GFT

Half-year Financial Report

January to June 2017

GFT Technologies SE

Key figures (IFRS, unaudited)

GFT Technologies SE

in € million	H1/2017	H1/2016	Δ %	Q2/2017	Q2/2016	Δ %
Income statement						
Revenue	217.77	208.03	5%	106.67	110.64	−4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	18.34	21.54	−15%	8.42	11.39	−26%
Earnings before interest and taxes (EBIT)	10.27	15.86	−35%	3.32	8.46	−61%
Earnings before taxes (EBT)	9.52	14.60	−35%	2.89	7.56	−62%
Net income	8.11	12.21	−34%	3.12	6.63	−53%
Segments						
Revenue *Americas & UK*	105.77	110.84	−5%	50.91	59.66	−15%
Revenue *Continental Europe*	111.55	96.71	15%	55.47	50.66	10%
Revenue *Others*	0.45	0.48		0.29	0.32	
Earnings before taxes (EBT) *Americas & UK*	−6.33	4.45	<−100%	−4.05	3.37	<−100%
Earnings before taxes (EBT) *Continental Europe*	14.92	10.06	48%	6.47	5.41	20%
Earnings before taxes (EBT) *Others*	0.93	0.09		0.47	−1.22	
Share						
Earnings per share	€0.31	€0.46	−34%	€0.12	€0.25	−53%
Average number of outstanding shares	26,325,946	26,325,946	0%	26,325,946	26,325,946	0%
Balance sheet						
Non-current assets	166.66	174.31	−4%			
Cash, cash equivalents and securities	41.41	42.22	−2%			
Other current assets	135.26	130.07	4%			
Assets	**343.33**	**346.60**	**−1%**			
Non-current liabilities	90.95	139.40	−35%			
Current liabilities	138.10	84.79	63%			
Shareholders' equity and liabilities	114.28	122.41	−7%			
Liabilities	**343.33**	**346.60**	**−1%**			
Equity ratio	33%	35%				
Cash flow						
Cash flow from operating activities	−8.49	−14.84				
Cash flow from investing activities	−3.00	−10.10				
Cash flow from financing activities	−9.26	21.22				
Employees						
Employees (absolute figures as of 30 June)	4,739	4,493	5%			
Utilisation rate (weighted Ø GFT)	88.6%	90.2%				

Contents

Interim Group Management Report

of GFT Technologies SE as of 30 June 2017

1. Basic principles of the Group

Changes in the management of GFT Technologies SE as of 31 May 2017

At the Administrative Board meeting on 29 January 2017, Ulrich Dietz stepped down from his position as Managing Director and CEO of GFT Technologies SE – at his own request and in agreement with the Administrative Board – with effect from the end of the Annual General Meeting on 31 May 2017. The Administrative Board appointed Marika Lulay, former COO and responsible for the operating business of GFT Technologies SE since 2002, as successor to the position of CEO. The Administrative Board elected Ulrich Dietz as its Chairman.

2. Economic report

2.1 General economic and sector-specific conditions

General economic conditions

The global economy made a sustained recovery in the first six months of 2017. Although global gross domestic product (GDP) grew slightly more slowly in the first quarter of 2017, sentiment indicators and surveys point to a return to more robust growth in the coming months. This is the conclusion reached by the economists of the European Central Bank (ECB) in their latest economic report (June 2017). This trend was also confirmed by the International Monetary Fund (IMF) in its July update. According to the experts, there are signs of stronger global growth for the second quarter of 2017. However, the ECB believes that a continued recovery is strongly dependent on the support of monetary and fiscal policy – in other words, low interest rates and high government spending. The experts also see considerable political uncertainty regarding the objectives of the US government under President Donald Trump, which also presents the risk of negative consequences for the global economy.

According to the ECB, economic growth has also accelerated in the eurozone and is being driven predominantly by domestic demand. The upturn is proving to be increasingly robust and has become more widely spread across sectors and national boundaries. The eurozone economy is now enjoying its fourth consecutive year of growth. Certain eurozone countries, including Germany, France, Italy and Spain, performed better in the first half of the year than predicted in the IMF's April forecast.

The German Federal Bank (Deutsche Bundesbank) can confirm this solid economic growth in Germany for the first six months of 2017. It is being driven by consumer spending in connection with state demand and housing investment. Adjusted for seasonal and calendar-related effects, gross domestic product rose by a good 1% in real terms during the last quarter of 2016 and first quarter of 2017 – almost as much as predicted in the forecast of December 2016.

Sector-specific conditions

Digital projects and the transfer of IT systems to the cloud continue to ensure steady growth in global spending on IT services. This trend was reported by the US market research firm Gartner in its quarterly update on the development of global IT spending published in May 2017. According to Gartner, this persistently strong demand for cloud solutions is a major driver of investment in IT services in the USA. In the UK, the investment climate continued to deteriorate following the parliamentary elections in June and in view of further uncertainty surrounding the Brexit negotiations. As a result, Gartner reduced its growth expectations for IT services in the UK from 4.1% to just 2.9% in July. It also downgraded its forecast for global spending in this field to 4.3% (previously 4.6%). Nevertheless, Gartner still believes that investment in IT services will grow much more strongly year on year than the IT market as a whole, which is expected to expand by 3.3% in 2017.

In the first six months of 2017, the German digital association Bitkom upheld the optimistic outlook for the German information technology and telecommunications (ICT) industry it presented in its sector barometer of 25 January 2017. According to this report, 83% of companies surveyed expected revenue growth for the year as a whole. Only 8% expected a decline in sales. In the case of IT service providers, as many as 86% of companies surveyed forecast rising sales.

2.2 Overview of business development

After the encouraging trend in the first quarter of 2017 with year-on-year revenue growth of 14%, falling sales in the *Americas & UK* segment slowed the GFT Group's growth on a half-yearly basis. The diverging trends of the first two quarters were also influenced by the different number of working days in the prior-year periods. All in all, the GFT Group achieved revenue growth of 5% to €217.77 million in the first six months (H1/2016: €208.03 million).

In the *Americas & UK* segment, cost-cutting measures introduced by two major investment banking clients in the UK and USA in the middle of the second quarter led to project cancellations and postponements. Despite further dynamic revenue growth with all other clients, this revenue shortfall could not be fully offset. Following an increase of 7% in the first quarter, this led to a year-on-year decline in revenue for the *Americas & UK* segment of 5% to €105.77 million for the first half of 2017 (H1/2016: €110.84 million). The steps taken in the first six months to adapt and realign the Group's sales organisations in the UK and USA in view of the weak market environment for investment banking showed the first signs of success. A major retail bank in North America, for example, ordered the implementation of a strategic digitalisation programme and was gained as a new client.

By contrast, the *Continental Europe* segment continued its dynamic growth with digital solutions in the second quarter and raised revenue by 15% to €111.55 million in the first half of the year (H1/2016: €96.71 million).

In the first six months of 2017, earnings before interest, taxes, depreciation and amortisation (EBITDA) of €18.34 million was 15% below the corresponding prior-year figure (H1/2016: €21.54 million). This decline was mainly due to the reduced revenue of the *Americas & UK* segment and the underutilisation of staff in the UK and USA. Adjusted for restructuring costs and personnel expenses for performance-based payment obligations from the takeover of Habber Tec Brazil, EBITDA fell by 6% to €20.24 million in the first half of 2017 (H1/2016: €21.54 million).

Pre-tax earnings (EBT) of the GFT Group were also burdened by an impairment charge on the goodwill of the *Americas & UK* segment and consequently fell by 35% to €9.52 million in the first half of 2017 (H1/2016: €14.60 million). Earnings of the *Americas & UK* segment declined by €10.78 million to €–6.33 million in the first six months (H1/2016: €4.45 million). Due to economies of scale and high capacity utilisation, the *Continental Europe* segment raised its contribution to consolidated earnings by 48% to €14.92 million (H1/2016: €10.06 million).

2.3 Development of revenue

Consolidated revenue in the first half of 2017
In the first six months of 2017, the GFT Group generated revenue growth of 5% to €217.77 million (H1/2016: €208.03 million). Habber Tec Brazil, which was acquired in April 2016, accounted for €5.22 million of this total (H1/2016: €1.22 million). Adjusted for this revenue contribution, the GFT Group generated organic growth of 3%.

