–	–

Assumptions relative to average fluctuation for the German plans were not necessary due to the small number of people involved. The "2005 RT G Guideline Tables" by Prof Klaus Heubeck (Cologne 2005) were used here as a basis for the computation.

The likelihood of withdrawals and the actuarial assumptions for the Swiss plans are geared to the Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG 2015).

The likelihood of withdrawals in Italy is assessed at 10.0%. The actuarial assumptions for mortality rates are prescribed by surveys of the Italian statistics office (Istituto Nazionale di Statistica, Istat 2004). The actuarial assumptions for disability incidence rates are based on the tables of the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale, INPS).

For Poland, the likelihood of withdrawals is assessed at 9.3%. The actuarial assumptions for mortality rates are prescribed by the Main Statistical Office (Główny Urząd Statystyczny, GUS) (GUS 2015: multiplied by 40%). The actuarial assumptions for disability incidence rates are based on the table of the Polish Social Insurance Institution (ZUS 2008).

The present values of the defined benefit obligations, the fair values of the plan assets and the respective excessive and/or insufficient cover of the current reporting year 2017 and the preceding year can be taken from the following table:

Net asset value of pension obligations

in € thsd.	31/12/2017	31/12/2016
Fair value of plan assets	-6,495	-4,496
Present values of defined benefit obligations	15,068	13,186
Surplus cover (net asset)	8,573	8,690

Of the present value for rights accrued, €11,446 thousand (2016: €9,423 thousand) refer to pension plans that are financed completely or partially through plan assets, and €3,623 thousand (2016: €3,763 thousand) to pension plans that are not financed by plan assets. The experience adjustments to liabilities in the plans came to €49 thousand in financial year 2017 (2016: €132 thousand); the experience adjustments to the plan assets came to €9 thousand (2016: €-8 thousand).

Pension obligations

in € thsd.	31/12/2017	31/12/2016
Pension obligation as of 1 January	13,186	12,173
Current service cost	1,109	992
Past service cost	0	1
Interest expense / income	127	147
Restatements	-81	3
Contributions to pension plan	2,582	372
Benefits paid	-1,002	-983
Effects from currency differences	-853	481
Pension obligation as of 31 December	15,068	13,186

Reconciliation of fair value of plan assets

in € thsd.	31/12/2017	31/12/2016
Fair value of plan assets as of 1 January	4,496	3,838
Income from plan assets (without interest income)	32	32
Premiums paid less benefits received	1,817	-383
Contributions by employer	309	289
Contributions by entitled employees	309	289
Effects from currency differences	-468	431
Fair value of plan assets as of 31 December	6,495	4,496

Plan assets concern the BVG provisioning in Switzerland and an amount of €250 thousand in term deposits pledged to the pension recipient ("Plan Assets GFT Technologies SE"). In the following year (2018), employer contributions to the plan assets of €315 thousand and employee contributions of €315 thousand are expected. As in the previous year, the calculation of the obligation and the generally expected return of the plan assets in Switzerland was based on the valid insurance regulations, databases and cash flow disclosures for 2017 of the two Swiss companies. The expected income from plan assets of GFT Technologies SE results from interest and is insignificant. There are no plan assets for the Italian and Polish companies.

Under IAS 19R, companies must classify the fair value of plan assets according to the nature and risks of these assets. The breakdown of plan assets is as follows:

Fair value of plan assets

in € thsd.	31/12/2017	31/12/2016
Cash and cash equivalents	138	0
Mortgages	1,043	703
Loans	0	0
Bonds	3,710	2,655
Shares	293	140
Alternative investments	481	483
Property	830	515
Fair value of plan assets as of 31 December	6,495	4,496

The weighted average maturity of the defined benefit obligations is 15.13 years. The major part of plan assets is attributable to pension schemes in Switzerland. The plan assets in Germany amount to €250 thousand (2016: €250 thousand) and are invested as term deposits. There are no plan assets in Italy and Poland. In the next reporting period (2018), plan contributions of €696 thousand are expected throughout the Group.

In order to estimate the amount and uncertainty of future cash flows, a sensitivity analysis was conducted. This illustrates how sensitively the present value of obligations reacts to changes in the discount rate, salary increases and pension increases. Summarised information based on weighted averages was provided for the respective plans in Switzerland.

Sensitivity analysis regarding present value of obligations as of 31 December 2017

	Obligation in € thsd.				Change in %			
	Germany	Switzer- land	Italy	Poland	Germany	Switzer- land	Italy	Poland
Present value of obligation	1,484	10,987	2,537	62				
Discount rate	1.44%	0.80%	1.30%	3.20%				
Increase of 0.5%	1,389	9,896	2,450	57	-6.40%	-9.93%	-3.45%	-8.55%
Decrease of 0.5%	1,590	12,082	2,631	68	7.12%	9.96%	3.69%	9.70%
Salary increase	N/A	2.00%	1.50%	3.50%				
Increase of 0.5%	N/A	11,364	2,541	69	N/A	3.43%	0.13%	10.55%
Decrease of 0.5%	N/A	10,622	2,534	56	N/A	-3.33%	-0.14%	-9.47%
Pension increase	2.00%	0.00%	2.63%	–				
Increase of 0.5%	1,523	11,262	2,600	–	2.61%	2.50%	2.46%	–
Decrease of 0.5%	1,448	10,987	2,478	–	-2.48%	0.00%	-2.34%	–

In Switzerland, no pension increase was assumed as there is no mandatory adjustment for inflation. A reduction of 0.5 percentage points would imply a decrease in the pension, which is not legally possible.

In Germany, no assumption regarding future salary increases is to be made as of the current reporting date (N/A = not applicable). The reason is that the only active candidate reached the compulsory retirement age (63) in 2017. He is thus a so-called “technical pensioner” and the valuation is therefore based solely on the salary at the end of the reporting period.

2.11 Other provisions

Development of other provisions

	Balance as of 01/01/2017	Addition from change in consol- idated group	Consump- tion	Reversals	Additions	Disposals from changes to consol- idated group	Balance as of 31/12/2017
in € thsd.							
Employee commissions/ bonuses/anniversaries/ severance payments	20,731	111	17,659	883	19,274	44	21,530
Holiday obligations	7,282	0	4,535	0	4,730	13	7,464
Contributions to professional associations	81	0	78	2	94	1	94
Provisions for personnel expenses	28,094	111	22,272	885	24,098	58	29,088
Outstanding purchase invoices	8,073	0	5,349	527	4,755	14	6,938
Credits notes still to be issued	102	0	47	55	15	0	15
Warranty	111	0	10	47	0	0	54
Impending losses from projects	1	0	0	0	0	0	1
Other	2,174	0	1,625	37	2,716	19	3,209
Total	38,555	111	29,303	1,551	31,584	91	39,305

Provisions for personnel expenses include an amount of €7,464 thousand (2016: €7,282 thousand) for holiday obligations. This refers exclusively to holiday rights not taken by the end of the year. Employee commissions/bonuses, anniversaries and severance payments comprise an amount of €1,082 thousand (2016: €963 thousand) for short-term provisions which will mostly be paid out by the end of March 2018. Outstanding purchase invoices refer to missing purchase invoices for freelancers. The cash outflow is expected by the end of March 2018.

The interest expense from the discounting of provisions for anniversary obligations amounted to €13 thousand in the financial year 2017 (prev. year: €17 thousand).

Due to the maturity profile, i.e. the expected settlement date for outflows of economic benefit, other provisions are shown in the statement of financial position as follows:

Maturity profile of other provisions

in € thsd.	31/12/2017	31/12/2016
Long-term other provisions		
Anniversaries	422	448
Bonuses	660	515
Other	505	527
Total long-term other provisions	1,587	1,490
Short-term other provisions	37,718	37,065
Total other provisions	39,305	38,555

Anniversaries have a maturity profile of one to thirty years. Other provisions have a maturity profile of one to five years.

