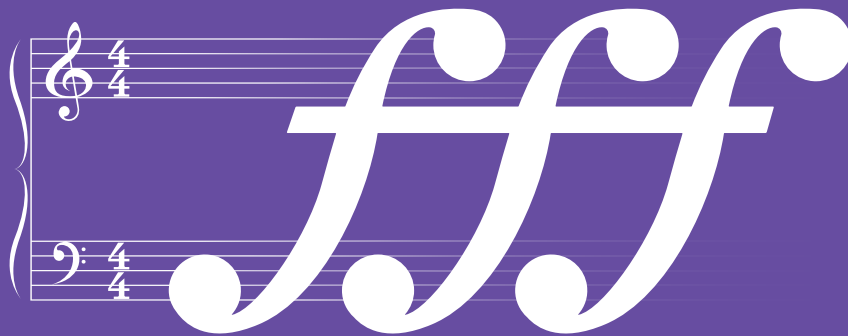


Annual Report 2020

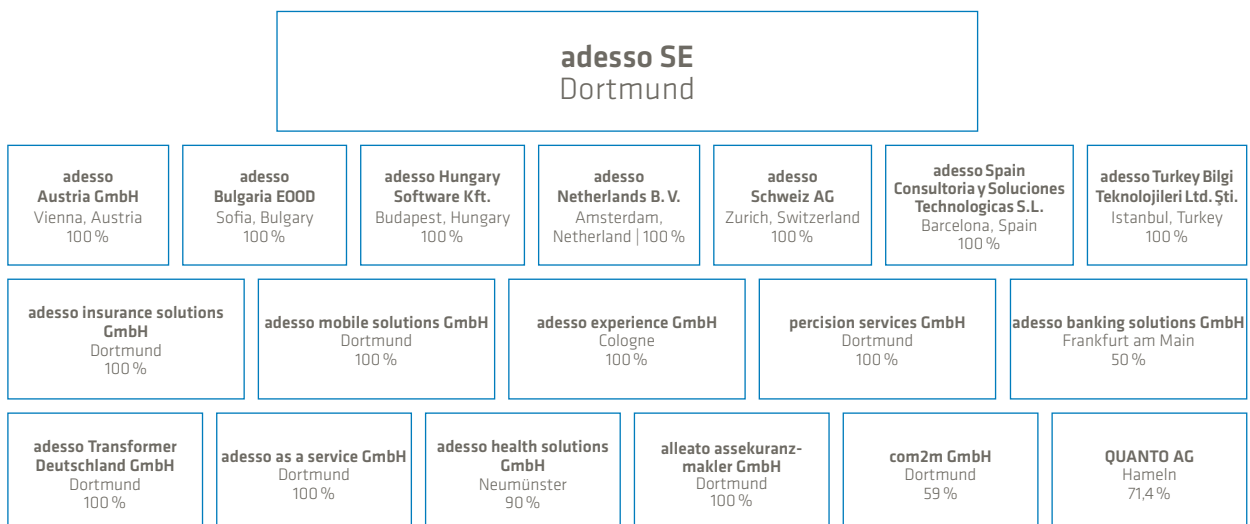


An orchestra of possibilities

Locations



Companies in adesso group



Mission Statement

adesso optimises companies' core business processes with the targeted use of information technology. We offer customers expert consulting based on our in-depth industry knowledge and use our technical knowhow to develop customised software solutions. For a defined set of operational tasks adesso provides innovative solutions and products.

As an independent partner, we aim to help our customers make the most of their business potential while retaining flexibility in the future.

An orchestra of possibilities

With modern information technology, striking the right tone with the customer is all about the orchestration. And to gain an edge over the competition through harmoniously developed solutions, you need virtuoso players.

With average annual sales growth of almost 20% (2010 to 2020) over the past ten years, adesso is one of the fastest-growing companies in the IT service provision and software industry. This high pace of predominantly organic growth is achieved and maintained by developing existing and new core industries, engaging in regional and international expansion and establishing and cultivating an in-house product portfolio by tapping into new technology areas. All of this ensures that adesso can draw on a rich selection of instruments and skilled "artists" to create outstanding works together with its customers.

Originally established as a Java specialist, adesso's current technological repertoire is universal and extensive. In the year under review, an initiative was launched for our SAP portfolio with the new adesso location in Walldorf, and two acquisitions were also made in this area. Each of adesso's technologies offers exciting prospects, which is why we have always remained true to our principle of provider neutrality. The Annual Report 2020 provides insight into adesso Group's current market position and the technologies it combines in harmony. Read more from page 16 onwards.

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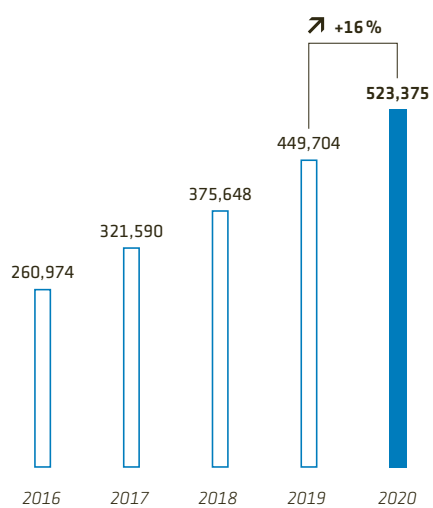
KEY FIGURES

<i>in EUR k</i>	<i>2020</i>	<i>2019</i>	<i>Change</i>	<i>in %</i>
PROFIT SITUATION				
Sales revenues	523,375	449,704	73,671	16
domestic	413,053	360,987	52,066	14
foreign	110,322	88,717	21,605	24
EBITDA	60,406	48,131	12,275	26
EBITDA margin (in %)	11.5	10.7	0.8	7
Consolidated earnings	20,947	17,495	3,452	20
BALANCE SHEET				
Balance sheet total	372,146	320,764	51,382	16
Equity	102,874	92,482	10,392	11
Equity ratio (in %)	27.6	28.8	-1.2	-4
Liquid assets	55,053	46,352	8,701	19
Net cash position	-5,636	-11,614	5,978	51
EMPLOYEES				
Employees (FTE)	4,975	4,033	942	23
domestic	4,003	3,328	675	20
foreign	972	705	267	38
Gross profit/Employees	105	107	-2	-2
SHARE				
Number	6,185,343	6,176,093	9,250	0
Price at the end of the period (in EUR)	97,00	53,50	43,50	81
Market capitalisation at the end of the period (in EUR m)	600,0	330,4	269,6	82
Dividend per share (in EUR)*	0,52	0,47	0,05	11
Earnings per share (in EUR)	3,39	2,82	0,57	20
P/E ratio	28,6	19,0	9,6	51

* Subject to the approval of the Annual General Meeting in the year under review.

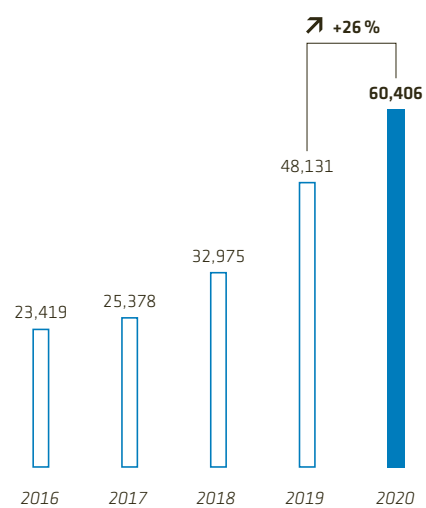
GROWTH IN SALES

in EUR k



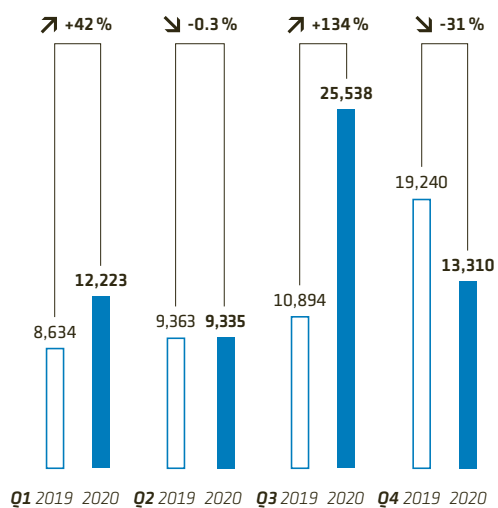
EBITDA DEVELOPMENT

in EUR k



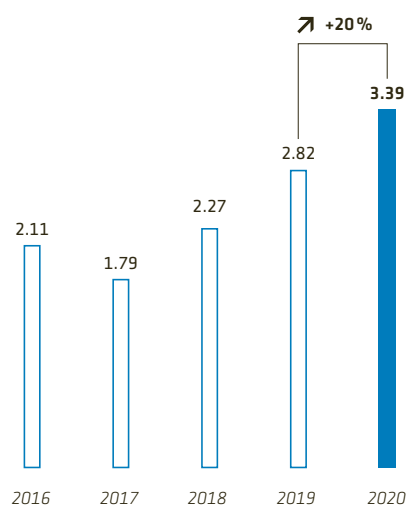
EBITDA DEVELOPMENT (PER QUARTER)

in EUR k



EARNINGS PER SHARE

in EUR



Foreword by the Executive Board

*Dear Shareholders, Employees and
Friends of the Company,*

All in all, financial year 2020 was successful for adesso in spite of the coronavirus pandemic. The first quarter began well with solid capacity utilisation in core business. Germany entered the first lockdown in mid-March, spreading uncertainty among customers. Some projects were halted or postponed, and some customers experienced difficulties. adesso applied short-time work regulations for the first time in its history. Additional liquidity was secured via bank credit lines as well as the option for tax deferral. Second-quarter performance was weaker due to the pandemic. By the third quarter, both adesso and our customers had adjusted to the new situation. The majority of our delivery model works remotely, putting us in a position to maintain delivery capacity through high-tech infrastructure and collaboration tools. Reductions in travel expenses and event costs resulting from contact restrictions compensated for the impact on our business. In the third quarter, these effects and the renewed rise in capacity utilisation, coupled with the first significant licence sales with our in|sure Ecosphere, led to record-breaking quarterly figures. Fourth-quarter performance was also satisfactory, with adesso benefiting from the fact that its customers are less affected by the pandemic than other sectors and the adesso business model has therefore proven to be more resilient to this type of crisis.

adesso closed financial year 2020 with record sales of EUR 523.4 million and earnings before interest and taxes (EBITDA) of EUR 60.4 million. As a result, adesso achieved its annual targets that were raised during the year in November.

Earnings per share increased to EUR 3.39 (previous year: EUR 2.82). We intend to allow shareholders to participate in the company's success once again this year and will propose a dividend increase to EUR 0.52 per share to the Annual Shareholders' Meeting. This marks the eighth year in succession of a dividend increase.

Ongoing strong organic growth of 15 % is a crucial success factor for adesso. Growth rates are in fact higher abroad than they are in Germany, which we see as confirmation of the successful internationalisation strategy. Activities in the reporting year focused on diversified and sector-based expansion of our IT and solutions expertise. This broad and implementation-centric approach and ability is the primary source of growth and earnings. In the IT Solutions segment, we continued to invest in the future.

Besides strong organic growth, adesso is also intensifying its M&A strategy. We conducted a number of transactions that will support us on our future growth course.



Stefan Riedel, Jörg Schroeder, Andreas Prenneis, Dirk Pothen, Michael Kenfenheuer (from left to right, photo Feb. 2020)

adesso's technology portfolio has grown further partly, but not completely, due to acquisitions, cementing our position as one of the largest cross-manufacturing IT consulting and software development companies in Germany and Europe. Technological diversity as the driver of change at our customers is the overarching theme of this annual report. Besides conventional, individual software development, we also offer a comprehensive range of services and solutions for SAP, Microsoft, Java and Salesforce platforms as well as for mobile applications, artificial intelligence, cloud-native, software-as-a-service, internet of things and much more besides – all while remaining independent of any one manufacturer.

The number of employees rose to just under 5,000. In 2020, we once again received the Germany's Best Employer award from the Great Place to Work® Institute, both in the industry category and in the cross-sector award.

We continue to see a rising need for digitalisation initiatives throughout all sectors in 2021 and the years ahead. As a result, we have set our forecast for 2021 as follows: We expect to generate sales growth of upwards of EUR 600 million and a further rise in EBITDA to upwards of EUR 72 million, and maintain the EBITDA margin at 10% or above.

We would like to thank all of our customers who continue to put their trust in us in spite of all the uncertainty at the current time. Without this cooperative approach to launching even more digitalisation initiatives, we would never have had such a successful year. We would like to thank all of our employees, as without you and your dedication and passion we would never have been able to rise to the challenges posed by this unprecedented year.

We would also like to thank you, our shareholders, for your loyalty and support on our path to growing this company into one of the leading consulting and technology groups in Europe. Thank you for your loyalty.

Dortmund, March 2021



Michael Kenfenheuer



Dirk Pothen



Andreas Prenneis



Stefan Riedel



Jörg Schroeder

Supervisory Board Report



Prof. Dr. Volker Gruhn

Advising and Monitoring of Management

In the 2020 financial year, the Supervisory Board exercised the duties incumbent on it under the law and the Articles of Association with great care. It continuously monitored the activities of the Executive Board and advised it on all important decisions concerning the management of the company. In compliance with its duty to provide information in a timely and comprehensive manner, the Executive Board informed the Supervisory Board regularly, in written and oral form, about the situation and the course of business development at the company and its key subsidiaries, and about incidents and measures that were relevant for the company. The Supervisory Board received documents about the asset, financial and earnings situation for this purpose on a quarterly basis. Additionally, it received detailed information from the Executive Board about relevant business transactions.

The Supervisory Board is thoroughly convinced that the operating and financial risks are hedged through organisational and internal approval processes. A sound reporting system and an internal control system exist for the company and the Group, both of which are subject to continued further development. The Supervisory Board was informed at regular intervals about the development of particularly relevant projects and the development of the Group companies.

The members of the Supervisory Board had sufficient opportunity at all times to critically examine the reports and proposals presented by the Executive Board and contribute their own suggestions. In particular, the Supervisory Board discussed in depth all business transactions that were of significance for the company on the basis of written and oral reports by the Executive Board. The Supervisory Board issued its consent to individual business transactions to the extent required by the law, the Articles of Association or the rules of procedure.