Revenue of the GFT Group in the first half of 2017

	H1/2017		H1/2016		Δ %
	€ million	% share	€ million	% share	
GFT organic	212.55	98%	206.81	99%	3%
Habber Tec Brazil[1]	5.22	2%	1.22	1%	> 100%
GFT Group	**217.77**	**100%**	**208.03**	**100%**	**5%**

[1] Contained in the prior-year figures as of April 2016

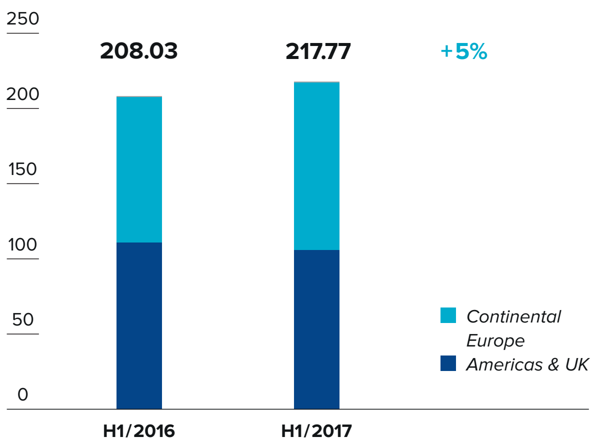
Revenue of the GFT Group in the second quarter of 2017

	Q2/2017		Q2/2016		Δ %
	€ million	% share	€ million	% share	
GFT organic	104.36	98%	109.42	99%	–5%
Habber Tec Brazil	2.31	2%	1.22	1%	89%
GFT Group	**106.67**	**100%**	**110.64**	**100%**	**–4%**

Revenue by segment in the first half of 2017
After reporting revenue growth of 7% in the first quarter, the revenue trend of the *Americas & UK* segment in the second quarter was dominated by the effect of cost-cutting measures introduced by two major investment banking clients in the UK and USA. As a result, segment revenue fell by 5% to €105.77 million in the first six months of 2017 (H1/2016: €110.84 million).

The *Continental Europe* segment raised revenue by 15% to €111.55 million in the first half of 2017 (H1/2016: €96.71 million). This segment's share of consolidated revenue rose from 47% in the previous year to 51%. The dynamic revenue trend resulted from business with digital solutions for retail banking clients.

Revenue by segment in the first half of 2017
in € million



Revenue by segment in the first half of 2017

	H1/2017		H1/2016		Δ %
	€ million	% share	€ million	% share	
Americas & UK	105.77	49%	110.84	53%	–5%
Continental Europe	111.55	51%	96.71	47%	15%
Others	0.45	0%	0.48	0%	–7%
GFT Group	**217.77**	**100%**	**208.03**	**100%**	**5%**

Revenue by segment in the second quarter of 2017

	Q2/2017		Q2/2016		Δ %
	€ million	% share	€ million	% share	
Americas & UK	50.91	48%	59.66	54%	–15%
Continental Europe	55.47	52%	50.66	46%	10%
Others	0.29	0%	0.32	0%	–10%
GFT Group	**106.67**	**100%**	**110.64**	**100%**	**–4%**

Revenue by country in the first half of 2017
Revenue generated with clients in the **UK** decreased by 14% to €63.49 million in the first six months (H1/2016: €73.42 million). The share of consolidated revenue generated in this country fell from 36% in the previous year to 29%. In addition to shifts in certain client budgets from the UK to the USA, the revenue decline in this country resulted mainly from cost-cutting measures introduced by two major investment banking clients. The UK remains the GFT Group's largest sales market.

In **Spain**, revenue in the first six months rose by 21% to €44.94 million (H1/2016: €37.11 million). This dynamic trend in the GFT Group's second-largest sales market (revenue share: 21%; H1/2016: 18%) resulted from persistently strong demand from Spanish retail banks for digital solutions.

The revenue trend in the **USA** was also dominated by the cost-cutting measures of two major investment banking clients. After growth of 11% in the first quarter, revenue generated in this country fell by 7% on a half-yearly basis to €25.42 million (H1/2016: €27.48 million). The country's share of consolidated revenue amounted to 12% (H1/2016: 13%).

Despite the country's ongoing banking crisis, revenue in **Italy** remained stable at €27.52 million during the first six months (H1/2016: €27.48 million). As in the previous year, Italy accounted for 13% of consolidated revenue.

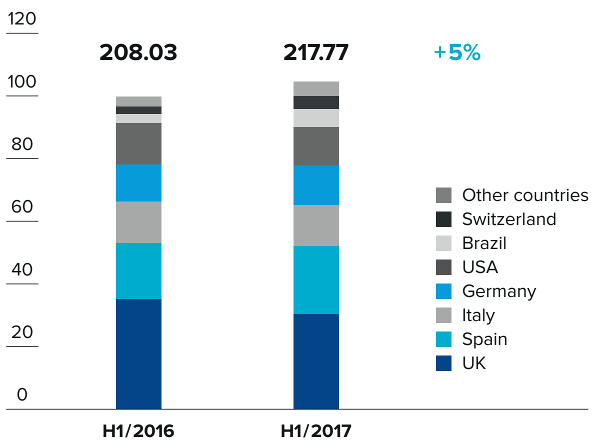
In the first six months of 2017, business with clients in **Germany** grew by 6% to €26.21 million (H1/2016: €24.73 million) and contributed 12% (H1/2016: 12%) to consolidated revenue.

In **Brazil**, revenue in the first six months of €11.89 million almost doubled compared to the previous year (H1/2016: €6.19 million). Adjusted for the revenue contributed by Habber Tech Brazil of €5.22 million (H1/2016: €1.22 million), there was organic growth of 34% in this country.

Revenue generated with clients in **Switzerland** rose by 89% to €8.84 million (H1/2016: €4.69 million). This growth was largely due to the shifting of projects from clients in Germany to clients in Switzerland.

Revenue relating to **Other countries** increased by 36% to €9.46 million (H1/2016: €6.93 million).

Revenue by country in the first half of 2017
in € million



Revenue of the GFT Group by country in the first half of 2017

	H1/2017		H1/2016		Δ %
	€ million	% share	€ million	% share	
UK	63.49	29%	73.42	36%	−14%
Spain	44.94	21%	37.11	18%	21%
Italy	27.52	13%	27.48	13%	0%
Germany	26.21	12%	24.73	12%	6%
USA	25.42	12%	27.48	13%	−7%
Brazil	11.89	5%	6.19	3%	92%
Switzerland	8.84	4%	4.69	2%	89%
Other Countries	9.46	4%	6.93	3%	36%
GFT Group	**217.77**	**100%**	**208.03**	**100%**	**5%**

Revenue of the GFT Group by country in the second quarter of 2017

	Q2/2017		Q2/2016		Δ %
	€ million	% share	€ million	% share	
UK	30.91	29%	38.69	35%	−20%
Spain	21.96	21%	19.74	18%	11%
Italy	13.94	13%	14.18	13%	−2%
Germany	13.01	12%	13.19	12%	−1%
USA	11.49	11%	14.66	13%	−22%
Brazil	5.79	5%	4.16	4%	39%
Switzerland	4.28	4%	2.21	2%	93%
Other Countries	5.29	5%	3.81	3%	39%
GFT Group	**106.67**	**100%**	**110.64**	**100%**	**−4%**

2.4 Earnings position

Consolidated earnings position in the first half of 2017
In the first six months of 2017, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** of the GFT Group were 15% down on the previous year at €18.34 million (H1/2016: €21.54 million). EBITDA was burdened by exchange rate effects of €–2.16 million (H1/2016: €–2.43 million), mainly due to the devaluation of the British pound and Brazilian real. The figure also includes expenses of €–1.40 million for adapting the sales organisation to weak capital spending of investment banks in the UK and USA, as well as earn-out payment obligations for company acquisitions in the previous year of €0.50 million. Adjusted for the latter effects, EBITDA of €20.24 million for the first six months of 2017 was 6%, or €1.30 million, below the prior-year figure. The decline was also largely attributable to lower revenue in the *Americas & UK* segment, as well as the underutilisation of staff in the UK and USA. EBITDA also includes total costs for the CODE_n innovation drive of €0.38 million (H1/2016: €0.91 million).