2.12 Liabilities

Remaining term and collateral

in € thsd.	Remaining term		Total amount 31/12/2017	Thereof secured through liens and similar rights	Nature and form of the collateral
	up to 1 year	more than 5 years			
Trade payables	14,470 (2016: 12,517)	0 (2016: 0)	14,470 (2016: 12,517)		
Financial liabilities	5,348 (2016: 19,636)	27,293 (2016: 6,170)	111,535 (2016: 104,343)	8,000	Mortgage
Current income tax liabilities	1,302 (2016: 2,437)	0 (2016: 0)	1,302 (2016: 2,437)		
Other liabilities	44,375 (2016: 41,967)	0 (2016: 0)	44,375 (2016: 41,967)		
	100,227 (2016: 76,557)	27,293 (2016: 6,170)	206,414 (2016: 196,021)		

2.13 Other liabilities

Composition of other liabilities

in € thsd.	31/12/2017	31/12/2016
Other non-current financial liabilities		
Liabilities from purchase price obligations and dividends	0	32,844
Other current financial liabilities		
Liabilities from purchase price obligations and dividends	31,882	0
Liabilities to employees	2,049	1,322
Debtors with credit balances	801	591
Total	34,732	1,913
Other current liabilities		
Deferred income	16,067	13,413
Wage tax, VAT, and other tax liabilities	12,051	9,028
Liabilities from social security contributions	5,633	5,636
Advance payments on orders	8,196	10,584
Profit transfer CODE_n GmbH	853	0
Others	1,575	3,306
Total	44,375	41,967
Total other liabilities	79,107	76,724

Other liabilities due to associated companies amount to €853 thousand (2016: €0 thousand).

3 Explanations on items of the consolidated income statement

3.1 Other operating income

Overview of other operating income

in € thsd.	2017	2016
Income from the lowering of value adjustments and intakes on receivables written off	175	1,735
Social insurance rebates	45	52
Income from exchange rate differences	89	1,546
Out-of-period income	15	3
Income from the sale of non-current and current assets	0	74
Insurance recoveries	15	0
Reversals of provisions	1	174
Subsidies for research and development costs	3,186	0
Others	1,047	2,673
	4,573	6,257

Other operating income of the GFT Group which is attributable to another financial year amounted to €15 thousand (2016: €1,986 thousand). It comprises the reversal of provisions (€1 thousand; 2016: €174 thousand) and other out-of-period income (€15 thousand; 2016: €3 thousand).

Subsidies for research and development costs of €3,186 thousand (2016: €0 thousand) relate to tax rebates received by GFT UK Ltd. and GFT Financial Ltd.

3.2 Cost of purchased services

The cost of purchased services for the entire company comprises expenses for services rendered by freelancers (consultants, software developers) and subcontractors of €55,590 thousand; (2016: €59,848 thousand).

3.3 Personnel expenses

Personnel expenses include expenses for the GFT Group's own personnel. In the reporting period, these amounted to €271,800 thousand for the entire company (2016: €254,661 thousand).

For expenses for retirement pensions we refer to note 2.10.

3.4 Depreciation and amortisation of non-current tangible and intangible assets

Depreciation and amortisation of non-current intangible assets and property, plant and equipment in the financial year 2017 amounted to €12,518 thousand (2016: €11,917 thousand). The year-on-year increase primarily resulted from the business combination in 2017 and the related revaluation of intangible assets (client base).

3.5 Other operating expenses

Composition of other operating expenses

in € thsd.	2017	2016
Operating expenses	13,916	17,759
Distribution expenses	19,519	21,517
Administrative expenses	22,751	21,426
Currency losses	2,541	3,520
Taxes not dependent on income	1,834	1,305
Expenses in connection with the acquisition of companies	150	120
Value adjustments and uncollectable receivables	506	1,737
Out-of-period expenses	50	0
Contract penalties, warranties	0	62
Other operating expenses	22	97
Book loss from the sale of CODE_n	384	0
	61,673	67,543

3.6 Research and development expenses

In the financial year 2017, research and development costs of €7.88 million were expensed (2016: €7.42 million). The GFT Group only discloses expenses for the research and development of new technologies and processes in this item.

Development costs of €0.00 million were capitalised by GFT Italia S.r.l. in the reporting period (2016: €0.33 million).

3.7 Interest income, interest expenses

Interest result

in € thsd.	2017	2016
Other interest and similar income		
Interest on bank balances	16	61
Other interest income	202	155
Total	218	216
Interest and similar expenses		
Interest on financial liabilities	-1,781	-1,807
Other interest expenses	-102	-155
Total	-1,883	-1,962
Interest result	-1,665	-1,746

4 Explanations on items of the consolidated cash flow statement

Cash flow from operating activities is calculated using the indirect method. The additional information as per IAS 7 is indicated as follows:

in € thsd.	As of 01/01/2017	Changes affecting cash flow	Changes not affecting cash flow				As of 31/12/2017
			Purchases	Currency effects	Fair values	Reclassifi- cations	
Non-current loans payable	86,035	7,500	0	0	0	12,709	106,244
Current loans payable	18,308	-308	0	0	0	-12,709	5,291
Assets as collateral for non-current loans payable	-68	0	0	0	49		-19
Total	104,275	7,192	0	0	49	0	111,516

The financial fund on which the statement of cash flows is based comprises cash and cash equivalents and is reconciled with the balance sheet items of the same name as follows:

Cash and cash equivalents

in € thsd.	31/12/2017	31/12/2016
Cash	7	7
Short-term deposits with banks	72,239	62,283
Balance as of 31 December	72,246	62,290

Disclosures on the purchase of subsidiaries and other legal entities

in € thsd.	Purchase price	Share of cash in the purchase price (in %)	Cash acquired	Other assets acquired	Liabilities assumed
Acquisition of companies	2,500	100	300	3,352	1,152
thereof					
Non-current assets				2,251	
Current assets				1,101	
Non-current liabilities					557
Current liabilities					595

See also note 5.3 on company acquisitions.

Disclosures on the sale of subsidiaries and other legal entities

in € thsd.	Purchase price	Share of cash in the purchase price (in %)	Cash disposed	Other assets disposed	Liabilities disposed
Sale of companies	300	33	386	1,181	783
thereof					
Non-current assets				0	
Current assets				1,181	
Current liabilities					783

5 Other disclosures

5.1 Additional information on the consolidated statement of comprehensive income

Distribution of income tax amounts among components of other comprehensive income

in €	2017			2016		
	Amount before tax	Income taxes	Amount after tax	Amount before tax	Income taxes	Amount after tax
Items not reclassified to the income statement, actuarial gains/losses	317,079.15	-223,111.89	93,967.26	-42,912.51	6,015.16	-36,897.35
Currency translation from net investment in foreign business operations	-1,075,974.17	0.00	-1,075,974.17	0.00	0.00	0.00
Gains/losses from exchange differences on translating foreign operations	-7,149,985.75	0.00	-7,149,985.75	-6,463,154.79	0.00	-6,463,154.79
	-7,908,880.77	-223,111.89	8,131,992.66	-6,506,070.30	6,015.16	-6,500,052.14

5.2 Segment reporting

The *Americas & UK* segment comprises operating companies in the following countries:

- UK
- USA
- Canada
- Brazil
- Costa Rica
- Mexico

The *Continental Europe* segment comprises operating companies in the following countries:

- Germany
- Italy
- Switzerland
- Spain
- Poland

Segment reporting complies with the accounting principles specified in IFRS 8 and is based on the internal controlling and reporting of the GFT Group.

The type of services and products with which the reporting segments generate their income are all activities in conjunction with IT solutions (services and projects). Internal controlling and reporting within the GFT Group, and thus the segment reporting, is based on the principles of IFRS accounting, as applied in the consolidated financial statements. The GFT Group measures the success of its segments on the basis of the

segment performance indicator EBT (earnings before taxes), amongst others. Segment revenues and segment results also include transactions between business segments. Transactions between segments are conducted at market prices and on an arm's-length basis.