The Chairman of the Supervisory Board also met with the members of the Executive Board on a regular basis between meetings. There was a close and regular exchange of information and ideas, and issues regarding the company's strategy, business development, risk situation, risk management and compliance were discussed, ensuring that the Chairman of the Supervisory Board was informed about key developments.

Subjects of the Supervisory Board Meetings

Four regular Supervisory Board meetings took place in financial year 2020. All six members of the Supervisory Board attended all four meetings. Due to travel restrictions imposed by the pandemic, Prof. Dr Koch attended the meetings on 19 March 2020 and 10 December 2020 via video conference.

One essential component of the regular meetings were the Executive Board's reports on the current asset, financial and earnings situation within the context of the business development of the company and the subsidiaries; on strategy; on risk management and controlling; and on personnel development and policies. The members of the Supervisory Board also discussed important individual business transactions and projects. In addition, individual current topics were discussed in regular meetings between the members of the Executive Board and the Chairman of the Supervisory Board. The Supervisory Board was informed of events of extraordinary significance for the situation and development of the adesso Group without delay. Transactions that required the approval of the Supervisory Board were always discussed before they took place and in good time. The Supervisory Board formed no committees.

From the Meetings

As in previous years, the March meeting focused on the financial statements of the individual companies, the Group and their development.

The CFO presented adesso SE's individual financial statements and the consolidated financial statements and discussed various aspects of development over time, certain items on the balance sheet, the income statement, liquidity and the cash flow statement. Sales development for key customers and industries, tax effects and the contributions of individual Group companies to the development of results were discussed at the Group level. The current risk report, the most important areas of risk and significant changes regarding the probability of occurrence and amount of potential damage were discussed as well. The Executive Board then presented the 2020 forecast report.

The members of the Executive Board also reported on the individual companies, their business models and planned investments in this meeting. The projected 2020 figures for the individual companies were then discussed and adopted.

As part of its non-financial reporting, the Executive Board reported on environmental, employee and social issues, the protection of human rights and fighting corruption and bribery. The report presented is structured according to the German Sustainability Code (DNK). In coordination with the Supervisory Board, the resolution on the non-financial reporting audit as well as the adoption of the Supervisory Board's report and the approval of the annual financial statements 2019 took place in writing several days after the meeting. The Supervisory Board determined that a non-financial report was available and that the legally required aspects had been covered and subsequently approved the report for publication.

At this meeting, the Executive Board reported on the measures taken and the intended measures to address the impact of the COVID 19 pandemic. The Supervisory Board appreciated the rapid implementation and advocated the formation of a crisis team.

In November 2019, the Supervisory Board appointed Stefan Riedel as an additional member of the Executive Board effective 1 January 2020. Stefan Riedel is responsible for the Insurance Division. His appointment necessitated an update of the Executive Board's rules of procedure, including a modified schedule of responsibilities. The new distribution of departments, responsibilities for lines of business and shareholdings was discussed and unanimously approved.

The agenda for the Annual General Meeting was also adopted.

The CFO presented and discussed the quarterly financial statements for adesso SE and the Group in detail during the June meeting. Individual company analyses were presented in the CFO's report on the current business situation. The Executive Board members reported on the individual subsidiaries. Despite the adverse impact of the pandemic, a good occupancy rate and a good result were recorded overall. Even during the lockdown, the adesso Group's business model proved resilient enough to continue generating positive results. Good management of the liquidity situation was also reported.

At the end of the meeting, the Executive Board members reported on the ongoing M&A projects and activities.

Furthermore, the elections of the Chairman and his Deputy were also held at this constituent meeting of the Supervisory Board.

At the September meeting in the third quarter of the year, the statutory reforms regarding the remuneration of executive bodies and the effects on the Executive Board's remuneration system were discussed and the provisions explained.

The other items on the agenda of this meeting primarily consisted of in-depth examination of the adesso Group's semi-annual financial statements as well as the presentation and explanation of the current business situation of adesso SE and the individual subsidiaries, particularly in view of the restrictions imposed by the pandemic as well as the expected development moving forward. In the second quarter, in particular, compensatory effects arose from short-time work along with lower other operating expenses.

While discussing the status of ongoing M&A activities, the option of merging ARITHNEA GmbH into adesso SE was addressed. In closing, the CFO provided information regarding the new sponsorship agreement with BVB.

This December meeting focused on the interim financial statements for adesso SE and the Group as of 30 September 2020. The key figures and items in the consolidated income statement were presented and discussed and key figures in the balance sheet and liquidity development were analysed and discussed. In particular, these discussions focused on the receivables portfolio and the measures associated with receivables management. Moreover, the CFO explained the current business situation of the individual companies in the Group. The members of the Executive Board reported on the development of the individual companies from both a sales and an earnings perspective. The planning assumptions for financial year 2021 were presented and analysed accordingly.

As in previous years, current developments pertaining to corporate governance were also a subject of discussion. The update to the statement of compliance with the German Corporate Governance Code was also adopted during this meeting. The rules of procedure of the Supervisory Board were updated and adopted at this meeting. Information was also provided regarding an update to the Executive Board's schedule of responsibilities and a corresponding update to the Executive Board's rules of procedure as pertains to the responsibilities for subsidiaries was adopted.

The meeting closed with reports on ongoing M&A acquisitions and the presentation of completed transactions. The agreement with the shareholders of Quanto AG on a majority shareholding by adesso, which the Supervisory Board had approved in advance via circular resolution subject to specific conditions, was a particular focus of discussion.

2020 Annual Report

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, the auditor elected by the Annual Shareholders' Meeting, has audited the annual and consolidated financial statements and the combined management report of adesso SE and the Group for financial year 2020 and has issued an unqualified audit opinion.

The responsible auditor from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft explained the key findings of the audit and was available to answer questions from the Supervisory Board. He informed the Supervisory Board about the services performed by the auditing company in addition to the audit. The Supervisory Board examined in detail the annual and consolidated financial statements along with the combined management report of adesso SE and the Group as well as the separate consolidated non-financial report as at 31 December 2020 along with the proposal by the Executive Board concerning the appropriation of profits. To do so, the Supervisory Board consulted the auditor's reports. The Supervisory Board has agreed with the findings of the audit of the annual and consolidated financial statements and the combined management report of adesso SE and the Group by the auditor and has approved the annual financial statements and consolidated financial statements for financial year 2020.

The annual financial statements have, therefore, been approved (Section 172 of the German Stock Corporation Act (AktG)).

The Supervisory Board concurs with the Executive Board's proposed appropriation of profit.

As part of its examination, the Supervisory Board also reviewed the content of the separate consolidated non-financial report submitted by the Executive Board for adesso SE as required by Section 171 AktG and the Group as required by Sections 289b and 315b of the German Commercial Code (HGB). The report was prepared in accordance with the German Sustainability Code (DNK). The Supervisory Board decided that reporting of the non-financial information was legitimate, correct and appropriate.

Acknowledgements

The year 2020 involved unique challenges created by the COVID-19 pandemic, which impacted on business, the way we work and the very way we live together. The Executive Board reacted decisively, quickly and consistently and, as a consequence, the Supervisory Board was once again able to support the Executive Board of adesso SE throughout a very good financial year 2020. We were particularly pleased that the HR Director was able to report on adesso's success in the "Great Place to Work®" 2020 employer competition, winning first place in the category for companies with between 2,000 and 5,000 employees.

We would like to thank the Executive Board and all employees of adesso SE and its affiliated companies for their consistently outstanding work and exceptional personal commitment together with their tireless dedication, which resulted in a successful financial year despite all adversities.

Dortmund, 19th March 2021

For the supervisory board



Prof. Dr. Volker Gruhn
Chairperson of the Supervisory Board

Highlights 2020

January

adesso begins the year with two new locations

adesso continues its decentralised growth by opening two new branches at the beginning of the year. This means adesso is now also represented in Bonn and Leipzig, which emphasises our philosophy of doing business close to our employees and client companies. Later in the year, two more locations are added in Germany: Potsdam (June) and Walldorf (September).

February

adesso is once again distinguished as Germany's best employer in the ITC sector and receives first place across all industries for the first time

After participating in 2016 and 2018, adesso is awarded first place in the industry category "Best employer in ITC (large companies)" in 2020 as well. Furthermore, adesso is also recognised as "Germany's best employer of 2020" in the category "Up to 5,000 employees". The distinction is awarded annually as part of the competition organised by the Great Place to Work® institute.

March

The dividend proposal provides for an increase for the seventh time in a row

After a successful financial year, the Executive and Supervisory Boards propose increasing the dividend for the seventh year in a row. adesso shareholders can look forward to receiving disbursements that have been increased to EUR 0.47 per share. adesso's distribution policy pursues a sustainable, absolute increase.

May

adesso and Asseco bundle their expertise as new core banking system providers for the German-speaking market

By founding a joint venture, adesso accelerates its adopted strategy of supplementing its IT service business to include industry-specific standard solutions and products. In the future, the new adesso banking solutions GmbH will develop and sell a core banking system. This system, along with adesso's successful product family for the insurance industry, means that adesso now offers attractive products in both of the most lucrative core sectors. By cooperating with Asseco as part of the joint venture, adesso is expanding its market position as a leading provider in the financial services industry.

June

adesso modernises Lotto Thüringen's web presence

From June, Lotto Thüringen has a new, modern web presence. adesso develops and implements this portal for the Thüringer Staatslotterie after adesso's experts implemented its predecessor in 2012. The fresh new web presence takes account of changes in the industry, such as altered gaming behaviour, expanded target groups and new technologies.

July

Süddeutsche Krankenversicherung extensively modernises its IT with support from adesso

Digital transformation in the insurance industry: Süddeutsche Krankenversicherung (SDK) will completely modernise its application environment by the end of 2025. adesso will support the project as a strategic partner in planning, monitoring, implementation and employee qualification. During the tendering procedure, SDK is impressed by a suitable package from adesso. It contains licences in the single-digit million euro amount and a joint roadmap for further projects.

September

The SOKA-BAU pension fund renews its system environment based on products from the adesso Group

SOKA-BAU chooses the adesso Group's in|sure PSLife and its MIGSuite software solution to reorganise its existing system landscape in inventory management by mid-2023. The contract is awarded as part of a cross-company digitalisation project focussing on automated business processes. With the project, SOKA-BAU is laying the foundations for further digitalising its own services as one of the largest pension funds in Germany. Besides acquiring and implementing licenses, the assignment entails multi-year maintenance contracts.

October

adesso Data & Analytics services win silver medal at IT-AWARDS 2020

At the IT-AWARDS 2020, organised by the trade magazine BigData-Insider, adesso is on the winner's podium for the first time. As part of the renowned industry prize in the Big Data Consulting category, adesso receives the silver medal for its range of services in Data & Analytics. adesso has purposefully expanded this business area over the past few years to meet the rising demand for consultation.

November

adesso promotes its international growth course in the Netherlands

adesso acquires majority interests in three Dutch software development companies to support further growth at the location and achieve an advantageous size for adesso-typical IT projects. The companies Blue4IT, Codesquad and Bluefront, which were part of the Blue Group IT, specialise in developing software applications for banks, various multinational companies and government institutions.

December

Expanding the SAP service portfolio through a majority stake in Quanto AG

In December, adesso announces the agreement on a future joint strategy of market cultivation in the environment of existing SAP activities of adesso and Quanto. As part of the acquisition, adesso SE will initially acquire a majority stake in Quanto AG, with eight locations in Germany and investments in Austria and Hungary. adesso's team of around 100 SAP consultants will support Quanto's team and bring the total to some 300 employees, thereby creating one of the largest German SAP consulting companies in the core industries of financial services and utilities within the adesso Group.



*fff**



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* The musical dynamic forte fortissimo, (*fff*) in musical notation, is derived from the Italian word forte, meaning loud. It is used to denote a passage that should be played very, very loudly..

An orchestra of possibilities

A forte fortissimo (fff)* for our customers

All you need to create a melody is a few notes. Whether these notes are perceived to be pleasant, appropriate or harmonious all depends on the composition, or how the elements are put together. Who or what is making the music is important too. Ultimately, what matters is producing the best possible results with the available means. In this area, information technology and music share a great many similarities.

Manufacturer independence as a matter of principle

You might not always have a full symphony orchestra to hand, but it still makes sense to draw on the richness of the instruments and musicians you have available to achieve the desired orchestration. With over 20 years of experience on the market, adesso Group has always expanded its “musical” repertoire in harmony with the technological means available to it. Maintaining independence from individual manufacturers or providers remains a key tenet of the adesso strategy. It is the only way to ensure that we can provide our customers with independent advice on the challenges they face and deliver the best possible outcome in any given context. Depending on the assignment, we will explore new possibilities together with our customers or even implement a “magnum opus”.

Our customers appreciate this approach. With average annual sales growth of almost 20% (2010 to 2020) over the past ten years, adesso is one of the fastest-growing companies in the IT service provision and software industry. The fast pace of predominantly organic growth is achieved through a variety of initiatives. Regional and international expansion, the creation and development of an in-house product portfolio and the development of new technology domains are crucial elements of this growth strategy, alongside developing existing and new core areas. After initially starting out as a Java specialist, adesso Group now has a much more diverse business portfolio, with 5,000 employees optimising core customer processes in a tailor-made, manufacturer-neutral fashion using state-of-the-art technologies.

Recognising, nurturing and developing stable technology trends

In building up our own capacities, it is essential that we take advantage of the full range of approaches, select the most promising and forward-looking instruments, and commit to investing in them. From a customer perspective, the claim to technology leadership means recognising, nurturing and developing stable trends. adesso has had a Technology Board in place for a number of years now for this very purpose: to spot and test out new ideas at an

early stage and assess their potential for the business. Our partnerships with a number of renowned universities, as well as involvement as a business partner in countless university research projects, assist us greatly in this area.

adesso made further investment in new technologies in the year under review and significantly strengthened its own strategic position through multiple acquisitions. A new adesso location was established in Walldorf, and two new acquisitions were made to expand SAP activities. This has laid the foundation for strong additional growth in business involving modern ERP software systems. Here, adesso offers businesses the chance to migrate to the new S/4HANA product generation and leverage considerable potential for the associated digital transformation of processes and business models. adesso also refined its own cloud-native applications business with an additional acquisition in Hungary. Initiatives focusing on the cross-technology AI strategies were continued, paving the way for adesso to establish itself as a leading business partner in this area, too. A new adesso competence centre was set up back in 2018 for Salesforce applications.