Due mainly to an increase in depreciation, **earnings before interest and taxes (EBIT)** decreased by €5.59 million to €10.27 million in the first six months of 2017 and were thus 35% down on the previous year (H1/2016: €15.86 million). Earnings were strongly influenced by an impairment charge of €2.00 million on the goodwill of the *Americas & UK* segment. Adjusted for this effect, EBIT of €12.27 million for the first six months was 23%, or €3.59 million, below the prior-year figure.

Earnings before taxes (EBT) fell by €5.08 million, or 35%, to €9.52 million (H1/2016: €14.60 million), corresponding to an operating margin of 4.4% (H1/2016: 7.0%).

In the reporting period, **earnings after taxes (net income)** of €8.11 million were down €4.10 million or 34% on the previous year (H1/2016: €12.21 million). The calculated **tax ratio** decreased to 15% (H1/2016: 16%).

Earnings per share declined by €0.15 to €0.31 in the first half of 2017 (H1/2016: €0.46), based on 26,325,946 outstanding shares.

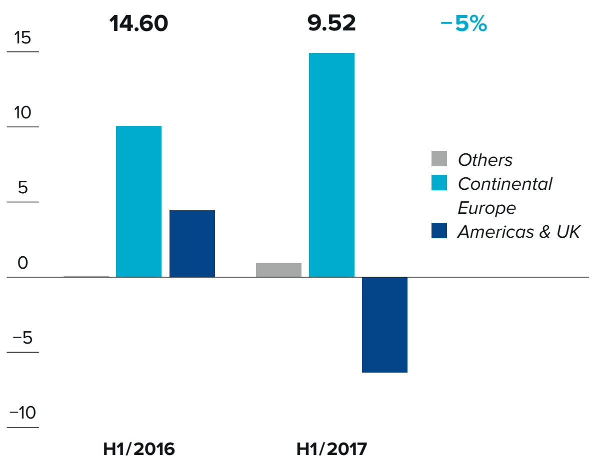
Earnings (EBT) by segment in the first half of 2017
Pre-tax earnings (EBT) of the *Americas & UK* segment fell by €10.78 million to €–6.33 million in the first six months of 2017 (H1/2016: €4.45 million). The operating margin decreased to –6.0% (H1/2016: 4.0%). Amongst other things, this decline resulted from lower revenue in this segment and the underutilisation of staff in the UK and USA. Segment earnings also include restructuring costs of €1.40 million, earn-out payment obligations for company acquisitions in the previous year of €0.50 million and an impairment charge on goodwill of €2.00 million. Adjusted for these special items, the *Americas & UK* segment reported pre-tax earnings of €–2.43 million with an operating margin of –2.3%.

In the *Continental Europe* segment, pre-tax earnings (EBT) rose by €4.86 million to €14.92 million in the first half of 2017 (H1/2016: 10.06 million). Due to the high capacity utilisation and economies of scale resulting from strong revenue growth in Spain, Germany and Switzerland, the operating margin – based on external revenue – amounted to 13.4% (H1/2016: 10.4%).

Earnings of the *Others* category rose to €0.93 million in the first half of 2017 (H1/2016: €0.09 million).

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 holding which are not allocated, e.g. items or revenue relating to corporate activities only occasionally incurred or generated. Moreover, the reconciliation mainly comprises expenses for CODE_n.

Earnings (EBT) by segment in the first half of 2017
in € million



Earnings (EBT) by segment in the first half of 2017

	H1/2017		H1/2016		Δ € million
	€ million	margin %	€ million	margin %	
Americas & UK	−6.33	−6.0%	4.45	4.0%	−10.78
Continental Europe	14.92	13.4%	10.06	10.4%	4.86
Others	0.93	–	0.09	–	0.84
GFT Group	**9.52**	**4.4%**	**14.60**	**7.0%**	**−5.08**

Earnings (EBT) by segment in the second quarter of 2017

	Q2/2017		Q2/2016		Δ € million
	€ million	margin %	€ million	margin %	
Americas & UK	−4.05	−7.9%	3.37	5.7%	−7.42
Continental Europe	6.47	11.7%	5.41	10.7%	1.06
Others	0.47	–	−1.22	–	1.69
GFT Group	**2.89**	**2.7%**	**7.56**	**6.8%**	**−4.67**

Consolidated earnings position by income and expense items in the first half of 2017
In the first six months of 2017, other operating income of €1.07 million was €1.09 million down on the previous year (H1/2016: €2.16 million).

The cost of purchased services decreased by €3.46 million to €27.12 million in the reporting period (H1/2016: €30.58 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 fell year on year by 3 percentage points to 12% (H1/2016: 15%).

Personnel expenses rose by €15.00 million to €141.55 million in the reporting period (H1/2016: €126.55 million). The reasons included increased headcount in line with revenue growth, especially in the *Continental Europe* segment, the growing replacement of purchased external services with internal staff, and severance payments made in the UK and USA following adjustments to the sales organisation in these countries. Compared to the same period last year, the proportion of revenue to personnel expenses (personnel cost ratio) rose from 61% to 65%.

In the first six months of 2017, depreciation and amortisation of tangible and intangible assets rose by €2.39 million to €8.07 million (H1/2016: €5.68 million). The increase is mainly due to scheduled writedowns on the customer base of €0.31 million (H1/2016: €0.14 million) from the purchase price allocation (PPA) of Habber Tec Brazil, as well as an impairment charge of €2.00 million on the goodwill of the *Americas & UK* segment.

Other operating expenses increased by €0.30 million to €31.82 million in the reporting period (H1/2016: €31.52 million). The main cost elements were operating, administrative and selling expenses, which rose by €2.35 million to €29.20 million (H1/2016: €26.85 million).

The financial result in the first six months of 2017 amounted to €−0.76 million (H1/2016: €−1.26 million).

2.5 Financial position

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 with a fixed term of five years for an amount of up to €80.00 million was concluded in the financial year 2015 with a banking consortium comprising Deutsche Bank AG, Landesbank Baden-Württemberg and UniCredit Bank AG. 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. As of 30 June 2017, €40.00 million of Facility A and €18.00 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 based on the respective Euribor rate – 1, 2, 3 or 6 months.

Cash and cash equivalents as of 30 June 2017 amounted to €41.41 million and were thus €20.88 million below the year-end figure for 2016 (€62.29 million). The decline, or cash outflow, is mostly due to closing-date effects in working capital.

As of 30 June 2017, the GFT Group had unused credit lines of €50.61 million. The net liquidity of the GFT Group – calculated as the stock of disclosed cash and cash equivalents less financial liabilities – changed from €−42.05 million as of 31 December 2016 to €−63.77 million on 30 June 2017. The change in net liquidity compared to year-end 2016 resulted mainly from the decrease in cash and cash equivalents.

In the first half of 2017, **cash flows from operating activities** amounted to €−8.49 and were thus €6.35 million above the prior-year figure (H1/2016: €−14.84 million). As usual, cash flows from operating activities were at first negative in the course of the year. The year-on-year positive development of this item was influenced by numerous opposing effects. The positive effects resulted mainly from changes in trade receivables of €−3.86 million (H1/2016: €−22.73 million). These were mainly opposed by the reduced net income of €8.11 million (H1/2016: €12.21 million) and the fall in trade payables and other liabilities of €13.09 million (H1/2016: €−5.45 million). On the whole, cash flows from operating activities during the reporting period were dominated by the above mentioned changes in trade payables and other liabilities, the net income, and amortisation and depreciation of €8.07 million (H1/2016: €5.68 million).