The Managing Directors and the Administrative Board do not receive regular information on segment assets, segment liabilities or the capital expenditure of each segment. Assets and liabilities are disclosed in the consolidated balance sheet.

Please refer to pages 116 for further details on individual items of the business segments. Disclosures concerning revenue from external clients for each group of comparable products and services are also included.

Reconciliation of segment figures

in € million	2017	2016
Total segment revenue	495.84	502.92
Elimination of inter-segment revenue	-77.96	-82.98
Occasionally occurring revenue	0.93	2.62
Group revenue	418.81	422.56
Total segment results (EBT)	18.28	34.69
Non-attributed expenses/income of Group HQ	1.15	0.28
Other	-1.30	-1.92
Group result before taxes	18.13	33.05

The reconciliation discloses items which per definition are not components of the segments. In addition, non-attributed items of Group HQ, e.g. from centrally managed issues, or revenue which only occasionally occurs for company activities, are also contained. The reconciliation also contains expenses for CODE_n GmbH and activities in connection with Group HQ in Stuttgart. Business transactions between the segments are also eliminated in the reconciliation.

Revenue and non-current intangible and tangible assets by country

in € thsd.	Revenue from sales to external clients ¹		Non-current intangible and tangible assets	
	2017	2016	2017	2016
UK	114,156	138,833	46,525	54,650
Italy	54,396	56,102	26,771	27,527
Spain	87,866	78,050	22,482	22,486
Germany	57,501	51,988	43,157	43,151
USA	47,729	55,178	5,559	6,418
Switzerland	15,450	11,409	104	121
Brazil	23,786	18,776	7,717	10,791
Poland	0	0	1,167	1,553
Other foreign countries	17,927	12,223	1,083	1,130
Total	418,811	422,559	154,565	167,827

¹ According to client location

Clients accounting for over 10% of revenue

in € million	Revenue		Segments in which this revenue is generated	
	2017	2016	2017	2016
Client 1	171.01	185.09	Americas & UK, Continental Europe	Americas & UK, Continental Europe

As in the previous year, revenue was generated from the provision of services.

Segment report for the financial year 2017

in € thsd.	GFT Group			
	Americas & UK		Continental Europe	
	2017	2016	2017	2016
External revenue	195,395	219,414	222,484	200,522
Inter-segment revenue	5,254	4,984	72,703	77,999
Total revenue	200,649	224,398	295,187	278,521
Scheduled depreciation and amortisation	-5,058	-5,177	-6,486	-5,855
Impairment losses on non-financial assets	-2,000	0	0	0
Other material non-cash items	-2,705	1,775	-593	-16
Interest income	326	374	584	548
Interest expenses	-1,798	-1,881	-837	-1,083
Result of investments accounted for using the equity method	0	0	0	0
Segment result (EBT)	-4,402	9,432	22,681	25,261

5.3 Business combinations during the financial year 2017

Compared to the consolidated financial statements as of 31 December 2015, the following changes have resulted for the consolidated group:

In an agreement dated 6 October 2017, the subsidiary GFT Technologies SA, Madrid, Spain, acquired a nominal 100% of shares in the Spanish IT company Mecanización de Empresas S.A., Alicante, Spain, for a purchase price of €2.50 million in order to expand business activities. The purchase price was settled in cash.

Founded in 1973, Mecanización de Empresas S.A., Alicante, Spain, traded under the name Mecemsa and provides services for the development and maintenance of software for real estate companies. In the financial year 2016, the company's 75 employees generated revenues of €3.73 million euros and EBITDA of €1.73 million.

The goodwill resulting from the purchase amounts to €1.70 million, which not only reflects the considerable synergy effects and cross-selling effects, but also the expected growth in the portfolio of the GFT Group. Goodwill is not tax deductible. The transaction costs for the acquisition amount to €0.15 million and were recognised in profit or loss as other operating expenses.

The amounts of acquired assets and assumed liabilities at the time of acquisition are shown below:

Acquired assets and assumed liabilities

in € million	At time of acquisition
Goodwill	1.70
Intangible assets	0.54
Office and factory equipment	0.02
Trade receivables	1.10
Cash and cash equivalents	0.30
Total assets	3.66
Other provisions	0.56
Other liabilities	0.60
Total liabilities	1.16

The acquired receivables refer to trade receivables. The fair value of acquired receivables amounts to €1.10 million, and the gross amount is €1.10 million. Adjusted receivables as of the purchase date amount to €0.00 million. No defaults on receivables are expected. Moreover, no contingent liabilities were recognised pursuant to IFRS 3.23. Since the date of acquisition (6 October 2017), Mecanización de Empresas S.A. has generated third-party sales of €0.84 million and contributed €0.04 million to the consolidated operating result (EBT) as of 31 December 2017. If Mecanización de Empresas S.A. had already been consolidated on 1 January 2017, GFT Technologies SE would disclose total revenue of €422.07 million and consolidated net income (EBT) of €19.26 million.

Total			Reconciliation		GFT Group	
	2017	2016	2017	2016	2017	2016
	417,879	419,936	932	2,623	418,811	422,559
	77,957	82,983	-77,957	-82,983	0	0
	495,836	502,919	-77,025	-80,360	418,811	422,559
	-11,544	-11,032	-974	-885	-12,518	-11,917
	-2,000	0	0	0	-2,000	0
	-3,298	1,760	5,085	-4,035	1,787	-2,276
	910	922	-692	-706	218	216
	-2,635	-2,964	752	1,002	-1,883	-1,962
	0	0	-12	-54	-12	-54
	18,279	34,693	-152	-1,645	18,127	33,048

The conditional consideration due to the former shareholders of W.G. Systems Ltda., Brazil, is €0.63 million without currency effects, and contingent on the achievement of revenue targets in the years 2016 and 2017. It developed as follows:

Carrying amount of the conditional consideration due to former shareholders of W.G. Systems Ltda.

in € million	2017
Carrying amount as of 1 January	1.81
Currency effects	-0.25
Interest effects	0.02
Adjustment	-0.95
Payment	0.00
Carrying amount as of 31 December	0.63

The carrying amount of a business combination made in the previous year was adjusted by €954 thousand. In the reporting period, the personnel expense component of the conditional consideration was recognised in profit and loss, instead of directly in equity as in the previous year.

The carrying amount of the variable purchase price liability due to former shareholders of Sempla S.r.l. as of 31 December 2017 changed as follows:

Carrying amount of the conditional consideration due to former shareholders of GFT Italia S.r.l. (formerly Sempla S.r.l.)

in € million	2017
Carrying amount as of 1 January	27.49
Adjustment to the expected value	0.96
Interest effects	1.09
Payment	-0.59
Carrying amount as of 31 December	28.95

The variable purchase price liability depends on the earnings of GFT Italia S.r.l.. Average earnings before interest, taxes, depreciation and amortisation in the years 2015, 2016 and 2017 are the main factor for calculating the variable purchase price liability. The maximum amount of the payment is not capped and the calculated compensation including all accrued interest amounts to €29,507 thousand.

A review of fair value of the variable purchase price liability at the end of the reporting period resulted in an adjustment of the expected value. By exercising the option to apply the anticipated acquisition method, the transaction is already treated as an acquisition of all outstanding shares in GFT Italia S.r.l. as of 3 July 2013 (closing). As a result, only the contractually dividend is treated as a dividend to minority shareholders.

On 18 December 2017, GFT Technologies SE sold 80% of shares in its subsidiary CODE_n GmbH, Stuttgart, Germany (formerly GFT Innovations GmbH, Stuttgart, Germany) with effect from 31 December 2017. The company was deconsolidated as of 31 December 2017; it has since been carried as an associated company whose shares are recognised using the equity method. The company's share of Group revenue in the reporting year 2017 amounted to 0.1% (2016: 0.5%). The share of consolidated assets as of 31 December 2016 was 0.2% and at the point of disposal 0.4%. The company's departure had no material effect on the financial position and performance of the Group; disposal expenses amounted to €563 thousand.