Growth in harmony with successful approaches

adesso has always had the right intuition when it comes to selecting technologies that work together in harmony. In the late 1990s, adesso became the first provider to launch an ERP system for insurers on the German market using then-unknown Java technology. This pioneering work proved to be a resounding success and has since been perfected by adesso in what is still its largest area of technology. But Java is not the only area of technology where adesso has shown foresight: adesso has been developing Microsoft-based solutions since 2000 and has achieved significant growth as a result.

We believe that our adesso orchestra will continue striking the right notes for our customers and meet their requirements moving forward. With our rich selection of instruments and our aspiration for virtuosity, we strive to enhance our customers’ “musical” projects. However, it is important we remain aware of the notation, instrumentation and musicians that are available for each project. After all, the only way to ensure an unforgettable listening experience is to make use of this “home advantage”.

Read on to find out more about our ensemble, the most frequently used and most promising areas of technology at adesso. Discover more about the strengths and characteristics of the various approaches.

SAP

SAP technology is the universal standard solution forming the foundations of many essential business processes. Implemented correctly, SAP opens the door to integrated, seamless applications for state-of-the-art core business support and development. Real-time data analysis enables flexible process support that can adapt to changes in needs.

Two megatrends dominate this technology area: SAP HANA is breaking the boundaries of conventional databases with its higher speeds and artificial intelligence. In addition, migration to the cloud gives companies much greater flexibility when it comes to shifting demands. Upgrading from older SAP products will become mandatory in the coming years, opening up a market environment of great interest to leading SAP service providers.

Since 2017, adesso has significantly expanded its SAP business and cemented this growth further in the reporting year through acquisitions. With over 300 SAP experts on hand, adesso is one of Germany's largest providers of SAP consulting in the core industries of Financial Services and Utilities and holds an outstanding market position in the dynamic SAP S/4HANA growth market and the SAP Core segment.



Broad resonance for the underlying compositions

"SAP technologies form the bass section, underpinning the entire orchestra. Their reliability and constant further development in line with modern musical tastes make sure that no conductor can do without them."

Microsoft

The product range of Microsoft, the world's largest software developer, is extensive and universal. adesso delivers the right solutions, either locally or in the cloud, for customer experience management (process consulting, CRM, marketing and service automation), the digital workplace (productivity and remote work) and data and analytics (AI). In addition, .NET-based individual developments allow for optimum support and orchestration of business processes on a homogeneous but open platform. Microsoft consulting services are often the first choice once a large share of the IT architecture has been implemented using Microsoft technologies.

As a Microsoft top partner with 14 gold competencies, adesso is a leading service provider in this market. The Microsoft technology area has been a firm fixture of the adesso service portfolio since the mid-2000s and, now with over 450 employees, is one of the main pillars of adesso's uninterrupted strong growth alongside Java.



Master of harmony

"Microsoft is the star performer in the orchestra. It can play almost every instrument and piece, from simple folk melodies to complex symphonies. Thanks to its integration potential, it makes for particularly full-bodied musical experiences in concert halls with experienced groups of musicians."



Excellent accompanist, soloist or integrator for any event

"Salesforce is a grand piano, covering all of the musical registers and taking on the melody with ease. It can accompany the harmony or also provide the rhythmic foundations."

Salesforce

With its broad range of offerings, the Salesforce platform can cover almost any imaginable customer experience application. Companies can cultivate their customer relationships, transforming them into loyal and enthusiastic ambassadors for their brand. The right instruments for marketing, sales and customer service are established at an early stage and tailored to customer requirements. Salesforce is ideal for the operational and analytical management of all customer and business partner relationships. The flexible, multi-client and easily scalable platform from this market-leader is packed full of best practices. This enables specialist departments to implement their requirements independently through configuration or declaration to respond flexibly to customer needs. Coupled with tools to integrate third-party systems and strong AI-supported analytics, this ensures that all of the bases are covered in any modern organisation.

adesso has been intensifying its business involving Salesforce technology since 2016. With a separate Salesforce competence centre and over 200 experts, adesso is currently rising up the ranking of the top 10 Salesforce partners in Germany. One of adesso's main advantages is outstanding customer satisfaction.



At home at any register and in any orchestra

"The cello is the Swiss army knife of the orchestra. It covers almost every register and, as the second-largest string instrument, plays melodies just as well as the bass in the background. As a solo instrument, the cello is an outstanding performer whatever the ensemble."

Java

Java is a real jack of all trades and is rightly considered the most established technology family of the 21st century. One of its main benefits is its platform independence, which means a Java-based application can be deployed on almost any end device. Java also allows you to develop any category of application: a scalable backend that meets all of the security requirements is just as viable as an online portal or web applications. The vast majority of mobile applications are developed using Java, not least because Android is a Java-based operating system. High-tech user interfaces can be built using JavaScript frameworks, too. In other words, Java is often the technology of choice for individual development.

adesso committed to using Java technologies in its software development projects way back in the late 1990s. With other 2,000 Java experts offering a wealth of experience, a broad range of competences and the latest technology expertise, adesso Group is in high demand as a partner for software projects focusing on business-critical applications.

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Technical coordination from world premier to MP3 download

"Cloud-optimised applications and infrastructures are only achievable with the kind of strict direction and technical coordination that is provided by an orchestra's conductor. A high-quality conductor can create an SaaS offer that enables music to be enjoyed as simply as listening to an MP3 file."

Cloud-native and Software as a Service

Cloud-native development requires combining a wide range of different software and hardware components and orchestrating them into a harmonious ensemble. Right from day one, development focuses on cloud optimisation, especially as the cloud is where the solution will be operated from. The objectives here are high performance coupled with outstanding cost efficiency and stability. Cloud-native tools are available across a multitude of platforms and counteract any dependency on particular technologies or providers. SaaS applications can be implemented on the basis of cloud-native criteria by suitably qualified software engineers. Customers only need to worry about adapting the service to their specific needs, and can ignore any aspects requiring critical development expertise. Service providers offer hardware and software as part of a service agreement.

adesso has been focusing on cloud-native applications for a number of years now and is registering strong interest among its customers for such solutions. In 2020, adesso expanded its in-house expertise for this promising market and secured a promising position by acquiring start-up LeanNet.

Powerful methodological combinations

"AI is the horn section in the orchestra and can have a powerful effect on the ensemble. As a brass instrument, it can define the melody loudly and penetratingly but also softly and crisply as a background accompaniment."

Artificial intelligence (AI)

AI methods can be perfectly combined with conventional IT processes. AI is able to behave in a way that normally only humans can. The main advantage with AI is that no rigid algorithms are required, instead, applications can be described (or modelled) or data material provided for machine learning. This allows systems to independently adapt to new situations. AI is a technology with a broad range of applications, offering considerable untapped potential. Valuable services are already provided in areas such as image recognition, for instance, when diagnosing illnesses or assessing MRI scans. Other applications include text analysis and comprehension, which allows AI to be deployed in translation systems, chat bots, text classification systems and in extracting information and supporting decision-making.

adesso began implementing chat bots around four-and-a-half years ago and has expanded its expertise and range of applications significantly in partnership with its customers. At the moment, around 50 employees are involved in AI-related projects.

Mobile Applications

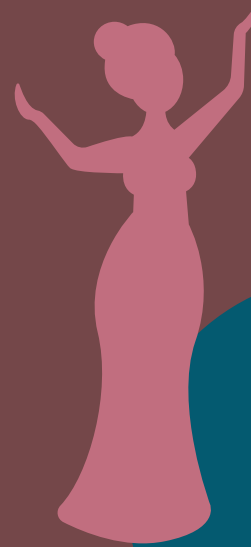
Successful mobile applications require a harmonious background architecture to deliver the solutions in question any time or anywhere. With a solid backend in place, mobile usage occupies a prominent position on the market due to broad network capacity, expansion in terms of availability and bandwidth and increasingly high-end mobile devices. Smartphones have become ubiquitous, and apps are ever-present in almost all aspects of our lives. Mobile users want to sort out their finances, do their shopping or arrange their healthcare from the comfort of their own device. Mobile applications are often the first point of contact with the user, who will then return to the application regularly. If a particular application generates interest, the rapid deployment of a simple app can garner a considerable response. The creative opportunities are endless, the mobile ecosystem extensive and the pace of development rapid.

adesso has the necessary experience and also the right mobile strategies to enable it to deliver success in mobile channels. adesso began its commitment to mobile applications in 1999 and is a pioneer in this area. Group-wide, over 260 consultants and developers are active in this technology area.

Internet of Things (IoT)

More and more machines, devices and sensors are being connected up to form the internet of things (IoT), gathering and assessing data. Through communication and the resulting transparency, IoT facilitates the orchestration and connection of logical processes and digital services. This makes IoT a key driving force behind the mixture of technologies – setting the tempo, as it were – as the use of IoT automatically replaces processes and can open the door to brand-new business models. IoT is incredibly versatile and provides a framework for the creative migration into new applications such as pay per use or increasing after-sales business. There are countless examples, predominantly in mechanical engineering, production, energy and water provision and smart buildings, but IoT is spreading to other industries too.

In this context, the adesso Group is a business partner whose custom-made IoT solutions – from design to cloud development to available service – are in high demand. This is due in no small part to the availability and deployment of the in-house, proven IoT platform. IoT has been an area of focus at adesso since 2016, and the company now has over 50 experts in the field.



The agile, multi-talented performer in the spotlight

"The audience at an operetta may pay most attention to the lead, but success in the spotlight is inextricably linked to the accompanying orchestra. If the musicians play well, the opera singer can display their full capabilities and deliver an outstanding performance."



Powerful sounds for the perfection of function

"Keeping the beat or providing effects – the possibilities of the internet of things are just as endless as the range of percussion instruments in an orchestra. IoT enriches the composition or makes it possible in the first place."



Data & Analytics

The availability of data on all kinds of subjects has become immensely important. Data may well be of little value when viewed in isolation, but strategic data acquisition and the utilisation of large volumes of data has become a pre-requisite for substantiated decision-making and the deployment of artificial intelligence (AI). Key performance indicators (KPIs) are generated for management reports or entirely new areas of application discovered. AI requires large volumes of data to train its data models. Specialists must gather, sort, prepare, review, structure, aggregate and/or label data, all of which can be planned and organised clearly and concisely as part of Data & Analytics projects. The results of these projects often form the basis for new business models.

With the necessary specialist and technical experience and the right strategy, a data-driven company like adesso can ensure long-term success in this field. adesso expanded its competences in this key field by acquiring two consulting firms in 2017 and, since 2019, has pooled its activities into a central business area. Over 160 consultants and developers work in Data & Analytics throughout the group.

Blockchain

When properly deployed, blockchain technology is extremely flexible – in spite of, or rather because of, its complexity. The blockchain is used to create secure, transparent and tamper-proof transactions on the internet. It is a decentralised technology and also enables joint system operation, to promote or guarantee a relationship of mutual trust. It is fast and cheap due to the lower requirements, such as the elimination of a central body. These characteristics make the blockchain an ideal solution for the seamless, traceable and tamper-proof storage of digital assets across large distances and decentralised organisations. The blockchain can be scaled up efficiently and gains additional integrity the more parties are involved.

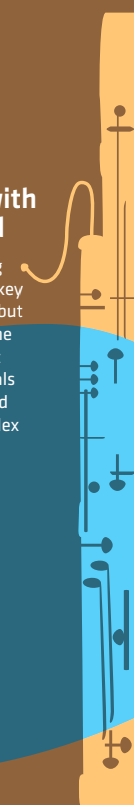
adesso has been focusing on blockchain applications in projects since 2017 and now has over 20 experts in the field. In a flagship project for the banking industry, adesso is supporting the creation of a blockchain platform for the digital handling of bonded loans, underlining its expertise in the technology area.

The notation for a common understanding

"Notes are a means of recording musical tones into a structured composition. Data & Analytics technology condenses data into relevant decision-making information."

A complex instrument with an unmistakable sound

"A bassoon is an instrument consisting of multiple parts with a sophisticated key mechanism. On account of its weight, but also its range, it is considered one of the more difficult instruments to play. Just like blockchain technology, professionals can elicit a unique, incredibly varied and energetic performance from this complex instrument."



Sva



Legacy-IT

Legacy IT continues to hold a key or even business-critical position at many companies. Likewise, increasingly costly or even high-risk operation of such infrastructure causes no end of headaches if it is foreseeable that manufacturers will withdraw support for major systems. What's more, there are simply fewer and fewer developers who are proficient in obsolete programming languages such as COBOL or PL/I. Usually such systems require modernisation or even replacement, so that businesses can handle new and ever-changing requirements. But how are software systems becoming quicker, more flexible and more agile?

Since 2013, adesso has had a specialist team – now some 25 strong – and an array of software tools that can master digital transformation even in difficult circumstances. Together with our customers, they work out the right modernisation strategy. The adesso Transformer Suite offers a host of instruments to fully or partially migrate applications to a modern technology stack. This makes the code comprehensible to modern-day developers and facilitates further modernisation.

Re-imagining fundamental instrumentation

"The rhythm section in IT often consists of legacy applications. Playing on their own, they will never get audiences on their feet, but if the timpani and drums were missing, the music would lack measure."

fff



CONSOLIDATED MANAGEMENT REPORT

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Group principles

Business model

The adesso Group is a fast-growing IT company which has set its sights on becoming one of the leading consulting and technology groups for industry-specific business processes in Central Europe. To do this, the establishment of additional subsidiaries in Europe is being accelerated. With a high level of expertise in the areas it caters to, adesso operates at the interface between business processes and IT, implementing software projects at the highest technical level. Market penetration is increased by the development of software solutions created specifically for selected industries such as insurance, banking and healthcare. The company's development is supplemented by an acquisition strategy designed to increase the technology portfolio, the product family and international expansion.