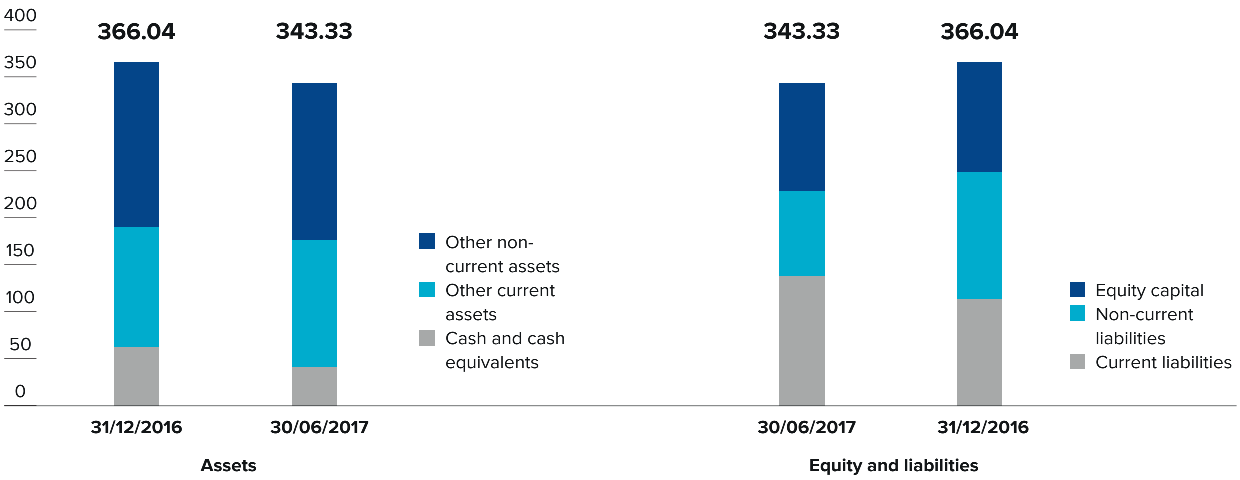
The increase in amortisation and depreciation is mainly due to the adjustment of the carrying amount for goodwill of the *Americas & UK* segment amounting to €2.00 million.

Cash flows from investing activities improved by €7.10 million to €−3.00 million in the first six months of 2017 (H1/2016: €−10.10 million), largely as a result of a €6.32 million decrease in payments for the purchase of consolidated companies less acquired cash and cash equivalents (€−0.34 million; H1/2016: €−6.66 million). Payments for property, plant and equipment of €3.05 million (H1/2016: €3.37 million) mostly concerned standard investments in IT.

Cash flows from financing activities in the first half of 2017 amounted to €−9.26 million, compared to €21.22 million in the same period last year. The decrease of €30.48 million resulted mainly from the €29.11 million reduction in cash receipts from taking out loans. The dividend payment to shareholders adopted by the Annual General Meeting on 31 May 2017 led to a cash outflow of €−7.90 million (H1/2016: €−7.90 million), which ultimately accounted for the major share of cash flows from financing activities in the reporting period.

2.6 Asset position

Group balance sheet structure as of 30 June 2017
in € million



Assets

in € million	30/06/2017	31/12/2016
Other non-current assets	166.66	175.54
Other current assets	135.26	128.21
Cash and cash equivalents	41.41	62.29
	343.33	**366.04**

Equity and liabilities

in € million	30/06/2017	31/12/2016
Equity capital	114.28	117.18
Non-current liabilities	90.95	134.65
Current liabilities	138.10	114.21
	343.33	**366.04**

As of 30 June 2017, GFT's balance sheet total amounted to €343.33 million and was thus €22.71 million below the year-end figure 2016 (€366.04 million). The decline in total assets is mainly due to reduced cash and cash equivalents.

Non-current assets as of 30 June 2017 totalled €166.66 million, compared to €175.54 million on 31 December 2016. The net decrease of €8.88 million resulted in particular from a change in goodwill of €−5.45 million. This figure includes the €2.00 million impairment charge on goodwill of the *Americas & UK* segment, as well as currency effects. Moreover, financial assets carried according to the equity method (€0.36 million; H1/2016: €0.37 million) were reclassified as held-for-sale and thus allocated to current assets.

As of 30 June 2017, current assets amounted to €176.67 million and were €13.83 million below the corresponding figure at the end of financial year 2016 (31 December 2016: €190.50 million). This trend was largely attributable to the decline in cash and cash equivalents of €20.88 million, from €62.29 million to €41.41 million. This decrease in current assets was opposed in particular by a €2.98 million increase in other assets and a slight rise in trade receivables of €1.62 million. The increase in trade receivables was mainly due to the rise in revenue. The volume of trade receivables amounting to €118.92 million on 30 June 2017 (31 December 2016: €117.31 million) continues to be influenced by claims resulting from the mutually agreed termination and final invoicing of an implementation project between a software vendor and an end customer in financial year 2016, for which GFT Technologies SE acted as sub-contractor.

Equity of €114.28 million at the end of the first half of 2017 was €2.91 million lower than on the reporting date 2016 (€117.18 million). The decrease was largely due to changes in equity not affecting net income resulting from currency translations. The adjustment amount for foreign currency translations fell by €2.65 million, from €2.22 million as of 31 December 2016 to €−0.43 million as of 30 June 2017. Net income for the period of €8.11 million, less the dividend payment in June 2017 of €7.90 million (H1/2016: €7.90 million), increased the balance sheet profit slightly by €0.21 million to €47.52 million (31 December 2016: €47.31 million). Other items were largely unchanged.

The equity ratio as of 30 June 2017 amounted to 33% and was thus 1 percentage point below the year-end 2016 figure of 32%.

There was a decrease in non-current liabilities of €43.70 million to €90.95 million as of 30 June 2017 (31 December 2016: €134.65 million), which was largely in connection with the complete allocation of conditional considerations for company acquisitions of €32.84 million to current liabilities. In addition, financial liabilities declined by €9.14 million and amounted to €76.89 million at the end of the first six months (31 December 2016: €86.04 million).

As of 30 June 2017, current liabilities amounted to €138.10 million, compared to €114.21 million at the end of the previous year. The net increase of €23.89 million resulted mainly from an increase in other financial liabilities of €31.67 million to €33.59 million (31 December 2016: €1.91 million), largely due to the reclassification from non-current liabilities of variable purchase price liabilities for company acquisitions. There was also an increase in current financial liabilities of €9.98 million to €28.29 million (31 December 2016: €18.31 million), while other liabilities in particular fell by €11.21 million to €30.76 million (31 December 2016: €41.97 million). Within the other liabilities, advance payments on orders decreased by €7.50 million due to the completion of fixed-price projects.

Due in particular to the decrease in borrowing, the GFT Group's debt ratio fell by 1 percentage point to 67%, compared to 68% on 31 December 2016.

2.7 Overall assessment of the development of business and the economic position

In the first six months of 2017, the GFT Group achieved revenue growth of 5% to €217.77 million (H1/2016: €208.03 million). Whereas the *Continental Europe* segment was able to continue its dynamic growth in the second quarter, revenue in the *Americas & UK* segment declined due to the cost-saving measures of two major clients.

Earnings were burdened by special items from restructuring and the impairment of goodwill in the *Americas & UK* segment. As a result, EBITDA fell year on year by 15% to €18.34 million and EBT by 35% to €9.52 million in the first six months.

As of 30 June 2017, the equity ratio stood at 33% and was thus 1 percentage point above the equity ratio on 31 December 2016. Consequently, GFT still has a solid capital and balance sheet structure.

2.8 Non-financial performance indicators

Employees
As of 30 June 2017, the GFT Group employed a total of 4,739 people. This corresponds to a year-on-year increase of 5% (30 June 2016: 4,493). Compared to 31 December 2016 (4,870), headcount fell by 3% in the first half of 2017.

Headcount in the *Americas & UK* segment as of 30 June 2017 was 1% above the prior-year period at 1,222 full-time employees (30 June 2016: 1,213). Compared to 31 December 2016 (1,333), headcount in this segment was down by 8%. This was due to restructuring measures in the UK and USA, which also extended to the downstream development centres in Poland and Brazil.

In the *Continental Europe* segment, headcount increased year on year by 7% to 3,398 (30 June 2016: 3,174) in the first six months. Compared to 31 December 2016 (3,428), the number of employees in this segment fell by 1%.

The holding company employed 119 people at the end of the first half-year, corresponding to 12% growth over 30 June 2016 (106) and 9% over 31 December 2016 (109). The increase in headcount was mainly due to an expansion of capacities in IT security.