5.4 Earnings per share

Earnings per share of the GFT Group acc. to IAS 33

in €	2017	2016
Basic earnings per share	0.68	0.92
profit for the period considered	17,808,827.93	24,228,682.18
number of ordinary shares considered	26,325,946	26,325,946
Diluted earnings per share	0.68	0.92
profit for the period considered	17,808,827.93	24,228,682.18
number of ordinary shares considered	26,325,946	26,325,946

Conditional capital may potentially dilute undiluted earnings in future. It was not included in the calculation of undiluted earnings per share in the financial years 2017 and 2016 as the conditional capital was not exercised.

5.5 Reporting on financial instruments

Information on financial instruments according to categories

The table on pages 122 et seq. shows the carrying amounts and the fair value of the individual financial assets and liabilities for each individual class of financial instruments, and transfers them to the corresponding balance sheet items.

The fair value of a financial instrument is the price at which a party would take on the rights and/or obligations from this financial instrument from an independent, contractually-willing other party. In the case of financial instruments to be accounted for at fair value, the latter is determined on the basis of market prices. If no market prices are available, a valuation is carried out using typical valuation methods based on instrument-specific market parameters.

The fair value of loans and receivables and of original liabilities is determined as the present value of future cash inflows or outflows, discounted at a current interest rate at the end of the reporting period, taking into account the respective due date of the asset items or the residual term of the liability. Owing to the mainly short maturity term of trade payables and receivables, other receivables and liabilities and cash and cash equivalents, the carrying amounts at the end of the reporting period do not vary significantly from the fair values.

Financial instruments stated in the balance sheet at fair value can be classified according to the following hierarchy which reflects to which extent the fair value is observable:

Level 1: measurement at fair value on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: measurement at fair value using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: measurement at fair value based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of Level 3 were measured using the following valuation model:

The valuation model takes into account the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is calculated taking account of the possible scenarios of predicted EBITDA, the amount to be paid in each of these scenarios, and the probability of each of these scenarios.

The main unobservable input factors include the expected development of revenue and earnings.

The relationship between material, unobservable input factors and measurement at fair value is as follows:

The estimated fair value would increase (decrease) if revenue and earnings increase (decrease) relative to the expected value.

Quantitative disclosures for financial instruments stated in the balance sheet at fair value are included in the table on pages 122 et seq..

Disclosures regarding all profits and losses from financial instruments measured at fair value recognised in net income are provided in the table below.

Net profits (+) or losses (-) from financial instruments

in € thsd.	2017	2016
Net profits/losses from financial assets measured at fair value through profit or loss	359	1,579
Net profits/losses from the sale available-for-sale financial assets	0	0
Net profits/losses recognised in other comprehensive income (market valuation reserve)	0	0
Amount transferred from equity (market valuation reserve) to the income statement	0	0
Net profits/losses from loans and receivables	1,188	-132
Expenses from impairment	-706	-1,737
Income from reversals of impairment loss	1,863	1,735
Net profits/losses from currency translation	31	-130
Net profits/losses from financial liabilities carried at amortised cost	0	0

The net profits or losses from financial assets and liabilities measured at fair value through profit or loss also include interest expenses and income from these financial instruments in addition to earnings from changes in market value. Results from market assessment changes are included in the income statement in the items Other operating income/expenses and "Write-downs on securities". Interest income and expenses from financial assets and liabilities measured at fair value through profit or loss are included in the financial result of the income statement.

The net profits or losses arising from loans and receivables, and from financial liabilities which are valued at amortised cost, mainly contain earnings from impairment, reversal of an impairment loss and write-offs which are shown in other operating income or expenses.

The total interest income and expenses for financial assets and financial liabilities which are not classified as measured at fair value through profit or loss are as follows:

Total interest income and expenses

in € thsd.	2017	2016
Total interest income	218	216
Total interest expense	-1,781	-1,808

For a statement of impairment loss on trade receivables, please refer to "The development of valuation allowance" in note 2.7. In the case of other financial assets, no impairment losses were recognised in profit and loss. In the reporting period, as in the previous year, no impairments on investments or on securities in the "available for sale" category were recognised in profit or loss.

General information on risks arising from financial instruments

The GFT Group is exposed to various risks in connection with financial instruments, which are detailed below. The risk report within the combined management report (note 3) also contains statements on the risks arising from financial instruments which we hereby refer to.

The GFT Group has issued internal guidelines which concern risk controlling processes and thus contain a clear separation of functions with regard to the operative financial activities, their handling, bookkeeping and the controlling of the financial instruments. The guidelines which form the basis for the Group's risk management processes are aimed at identifying and analysing the risks on a group-wide basis. In addition, they are aimed at the appropriate limitation and control of risks and their supervision.

Credit risk

The credit risk is the risk of a financial loss arising because a contracting party fails to meet its contractual payment obligations. The credit risk includes both the direct credit risk and the risk of deterioration in creditworthiness.

The liquid funds are mainly composed of cash and cash equivalents. The Group is exposed to losses from credit risks in connection with the investment of cash and cash equivalents if banks and issuers of securities do not meet their obligations. When investing cash and cash equivalents, the banks and issuers of securities are selected with care. The maximum risk exposure from cash and cash equivalents corresponds to the carrying amounts of these assets.

There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

The maximum risk exposure of securities and current assets corresponds to the carrying amount of these assets.

The trade receivables result from sales activities of the Group. The credit risk includes the credit risk of customers; customer receivables are not hedged as a rule. The GFT Group controls credit risks from trade receivables on the basis of internal guidelines. In order to safeguard against credit risk, creditworthiness checks are carried out by clients. Processes also exist for regular monitoring, especially of default-endangered receivables. Valuation allowances are carried out for the risk inherent in trade receivables if required. The maximum risk exposure from trade receivables corresponds to the carrying amount of these receivables.

Carrying amounts of trade receivables

in € million	31/12/2017	31/12/2016
Neither overdue nor value-adjusted receivables	95.7	76.7
Overdue receivables which have not been value adjusted		
Less than 90 days	2.7	36.8
90 to 180 days	0.9	3.1
180 to 360 days	0	0.7
More than 360 days	14.2	0
Value-adjusted receivables	15.5	15.3
Carrying amount	113.5	117.3

There are receivables, which are neither overdue nor value-adjusted, amounting to €95.7 million due from customers with very good credit ratings.

The maximum risk exposure of receivables from construction contracts corresponds to the carrying amount of these assets. There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

The maximum credit risk exposure of the financial assets shown in other non-current and current assets corresponds to the carrying amount of these instruments; the GFT Group is only exposed to a minimal credit risk from other assets. There is no significant credit risk for these financial assets which are neither overdue nor value-adjusted.

There are no significant financial assets which are overdue but not value-adjusted in any other the above mentioned classes.

Overdue receivables of over 360 days totalling €14.2 million mainly refer to receivables from a client with whom there is a legal dispute. Payment was received in January 2018.