Adesso SE is listed among the largest companies in IT consulting and system integration in Germany and generates most of its sales revenue through consulting and software development in Germany. Sales abroad are generated mainly by adesso's foreign subsidiaries in Switzerland, Austria and Turkey.

adesso has two different segments: IT Services and IT Solutions. While the IT Services segment offers customised, project-oriented services in the areas of consulting and software development, the IT Solutions businesses market their own solutions as home-grown products or standard software products.

The IT Services and IT Solutions divisions work hand in hand on market penetration. Customers mainly include international corporate groups, major companies and important public administration bodies, for which adesso SE is one of the strategic IT partners.

Large-volume projects are also acquired in the face of competition from companies with an international focus. In each of the industries addressed by adesso, the objective is to acquire more than 50% of the top 25 companies as customers.

Group structure

In addition to adesso SE, the largest operating unit and parent company, the adesso Group also includes 32 subsidiaries, 6 associated companies and 2 joint ventures as at the reporting date. The parent company adesso SE is publicly traded and listed on nearly all German stock exchanges (ISIN code: DE000A0Z23Q5, WKN [national security identification number]: A0Z23Q).

adesso SE's largest location is Dortmund, which is also the city in which the company was founded and where its corporate headquarters are located. To stay close to its customers and keep travel times and costs as low as possible, adesso maintains 25 other offices in all of Germany's major economic regions. This broad local presence is also extremely important in terms of recruitment. The biggest international locations are Amsterdam, Barcelona, Basel, Bern, Boston, Budapest, Istanbul, Jerez de la Frontera, Lausanne, Lugano, Madrid, Sofia, Vienna and Zurich.

A European Employee Forum (EEF) was established at adesso when it converted to become an SE (Societas Europaea) in November 2019. The European Employee Forum consists of employees from the adesso Group and is elected by the employees themselves. The EEF meets regularly with the Executive Board and exchanges information on employee-related issues in the adesso Group.

At the end of 2020, adesso had a workforce of 4,975 full-time equivalents (FTE) across the Group (previous year: 4,033) in Germany, other European countries, Turkey and the USA. Of these, 972 (previous year: 705) FTE worked for the adesso Group abroad, whereas 3,094 (previous year: 2,222) FTE worked for the parent company adesso SE in Germany.

Targets and strategies

adesso's aim is the rapid expansion of the company into one of the leading consulting firms for industry-specific business processes in Europe. A further aim is the development of industry-specific products and solutions based on its employees' high level of expertise in the core industries addressed by adesso and good market penetration.

In conjunction with the focused business model and the high margins aimed for, the growth achieved so far and planned for the future aimed are expected to result in a sustainable increase in the value of the company.

adesso puts significant resources into strategic business development, the expansion of sales capacities, recruiting and marketing, including series of sales-related events. These investments, coupled with extensive industry and consulting expertise, generate growth figures which are well above the industry average.

adesso is a leading corporate group in the field of software development and invests more than average in the training and development of our workforce and in ongoing development of the adesso model for the software development process.

The Executive Board is committed to a strategy of striving for the right balance of growth, solid finances and profitability. It must always be possible to operate from a position of financial strength and at the same time, through the payment of a dividend, achieve an ongoing return on the capital invested by the shareholders. It is a stated aim of the company that the dividend should be increased on a regular basis.

Management system

As the holding company of the adesso Group, adesso SE defines the strategy and operational targets of all Group companies. It controls the legally independent Group companies by implementing a target system, carrying out an ongoing reporting process and occupying positions in the supervisory bodies and management teams.

Operational control is ensured by a reporting system which has been implemented uniformly across the Group. In the process, each Group company prepares full monthly financial statements based on national legal regulations. Key performance figures for reporting are sales, EBITDA, earnings before tax (EBT), the EBT margin, number and proportion of employees not fully utilised, number of employees and net liquidity. The most important performance indicators are subject to continuous comparisons with forecast and actual data. All indicators are carried forward and subject to an internal Group benchmark. Updated forecasts are prepared for each Group company on a rolling basis for the entire year to identify possible planning deviations in a timely manner. Fixed reporting channels and cycles have been defined, and there is also a fixed appointment schedule for management meetings. There are no fundamental differences between key performance indicators in the reporting systems for each segment.

Research and development

The bulk of the adesso Group's sales is attributable to IT services. Research costs in the IT Solutions segment are negligible in relation to Group expenses. None of the Group companies has its own dedicated research department.

Economic report

Macroeconomic economic conditions

The COVID-19 pandemic has plunged the global economy into recession, with the German economy also falling into negative territory after ten years of growth. According to initial calculations by the Federal Statistical Office, the gross domestic product fell significantly by -5.0% in the fiscal year after recording a slight increase of 0.6% in the previous year. Expectations initially fell dramatically in the course of 2020 after the pandemic outbreak became known, yet brightened somewhat later in the year. In the annual projection of the end of January 2020, an acceleration in GDP growth to 1.1% was initially

anticipated. At the end of April, however, a drop of -6.3 % was forecast. This was gradually put into perspective, being revised to -5.8 % in September and to -5.5 % at the end of October.

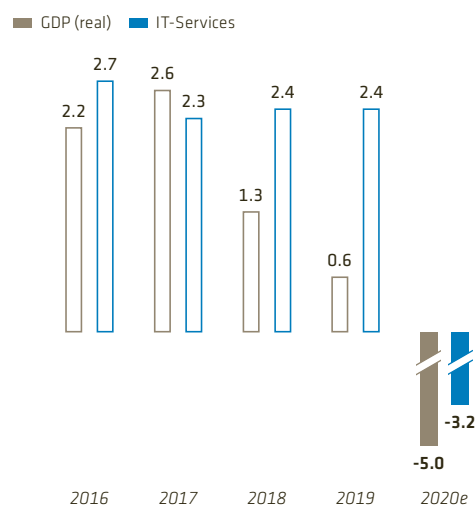
During the year, the coronavirus crisis caused an initial decline of -1.9 % in the first quarter followed by a particularly severe impact in the second quarter, as a result of the first lockdown, with a minus of 9.8 %. As a result of the further (partial) lockdown in November and its subsequent intensification and extension, and after a remarkable recovery in the third quarter when it reached 8.5 %, economic performance stagnated in the final quarter of 2020, increasing only slightly by 0.3 %. Nevertheless, the federal government sees the German economy picking up again in 2021 as the coronavirus situation eases, anticipating that GDP will rise by 3.0 % compared with the previous year. However, the ministry does not expect economic performance to return to pre-crisis levels until mid-2022. Economic development will continue to be significantly affected by the progress of the pandemic and the measures introduced to contain it.

The downturn in 2020 of -5.0 %, which was moderate and only temporary by contrast to some expert estimates, was due not only to the resilience of the

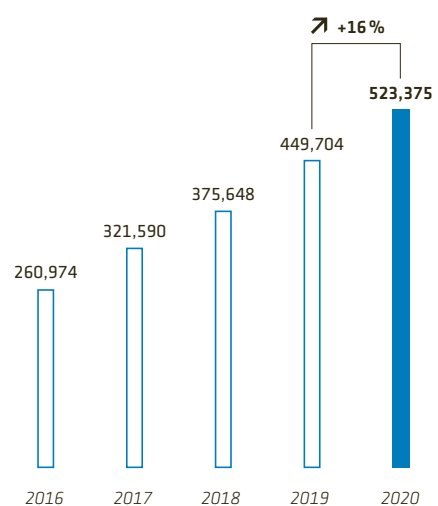
German economy but also to the very extensive packages of measures by the federal government to support the economy and stabilize incomes. The 2021 annual economic report states that almost EUR 80 billion has been in delivered in fiscal measures since the beginning of the crisis. In addition, an economic package worth some EUR 50 billion is being targeted at industries of the future, such as artificial intelligence. Industrial production continued to increase in November 2020 despite the partial lockdown, as did incoming orders from the manufacturing sector. According to the report, this indicates that industry had adjusted better to the measures, unlike in the spring of 2020. In contrast, the service sector is again more heavily affected by the restrictions on social contact. The employment market has shown stable development, with employment showing a slight upward trend since summer 2020. Unemployment and underemployment decreased as the numbers on short-time work flattened out, but these are expected to rise again in the new lockdown.

For Switzerland, the federal government's expert group expects GDP growth of -3.3 % for 2020 in its latest forecast. This also represents a massive downturn compared with the previous year's growth of 1.1 % or the original forecast given at

GDP GROWTH RATES (REAL) AND IT SERVICES *in %*



GROWTH IN SALES *in EUR k*



the end of 2019 of 1.7 % for the whole of 2020. As in Germany, economic forecasts were revised several times during the course of the year due to the coronavirus situation, including some forecasts in addition to the original schedule. Before the easing of restrictions in Switzerland signalled a gradual recovery, a fall in GDP, which had already been adjusted for sports events, of a very significant -6.7 % had been anticipated at the end of April.

In Austria, the leading economic research institutes anticipate an even more significant fall in GDP of between -7.3 % and -7.5 % for 2020, after growth of 1.4 % was achieved the previous year, with a slightly decreasing growth rate of 1.2 % to 1.3 % for 2020 as a whole already expected before the crisis.

In Turkey, the OECD expects only a slight decline of -0.2 % in GDP in the reporting year, following moderate growth in 2019 of 0.9 %. At the end of 2019, growth of 3.0 % had originally been expected. The effects of the pandemic on the economy developed later than in other countries in the region, but were still clear.

In the USA, the OECD is expecting a 3.7 % decline in GDP in 2020, after 2.2 % growth in 2019.

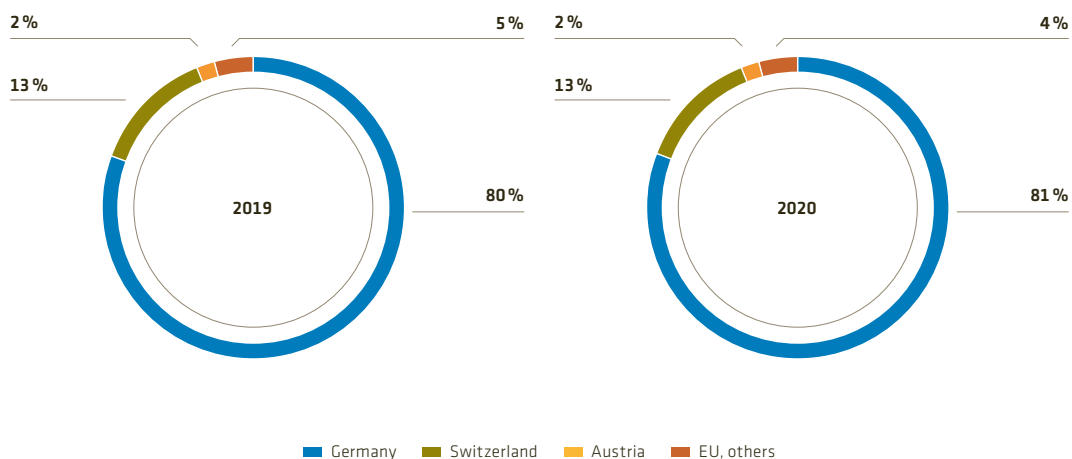
In view of the severe effects of the COVID-19 pandemic on the economic areas in which adesso mainly operates, the macroeconomic conditions in 2020 were considered to be significantly weaker than expected for business development. The original outlook for the year initially deteriorated drastically in all economies relevant to adesso and particularly in Germany, and followed a volatile path alongside the measures taken to contain the pandemic. Nevertheless, thanks to an interim recovery phase in the summer, the recession was less severe than forecasts after the first half of the year suggested and a rapid recovery after the crisis is now anticipated.

Industry-specific conditions

The industry association Bitkom expects that the German market for information technology product and service providers shrank by -0.7 % to EUR 94.6 billion in 2020. Compared to the previous year's growth of 4.0 %, this represents a decline in the IT market after a prolonged period of growth. The main reason for this was the downturn of -3.2 % in IT Services (previous year: +2.4 %) and -1.0 % in the Software segment (previous year: 7.3 %).

SALES BY COUNTRY

in %



By contrast, IT hardware recorded the same 3.2 % growth as the previous year. Relative to macroeconomic development, the downturn in area of information technology was comparatively moderate. According to Bitkom estimates, the software segment achieved a market volume of EUR 25.9 billion in 2020, and the IT services segment, the most important area for the adesso Group in terms of sales, reached EUR 39.6 billion.

Industry-specific conditions were therefore also a negative factor in adesso's business performance.

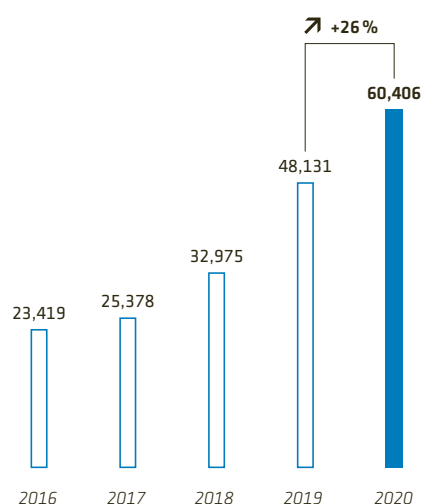
Business performance

Business performance in 2020 was affected by unpredictability resulting from the coronavirus pandemic. Although the first quarter got off to a very good start due to good capacity utilisation, the second quarter was heavily influenced by the uncertainties triggered by the coronavirus pandemic. adesso customers terminated projects or postponed orders, causing adesso to introduce arrangements for short-time working for the first time in the company's history. In Germany the instrument of short-

time working was used in a targeted manner in some organisational units in the period from April to July. Between 70 and 236 employees were affected in a range from 15 % to 100 % of their respective working hours. The use of short-time working resulted in corresponding reimbursement amounts of EUR 1.1 million. To secure liquidity, additional bank credit lines were agreed with the house banks and tax deferrals with the tax office. In the third quarter, the market had come to terms with the crisis situation and many companies were adjusting to the current situation. adesso allowed most of its employees to work from home and was able to continue to provide services thanks to modern IT infrastructure and collaboration tools. The change in the conduct of business was particularly difficult for sales, which relies more on personal interaction than almost any other area. Apart from that, however, adesso saved a large amount of other operating expenses from April 2020 in comparison with previous years (especially travel expenses, cancellation of trade shows, events and corporate occasions). Then there is the stroke of good fortune for adesso that its customers come from industries such as insurance, banking, healthcare and the public sector. These industries have not been hit so hard by the pandemic as compared to tourism,

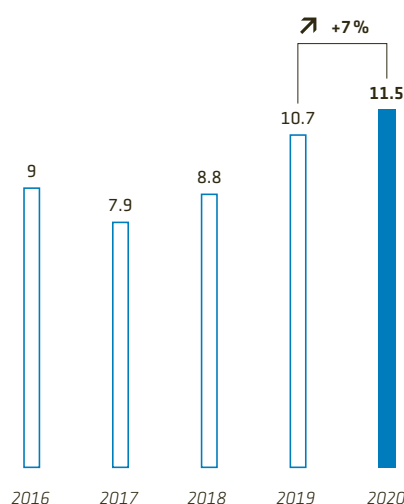
EBITDA

in EUR k



EBITDA MARGIN

in %



aviation or hospitality, for example. These aspects meant that adesso's business model proved to be relatively resilient to this type of crisis, and thanks to the first license sales of the in|sure Ecosphere product family, the third quarter was the most successful quarter ever for the insurance industry. In the fourth quarter, it was possible to sustain the positive aspects of the business performance thus far, so that the year as a whole could be concluded with record sales and record earnings.