In Germany, the number of employees rose by 12% to 325 as of 30 June 2017 (30 June 2016: 289) and by 5% over 31 December 2016 (310).

The productive utilisation rate based on the use of production staff in client projects amounted to 89% in the reporting period (H1/2016: 90%).

Employees by segment H1/2017 compared to H1/2016

	30/06/2017	30/06/2016	Δ %
Americas & UK	1,222	1,213	1%
Continental Europe	3,398	3,174	7%
Others (Holding)	119	106	12%
Total	**4,739**	**4,493**	**5%**

Employees by segment H1/2017 compared to Q4/2016

	30/06/2017	31/12/2016	Δ %
Americas & UK	1,222	1,333	−8%
Continental Europe	3,398	3,428	−1%
Others (Holding)	119	109	9%
Total	**4,739**	**4,870**	**−3%**

Employees by country H1/2017 compared to H1/2016

	30/06/2017	30/06/2016	Δ %
Spain	2,032	1,859	9%
Brazil	688	676	2%
Italy	571	551	4%
Poland	532	532	0%
Germany	325	289	12%
UK	201	237	−15%
Mexico	147	116	27%
Costa Rica	124	92	35%
USA	58	80	−28%
Switzerland	57	49	16%
Canada	4	12	−67%
Total	**4,739**	**4,493**	**5%**

Employees by country H1/2017 compared to Q4/2016

	30/06/2017	31/12/2016	Δ %
Spain	2,032	2,023	0%
Brazil	688	797	−14%
Italy	571	554	3%
Poland	532	594	−10%
Germany	325	310	5%
UK	201	235	−14%
Mexico	147	116	27%
Costa Rica	124	106	17%
USA	58	73	−21%
Switzerland	57	56	2%
Canada	4	6	−33%
Total	**4,739**	**4,870**	**−3%**

Headcount is calculated on the basis of full-time employees; part-time employees are included pro rata. Changes in headcount are presented in comparison to the reporting dates of the corresponding prior-year period and additionally in comparison to the reporting date figures at the end of the past financial year.

Research and development

In the first half of 2017, GFT invested a total of €3.18 million (H1/2016: €2.88 million) in research and development. The largest share of this total (€2.04 million or 64%) was accounted for by personnel expenses (H1/2016: €1.78 million or 62%). Expenses for outside services amounted to €0.05 million (H1/2016: €0.11 million), corresponding to 2% (H1/2016: 4%) of total research and development costs.

3. Risk and opportunity report

There were no material changes in the first half of 2017 with regard to the comprehensive discussion of risks and opportunities provided in the management report of the consolidated financial statements for 2016.

Overall risk assessment
At the time of preparing this report, there are therefore no recognisable risks that might jeopardise the existence of GFT. No permanent or substantial impairment of the company's financial position and performance is expected. The early warning system for the detection of risks implemented by GFT is being permanently refined.

4. Forecast report

Macroeconomic development
Experts at the ECB and IMF are upbeat about future prospects and forecast an upturn in global economic growth. In the case of the advanced economies, the economic recovery is expected to continue as output gaps are gradually closed. According to ECB projections, global economic activity will grow by 3.5% in 2017 and 3.8% in 2018. The IMF is slightly more cautious for 2018 with anticipated growth of 3.6%. Compared to the previous outlooks, all figures are unchanged in total. At country level, however, certain adjustments have been made – for example, both institutes have downgraded their forecasts for the USA. The reason is that future government spending and tax revenues in the United States are currently regarded as "uncertain". US President Donald Trump has promised tax reforms and increased investment in infrastructure, but many details are still unclear. The IMF now expects US economic growth of 2.1% for both 2017 and 2018. In April, the forecast was 2.3% and 2.5%, respectively.

In the case of the eurozone, the IMF and ECB have upgraded their growth forecasts for the full year 2017. In several countries, including Germany, France, Italy and Spain, the economy performed better than expected by the IMF in the first half-year. The ECB now forecasts real GDP growth of 1.9% in 2017, 1.8% in 2018 and 1.7% in 2019.

For the UK, the IMF revised its growth forecast for 2017 from 2.0% to 1.7%, followed by 1.5% in the following year. In its June report, Deutsche Bundesbank blamed this slower growth on uncertainty surrounding the Brexit negotiations.

In its latest forecast, the IMF expects an increase in economic output in Germany of 1.8% for both 2017 and 2018.

Sector development
Digitalisation remains a key issue for financial institutions, although the focus has changed. Whereas expanding the range of digital service offerings for customers used to play a dominant role, banks are now looking more at how to generate additional revenue from digital solutions. At the same time, banks hope to save costs by optimising their processes. These are the findings of US market research institute Gartner in its latest study from April 2017 on the development of global IT spending in the banking sector. According to Gartner, the main focus is on technologies like data analytics, artificial intelligence and blockchain. The use of external interfaces for new services or the opening up of the bank's own platform for external services have also become key issues. All in all, Gartner expects IT budgets in the global financial sector to grow by 3.7% in 2017 – a slight increase over its January 2017 forecast (3.5%). According to Gartner, spending on IT services in 2017 will be 4.1% higher than in the previous year.

Digitalisation and regulation are also still the dominant topics for the world of finance. This was confirmed by the German digital association Bitkom in a press release in May 2017. Digitalisation is fundamentally changing the financial sector and the association is therefore calling on German banks and fintechs to exploit their "outstanding position in the international market". The association sees particularly good opportunities for the creation of standardised conditions for competition in Europe from the implementation of the payment services directive PSD2.

With a forecast revenue of €86 billion for the full year 2017 and growth of 2.7%, Bitkom believes that information technology will once again prove to be a strong growth driver for the German economy. Demand is expected to be particularly robust for software (+6.3%) and IT services (+2.3%), whose revenues are likely to grow to €23 billion and €39 billion, respectively.

Expected development of GFT
The guidance provided in the combined management report of our annual report 2016 regarding the revenue and earnings targets of the GFT Group for the financial year 2017 was adjusted on 10 July 2017. The reason was a significant downgrading of expected revenue from two major clients in the UK and North America in 2017 due to cost-saving measures in the field of investment banking.

For the year as a whole, the revenue generated by the GFT Group with the two investment banking clients will be around €37 million below original expectations. Although revenue with all other clients in 2017 is expected to grow in total by 13% year on year, and there is particularly dynamic growth in the field of digital solutions, the revenue shortfall with these two major clients cannot be offset. The guidance for revenue was therefore reduced by €25 million to €425 million.

In addition to the missing operating profit from downgraded revenue guidance and increased social security contributions in Brazil, earnings before interest, taxes, depreciation and amortisation (EBITDA) are also burdened by one-off effects resulting from restructuring measures and currency fluctuations. The guidance for pre-tax earnings (EBT) includes a negative effect of €2 million from the reassessment of goodwill.

Operating targets of the GFT Group for the financial year 2017
Revenue guidance was reduced by €25 million to €425 million (previously €450 million).

Earnings before interest, taxes, depreciation and amortisation **(EBITDA)** are now expected to reach €42 million (previously €48.5 million).

Pre-tax earnings **(EBT)** are now likely to reach €26 million (previously €35 million).

The previous guidance for the productive **utilisation rate** in the financial year 2017 has been confirmed. It is expected to remain at the high prior-year rate (89%).

Medium-term prospects
Due to the assumption that the cost-saving measures of the two major investment banking clients may continue until 2018, the GFT Group now expects that it will not reach its medium-term guidance with revenue growth to €800 million and an EBITDA margin of around 12% until 2022 (previously 2020).

Assumptions for the forecasts
Our forecasts are based on the assumptions stated in the annual report 2016 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.