Concentration of credit risk

in € million	31/12/2017	31/12/2016
Carrying amount	113.5	117.3
Concentration according to customers:		
Receivables from five biggest customers	30.3	49.6
Receivables from rest of customers	83.2	67.7
Concentration according to regions ¹		
Germany	24.7	15.7
Europe (outside Germany)	77.4	65.8
Rest of the world	11.4	35.8

¹ By customer location

Information on financial instruments according to class

	Meas- urement category acc. to IAS 39	31/12/2017						Total
		Not measured at fair value		Measured at fair value				
		Carrying amount	Fair value	Carrying amount	Fair value			
in € thsd.					Level 1 ¹	Level 2 ²	Level 3 ³	
Financial assets								
Not measured at fair value								
Trade receivables	LaR	94,699	94,699					94,699
Amounts due from customers for production work	LaR	18,782	18,782					18,782
Cash and cash equivalents	LaR	72,246	72,246					72,246
Other long-term financial assets ⁵	LaR	3,553	3,553					3,553
Other short-term financial assets	LaR	2,202	2,202					2,202
Measured at fair value								
Interest rate cap designated as hedging instrument ⁶	n.a.			19		19		19
Total financial assets		191,482	191,482	19		19		191,501
Financial liabilities								
Not measured at fair value								
Trade payables	FLAC	14,469	14,469					14,469
Other short-term financial liabilities ⁴	FLAC	2,850	2,850					2,850
Other long-term financial liabilities	FLAC	0	0					0
Financial liabilities	FLAC	111,535	115,426					111,535
Measured at fair value								
Financial liabilities from subsequent purchase price payments ⁴	FvtPL			31,882			31,882	31,882
Total financial liabilities		128,854	132,745	31,882			31,882	160,736
Thereof aggregated acc. to the measurement categories of IAS 39:								
Loans and receivables (LaR)		191,482	191,482					191,482
Available-for-sale financial assets (AfS)								0
Financial liabilities measured at amortised cost (FLAC)		128,854	132,745					128,854
Financial liabilities at fair value through profit or loss (FvtPL)				31,882			31,882	31,882

¹ Fair values were measured on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.

² Fair values were measured on the basis of either directly (as prices) or indirectly (derived from prices) observable input data for the asset which are not quoted prices according to Level 1.

³ Fair values were measured on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

⁴ The balance sheet item Other short-term financial liabilities comprises the total of other short-term financial liabilities and financial liabilities from subsequent purchase price payments.

⁵ Other long-term financial assets and the interest cap form together other financial assets acc. to balance sheet disclosure.

⁶ The interest rate cap was designated as a hedging instrument with regard to its intrinsic value within the context of hedge accounting, while its fair value is separate.

	31/12/2016						
	Not measured at fair value		Measured at fair value				Total
	Carrying amount	Fair value	Carrying amount	Fair value			
				Level 1 ¹	Level 2 ²	Level 3 ³	
	112,402	112,402					112,402
	4,906	4,906					4,906
	62,290	62,290					62,290
	1,484	1,484					1,484
	1,714	1,714					1,714
			68		68		68
	182,796	182,796	68		68		182,864
	12,517	12,517					12,517
	1,913	1,913					1,913
	4,671	4,671					4,671
	104,343	105,334					104,343
			32,844			32,844	32,844
	123,444	124,435	32,844			32,844	156,288
	182,796	182,796					182,796
							0
	123,444	124,435					123,444
			32,844			32,844	32,844

Liquidity risk

The liquidity risk describes the risk that a company cannot adequately meet its financial obligations.

The GFT Group mainly generates funds from its operating business and external financing. The funds are mainly used to finance working capital and investments. All companies are included in the liquidity management by means of a central treasury system. Liquidity surpluses and demands can thus be controlled according to the needs of the entire Group, as well as individual companies in the Group.

Composition of financial liabilities

in € thsd.	Carrying amount 31/12/2017	Cash flows				
		up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	111,535	0	5,087	261	78,894	27,293
Trade payables	14,465	11,695	2,728	43	0	0
Other financial liabilities	13,648	12,298	1,132		218	
Financial liabilities from dividends and purchase price payments	31,882			31,882		
	171,530	23,993	8,947	32,186	79,112	27,293

in € thsd.	Carrying amount 31/12/2016	Cash flows				
		up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	104,343	37	5,284	14,315	83,383	6,170
Trade payables	12,517	10,580	1,823	49	65	0
Other financial liabilities	1,913	1,913				
Financial liabilities from dividends and purchase price payments	32,844				32,844	
	151,617	12,530	7,107	14,364	116,292	6,170

The liquidity kept in reserve, the credit lines and the ongoing operative cash flow give the GFT Group sufficient flexibility to cover the Group's refinancing needs. There is a concentration of risk regarding cash outflows in the period one year to five years after the balance sheet date. The cash outflow is mainly due to expiring bank loans. The total amount of outgoing liquidity during this period amounts to €116.29 million. The amount is calculated on the basis of liquidity management. At the end of the reporting period, the GFT Group's credit portfolio contains a residual amount of €7.50 million from the promissory note loan agreements signed on 27 November 2013 totalling €25.00 million, a syndicated loan agreement of 21 July 2015 totalling €80.00 million, several promissory note loan agreements signed on 27 November 2017 totalling €52.00 million and bilateral credit lines totalling €21.00 million.

All credit agreements include various covenants. Non-compliance with these covenants may lead to the premature maturity of the loan. These loan covenants were met at all times. Interest rate risks of bank liabilities with variable interest rates are hedged by the GFT Group with interest caps of €40.00 million and a cash flow hedge.

Structure of interest hedge derivative

Interest cap	€40,000 thousand
Term	5 years
Upper interest limit	1.00%
Reference interest rate	Euribor – 3 months

The hedged item refers to cash flows for interest payments based on the Euribor – 3 months – rate from a floating-rate loan of €40.00 million (syndicated loan). The hedged risk is designated as the negative cash flow in the form of changes in interest payments due to an increase in the Euribor – 3 months – interest rate beyond the strike of the interest rate cap set at 1.00%. In accordance with IAS 39.74 (a), the hedging instrument is designated as the interest rate cap in the amount of change in its intrinsic value, the change in fair value – which is equivalent to market value – of €–49 thousand (2016: €–153 thousand) is not considered in the measurement of effectiveness and recognised directly through profit or loss. The market value of the interest cap as of 31 December 2017 amounts to €19 thousand (2016: €68 thousand).

Market value of the interest cap

in € thsd.	Nominal		Market value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Interest cap	40,000	40,000	19	68

The valuation is carried out by the participating financial institutions on the basis of market data on the measurement date and using generally accepted valuation models.

A change in interest rates of 100 base points (bp) as of the reporting date would have increased or decreased equity and profit or loss by the following amounts:

Sensitivity of cash flows

in € thsd.	Through profit and loss		Through equity	
	Increase 100 Bp	Decrease 100 Bp	Increase 100 Bp	Decrease 100 Bp
Interest cap 31/12/2016	158	–39	0	0
Interest cap 31/12/2017	98	–13	0	0

As of the reporting date, there is no ineffectiveness as the intrinsic value of the derivative amounts to €0 thousand (2016: €0 thousand).

Market risk

In terms of market risk, risk means that the fair value or future cash flows of a financial instrument fluctuate due to the changes in market prices. Market risk includes the three risk types: exchange rate risk, interest risk and other price risks (e.g. share price risks). Market risks may have a negative impact on the Group's financial position and profit or loss. The GFT Group controls and monitors market risks mainly via its operative business and financing activities and, if it is appropriate and meaningful in individual cases, by using derivative financial instruments. The Group regularly assesses these risks by following changes in economic key indicators and market information.

The GFT Group is also exposed to exchange rate risks due to its international alignment. Exchange rate risks occur in the case of financial instruments which are denominated in a foreign currency, i.e. a different currency to the functional currency in which they are valued. Financial instruments in functional currency and non-monetary items do not include any exchange rate risk.

The exchange rate risk of the GFT Group arising from its operative business is very low for the following reasons:

- The revenue of the GFT Group is generated mostly in euro (2017 approx. 66%, 2016 approx. 68%), which is the functional currency of the invoicing company. In addition to customers in the euro zone, this also applies to sales with customers in the UK, Brazil and the USA.
- Sales through customers in Switzerland (corresponding to about 4% of total revenue; 2016: 3%) are normally invoiced in Swiss francs, which is the functional currency of the Swiss national company, and so no exchange rate risk is incurred.
- Revenue from clients in the UK (corresponding to about 31% of total revenue; 2016: 36%) are invoiced in UK pounds (17%, 2016: 19%) and euro (13%, 2016: 17%).
- Revenue from clients in the USA (corresponding to about 9% of total revenue; 2016: 10%) was invoiced in US dollars (6%; 2016: 5%), which is the functional currency of one of the US national companies, and euro (3%; 2016: 5%). As a result, there is only a marginal exchange rate risk.
- Sales through customers in Brazil (corresponding to about 6% of total revenue; 2016: 4%) are invoiced in Brazilian real, which is the functional currency of the Brazilian national company, and so no exchange rate risk is incurred.
- Revenue from clients in Mexico (corresponding to about 1% of total revenue) is invoiced in Mexican peso, which is the functional currency of the Mexican companies. As a result, no exchange rate risk is incurred.