Overall statement on business performance by the management

Business performance in 2020 can be considered very positive overall. The adesso Group increased sales by 16% to EUR 523.4 million and EBITDA by 26% to EUR 60.4 million. The guidance was therefore met in full. Consolidated earnings and earnings per share both increased by 20% compared to the previous year.

The positive resilience effects associated with the coronavirus pandemic, such as additional digitalisation initiatives, savings effects and a crisis-proof customer base, outweighed negative aspects such as intermittent weaknesses in capacity utilisation and the cancellation or postponement of projects.

Position

Profitability

Growth in sales

The adesso Group successfully increased its sales by 16% to EUR 523.4 million in the 2020 financial year. The purely organic growth (without consideration of the company's acquisitions in 2019 and 2020) amounted to 15%.

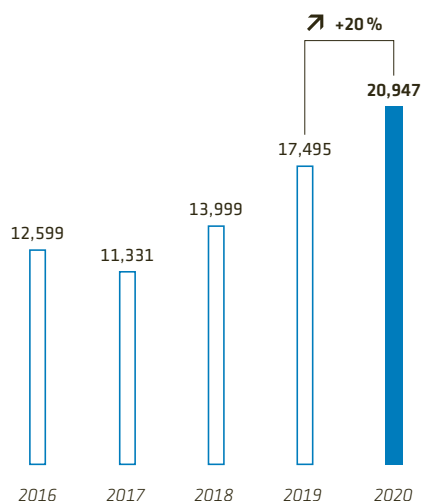
With weighted negative market growth, relevant to adesso, of -2.8% for the industry, adesso, as it did in previous years, had significantly higher organic growth than the market in 2020.

In the second half of financial year 2020, revenue of EUR 277.3 million was significantly higher than the figure of EUR 246.1 million for the first half of the year. This development is in line with the situation in previous years, as the second half of the year generally has a higher number of working days and often higher licensing revenues.

The IT Services segment was able to further expand sales (+23%). In the IT Solutions segment, the highest licence revenues for the insurance industry since the

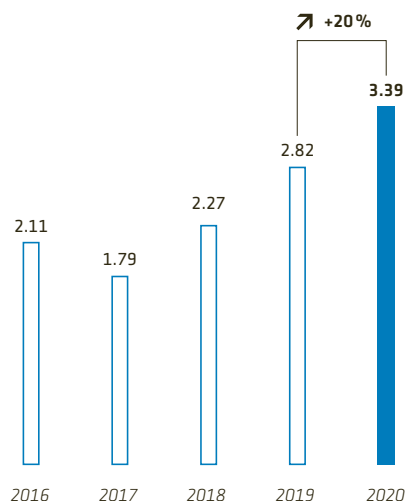
CONSOLIDATED EARNINGS

in EUR k



EARNINGS PER SHARE

in EUR



foundation of the company were achieved in 2019 from adesso's own in|sure Ecosphere product family. This level could not be matched in full in 2020, and overall the IT Solutions segment saw sales decline by -14 % compared with the previous year.

In the IT Services segment, the most significant adesso subsidiary in the Group in terms of size, adesso SE, was able to significantly expand its sales in Germany, as in the previous year, and achieved growth of 18 %. The foreign subsidiaries in Turkey, Austria, Switzerland and Spain posted double-digit sales growth rates above Group growth.

It was a difficult year for the IT Solutions segment. On the one hand, further investments were made in

the core products in|sure and FirstSpirit; on the other, less license income was generated than in 2019. This was in part planned, but also partly the result of customers' cautious approach to buying due to the uncertainties caused by the coronavirus pandemic. Both effects contributed to the fact that the IT Solutions segment was not successful in 2020.

Banks/financial services providers and insurance companies account for the largest proportion of adesso's sales. Due to difficult market conditions, a growth rate of only 2 % was achieved in both key industries. The biggest sales growth was recorded in the public sector and in the manufacturing sector, with both at around 34 %. The sales with customers in Germany rose by 17 % in 2020, and by 30 % outside Germany.

MULTI-PERIOD OVERVIEW OF EARNINGS SITUATION

<i>in EUR k</i>	2020	2019	2018	2017	2016
Revenue	523,375	449,704	375,648	321,590	260,974
Other operational revenues	6,652	5,715	5,081	3,135	3,212
Changes in inventories (IFRS 15)	702	637	331	0	0
Own work capitalised	173	1,405	1,913	47	0
OVERALL PERFORMANCE	530,902	457,461	382,973	324,772	264,186
Costs of materials	-62,622	-50,487	-43,296	-37,390	-28,389
Personnel costs	-350,069	-293,110	-243,052	-206,266	-168,737
Other operating expenses	-57,805	-65,733	-63,985	-55,738	-43,641
EBITDA	60,406	48,131	32,975	25,378	23,419
Depreciation and amortisation	-26,179	-22,596	-10,002	-8,193	-6,352
EBIT	34,227	25,535	22,973	17,185	17,067
Income from financing and investment activities	-2,588	-2,230	-782	-554	-2
EBT	31,639	23,305	22,191	16,631	17,065
Income taxes	-10,692	-5,810	-8,192	-5,300	-4,466
CONSOLIDATED EARNINGS	20,947	17,495	13,999	11,331	12,599
Gross profit	460,753	399,217	332,352	284,200	232,585
Gross income margin	88 %	89 %	88 %	88 %	89 %
EBITDA MARGIN	11.5 %	10.7 %	8.8 %	7.9 %	9.0 %
Sales development	16 %	20 %	17 %	23 %	33 %
Change in personnel costs	19 %	21 %	18 %	22 %	35 %
Change in other operating expenses	-12 %	3 %	15 %	28 %	21 %

Earnings

In 2020, EBITDA increased by 26 % to EUR 60.4 million, exceeding the originally forecast value of EUR >50 million and lying in the middle of the range of EUR 55 to 65 million adjusted during the course of 2020. Despite the COVID-19 pandemic and the associated restrictions on social contacts in the public domain to protect health and life, the adesso Group was able to maintain its ability to deliver. The Group was able to absorb slight declines in capacity utilisation through measures including temporary short-time work and cost savings (especially with regard to travel expenses).

At sales growth of 16 %, the average number of employees (FTEs) grew somewhat faster by 18 % or 660, to 4,392 employees in 2020.

The material expenditure in the amount of EUR 62.6 million, mainly caused by third-party services (i.e. the incorporation of subcontractors into projects), rose by 24 % and was thus disproportionate in comparison to the sales revenues. Gross profit thus increased by 15 % to EUR 460.8 million. Due to the use of external labour, the material usage ratio of 12.0 % remained slightly above the previous year's figure of 11.2 %. Given the slightly disproportionate growth in employees, the result is a downward gross profit per employee of EUR 105 thousand (previous year: EUR 107 thousand). The inclusion of external specialists follows the demand at peak times and the incorporation of experts in some projects. From a strategic perspective, the aim is to have a high proportion of sales revenues from in-house employees.

Personnel costs increased by 19 % to EUR 350.1 million, while the average number of employees rose by 18 %. The average personnel costs per employee remained stable at EUR 80 thousand, partly the result of the increase in employee numbers in Turkey, Bulgaria and Spain where personnel costs are lower.

Other operating expenses fell year on year by 12 % to EUR 57.8 million. The decrease is mainly due to the COVID-19 pandemic and the associated restrictions on social contact in public spaces to

protect health and life. Travel expenses fell by 60 % to EUR 6.5 million from EUR 16.5 million the previous year. Other more substantial expense items, such as the recruitment of personnel and the cost of premises, however, increased year on year by 17 % and 18 % respectively. Other operating expenses per employee fell by 25 % year on year.

Total operating earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 26 %, or EUR 12.3 million in absolute terms, to EUR 60.4 million in 2020. The EBITDA margin came to 11.5 %, up from 10.7 % in the previous year. Alongside the increase in sales revenues and the disproportionate increase in material and personnel expenses relative to sales, the increase in EBITDA is due to the sharp decline in other operating expenses.

When viewed over the course of the year, the third quarter made the largest contribution to earnings at EUR 25.5 million. This was due in particular to better capacity utilisation, low costs as a consequence of the pandemic and the sale of in|sure licences.

The parent company adesso SE made the largest contribution to earnings in the IT Services segment in 2020. The national companies in Switzerland, Austria and Turkey also made positive contributions to earnings. In Germany, adesso as a service GmbH in particular made a significantly higher contribution to earnings than planned.

In the IT Solutions segment, only adesso mobile solutions GmbH was more successful than planned. As a result of investing in products and due to the difficult sales conditions, the other product companies made slight or even negative contributions to earnings.

Depreciation and amortisation increased by 16 % in the reporting period to EUR 26.2 million. This development was driven by the additional investments in property, plant and equipment, and the resulting increase in depreciation and amortisation as well as depreciation and amortisation from leases. As in the previous year, no unplanned goodwill impairments were recognised.

Income from financing and investment activities came to EUR -2.6 million and was therefore almost at the level of the previous year (previous year: EUR -2.2 million). Interest expenses amounting to EUR 1.6 million associated with leasing arrangements represent a significant driver behind this.

The result before tax (EBT) rose by 36 % to EUR 31.6 million and thus was somewhat stronger than the operating EBITDA result. Income tax expense stood at EUR -10.7 million (previous year: EUR -5.8 million). The effective tax rate came in at 34 % (previous year: 25 %). The higher tax rate is primarily due to tax revenue for previous years in the amount of EUR 1.4 million being recorded in the previous year. In all, the consolidated earnings were positive in the amount of EUR 20.9 million after EUR 17.5 million in the previous year. The earnings per share were EUR 3.39 after EUR 2.82 in the previous year, corresponding to a rise of 20 %.

Order development

Order intake developed positive in 2021. There was an increase both in the number of possible projects and licence sales in the pipeline and the volumes already commissioned, therefore the outlook for 2021 should initially be characterised by growth. 2020 was not a good year for the product companies in the IT Solutions segment, but there is a good pipeline for 2021, especially for in|sure.

Employee indicators

The leading performance figures for employees developed as follows:

Financial position

Financial management principles and objectives

adesso pursues a balanced financial policy. The objective of financial management is to assure short-term liquidity, including a margin of safety, as well as to secure and acquire financial assets to fund medium- and long-term investment projects. In principle, the company does not enter into investment transactions with speculative elements.

There are no variable interest rates on investments. In light of the zero-percent or even lower investment interest rates for low-risk investments, the company invests the existing liquid funds almost exclusively on a daily basis so that it can flexibly take advantage of investment opportunities when they arise.

Central cash management at the level of daily account clearing has not been set up. Bank borrowing was centralised with the parent company. The account balances and financial position of all companies are transparent to the Group's Executive Board and constitute a standard element of the monthly reporting system. All interest-bearing liabilities are denominated in euros, except for the 2015 acquisition in Switzerland, which was denominated in Swiss francs. It is possible for the subsidiary adesso Schweiz to sell off receivables in exceptional cases in order to maintain short-term liquidity. Active factoring is done by the company Solbicon GmbH (formerly: Solbicon AG) acquired during the financial year.

EMPLOYEE INDICATORS

	2020	2019	2018	2017	2016
Employees at year end	5,471	4,438	3,590	2,980	2,382
Full-time equivalents (FTE) at year end	4,975	4,033	3,280	2,748	2,174
Full-time equivalents (FTE), average for the year	4,392	3,732	3,031	2,524	1,956
Sales per Ø FTE (in EUR k)	119	120	124	127	133
Gross profit per Ø FTE (in EUR k)	105	107	110	113	119
Personnel costs per Ø FTE (in EUR k)	80	79	80	82	86

DEVELOPMENT OF CASH AT BANK AND FINANCIAL LIABILITIES

<i>in EUR k</i>	<i>Cash at bank</i>	<i>Change in %</i>	<i>Financial liabilities</i>	<i>Change in %</i>
2016	43,144	+53	48,098	+121
2017	46,497	+8	46,155	-4
2018	45,912	-1	48,108	+4
2019	46,352	+1	57,966	+20
2020	55,053	+19	60,689	+3

DEVELOPMENT OF LIQUIDITY

<i>in € k</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>Change 2020</i>
Liquid assets	55,053	46,352	45,912	46,497	+8,701
(-) Financial liabilities	60,689	57,966	48,108	46,155	+1,918
(=) Net liquidity	-5,636	-11,614	-2,196	342	+6,783
Net liquidity to EBITDA	-0.1	-0.2	-0.1	0.0	+0.1
Liquid assets	55,053	46,352	45,912	46,497	+8,701
(+) Trade accounts receivable and contract assets	121,314	108,719	93,199	81,459	+12,595
(-) Current liabilities	143,679	114,312	101,698	92,366	+28,562
(=) Net liquidity 2	32,688	40,759	37,317	35,590	-7,266

DEVELOPMENT OF THE FINANCIAL POSITION

<i>in EUR k</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Cash and cash equivalents	55,053	46,352	45,912	46,497	43,144
Financial liabilities	60,689	57,966	48,108	46,155	48,098
Net liquidity	-5,636	-11,614	-2,196	342	-4,954
Cash flow from operating activities	64,956	22,343	16,593	20,265	15,137
Cash flow from investing activities	-28,469	-15,413	-14,066	-11,017	-30,066
Cash flow from financing activities	-27,531	-6,522	-2,966	-5,594	29,929
Currency differences	-255	32	-146	-301	-18
Total change in liquid assets	8,701	440	-585	3,353	14,982

Capital structure

The financing of accounts receivable and of not-yet-invoiced services in the amount of EUR 121.3 million (previous year: EUR 108.7 million) represents the most significant portion of the financing requirements. The working capital (trade receivables plus contract assets minus trade payables and minus contractual liabilities) amounted to EUR 93.9 million (previous year: EUR 85.1 million) as at 31 December 2020. As a result, the need for advance financing of business operations rose by 10 % year on year, while sales increased by 16 %. Among other things, this below-average increase is due to improved receivables management.