Half-year Consolidated Financial Statements

of GFT Technologies SE as at 30 June 2017

Consolidated Balance Sheet (IFRS, unaudited)

as at 30 June 2017, GFT Technologies SE

Assets

in €	30/06/2017	31/12/2016
Non-current assets		
Licences, industrial property rights and similar rights	27,030,679.47	29,542,905.07
Goodwill	101,623,033.88	107,073,742.24
Property, plant and equipment	31,112,106.11	31,210,664.54
Financial assets, accounted for using the equity method	0.00	370,040.32
Other financial assets	367,273.06	1,566,328.49
Current tax assets	851,507.69	883,780.15
Deferred tax assets	5,676,285.56	4,890,203.91
	166,660,885.77	**175,537,664.72**
Current assets		
Inventories	20,272.40	27,856.80
Trade receivables	118,923,833.73	117,308,335.67
Current tax assets	4,559,412.20	3,225,294.33
Cash and cash equivalents	41,412,807.20	62,290,469.48
Other financial assets	2,478,320.93	1,714,013.99
Other assets	8,919,225.43	5,938,518.73
Assets held for sale	359,167.15	0.00
	176,673,039.04	**190,504,489.00**
	343,333,924.81	**366,042,153.72**

Shareholders' equity and liabilities

in €	30/06/2017	31/12/2016
Shareholders' equity		
Share capital	26,325,946.00	26,325,946.00
Capital reserve	42,147,782.15	42,147,782.15
Retained earnings		
Other retained earnings	22,243,349.97	22,243,349.97
Changes not affecting net income	–20,806,913.31	–20,296,182.84
Changes in equity not affecting net income		
Actuarial gains/losses	–2,726,580.79	–2,764,248.94
Foreign currency translations	–430,180.42	2,215,605.09
Consolidated balance sheet profit	47,523,718.15	47,311,135.14
	114,277,121.75	**117,183,386.57**
Liabilities		
Non-current liabilities		
Other financial liabilities	0.00	32,843,970.47
Financial liabilities	76,890,142.53	86,035,062.67
Provisions for pensions	8,865,892.55	8,689,968.64
Other provisions	1,903,163.20	1,490,306.35
Deferred tax liabilities	3,295,562.81	5,591,639.19
	90,954,761.09	**134,650,947.32**
Current liabilities		
Other provisions	35,081,353.07	37,064,690.69
Current income tax liabilities	3,361,098.26	2,437,281.25
Financial liabilities	28,289,060.18	18,308,325.27
Trade payables	7,022,477.21	12,516,758.54
Other financial liabilities	33,587,658.08	1,913,480.78
Other liabilities	30,760,395.17	41,967,283.30
	138,102,041.97	**114,207,819.84**
	343,333,924.81	**366,042,153.72**

Consolidated Income Statement (IFRS, unaudited)

for the period from 1 January to 30 June 2017, GFT Technologies SE

in €	H1/2017	H1/2016	Q2/2017	Q2/2016
Revenue	217,769,008.00	208,025,471.74	106,668,790.40	110,639,471.32
Other operating income	1,073,802.35	2,161,590.44	389,096.73	806.91
	218,842,810.35	**210,187,062.18**	**107,057,887.12**	**110,640,278.23**
Cost of purchased services	27,117,563.96	30,577,424.65	13,329,353.50	15,963,070.06
Personnel expenses				
a) Salaries and wages	117,883,276.39	105,117,638.28	57,368,315.84	55,012,164.81
b) Social security and expenditures	23,666,614.43	21,429,650.33	11,779,781.37	10,964,665.10
	141,549,890.82	**126,547,288.61**	**69,148,097.21**	**65,976,829.91**
Depreciation on intangible assets and on tangible assets	6,074,868.49	5,680,841.07	3,106,026.45	2,926,848.37
Impairment loss for goodwill	2,000,000.00	0.00	2,000,000.00	0.00
Other operating expenses	31,821,652.61	31,522,340.36	16,152,121.48	17,309,272.04
Result from operating activities	**10,278,834.47**	**15,859,167.49**	**3,322,288.48**	**8,464,257.85**
Other interest and similar income	138,795.71	121,783.37	26,614.72	55,732.98
Financial assets, accounted for using the equity method	−9,485.14	7,541.44	−4,693.58	22,327.06
Impairment of financial assets	−1,388.03	−420,765.41	−1,388.03	−420,765.41
Interest and similar expenses	885,395.10	969,211.38	451,961.10	558,970.11
Financial result	−757,472.56	−1,260,651.97	−431,427.99	−901,675.47
Earnings before taxes	**9,521,361.91**	**14,598,515.52**	**2,890,860.50**	**7,562,582.38**
Taxes on income and earnings	1,410,995.10	2,392,848.63	−229,344.54	930,665.71
Net income of the whole company	**8,110,366.81**	**12,205,666.89**	**3,120,205.04**	**6,631,916.67**
thereof attributed to non-controlling shareholders	0.00	0.00	0.00	0.00
thereof attributed to shareholders of parent company	8,110,366.81	12,205,666.89	3,120,205.04	6,631,916.67
Net earnings per share	0.31	0.46	0.12	0.25

Consolidated Statement of Comprehensive Income (IFRS, unaudited)

for the period from 1 January to 30 June 2017, GFT Technologies SE

in €	H1/2017	H1/2016	Q2/2017	Q2/2016
Net income of the whole company	**8,110,366.81**	**12,205,666.89**	**3,120,205.04**	**6,631,916.67**
A.) Components never reclassified to the income statement				
Actuarial gains/losses	51,995.31	10,058.16	60,356.11	−16,957.75
Income taxes on components of other comprehensive income	−14,327.16	−2,736.97	−16,595.91	4,692.59
Other (partial) result A.)	**37,668.15**	**7,321.19**	**43,760.20**	**−12,265.16**
B.) Components that can be reclassified to the income statement				
Exchange differences on translating foreign operations: Profits/losses during the financial year	−2,645,785.51	−6,121,910.37	−2,443,747.10	−963,767.41
Other (partial) result B.)	**−2,645,785.51**	**−6,121,910.37**	**−2,443,747.10**	**−963,767.41**
Other result	−2,608,117.36	−6,114,589.18	−2,399,986.90	−976,032.57
Total result	**5,502,249.45**	**6,091,077.71**	**720,218.14**	**5,655,884.10**

Consolidated Statement of Changes in Equity (IFRS, unaudited)

as at 30 June 2017, GFT Technologies SE

in €	Subscribed capital	Capital reserve
As at 1 January 2016	**26,325,946.00**	**42,147,782.15**
Dividend payment June 2016		
Discounting of the conditional purchase price liability		
Comprehensice income for the period 01/01/–30/06/2016		
As at 30 June 2016	**26,325,946.00**	**42,147,782.15**
As at 1 January 2017	**26,325,946.00**	**42,147,782.15**
Dividend payment June 2017		
Discounting of the conditional purchase price liability		
Comprehensice income for the period 01/01/–30/06/2017		
As at 30 June 2017	**26,325,946.00**	**42,147,782.15**

[1] Net income

	Retained earnings		Other results		Consolidated balance sheet profit/loss	Total share capital
	Other retained earnings	Changes without effect on profit/loss	Foreign currency translations	Actuarial gains/losses	Profit (+) Loss (–)	
	22,243,349.97	**−3,201,360.01**	**8,678,759.88**	**−2,727,351.59**	**30,980,236.76**	**124,447,363.16**
					−7,897,783.80	−7,897,783.80
		−233,892.42				−233,892.42
			−6,121,910.37	7,321.19	12,205,666.89[1]	6,091,077.71
	22,243,349.97	**−3,435,252.43**	**2,556,849.51**	**−2,720,030.40**	**35,288,119.85**	**122,406,764.65**
	22,243,349.97	**−20,296,182.84**	**2,215,605.09**	**−2,764,248.94**	**47,311,135.14**	**117,183,386.57**
					−7,897,783.80	−7,897,783.80
		−510,730.47				−510,730.47
			−2,645,785.51	37,668.15	8,110,366.81[1]	5,502,249.45
	22,243,349.97	**−20,806,913.31**	**−430,180.42**	**−2,726,580.79**	**47,523,718.15**	**114,277,121.75**