The purchases of the GFT Group (mainly outside services, staff) are also conducted almost exclusively in the functional currency of the procuring company (in practice largely in euro).

Effects may arise from currency conversion within the scope of consolidation from translating the balance sheets and income statements of subsidiaries whose functional currency is not the euro. These include companies with the currencies UK pound, US dollar, Swiss franc, Brazilian real, Polish zloty, Canadian dollar, Mexican peso, Costa Rican colon and Peruvian sol. These currency conversion effects decreased by €5,911 thousand as of 31 December 2017. The development in financial year 2017 was mainly the result of the trend of the UK pound. The risk for the GFT Group is that on deconsolidation of Group companies, the applicable currency translation difference is liquidated through profit or loss.

In the financial year 2017, there was only exchange rate hedging for certain periods between the UK pound and the Polish zloty using derivative instruments. Only indefinite exchange rate transactions (FX Forwards) were used to hedge internal Group payments in Polish zloty between GFT Financial Ltd. and GFT Poland Sp. z o. o..

Interest risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the market interest rate. As regards financial assets, the GFT Group does not see any risk from interest rate changes in the case of the largely short-term due and non-interest-bearing trade receivables or the other financial assets. In the case of cash and cash equivalents there is a risk that a lower market interest rate will lead to lower interest income; a fall in the market interest rate by one percentage point would in this case lead to a fall in interest income of €40 thousand. The securities with a partially variable rate of interest (liabilities) are subject to an interest risk that is reflected in both the fair value and the size of the interest income. Original financial liabilities with a variable rate of interest and without hedging amount to €24,000 thousand. An increase in the interest rate of one percentage point would raise the interest expense by €240 thousand. Hedging the interest risk was not necessary until 2017 and was also not carried out. For the non-revolving tranche of the syndicated loan drawn in 2015 amounting to €40,000 thousand, the interest risk was hedged in the form of an interest rate cap using interest options. The maximum interest rate risk compared to the interest rate at the end of the reporting period is 1% and would lead to an increase in interest expenses of €400 thousand. As the GFT Group does not hold any shares in listed companies and other financial instruments are also not dependent on share prices or share price indexes, there is no share price risk.

5.6 Other financial obligations

Total future minimum leasing payments from operating leases according to maturity are as follows:

Future leasing obligations

in € thsd.	31/12/2017	31/12/2016
Obligations from temporary rental, leasing and licensing contracts at nominal value:		
due in the following year	7,874	7,268
due in 2 to 4 years	18,461	16,724
due in 5 or more years (excluding obligations unlimited in time)	15,503	17,528
	41,838	41,520
Annual obligations from open-ended rental contracts	2,183	2,039

Payments under operating leases that are expensed in the reporting period total €9,978 thousand (2016: €8,130 thousand). All lease agreements of the GFT Group qualify as operating leases from a commercial point of view, so that leased objects are attributed to the lessor, not the GFT Group, the lessee. Leases primarily relate to business premises, as well as vehicles and office equipment. Lease agreements for buildings are generally concluded for a fixed lease period and had remaining terms of up to 15 years as of 31 December 2017. Operating leases for vehicles and office equipment have terms of between three and seven years. Agreements usually terminate automatically at the end of the term of the agreement. Order commitments for intangible assets as of 31 December 2017 amount to €32 thousand (2016: €0 thousand). Order commitments for property, plant and equipment amount to €162 thousand (2016: €92 thousand).

5.7 Relationships with affiliated companies and persons

Related parties are associated companies and non-consolidated subsidiaries, as well as persons exercising significant influence over the GFT Group's financial and business policy. The latter include all persons in key positions as well as their close family members. For the GFT Group, this comprises the members of the Administrative Board and the Managing Directors of GFT Technologies SE.

Associated companies

In November 2017, the remaining shares (30%) in eQuadrige Software Private Ltd. were sold for a price of €0 thousand with an accounting loss of €5 thousand. At the time of the sale, the company made a loss of €10 thousand which was carried in the income statement under "Financial assets, accounted for using the equity method".

In September 2017, the shares in Parkpocket GmbH were sold for a price of €439 thousand. There was an accounting loss of €6 thousand. At the time of the sale, the company made a loss of €2 thousand which was carried in the income statement under "Financial assets, accounted for using the equity method".

With effect from 31 December 2017, 80% of shares in CODE_n GmbH, Stuttgart (formerly GFT Innovations GmbH, Stuttgart) were sold to RB Capital GmbH, Stuttgart. The sole shareholder and managing director of RB Capital GmbH is Ulrich Dietz, Chairman of the Administrative Board of GFT Technologies SE. The purchase price was €300 thousand. The sale was made on an arm's-length basis.

Due to the sale of a nominal amount of 80% of shares in CODE_n GmbH as of 31 December 2017, this company is carried as an associated of GFT Technologies SE at the end of the reporting period. There were no transactions between the time of sale and the reporting date. As of 31 December 2017, there are loan receivables of €500 thousand, adjusted in value by €360 thousand, trade receivables of €52 thousand and liabilities from loss assumption of €853 thousand due from CODE_n GmbH.

Other related companies

RB Capital GmbH, whose sole shareholder and managing director is Ulrich Dietz, rendered consulting services to GFT Technologies SE amounting to €84 thousand (2016: €0.00) in the financial year 2017.

Executive bodies

Regarding the composition of the Administrative Board and the Managing Directors, we refer to the following section on "Executive bodies of the parent company".

Ulrich Dietz (as of 31 May 2017 Chairman of the Administrative Board, prior to this Deputy Chairman of the Administrative Board and Chairman of the Managing Directors, CEO) holds 26.4% (2016: 26.3%) of GFT shares as of 31 December 2017. Maria Dietz, member of the Administrative Board, holds 9.7% (2016: 9.7%) of GFT shares as of 31 December 2017.

With the exception of service agreements with the Managing Directors, who are also members of the Administrative Board, there were no business relationships with members of the executive bodies.

No member of the Administrative Board was granted a loan or advance by the company or any affiliated company.

The compensation expensed in the income statement for members of the Administrative Board is as follows:

Administrative Board compensation

in € thsd.	31/12/2017	31/12/2016
Fixed compensation component	1,099	1,268
Short-term variable compensation component	279	744
Long-term variable compensation component	190	420
Total	1,568	2,432

Total compensation for the Managing Directors in the financial year 2017 amounted to €1,311 thousand (2016: €2,217 thousand). Compared to the previous year, in which there were three Managing Directors, GFT Technologies SE had three Managing Directors until expiry of the Annual General Meeting on 31 May 2017 and thereafter two Managing Directors.

Total compensation for the Administrative Board without the Managing Directors in the financial year 2017 amounted to €253 thousand (2016: €215 thousand).

Further details on the remuneration system are contained in the remuneration report of GFT Technologies SE. The remuneration report is a component of the combined management report.