At EUR 60.7 million, the entire portfolio of interest-bearing financial liabilities was EUR 2.7 million higher year on year as a result of new intake despite instalment payments carried out. Interest is fixed over the respective entire term. All interest-bearing liabilities are denominated in euros or Swiss francs. Credit balances are available in the short term. Net liquidity after deducting the financial liabilities is EUR -5.6 million (previous year: EUR -11.6 million). With a value of -0.1 (previous year: -0.2), the net liquidity quota in relation to EBITDA is significantly below the maximum target of -2.0 the company set itself. Please note that the net liquidity as at the reporting date of 31 December regularly lies close to the maximum value over the course of a year.

In particular, equity increased due to positive Group results and despite the dividend payment or rather due to the reporting of a EUR 10.4 million decrease of capital reserves for the acquisition of additional shares in subsidiaries. Due to an increased balance sheet total of EUR 372.1 million (previous year: EUR 320.8 million), equity decreased slightly, from 29 % in the previous year to 28 %.

Investments, acquisitions and divestments

The adesso business model requires relatively low investments in property, plant and equipment. The opening of additional locations as well as further employee growth made a significant contribution to the increase in assets and rights of use from leasing activities. There were no significant subsequent obligations from property, plant and equipment investment projects as at 31 December 2020. There is no investment backlog to report.

In the second half of the year, adesso acquired controlling interests in two company groups. First, in Bluegroup IT (Nieuwegein/Netherlands), which specialises in developing front-end and back-end software applications for banks and government institutions. And second, in Quanto AG (Hameln), which focuses on SAP technology for various sectors of industry. Along with the acquisition of Solbicon AG (Dortmund), a company which works in big data and digitalisation for SAP technology, these acquisitions saw adesso further expand its portfolio in the area of SAP consulting. Furthermore, at the beginning of August adesso acquired the business operations of .dotkomm (Cologne), an established company in the field of digital touchpoints and response and conversion optimisation. The new adesso foreign subsidiary founded in Hungary in 2019 was reinforced at the beginning of November by the acquisition of LeanNetworking Kft. (Budapest), a young trendsetter in the field of cloud-native technologies. The acquisition costs paid in cash came to EUR 18.7 million in total. There are also additional agreements covering the acquisition of the shares remaining in the holdings which have not yet been acquired in full. A detailed overview is given in section 4 of the consolidated financial statement, "Mergers".

Liquidity

Cash and cash equivalents totalled EUR 55.0 million on the reporting date (previous year: EUR 46.4 million). They were partly offset by financial liabilities, mainly from acquisition loans, in the amount of EUR 60.7 million (previous year: EUR 58.0 million). Net liquidity after deducting the financial liabilities therefore improved by EUR 6.0 million to EUR -5.6 million.

Cash flow from operating activities stood at EUR 65.0 million (previous year: EUR 22.3 million) and essentially follows the positive development of earnings. Furthermore, this development is also due mainly to the increase in net operating assets from EUR -16.8 million to EUR 4.1 million and lower tax payments (EUR -3.8 million; previous year: EUR -9.9 million) in the wake of the deferral of income tax prepayments due to the COVID-19 pandemic.

MULTI-PERIOD OVERVIEW OF ASSETS AND LIABILITIES

<i>in EUR k</i>	2020	2019	2018	2017	2016
Balance sheet total	372,146	320,764	221,848	202,812	183,079
Current assets	183,691	161,957	146,226	133,357	117,897
Of which liquid assets	55,053	46,352	45,912	46,497	43,144
Of which trade accounts receivable and contract assets	121,314	108,719	93,199	81,459	70,060
Non-current assets	188,455	158,807	75,622	69,455	65,182
Current borrowed capital	143,679	114,312	101,698	92,366	80,581
Of which loans and other financial liabilities (including leasing)	25,912	26,174	15,008	13,877	14,099
Of which trade accounts payable and contract obligations	27,417	23,637	20,218	23,295	23,071
Non-current borrowed capital	125,593	113,970	42,856	43,423	44,183
Of which loans and other financial liabilities (including leasing)	116,022	105,229	33,100	32,278	33,999
Equity	102,874	92,482	77,294	67,023	58,315

FINANCIAL PERFORMANCE INDICATORS

	Target 2020	Actual 2020	Target
Growth in sales (organic)	> EUR 490 million hence > 9% growth (increased to > EUR 500 million in Q3)	16% to EUR 523 million, 15 percentage points of which organic	At least double industry growth (2020: -2.8%)
EBITDA	> EUR 50 million (IFRS 16) (increased to between EUR 55 and 65 million in Q3)	EUR 60 million (IFRS 16)	Increase over previous year
EBITDA margin (indirect)	11% to 13% (non-current, IFRS 16)	11.5%	11% to 13% (non-current, IFRS 16)

Table source: adesso Group figures

PERFORMANCE INDICATOR INVERSE UTILISATION RATE

	2020	2019	2018	Target
Annual average	12.3%	11.8%	9.9%	9% to 13%
Maximum	15.2%	13.0%	10.9%	15%
Minimum	9.8%	8.7%	8.9%	7%

Table source: adesso SE

Cash flow from investment activities amounted to EUR -28.5 million (previous year: EUR -15.4 million), which was due in particular to the acquisitions of and investments in companies made in 2020.

Cash flow from financing activities was EUR -27.5 million compared to EUR -6.5 million in the previous year. The increase in the negative cash flow was primarily due to the financial liabilities for refinancing taken out in the previous year, which did not exist to the same extent in 2020. Financial liabilities of EUR 14.4 million (previous year: EUR 11.7 million) were repaid. The presentation of the repayment of lease liabilities attributable to IFRS 16 amounted to EUR 13.8 million compared to EUR 10.6 million the previous year. Furthermore, dividends of EUR 2.9 million (previous year: EUR 2.8 million) were paid to shareholders of adesso SE.

Variable salary components are paid out from cash and cash equivalents and are paid out in the first few months of 2021. This is typical for the business. Thus, as in the previous years, the net liquidity in the first half of the year 2021 is expected to experience negative developments for the time being. Overall, the liquidity of the adesso Group is adequate to carry on current business operations, for the planned redemption of liabilities and to compensate for ordinary fluctuations in capacity utilisation. As of the balance sheet date, adesso SE, as the central financing company of the adesso Group, had several available credit lines totalling EUR 38.9 million.

Assets and liabilities

Total assets as of the balance sheet date increased year on year by 16%, or EUR 51.4 million, to EUR 372.1 million.

On the assets side, the goodwill increased largely depending on acquisitions by EUR 10.5 million. The other intangible assets and property, plant and equipment also increased, by EUR 15.0 million to a total of EUR 119.2 million, which is attributable to the further growth of the adesso Group. As a result of the renewed growth in sales, the receivables from deliveries and services also increased significantly by EUR 6.6 million, but due to improved receivables management at a lower rate than the growth in sales. Contract assets increased by a further EUR 6.0 million to a total of EUR 28.5 million.

On the liabilities side, the leasing liabilities increased in parallel to the rights of use from leasing activities, by EUR 7.8 million to a total of EUR 81.2 million. Despite higher repayments compared to the uptake of new financial assets, the long-term financial liabilities increased by EUR 5.7 million to EUR 49.3 million, mainly due to acquisitions.

Overall statement

The Executive Board had set targets for 2020 of a sales volume of over EUR 490 million (increased to over EUR 500 million at the beginning of November) and an EBITDA of over EUR 50 million (increased to between EUR 55 and 65 million at the beginning of November) as well as an EBITDA margin of over 10%.

adesso Group sales amounted to EUR 523.4 million in the reporting period, EBITDA came in at EUR 60.4 million and the EBITDA margin was 11.5%. All three targets of the (increased) guidance were thus achieved.

Financial and non-financial performance indicators

The key financial performance indicators used for internal control of the Group are sales growth, EBITDA, and EBITDA margin. Furthermore, the earnings before taxes and amortisation of goodwill attributable to the business operations of adesso SE are relevant for the individual financial statements. Targets and actual values for the reporting period, as well as for the medium and long-term target corridor for the adesso Group, are provided in the following table.

The adesso Group does not use any Group-wide non-financial performance indicators for the internal control of the Group. Given the outstanding importance to the Group of adesso SE, which is responsible for over 50% of adesso Group business, and the otherwise broad range of control-relevant performance indicators within the Group due to the business it conducts, the financial and non-financial performance indicators used for the internal control of adesso SE are reported on below.

The development of earnings generated by adesso SE depends on a number of performance indicators. In addition to the growth rate which is achieved, these are, in particular:

Economic report

PERFORMANCE INDICATOR BOOKING INTENSITY

	2020	2019	2018	Target
Annual average	96 %	93 %	96 %	93 % to 99 %
Maximum	99 %	95 %	98 %	103 %
Minimum	90 %	90 %	94 %	83 %

Table source: adesso SE

PERFORMANCE INDICATOR T&M DAILY RATE

	2020	2019	2018	Target value
Annual average	-1 %	-1 %	-1 %	min. +2 %

Table source: adesso SE

PERFORMANCE INDICATOR FIXED-PRICE PROJECTS

	2020	2019	2018	Target value
Proportion of employees in overspend projects	0.7 %	0.5 %	1.2 %	<1.5 %
Arithmetical daily rates	-8 %	+2 %	-3 %	min. +2 %

Table source: adesso SE

PERFORMANCE INDICATOR RECRUITMENT AND TURNOVER

	2020	2019	2018	Target value
Development of applications	+76 %	+44 %	+18 %	>= Gross profit increase, previous year
New appointments (permanent employees)	697	541	448	Increase over previous year
New appointments (permanent employees)	+3.1 pp; <10 %	-2.2 pp; <10 %	+3.1 pp; >10 %	Improvement; <10 %

Table source: adesso SE

PERFORMANCE INDICATOR SOFTWARE PRODUCTS

	2020	2019	2018	Target value
Licence revenue	-32 %	20 %	+25 %	>5 %
Maintenance sales	7 %	13 %	22 %	>5 %

Table source: e-Spirit AG and adesso insurance solutions GmbH

Employee capacity utilisation (proportion of employees working on customer projects)

The proportion of employees working on billable customer projects has a direct influence on earnings. The greatest possible constant and high utilisation, without severely limiting flexibility in staffing new projects, is our goal. Since the end and beginning of projects cannot always be optimally scheduled in sequence, some basic non-utilisation of capacity is unavoidable. Utilisation is measured biweekly according to the number of employees in operations and is reported as the proportion of employees that are not assigned to a project.

2020 again achieved high capacity utilisation rates with a higher fluctuation margin compared to the previous year. The value is within the target corridor.

Booking intensity (average of billed hours per project day)

The number of billable customer hours as the basis for sales and earnings is subject to fluctuations which do not depend on the order situation, caused by the number of potential working days, holidays taken, illness, and capacity utilisation. When these effects are neutralised in the analysis of billable customer hours, it is possible to determine the average billable customer hours per project day for an employee assigned to a project, provided that structures remain unchanged. Changes to structures, such as the management team, career levels, and working models, are also included in the booking intensity. The booking intensity determined this way measures the development of quantitative value creation per employee in the project and structural efficiency.

Since additional or fewer hours worked per project day are accompanied by virtually unchanged costs, a change in the booking intensity has a direct impact on earnings. The booking intensity is also influenced by the intensity of pursuing internal projects for company development, business development or pre-sales. It is specified as a percentage of an eight-hour workday.

In 2020, the average posting intensity increased compared to the previous year. It is thus in the central range of the target corridor.

Average daily rates achieved

The change in the average daily rates, both in projects billed on a time and materials basis and in fixed-price projects on a calculation basis, is a key earnings driver. In particular, compared to the change in labour cost per employee as the leading cost item, it has a significant impact on the operating earnings margin. Accordingly, the daily rates are a fixed internal control element. Their development is tracked on an individual customer basis, and they are purposefully examined for improvement potential. The change in the average daily rate is reported. In 2020, the daily rate in projects billed on a time and materials (T&M) basis decreased slightly by 1 %.

Calculated daily rates and budget overruns for fixed-price projects

The number of project days in fixed-price projects that exceed the budget has a direct impact on earnings, since those days are not available for otherwise potential working hours. Even if they can be used only in combination with projects completed below budget for an overall image of the impact that fixed-price projects have on earnings, the change in budget overruns serves as a signal for progress or setbacks related to fixed-price projects. This is a qualitative assessment, as the evaluation is based on days and not on euros.

Together with the daily rates used in project calculations, the under- and over-budget ratio is used to derive the calculated daily rate on fixed-projects during post-calculation. Budget overruns in 2020 were below the target corridor and below the previous year's figure. The target value for increasing the imputed daily rate was also not reached in 2020.

adesso SE examines employee aspects as non-financial performance indicators. As a fast-growing premium IT service provider, adesso depends on the ability to gain many of the best graduates and experienced experts as new employees, to extensively pursue their internal further development, and to retain them for as long as possible. Here the following performance indicators described are of particular relevance.

Recruiting performance figures and turnover

Recruiting examines the number of applications received, initial interviews conducted and new hires. The turnover ratio is based on resignations of permanent staff. In 2020, the number of applications increased significantly once again to 76 %, thereby setting a new record. The fast organic growth was continued, and thus the number of new positions filled for permanent employees increased by a further 29 %. The turnover ratio declined in 2020 and is now back within the target corridor of up to 10 %.