Consolidated Cash Flow Statement (IFRS, unaudited)

for the period from 1 January to 30 June 2017, GFT Technologies SE

in €	H1/2017	H1/2016
Net income	8,110,366.81	12,205,666.89
Taxes on income and earnings	1,410,995.10	2,392,848.63
Interest income	746,599.39	847,428.01
Interest paid	–540,164.34	–601,151.53
Income taxes paid	–1,878,662.24	–2,582,433.81
Depreciation on intangible and tangible assets and impairing losses recognised for intangible assets	8,074,868.49	5,680,841.07
Changes in provisions	–743,397.27	–4,549,283.29
Other non-cash expenses/income	–1,512,201.43	1,785,610.71
Profit from the disposal of tangible and intangible assets	4,397.45	–33,802.76
Changes in trade receivables	–3,863,419.20	–22,726,820.47
Changes in other assets	–5,205,074.52	–1,811,086.34
Changes in trade payables and other liabilities	–13,091,052.88	–5,446,681.99
Cash flow from operating activities	**–8,486,744.64**	**–14,838,864.88**
Cash receipts from sales of tangible assets	11,786.00	44,754.03
Cash payments to acquire tangible assets	–3,054,648.93	–3,368,446.89
Cash payments to acquire non-current intangible assets	–294,955.67	–215,761.83
Cash payments for loans granted to third parties	619,755.00	0.00
Cash payments to acquire consolidated companies net of cash and cash equivalents acquired	–338,519.11	–6,661,892.90
Interest received	53,158.16	97,947.25
Cash flow from investing activities	**–3,003,424.56**	**–10,103,400.34**
Cash receipts from taking out short-term or long-term loans	1,000,544.85	30,106,771.38
Cash payments to redeem short-term or long-term loans	–164,730.08	–984,461.97
Payments to shareholders	–7,897,783.80	–7,897,783.80
Cash payments to redeem other liabilities	–2,200,000.00	0.00
Cash flow from financing activities	**–9,261,969.03**	**21,224,525.61**
Influence of exchange rate fluctuations on cash and cash equivalents	–125,524.06	–1,035,404.73
Change in cash funds from cash-relevant transactions	–20,877,662.28	–4,753,144.34
Cash funds at the beginning of the period	62,290,469.48	46,977,516.05
Cash funds at the end of the period	**41,412,807.20**	**42,224,371.71**

Notes to the Half-year Consolidated Financial Statements

as at 30 June 2017, GFT Technologies SE

1. Principles and methods

1.1 General information
These condensed and unaudited half-year consolidated financial statements of GFT Technologies SE and its subsidiaries have been prepared in accordance with section 37w (3) of the German Securities Trading Act (WpHG) and International Accounting Standard (IAS) 34 – Interim Financial Reporting. Compared to the consolidated financial statements as at 31 December 2016, the half-year consolidated financial statements include condensed reporting in the notes to the half-year financial statements and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. The half-year consolidated financial statements were prepared by the Managing Directors of GFT Technologies SE on 7 August 2017 and adopted by the Administrative Board on 7 August 2017.

1.2 Effects of new accounting standards
The same accounting and valuation methods were used in these half-year consolidated financial statements as in the consolidated financial statements as at 31 December 2016. Other new or amended standards (IAS 7, IAS 12 and IFRS 12) to be applied as of 1 January 2017 have no material impact on interim reporting.

In drawing up these half-year consolidated financial statements, the company made estimations concerning the application and interpretation of accounting regulations. Actual events may differ from these estimations. Future developments and results depend on a number of external factors involving risks and uncertainties, and are based on current assumptions which may prove inaccurate.

1.3 Changes to the consolidated group
Compared to the consolidated financial statements as of 31 December 2016, the following changes have resulted for the consolidated group:

The operating activity of GFT Perú S.A.C., Lima, Peru, was discontinued on 1 April 2017.

The entire operating activity, as well as the corresponding assets and liabilities of GFT UK Ltd., London, UK, were transferred to GFT Financial Ltd., London, UK, by means of an asset deal with legal effect as of 1 January 2017. Moreover, GFT USA Consulting LLC, New York, USA, as well as Waterline Group Inc., Boston, USA, by means of universal succession, was merged with GFT USA Inc., New York, USA. The asset deal and mergers had no impact on the half-year consolidated financial statements of GFT Technologies SE as of 30 June 2017.

2. Explanations on items of the consolidated interim balance sheet

2.1 Intangible assets, goodwill
As a result of falling sales with two major clients in the UK and North America, and a resulting deterioration in profitability, GFT Technologies SE conducted an impairment test for the cash-generating unit *Americas & UK*.

The cash-generating unit (CGU) *Americas & UK* corresponds to the *Americas & UK* segment, which comprises companies in the following countries:

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

The recoverable amount for the impairment test was determined on the basis of value in use.

Value in use was determined on the basis of estimated future cash flows, derived from planning. The planning of sales revenue and EBT is based on the updated forecast for the 2017 financial year. This planning was extrapolated for the following three years with defined growth rates. A growth rate of 1% was assumed for the future after the detailed planning period. The resulting cash flows were discounted using an interest rate of 8.64% (2016: 8.06%).

The discount rate (WACC) for *Americas & UK* is determined specifically for the segment. The weighted cost of capital 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 for the cash-generating unit *Americas & UK*, management assumes that existing and new client business, based on planning for the financial year 2017, can be increased by 9% in the years 2018 to 2021. Assumptions are based on orders already placed, as well as on experience and the current market trends.

The result of the impairment test was that the CGU's carrying amount was €2.00 million above its value in use. An impairment charge was thus recognised which was allocated in full to the goodwill of *Americas & UK*. The impairment charge was disclosed in the item "Impairment of goodwill".

Following the impairment, the recoverable amount of the CGU now corresponds to its carrying amount. Should the assumed parameters change, a further impairment charge can be expected.

The CGU *Continental Europe* was not tested as of 30 June 2017 as there are no indications of impairment.

2.2 Changes in equity
For the changes in equity capital between 1 January 2017 and 30 June 2017, we refer to the statement of changes in equity which is disclosed separately.

As of 30 June 2017, the company's share capital of €26,325,946.00 consists of 26,325,946 no-par value individual share certificates (no change relative to 31 December 2016). These shares are bearer shares and all grant equal rights. In June 2017, a dividend of €0.30 per share was distributed to shareholders, totalling €7.90 million (2016: €7.90 million), from the balance sheet profit of the parent company GFT Technologies SE.

2.3 Investments/disinvestments
In the first half of 2017, the GFT Group invested €0.29 million in intangible assets (H1/2016: €0.22 million), €3.05 million in tangible assets (H1/2016: €3.37 million) and €0.00 million in financial assets (H1/2016: €6.66 million). Investments in property, plant and equipment mostly concerned hardware for new employees. There were no significant disinvestments in the reporting period.

Order commitments for intangible assets as of 30 June 2017 amounted to €0.03 million (30 June 2016: €0.00 million). Order commitments for property, plant and equipment as of 30 June 2017 amounted to €0.24 million (30 June 2016: €0.83 million).

2.4 Assets held for sale
In June 2017, the financial assets reported according to the equity method, eQuadriga Software Private Ltd., Trichy, India, and Parkpocket GmbH, Munich, Germany, were reclassified to the balance sheet item "Held-for-sale assets". The shares are likely to be sold in the third quarter of 2017.

3. Other disclosures

3.1 Segment reporting
Internal controlling and reporting within the GFT Group, and thus segment reporting, is based on the principles of IFRS accounting, as applied in the consolidated financial statements. 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). 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 reporting segments of the GFT Group are the two segments *Americas & UK* and *Continental Europe*.

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

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

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

- Germany
- Italy
- Switzerland
- Spain
- Poland

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.

For detailed information about the business segments, please refer to the table on pages 26 and 27. It also includes disclosures concerning revenue from external clients for each group of comparable products and services.

Reconciliation of segment figures

in € million	H1/2017	H1/2016
Total segment revenue	259.81	248.51
Elimination of intersegment revenue	−42.49	−40.96
Other	0.45	0.47
Group revenue	**217.77**	**208.02**
Total segment results (EBT)	8.58	14.51
Non-attributed expenses/income of Group HQ	1.66	1.38
Other	−0.72	−1.29
Group result before taxes	**9.52**	**14.60**

The reconciliation discloses items which per definition are not components of the segments. Non-attributed items of holding, e.g. from centrally managed issues, are also included. Business transactions between the segments are eliminated in the reconciliation.