5.8 Executive bodies of the parent company

Administrative Board

Ulrich Dietz

- Chairman of the Administrative Board (since 31 May 2017; previously: Deputy Chairman of the Administrative Board and Chairman of the Managing Directors, CEO)

Dr Paul Lerbinger

- Deputy Chairman of the Administrative Board (since 31 May 2017; previously: Chairman of the Administrative Board)
- Former CEO of HSH Nordbank AG, Hamburg, Germany

Dr Ing Andreas Bereczky

- Member of the Administrative Board
- Production Director Zweites Deutsches Fernsehen, Mainz, Germany

Maria Dietz

- Member of the Administrative Board
- Former Head of Procurement of the GFT Group

Marika Lulay

- Member of the Administrative Board
- Chairwoman of the Managing Directors, CEO (since 31 May 2017; previously: Managing Director, COO)
- Responsible for Strategy and Business Development, Markets, Communication, Marketing, Technology and Innovation

Dr Jochen Ruetz

- Member of the Administrative Board
- Managing Director, CFO
- Responsible for IT Infrastructure, HR, Finance, Legal Affairs, Internal Audit, Investor Relations and Mergers & Acquisitions

Prof Dr Andreas Wiedemann

- Member of the Administrative Board
- Partner of the law firm Hennerkes, Kirchdörfer & Lorz, Stuttgart, Germany

Managing Directors

Marika Lulay

- Chairman of the Managing Directors, CEO
- Member of the Administrative Board
- Managing Director, COO
- Responsible for Strategy and Business Development, Markets, Communication, Marketing, Technology and Innovation

Dr Jochen Ruetz

- Managing Director, CFO
- Member of the Administrative Board
- Responsible for IT Infrastructure, Human Resources, Finance, Legal Affairs, Internal Audit, Investor Relations and Mergers & Acquisitions

5.9 Employees

In the 2017 financial year there were 4,829 employees on average, compared to 4,604 in the previous year.

Employees by country

	2017	2016
Germany	366	315
Brazil	694	652
UK	194	226
Switzerland	59	53
Spain	2,083	1,953
Italy	583	573
USA	52	58
Canada	4	10
Costa Rica	119	91
Poland	530	561
Mexico	147	113
Average number of employees	4,829	4,604

The number of employees at year-end amounted to 4,912 (2016: 5,031).

5.10 Auditing fees

At the Annual General Meeting of 31 May 2017, the accounting firm KPMG AG Wirtschaftsprüfungsgesellschaft was elected as the auditor. The following table presents the fees of KPMG AG Wirtschaftsprüfungsgesellschaft for services rendered to GFT Technologies SE and its subsidiaries in the respective financial year.

Honorar des Abschlussprüfers

in € thsd.	2017	2016
Auditing of financial statements	231	255
Other certification services	10	7
Tax consulting services	33	130
Other services	63	12
Total	337	404

The auditing fees include the auditing of the consolidated financial statements, the auditing of the annual financial statements of GFT Technologies SE, a review of the interim statements, and an audit review of the half-yearly financial report. Auditing fees contain an amount of €43 thousand (2016: 66 €thousand) for previous years.

Other certification services refer to certification of key financial figures.

Tax consulting services mainly comprise tax advice regarding the declaration of income taxes and an assessment of individual tax items. The fees contain an amount of €2 thousand (2016: €0 thousand) for previous years.

Other services in connection with auditing fees mainly refer to quality assurance regarding the compliance with regulatory requirements and consulting services in connection with the initial application of the new accounting principles pursuant to IFRS 15.

5.11 Use of simplified preparation and disclosure option

On inclusion in the consolidated financial statements of GFT Technologies SE, Stuttgart, use was made of the exemption from disclosure obligations in accordance with section 264 (3) HGB for the following companies.

- GFT Real Estate GmbH, Stuttgart
- SW34 Gastro GmbH, Stuttgart
- GFT Invest GmbH, Stuttgart

5.12 Issuance of Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 AktG

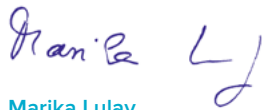
On 12 December 2017, the Administrative Board issued the updated Declaration of Compliance pursuant to section 161 AktG. As of 13 December 2017, it has been permanently available on the company's website at www.gft.com/governance.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report – which is combined with the management report of GFT Technologies SE – includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 21 March 2018

GFT Technologies SE
The Managing Directors



Marika Lulay
CEO



Dr Jochen Ruetz
CFO

Independent Auditor's Report

To GFT Technologies SE, Stuttgart

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

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

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 1.6 and 2.1 of the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Disclosures on the financial performance of the business segments can be found in section 2.4 of the combined management report.

The financial statement risk

Goodwill amounted to EUR 101.7 million as at 31 December 2017, and at 27.3% of total assets accounts for a considerable share of the assets.

Impairment of goodwill is tested annually at the level of the "Americas & UK" and "Continental Europe" business segments. For the impairment test, the Company primarily determines the value in use using the discounted cash flow method and compares this with the respective carrying amount of the cash generating unit. The reporting date for the impairment test is 31 December 2017.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings development of the business segments for the next five years, the assumed long-term growth rates and the discount rate used.

In financial year 2017, declines in sales at two major customers in the UK and North America resulted in reduced revenue and failure to achieve margins in the *Americas & UK* segment. The future budget is founded on a lower base for revenue and earnings relative to the prior year. As at 30 June 2017, GFT Group recognised impairment of goodwill of EUR 2 million on the basis of an impairment test conducted during the year.

As at 31 December 2017, GFT Technologies SE did not identify any further impairment need as a result of the impairment tests performed.

There is the risk for the consolidated financial statements that further impairment existing as at the reporting date was not recognised. In addition, there is the risk that the related disclosures in the notes to the consolidated financial statements – in particular the disclosures on sensitivities to a reasonably possible change of the significant assumptions underlying measurement – are not appropriate.

Our audit approach

With the involvement of our valuation experts, we assessed the appropriateness of the significant assumptions and calculation methods of the Group, among other things. For this purpose we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the budget prepared by the managing directors and approved by the administrative board. Furthermore, we carried out an audit of the structure of the planning process for the following year and assessed the consistency of the growth rates defined for the detail planning phase as well as the long-term growth rates and the discount rate with external market estimates.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analysing deviations. Since changes to the discount rate can have a significant impact on the results of impairment testing in the *Americas & UK* segment, we compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate and/or cash flows on the value in use (sensitivity analysis) by determining the value in use for alternative scenarios and comparing these with the values stated by the Company. The risk-based core focus of our analyses was on the *Americas & UK* business segment, as its future economic prospects had deteriorated markedly in the financial year.

Finally, we assessed whether the disclosures in the notes to the consolidated financial statements regarding the impairment of goodwill were appropriate. This also included an assessment of the appropriateness of disclosures according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and parameters used for measurement are appropriate. The related disclosures in the notes to the consolidated financial statements are appropriate.

The recognition of construction contract revenue

Please refer to note 1.6 in the notes to the consolidated financial statements for more information on the accounting policies applied.

The financial statement risk

The income from construction contracts amounted to EUR 145.0 million in financial year 2017. Revenue from construction contracts as a share of total Group revenue was 34.6%.

The GFT Group recognised revenue from construction contracts according to the percentage of completion method. Under the percentage of completion method, income is recognised in accordance with the stage of completion of the contract.

Recognition of revenue from construction contracts is complex and subject to judgement. Estimation uncertainties exist particularly in respect of the total project costs to be estimated for the determination of the stage of contract completion; at the GFT Group these costs mostly consist of internal staff costs. In addition, there is the risk that costs are recorded for the wrong projects.

There is the risk for the consolidated financial statements that the revenue and outcomes from construction contracts are inaccurately allocated to the financial years.

Our audit approach

Based on our understanding of the process, we assessed the design, establishment and functionality of the identified internal controls, especially in terms of the correct allocation of costs to the individual projects. We also assessed whether costs were correctly allocated to projects for a specific sample of costs.

We examined the significant cases of judgement, such as the estimate of costs still due and the follow-up costs, and assessed their appropriateness. In addition, we discussed the construction contracts with the Company, inclusive of their existing risks (e.g. legal risks or warranty risks) and analysed the project costing.

Based on the knowledge already obtained, we assessed whether the respective stage of completion and the amount of revenue deduced from this were properly determined, and evaluated how this was recognised in profit or loss.

Our observations

The Group's approach to the recognition of revenue and outcomes from construction contracts is appropriate. The assumptions underlying the financial reporting are reasonable.

Other Information

Management is responsible for the other information. The other information comprises:

the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Administrative Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined 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, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The administrative board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Arne Stratmann.