Management also examines the development of licence/SaaS and maintenance revenues from the FirstSpirit product from the subsidiary e-Spirit AG and from the in|sure product from adesso insurance solutions GmbH for insurance companies as internal performance indicators, since licence revenue in a short-term quarterly and financial year view have a major direct impact on earnings and because maintenance revenues form the basis for growing the development and marketing cost base of products. Licence/SaaS revenue fell significantly in 2020 compared to the very strong performance of the previous year and remained below the target value as a result. On the other hand, maintenance revenue was increased by 7 % and the target achieved.

Forecast, risk and opportunities report

Forecast report

Future macroeconomic situation

The coronavirus crisis in 2020 tipped Germany into a severe recession with -5.0 % growth, following two previous years of declining growth momentum. In the face of the new, stricter lockdown measures, the recovery which had become apparent in the summer of 2020 paused in the fourth quarter. Nevertheless, the federal government anticipates that the German economy will regain momentum in the future if the coronavirus situation eases, aided by the vaccination programme. For 2021, the annual forecast sees an increase in price-adjusted gross domestic product of 3.0 % compared to 2020. This represents a significant downward correction compared to the autumn projection made at the end of October 2020 (+4.4 %), in which renewed measures required to contain the pandemic and the corresponding restrictions were not yet taken into account. The ministry does not expect economic performance to return to pre-coronavirus levels until mid-2022. The picture was still mixed as at the end of January 2021: while the performance of industry remained robust, the services sector was severely affected by the restrictions.

Extensive fiscal measures will continue to help stabilize the economy and secure jobs. The federal government continued to implement the comprehensive economic programme of June 2020 – with around EUR 50 billion set aside for new technologies such as Artificial Intelligence. To cushion losses for employees paying mandatory social insurance contributions and prevent a massive increase in unemployment, the federal government has introduced improved terms for claiming short-time working allowance. A fiscal environment that was growth-friendly, internationally competitive and fair would support a quick recovery after the crisis. The public and in particular small and medium-size enterprises would benefit from tax relief in 2021 and 2022. The medium- and long-term competitiveness and innovative ability of the German economy would be strengthened by numerous reforms. There could be positive catch-up effects if some of the purchasing power accumulated during the lockdown were expended again. If private

households were to increase their consumer spending more than expected, additional impetus for the economy would be provided.

The Swiss State Secretariat for Economic Affairs (SECO), based on the assessments of a group of government experts, sees the interim economic recovery interrupted by the second wave of the coronavirus and, in its most recent forecast from December, revised the growth expectations for 2021 for sports event-adjusted GDP down to 3.0% (October 2020: +3.8%). At 3.1%, a similar level of growth is anticipated for 2022. Growth is expected to pick up significantly in the course of 2021, and economic performance in Switzerland is expected to return to pre-crisis levels by the end of 2021. This forecast is based on the expectation that the epidemiological situation will gradually stabilize from spring 2021 in the wake of the widespread use of coronavirus vaccines. On this assumption, above-average growth in GDP is to be expected temporarily, as some consumers and investors compensate for spending they had previously put off.

Based on projections of the Austrian Institute of Economic Research (WIFO) and the Austrian Institute for Advanced Studies (IHS), the Austrian Federal Ministry for Digitisation and Economic Location anticipates that GDP will grow again after the significant downturn in 2020. On the assumption that the health crisis will come to an end by mid-2021, the IHS sees the economy growing by 3.1% and 3.8% in terms of GDP in 2021 and 2022 respectively. The WIFO also includes the scenario of a third lockdown in its latest estimate made at the end of 2020, and, depending on the scenario, calculates a wider range of 2.5% to 4.5% growth in 2021. The loss of added value caused by the crisis will not be compensated for in either scenario until 2022. Growth should then be 3.5%.

In Turkey, the OECD anticipates GDP growth of 2.6% in 2021 after a comparatively moderate downturn in economic performance in the previous year. A further uplift in momentum is expected to increase growth to 3.5% in 2022.

For the USA, the OECD predicts growth of 3.2% in 2021 after the recession in the previous year, with a slight increase to 3.5% in 2022.

For adesso, 2021 represents a return to a more positive macroeconomic market environment with some significant growth expectations compared to last year, and recovery to pre-crisis levels of economic output. In contrast to the recession of the previous year, growth is now expected again in all economic regions relevant to adesso, bar none. In terms of actual dynamics, any economic growth will depend on the spread of infection and the measures imposed to contain the pandemic, and is therefore fraught with considerable risks.

For its projection, the federal government, is taking into account the coronavirus pandemic as far as possible at this time, including an extension of the lockdown extension until February 2021. Moreover, there is an explicit assumption that no additional measures which further restrict economic activity will be required. Instead, a gradual withdrawal of the measures from the end of the first quarter is anticipated in the wake of the ongoing vaccination programme, although there is still considerable uncertainty about potential rates of infection. This gives rise to risks for the development of the wider economy. In addition to the unpredictable development of the pandemic, there is a risk that companies will experience liquidity problems despite the support packages offered in many countries. Risks accruing from the global economy, including the threat to the stability of global financial markets, have also increased during the course of the coronavirus crisis.

Although the global economy is recovering, it is still overshadowed by the pandemic. Global industrial production and world trade have increased since last autumn, but sentiment indicators point to a slowdown in the recovery. In accordance with forecasts by international organisations, the global economy will see growth of 5.3% this year and 4.2% in 2022.

Outlook for the industry

According to estimates by the industry association Bitkom, the German market for providers of services and products in the IT sector will continue to grow in 2021 following the pandemic-related temporary downturn in the previous year. Market volume is expected to increase by 4.2% to EUR 98.6 billion in 2021. A slump of -0.7% was recorded in the reporting year. The highest growth rates in 2021 will be in the IT hardware segment, which is forecast to expand by 8.6% to EUR 31.6 billion. The software

and IT services sub-segments which are particularly relevant to adesso will see their market volume grow by 4.1 % to EUR 27.0 billion and by 1.1 % to EUR 40.0 billion market volume respectively. IT companies in Germany are expected to create 20,000 additional jobs by the end of the year. At the beginning of 2021, the industry employed 1.2 million people. Bitkom's view is that the coronavirus crisis has accelerated the digitalisation process in many areas. Business, government and consumers have been investing in digital technologies, and investors are now catching up with projects they had previously deferred.

According to the Gartner research institute, global IT investment is expected to rise by 6.2 % to USD 3.9 trillion in 2021. For IT services, Gartner predicts a growth rate of 6.0 % for 2021 (2020: -2.7 %) to USD 1.1 trillion. The software segment is set to increase by 8.8 % (2020: -2.4 %) to USD 0.5 trillion.

Future development of the Group

The foundations for the 2021 financial year are basically just as good for the service business as 2020, since with an average of 254 working days, the same number is available as in the previous year. adesso also continued to appoint highly qualified employees during the pandemic, thus creating the potential for growth. In this respect, it will be essential to keep capacity utilization at a good level despite any potential coronavirus-related restrictions. There are positive signs for the services business, therefore, as due to the lockdown in Germany there will continue to be a lower cost base in the area of other operating expenses.

In addition to this, the pipeline for the product business is very strong. Although this may not be directly reflected in later orders, it does show that during the crisis many companies took a wait-and-see approach to new digitalisation initiatives. This presents opportunities that will materialise in 2021.

In 2021, adesso is also planning further growth in the IT Services segment through the recruitment of personnel. In 2020 alone, there were around 40,000 applications to adesso SE via all channels (recruitment consultants, job advertisements, direct search, staff recommendations). Of these, several hundred new employees were appointed, so that adesso can continue to hire high quality employees who fit in perfectly with the corporate culture.

In 2021, adesso will expand Corporate Development and M&A, to reflect the importance of further inorganic growth of the adesso Group. Additional resources will be sought for the core business, along with increases in other areas of technology such as SAP, artificial intelligence and cloud development, as well as companies, with the aim of further strengthening the product business in the area of industry solutions. In addition, the focus of the internationalisation strategy will be based on a strategy of acquisition.

No final decision has been made yet on which national markets are to be developed in this regard. The Executive Board will continue to move cautiously to develop a carefully considered expansion strategy in order to take into account the increasing integration requirements in the growing adesso Group.

As far as the cost situation is concerned, it is anticipated that other operating expenses will continue to develop at a lower rate than growth due to the ongoing pandemic. However, site expansions and relocations will lead to additional expenses, especially in large cities such as Berlin and Munich.

The increase in the receivables portfolio is to be countered by a more consistent system of receivables management and optimising internal processes in the administration department.

It is difficult to assess how the economic cycle will develop. On one hand, many companies have learned to deal with the crisis, and have adapted their business models. Distributed working is also generating more and more new approaches to digitalisation initiatives and ideas for using software to improve corporate processes. On the other hand, lockdowns and the general level of unpredictability caused by the pandemic have also created uncertainties. For example, insurance companies must meet additional requirements for regulation caused by interruptions to business. Banks are worried about loan defaults and the automotive industry is experiencing an economic downturn. Opportunities could arise in the public sector and the healthcare sector, as the federal government has made schemes and budgets available here for the digitalisation of the care sector.

adesso has learned to cope with the crisis and during the pandemic its business model proved comparatively resilient to this type of crisis. The Executive Board therefore continues to assume that 2021 will present more opportunities than risks.

Anticipated sales and earnings situation

For the 2021 financial year, adesso anticipates further growth in the IT Services segment. In IT Solutions, license sales of the in|sure Ecosphere product family in particular should pick up again and so contribute to growth in both sales and earnings.

Management is therefore assuming the following planning for the 2021 financial year:

- > Sales revenue: over EUR 600 million,
- > EBITDA: over EUR 72 million,
- > EBITDA minimum margin: over 10 %.

Segment breakdown follows the pattern of previous years, in other words approximately 15 % to 20 % of sales come from the IT Solutions segment and the majority of 80 % to 85 % from IT Services. In terms of earnings, the IT Solutions segment could again make a significant contribution, depending on business performance, if product sales are effected as planned.

Financial outlook

The liquidity situation came in for particular scrutiny in 2020 due to the coronavirus pandemic. As a result, adesso installed its own treasury team. The term of the additional credit lines negotiated with the house banks runs until November 2021, so financing requirements have been secured until then. However, the structural advantages that existed in 2020, due in particular to the option of tax deferrals, will no longer apply in 2021. Instead, there will be a significant increase in tax prepayments due to the positive business performance achieved in 2020.

Furthermore, adesso took advantage of the good liquidity situation to reduce its net debt despite several M&A transactions.

In principle, 2021 should be a typical year for adesso as far as liquidity is concerned: at the beginning of the year the liquidity level is high, it will gradually decrease throughout the first two quarters due to bonus payments for the previous year and dividends, and then increase again in the second half. As new locations are to be opened in 2021 and the extensions

completed in Munich and Berlin, cash outflow is also anticipated here.

adesso will therefore continue to apply itself intensively to the issue of receivables management. The initial successes in the reporting year will provide the foundation for further work. Strategic financing options to improve working capital will continue to be discussed with the house banks. adesso remains true to its basic principle of striving to achieve a net level of debt between zero- and two-times EBITDA.

The Executive Board will continue to implement the dividend policy with the aim of providing a reasonable balance between investment in growth, financial stability and the participation of shareholders in the success of the company. A steady slight increase in the dividend is part of adesso's capital market strategy. The proposal for 2021 provides for an increase in the dividend to EUR 0.52 per share for financial year 2020 (previous year: EUR 0.47 per share).

Risk report

Risk management system

Risk management is a pivotal component of all decisions and business processes. adesso takes a broad view of risk, defined as the risk of not achieving financial and operating targets as planned and, in the strictest sense, factors endangering the existence of the company. In order to safeguard the success of the company over the long term, it is therefore essential that adesso identifies and analyses risks efficiently and combats or mitigates them by implementing sufficient control measures. adesso's active risk management therefore also opens up opportunities for the company.

The adesso Group possesses a system of processes and data analysis structures to monitor risks posed to the Group. An exclusive risk management software system is not used. Instead, adesso relies on central management reporting for results controlling and tracking additional key figures. All planned and actual data from all business areas are stored in a central file for the purposes of reporting. Current figures are recorded directly from the company's financial accounting. Key performance indicators such as sales per employee, available liquidity, resources not fully utilised, incoming orders and the order backlog are registered. All companies included in the scope of consolidation are part of the reporting system.

Fixed reporting channels have been established for other risks, such as those arising from the absence of contracts, high levels of receivables from customers or projects that are threatening to go over budget. Certain reporting thresholds apply, which, if breached, result in the issue being included on the agenda of Executive Board meetings. Similar risks posed to companies in the adesso Group are identified through close cooperation with the respective responsible Executive Board member of adesso SE. adesso does not have a central risk manager. Risk reporting and assessment are documented in a risk manual. The risk manual is submitted to the Supervisory Board and to the auditor so that the risk management system can be acknowledged and reviewed.

Within the scope of a risk inventory, the following risks were assessed as relevant to the business and subsequently assessed in view of their probability of occurrence and amount of loss. In principle, only

risks that would have negative implications for the asset, financial or profit situation are listed here.

Moreover, the adesso Group is potentially exposed to further risks which may not be known or be considered as major risks at the current time. The risk factor is calculated from the probability of occurrence and the amount of loss, which determines how relevant the risk is. The following risks were identified as at the reporting date and as at the preparation of the consolidated management report as having a risk factor worthy of inclusion in this report (greater than 40):

Primary risk carriers

COVID-19 pandemic

The novel coronavirus (COVID-19) has spread worldwide since December 2019 and has been classified by the World Health Organization (WHO) as a pandemic. The virus appeared in almost all regions of the world and has had lasting negative effects on the global economy. In 2020, COVID-19 paralysed social life and crippled large areas of the economy in much of Europe and Germany. The restrictions will continue into 2021.

The adesso Group as well as the main core industries of the adesso Group came through the 2020 financial year robustly under the difficult market and social conditions. adesso is monitoring the situation very closely and has taken various precautionary measures in 2020. These include rules of conduct for employees, the implementation of short-time working during some months in 2020 and arrangements for mobile working. A crisis committee has already been set up called "resilience@adesso", which reports directly to the Executive Board. Major internal and external events have been cancelled or changed to other formats.