Revenue and non-current intangible and tangible assets by country

	Revenue from sales to external clients[1]		Non-current intangible and tangible assets	
in € thsd.	H1/2017	H1/2016	30/06/2017	30/06/2016
UK	63.49	73.42	50.54	54.65
Italy	27.52	27.48	27.61	27.53
Spain	44.94	37.11	21.50	22.49
Germany	26.21	24.72	42.48	43.15
USA	25.42	27.48	5.88	6.42
Switzerland	8.84	4.69	0.13	0.12
Brazil	11.89	6.19	8.99	10.79
Poland	0.03	0.00	1.43	1.55
Other foreign countries	9.43	6.93	1.21	1.13
Total	**217.77**	**208.02**	**159.77**	**167.83**

[1] According to client location

Clients accounting for over 10% of revenue

	Revenue		Segments in which this revenue is generated	
in € million	H1/2017	H1/2016	H1/2017	H1/2016
Client 1	88.56	92.86	*Americas & UK Continental Europe*	*Americas & UK Continental Europe*

Information on Operating Segments (IFRS, unaudited)

Segment report for the period from 1 January to 30 June 2017, GFT Technologies SE

	GFT			
	Americas & UK		*Continental Europe*	
in € thsd.	H1/2017	H1/2016	H1/2017	H1/2016
External sales	105,773	110,838	111,549	96,714
Inter-segment sales	2,842	1,876	39,648	39,084
Total revenues	**108,615**	**112,714**	**151,197**	**135,798**
Scheduled depreciaton and amortisation and impairment losses recognised for intangible assets	−4,604	−2,317	−2,976	−2,933
Significant non-cash income/expenditure other than depreciation	68	−36	62	702
Interest income	213	160	278	237
Interest expenses	−892	−852	−433	−489
Share of net profits of associated companies reported according to the equity method	0	0	0	0
Segment result (EBT)	**−6,331**	**4,445**	**14,919**	**10,063**

	Total		Reconciliation		GFT Group	
	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016
	217,322	207,552	447	473	217,769	208,025
	42,490	40,960	−42,490	−40,960	0	0
	259,812	**248,512**	**−42,043**	**−40,487**	**217,769**	**208,025**
	−7,580	−5,250	−495	−431	−8,075	−5,681
	130	666	1,382	−2,452	1,512	−1,786
	491	397	−352	−275	139	122
	−1,325	−1,341	440	372	−885	−969
	0	0	−11	8	−11	8
	8,588	**14,508**	**933**	**91**	**9,521**	**14,599**

3.2 Changes to contingent liabilities and receivables

As of 30 June 2017, there were no significant changes to contingencies and other financial commitments compared to the consolidated financial statements as at 31 December 2016. As was the case on 31 December 2016, there were no contingent receivables/contingent liabilities.

3.3 Reporting on financial instruments

Information on financial instruments according to classes

The table on pages 30 and 31 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 fundamentally determined as the present value of future cash inflows or outflows, discounted at a current interest rate on the balance sheet date 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 on the balance sheet date 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 2 were measured by the participating financial institutions on the basis of market data on the measurement date and using generally accepted valuation models.

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.

Carrying amount of the variable purchase price liability due to former shareholders of Sempla S.r.l., Milan, Italy, as of 30 June 2017:

in € million	30/06/2017
Carrying amount as of 1 January	27.49
Adjustment to the expected value	0.00
Interest effects	0.51
Payment	–0.34
Carrying amount as of 30 June	**27.67**

A change in the calculation basis of 5% as at the end of the reporting period would have increased or decreased the value of the variable purchase price liability as follows.

in € million	30/06/2017
EBITDA	
+5%	2.62
−5%	−2.62

All changes are presented in the consolidated balance sheet within the item "Changes in equity not affecting net income". The variable purchase price liability depends on the future 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 above figures were based on net income for 2015 and 2016 and the budget for 2017. The maximum amount of the payment is not capped and the estimated range of payments from this agreement is between €22.90 million and €29.40 million.

The conditional consideration for the former shareholders of W.G. Systems Ltda., São Paulo, Brazil, is between €0.00 and €0.65 million. It depends on reaching certain revenue targets in 2016 and 2017 and developed as follows:

Carrying amount of the conditional consideration due to former shareholders of W.G. Systems Ltd., Brazil, as of 30 June 2017:

in € million	30/06/2017
Carrying amount as of 1 January	1.81
Currency effects	−0.17
Interest effects	0.01
Payment	0.00
Adjustment to goodwill	−1.00
Carrying amount as of 30 June	**0.65**

The currency effects were charged to other operating expenses, the interest effects were charged to interest expense.

A change in the calculation basis of 5% as at the end of the reporting period would have increased or decreased the value of the conditional consideration as follows.

in € million	30/06/2017
EBITDA	
+5%	0.00
−5%	−0.21

No reclassifications between the three levels were made during the current financial year nor in the previous period.

Information on financial instruments according to class

in € thsd.	Measurement category acc. to IAS 39	30/06/2017 Not measured at fair value: Carrying amount	Not measured at fair value: Fair value	Measured at fair value: Carrying amount	Measured at fair value: Fair value Level 1[1]	Fair value Level 2[2]	Fair value Level 3[3]	Total
Financial assets								
Not measured at fair value								
Trade receivables	LaR	98,072	98,072					98,072
Amounts due from customers for production work	LaR	20,852	20,852					20,852
cash and cash equivalents	LaR	41,413	41,413					41,413
Other long-term financial assets[5]	LaR	319	319					319
Other short-term financial assets	LaR	2,478	2,478					2,478
Measured at fair value								
Interest rate cap designated as a hedging instrument[6]	n.a.			48		48		48
Total financial assets		**163,134**	**163,134**	**48**		**48**		**163,182**
Financial liabilities								
Financial liabilities not measured at fair value								
Trade payables	FLAC	7,022	7,022					7,022
Other short-term financial liabilities	FLAC	3,933	3,933					3,933
Other long-term financial liabilities[4]	FLAC	0	0					0
Financial liabilities	FLAC	105,179	106,231					105,179
Financial liabilities measured at fair value								
Financial liabilities from subsequent purchase price payments[4]	FvtPL			29,655			29,655	29,655
Total financial liabilities		**116,134**	**117,186**	**29,655**			**29,655**	**145,789**
Thereof aggregated acc. to the measurement categories of IAS 39:								
Loans and receivables (LaR)		163,134	163,134					163,134
Available-for-sale financial assets (AfS)								0
Financial liabilities measured at amortised cost (FLAC)		116,134	117,186					116,134
Financial liabilities at fair value through profit or loss (FvtPL)				29,655			29,655	29,655

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

1 Fair value were measured on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.
2 Fair value were measured on the basis of inputs other than quoted prices included within level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value were measured on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).
4 Other long-term financial liabilities and financial liabilities from subsequent purchase price payments form together total other long-term financial liabilities acc. to balance sheet disclosure.
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.

3.4 Related party disclosures

Compared to the disclosures made in the notes to the consolidated financial statements of GFT Technologies SE as at 31 December 2016, there were no significant changes in related party disclosures. There were also no changes in the composition of related parties nor in relations with such parties.

3.5 Events after 30 June 2017

In the period up to 7 August 2017, there were no significant events with a direct impact on the Group's financial position and performance.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting principles for half-yearly financial reporting, the **half-yearly consolidated financial statements** give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the **interim group management report** 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 in the remaining financial year.

Stuttgart, 7 August 2017

GFT Technologies SE
The Managing Directors

Marika Lulay
CEO

Dr Jochen Ruetz
CFO

Review Report

To GFT Technologies SE, Stuttgart

We have reviewed the half-year consolidated financial statements of the GFT Technologies SE, Stuttgart – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to half-year consolidated financial statements – together with the interim group management report of the GFT Technologies SE, Stuttgart, for the period from 1 January to 30 June, 2017 that are part of the half-year financial report according to §37w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the half-year consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the half-year consolidated financial statements and on the interim group management report based on our review.

We performed our review of the half-year consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the half-year consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the half-year consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, 7 August 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

sgd. Schwebler
Auditor

sgd. Bauer
Auditor

Financial Calendar 2017

9 November 2017
Quarterly Statement as of 30 September 2017

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 Half-year Financial Report 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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