Stuttgart, 21 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Signature] Schwebler
Wirtschaftsprüfer
[German Public Auditor]

[Signature] Stratmann
Wirtschaftsprüfer
[German Public Auditor]

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 31 May 2017. We were engaged by the administrative board on 8 January 2018. We have been the group auditor of GFT Technologies SE without interruption since the financial year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the administrative board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

ANNUAL FINANCIAL STATEMENTS OF GFT TECHNOLOGIES SE (HGB) – EXTRACT

The complete Annual Financial Statements of GFT Technologies SE (HGB) are available at www.gft.de/finanzberichte (German language).

Balance Sheet according to HGB

as at 31 December 2017, GFT Technologies SE

Assets

in €	31/12/2017	31/12/2016
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	2,052,044.00	1,001,996.00
II. Property, plant and equipment		
1. Other equipment, furniture and fixtures	4,090,144.91	3,926,788.29
2. Prepayments	244,527.08	0.00
	4,334,671.99	3,926,788.29
III. Financial assets		
1. Shares in affiliates	37,087,478.68	37,625,832.03
2. Loans to affiliates	53,193,203.21	66,659,206.18
3. Equity investments	157,161.42	86,697.86
	90,437,843.31	104,371,736.07
	96,824,559.30	109,300,520.36
B. Current assets		
I. Inventories		
Work in process	4,848,743.73	3,605,593.18
II. Receivables and other assets		
1. Trade receivables	24,556,909.68	18,067,179.41
2. Receivables from affiliates	33,251,435.72	40,571,188.25
3. Receivables from other investees and investors	192,237.04	0.00
4. Other assets	1,593,615.14	997,770.44
	59,594,197.58	59,636,138.10
III. Cash on hand and bank balances	31,713,644.81	13,638,314.05
	96,156,586.12	76,880,045.33
C. Prepaid expenses	6,659,584.18	2,689,766.07
	199,640,729.60	188,870,331.76

Equity and liabilities

in €	31/12/2017	31/12/2016
A. Equity		
I. Share capital	26,325,946.00	26,325,946.00
II. Capital reserve	2,745,042.36	2,745,042.36
III. Retained earnings		
Other retained earnings	22,149,591.97	22,149,591.97
IV. Distributable profit	12,485,128.78	10,226,480.52
	63,705,709.11	61,447,060.85
B. Provisions		
1. Provisions for pensions	870,948.00	825,489.00
2. Tax provisions	330,000.00	0.00
3. Other provisions	9,609,377.05	9,548,215.45
	10,810,325.05	10,373,704.45
C. Liabilities		
1. Liabilities to banks	104,500,000.00	97,000,000.00
2. Prepayments received on account of orders	7,227,011.49	5,247,397.53
3. Trade payables	6,307,989.92	2,756,536.12
4. Liabilities to affiliates	5,280,944.15	10,762,916.22
5. Other liabilities	1,696,004.75	1,282,716.59
	125,011,950.31	117,049,566.46
D. Deferred income	112,745.13	0.00
	199,640,729.60	188,870,331.76

Income statement for the financial year 2017 according to HGB

for the financial year 2017, GFT Technologies SE

in €	2017	2016
1. Revenue	73,719,956.64	83,633,229.95
2. Increase (2016: decrease) of work in process	1,243,150.55	-10,231,831.90
3. Other operating income	10,002,683.78	6,838,414.13
4. Total performance	84,965,790.97	80,239,812.18
5. Cost of purchased services	31,238,187.97	32,165,894.64
6. Personnel expenses		
a) Salaries and wages	26,893,595.72	24,539,478.28
b) Social security, pension and other benefit costs	3,930,026.98	3,260,741.54
7. Amortisation and depreciation of intangible assets and property, plant and equipment	1,456,134.48	1,107,459.27
8. Other operating expenses	19,032,310.49	19,205,646.96
9. Result from operating activities	2,415,535.33	-39,408.51
10. Income from equity investments	9,616,348.00	10,645,732.38
11. Income from loans classified as fixed financial assets	1,470,747.81	1,639,612.64
12. Other interest and similar income	521,596.35	624,454.96
13. Impairment on financial assets	538,352.35	986,734.99
14. Expenses from loss assumptions	1,255,961.86	1,865,065.27
15. Interest and similar expenses	1,623,886.91	1,666,978.10
16. Financial result	8,190,491.04	8,391,021.62
17. Earnings before taxes	10,606,026.37	8,351,613.11
18. Income taxes	441,131.07	0.00
19. Earnings after income taxes	10,164,895.30	8,351,613.11
20. Other taxes	8,463.24	9,106.59
21. Net income for the year	10,156,432.06	8,342,506.52
22. Profit brought forward from previous year	2,328,696.72	1,883,974.00
23. Distributable profit	12,485,128.78	10,226,480.52

Financial calendar 2018

9 May 2018	21 June 2018	9 August 2018	8 November 2018
Quarterly Statement as of 31 March 2018	Annual General Meeting	Interim Financial Report as of 30 June 2018	Quarterly Statement as of 30 September 2018

Service

Further information

Write to us or call us if you have any questions. Our Investor Relations team will be happy to answer them for you. Or visit our website at www.gft.com/ir. There you can find further information on our company and the GFT Technologies SE share.

The Annual Report 2017 is also available in German. The online versions of the German and English Reports are available on www.gft.com/ir.

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Imprint

Concept

GFT Technologies SE, Stuttgart, Germany
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Text

GFT Technologies SE, Stuttgart, Germany
www.gft.com

Creative concept, design and setting

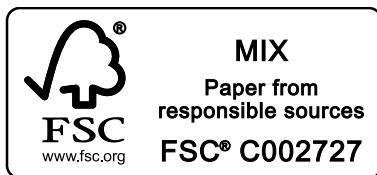
sam waikiki, Hamburg, Germany
www.samwaikiki.de

Photography

Pages 3, 29, 31, 33: Michael Dannenmann
Pages 7, 20, 21, 24: Ailine Liefeld

Print

Eberl Print GmbH, Immenstadt, Germany



The report was printed on responsibility-sourced FSC® paper bearing the EU Ecolabel.

Key figures (IFRS)

GFT Group

in € million	2017	2016	Δ %
Income statement			
Revenue	418.81	422.56	-1%
Earnings before interest, tax, depreciation, amortisation and impairment losses/reversals (EBITDA)	34.31	46.71	-27%
Earnings before interest and taxes (EBIT)	19.79	34.79	-43%
Earnings before taxes (EBT)	18.13	33.05	-45%
Net income	17.81	24.23	-26%
Segments			
Revenue <i>Americas & UK</i>	195.40	219.42	-11%
Revenue <i>Continental Europe</i>	222.48	200.52	11%
Revenue <i>Others</i>	0.93	2.62	
Earnings before taxes (EBT) <i>Americas & UK</i>	-4.40	9.43	< -100%
Earnings before taxes (EBT) <i>Continental Europe</i>	22.68	25.26	-10%
Earnings before taxes (EBT) <i>Others</i>	-0.15	-1.64	
Share			
Basic earnings per share	0.68 €	0.92 €	-26%
Average number of shares outstanding	26,325,946	26,325,946	0%
Balance sheet			
Non-current assets	165.14	175.54	-6%
Cash and cash equivalents	72.24	62.29	16%
Other current assets	135.43	128.21	6%
Total assets	372.81	366.04	2%
Non-current liabilities	119.60	134.65	-11%
Current liabilities	137.89	114.21	21%
Shareholders' equity	115.32	117.18	-2%
Total shareholders' equity and liabilities	372.81	366.04	2%
Equity ratio	31%	32%	
Cash flow statement			
Cash flow from operating activities	23.70	19.99	
Cash flow from investing activities	-9.01	-16.71	
Cash flow from financing activities	-2.91	13.01	
Employees			
Number of employees (as of 31 December)	4,740	4,870	-3%
Weighted utilisation rate	89.0%	89.7%	