Project risks

In the event of the budgeted time frame and costs being exceeded, fixed-price projects can lead to project-related losses.

Budget deviations are identified and analysed constantly during every fixed-price project. There is also an escalation mechanism that extends to the Executive Board. adesso uses an Excel-based system for project controlling and reporting, drawing on data from the ERP system. Depending on the project

structure, sub-projects are defined and mapped on adesso's web-based project and schedule management system. Expenses are distributed across the sub-projects and milestones are defined. Over the course of the project, actual time and expenses are compared with planning figures, the expenses are calculated and compliance with the defined schedule is documented. Additional monthly or weekly assessments of work still to be completed are used to calculate the level of completion of the project currently in progress. By comparing the level of completion and the remaining expenses, any potential budget deviations can be identified at an early stage. Projects that are likely to exceed the budget are given "overspend" status and are then added to the agenda of subsequent Executive Board meetings. Aside from acknowledging the risk, the Executive Board meeting also discusses potential strategies to improve the situation by analysing the reasons for the overspending. However, the share of projects with fixed budgets in the form of service contracts in terms of overall adesso sales is low, at under 20%. adesso SE has established a Project Management Office (PMO) where experts supervise particularly large or challenging projects using standardised tools and mechanisms alongside the regular project management team. These tools and processes are routinely used. The estimations of remaining costs are determined and cost development displayed as a graph in order to counteract the tendency that project inconsistencies are identified too late. Similar or identical processes are in use in various adesso Group companies.

Risks from a shortfall in planned sales

In the event of a high gross margin and a large proportion of fixed costs, low sales can be directly reflected in adesso's results. However, a decline in order intake or the termination of important ongoing customer orders could result in idle periods with corresponding implications for the profit and financial situation within a short period of time. Since the IT Services business area in particular generates business over specific periods of time, such idle periods are difficult to compensate for.

As this risk factor is highly relevant to the company, adesso monitors the following values on a monthly and sometimes biweekly basis in order to identify trends at an early stage and take corresponding action: order intake, number of hours invoiced and capacity utilisation rates and number of employees not working at full capacity.

The IT Solutions segment pursues a product strategy. In this segment, even standard solutions developed by adesso are sold and implemented through licensing with maintenance contracts or provided with software as a service (SaaS). While the established base of maintenance contracts represents a relatively stable basis for sales, the achievement of targets and the results of product companies are reliant on order intake and are much more volatile than the service business, given the low number of new licences sold. Sales revenues from maintenance activities do not cover total ongoing costs at any of the adesso Group companies. As a result, the product companies' licence sales and new SAAS contracts and the related sales pipelines are monitored in detail in terms of structure and development over time.

As part of the monthly reporting cycle, current figures are compared with the planned outcomes and results from the previous year and a revised forecast is created. This allows shortfalls in planned sales to be identified early on and forms the basis for the monthly discussions on current business performance and the outlook for the future. This applies to all major companies of the adesso Group.

In the past three financial years, adesso SE and the adesso Group have exceeded their sales targets. This included the depressed market environment of 2020 caused by the COVID-19 pandemic. Demand for IT services will continue in adesso's core industries in 2021. Germany's digital association, Bitkom, anticipates sector growth, coupled with catch-up effects from previously deferred investment measures.

Financial risks

General liquidity risks: The adesso Group's liquidity situation is subject to annual fluctuations which are typical for the business. There are higher payments in the first half of the year, resulting from factors including the payment of variable salary components for the previous year, adjustment of tax prepayments due to increases in company profit and the dividend payment. The first half of the year regularly contains fewer working days compared to the second half, and this is directly reflected in sales in the IT Services segment. These effects cause a drop in the net cash position of the adesso Group within the first half year results. By contrast, in the second half of the year, the net cash position increases steadily. Another seasonal effect is that the fixed-price projects tend to reach the approval and final invoicing stages in the second half of the year.

All account balances, loans and unavailable cash are reported on a monthly basis for liquidity tracking. Changes in financial resources over a period of time are visualised. The net cash position of each major Group company is calculated every month and shown in the report. adesso SE's incoming payments are monitored on a daily basis.

To compensate for liquidity shortfalls, adverse or unexpected developments, there are bank credit lines in sufficient amounts which are firmly committed and freely available. In 2020, additional bank lines were agreed with the house banks as a precaution against the effects of the COVID-19 pandemic, but these were not used in 2020 due to the continued robust liquidity situation.

Liquidity risks from major projects: Liquidity risks can arise from the payment terms of a service agreement for a completed project with a significant volume. In addition to prepayments and instalments, payments are often linked to the completion of the project. In the case of delayed completion, significant liquidity shortfalls can arise. The CFO includes major receivables on the part of adesso SE in the agenda of Executive Board meetings, where individual strategies for collection are determined. Due to the growth in recent years, the dependency on individual projects has decreased, however.

Risks from payment defaults: The open items from trade receivables are a key asset item on the balance sheet and make up the majority of tied-up capital. A payment default leads directly to equivalent negative effects on earnings and liquidity. At adesso, receivables management is handled at company level by the individual companies. The development of the receivables portfolio and incoming payments is continuously monitored at adesso SE. In 2020, the dunning processes were streamlined and there are channels for escalation to the Executive Board.

Risks from the utilisation of losses: As part of the review into the allocation of costs of the market launch and entry of the FirstSpirit content management system in the US, it was determined within the scope of an arm's length comparison that the adesso Group company e-Spirit AG must bear significant shares of the losses that were incurred and continue to be incurred by the US subsidiary e-Spirit Inc. (categorised as a limited-risk distributor). For the years 2011 to 2020, the market entry compensation invoiced to e-Spirit AG by e-Spirit Inc. amounted to USD 12.2 million. This resulted in a reduction in the total tax burden of e-Spirit AG as a sub-group and of the adesso Group. The reported tax rate for e-Spirit AG and the adesso Group would be too low in the event of an incomplete recognition.

Currency risks: adesso companies are exposed to risks associated with changes in exchange rates when they enter into transactions which will produce cash flows in foreign currencies. The foreign currency risk is offset to some extent by the fact that incoming and outgoing payments are made in the same foreign currency. Currency risks remain low. Only a small proportion of sales are conducted in a currency other than the euro. This mainly concerns transactions involving adesso's foreign subsidiaries in Switzerland and Turkey, which invoice in Swiss francs or Turkish lira, as well as e-Spirit in the US, which operates in the US dollar currency zone. These companies process the majority of their business in the respective national currency. No currency hedging transactions were carried out.

There were no notable risks from financial instruments.

Personnel risks

adesso is an IT company without any notable fixed assets. The company's most important assets are its employees. The search for suitable, experienced employees remains characterised by a demand surplus from companies. As in the past, the resulting entry-level salary expectations expressed by new recruits, as well as existing employees' expectations regarding pay rises, cannot always be compensated through a corresponding adjustment of market prices, meaning that the operating margin can be negatively impacted as a result. A small number of employees are responsible for adesso's outstanding position in its core industries. The simultaneous departure of more than one of these employees would expose the company to medium-term risks in terms of its further development.

As a result, adesso constantly monitors and assesses a number of key performance indicators such as headcount, number of unproductive employees, number of employees on sick leave and holiday, costs/sales per employee and capacity utilisation. The top-level management is always informed about every dismissal and new recruit. The Executive Board regularly analyses trends and discusses measures in its meetings every three months. This allows any potential loss of knowledge and expertise to be identified promptly. In the product segments, essential knowledge is concentrated around a small group of key developers. These developers are a particular focus of human resources activities.

adesso is able to maintain its position as a premium IT service provider thanks to its extraordinarily talented employees, who have a vast amount of experience in their respective fields. Competitors in this area continue to increase their headcounts – not simply IT service providers, but also between user companies and the IT industry. Such risks are combated through active recruiting, strategies to intensify employee loyalty and excellent career prospects at a prospering company.

In 2020, adesso SE succeeded in significantly increasing the number of incoming applications again and keeping the number of hires at a high level. The fluctuation rate was kept consistently below the target of 10 % in 2020.

Risks from business activities in other legal systems

The adesso Group has expanded internationally in past years and entered new legal systems. This involves potential risks related to a lack of knowledge of legal affairs and business practices, as well as the difficulties with direct supervision by adesso SE's Executive Board caused by distance. The risk associated with internationalisation or risks in other legal systems was given a higher rating in the risk inventory for the fourth quarter of 2019 and in view of the defined strategy of continuing the internationalisation process. The respective risks are countered in particular by deploying managers with expert knowledge and working locally with legal advisors. The increasing experience in dealing with the international Group structure also helps to minimize risk. Due to the additional acquisitions of foreign companies, the assessment of the extent of the risk is maintained.

Risks from the development of new products and solutions

In 2012, the adesso Group significantly increased its investment in the development of new products and solutions and therefore gradually shifted the risk profile of its heavily service-oriented business model in favour of its product business. To this end, extensive development projects are up and running and the already available systems are being widely marketed. All these products involve increasing risk from service and maintenance obligations. In the development phase, there is also increased risk from the higher-than-planned development costs, for which adesso is partially responsible. However, these risks are offset to an increasing extent by income from licences and maintenance.

Risks from technical infrastructure

As an IT company, adesso SE has extensive technical expertise and resources in the area of internal IT infrastructure. Since a large part of customer-relevant added value is created on the basis of IT infrastructure, the availability of the latter is of considerable significance. System failure therefore entails a significant financial risk. The internal IT operations department is equipped with full-time administrators who are supported by several trainees, students and other employees from operational areas. Disciplinary and organisational responsibility are addressed in a separate management position. In 2016, the new position of CISO (chief information security officer) was established and staffed at adesso SE. The data on the production servers is incrementally backed up on suitable media on a daily basis at a third-party location away from the data centres.

The production systems available on the Internet are protected against unauthorised access via a multi-level firewall system, and adesso operates a VPN to protect communication between the branches and subsidiaries. All systems have virus scanners from various product manufacturers whose virus signatures are automatically updated to comply with the latest standards.

At its main office in Dortmund, adesso has a data centre with safety procedures such as electronic access control, temperature-controlled server racks, fire extinguishing systems, uninterrupted power supply and flood protection. All external data connections are secured in compliance with the relevant technical standards and are redundantly structured. Some of the holding companies have their own IT systems and departments. Their risk statuses are not reported to adesso SE in any regular form. adesso is working towards an increasingly interconnected collaboration between the IT departments at adesso and the holdings. adesso has been certified to ISO 9001 and ISO 14001. The processes that have been documented and more strictly defined have maintained a constant risk position in terms of technical infrastructure in spite of increasing complexity. In the previous period, customers' increasing awareness regarding data protection and data integrity was assessed as an increasing risk. This was especially true for banks and insurance companies as a result of extended regulation requirements and a rise in cyber risks.

Other risks

The risk manual specifies a number of other risks as at the balance sheet date, where the risk factor is below 40 points. These risks are:

- > risks from falling order backlog
- > risks from insufficient sales pipeline
- > risks from change to market and competition structure
- > risks from falling market volume
- > risks from incorrect products or lack of expertise
- > risks from the customer structure
- > declining or insufficiently increasing daily rates
- > compliance risks
- > risks from the organisational structure
- > risks from bank credit lines
- > risks from lack of insurance cover

Overall Statement Concerning the Group's Risk Situation

Every risk is evaluated by estimating the probability of occurrence and the possible extent of damage. The risk factor of every risk can be calculated by multiplying the probability of occurrence (1-10) by the extent of damage (1-10). The overall risk profile of adesso, the sum of all risk factors, is assessed as having risen by 62 points or 12 % compared to the previous year to 588 points. Key drivers for this development particularly include the new risk from the COVID-19 pandemic and the increase in risk factors from the technical infrastructure and the finance risks.

None of the identified risks can be considered at the current point in time as risks that endanger the existence of the company as a going concern. However, the risks detailed above could have a negative impact on the asset, financial and earnings situation.

The Executive Board of adesso SE anticipates the identified risks to be limited and manageable. No risks are detected that by themselves or in the overall examination could endanger the existence of the company.

Opportunities report

In addition to the identification and management of risks, identifying and developing opportunities for the advancement of the adesso Group is also an important area of focus for the management. Various formats and working groups exist for the systematic development of new business opportunities, made up of the Executive Board, business development, the management teams of Group companies and line-of-business managers. In these formats, new ideas and business models are developed for existing or new industries, solutions and regions developed.

An increasingly important element of this work is the integration of inorganically acquired companies or parts of companies. In order to expand these activities and to manage integration activities, adesso intends to establish a new “Corporate Development and M&A” division in 2021, which will mainly deal with the further development of the group of companies.

The expansion of Corporate Account Management, set up in 2019, is also seeing its first positive results. For example, it is a major success factor for the adesso brand to present customers with a “One adesso” portfolio, to not only be able to offer a small section of the portfolio but also place the now expansive software engineering and technology competence with customers in their entirety.

From the management’s point of view, the need for new digitalisation initiatives will continue to increase in the coming business period, as well as in the years to come. The coronavirus pandemic is proving itself here to be a kind of catalyst for new topics to be addressed by many customers after the uncertainties of the crisis have been overcome. In this, adesso benefits from its manufacturer independence and operate as a genuine digitalisation partner to help companies digitise their core processes. For example, the use of artificial intelligence is being expanded and established in more and more business applications. The field of SAP S/4HANA in the next five to ten years, an area in which adesso expanded massively at the end of 2020. But there are also a great many opportunities in the traditional areas of individual development and consulting and support for digitalisation initiatives.

The sectors in which adesso operates all face these challenges. Insurance and banking are heavily involved in replacing old legacy systems. The healthcare and public sectors are launching initiatives to introduce more digital processes to care and administrative services. Traditional industry is also investing in digitalisation and IoT projects. Only the automotive industry is tending to offer below-average opportunities, due to the current economic situation.

Internal Control System and Risk Management System in Terms of the Consolidated Accounting Process

In the accounting process, there is a risk that the financial reports based on the accounts could contain misrepresentations of facts that could have a significant influence on decisions made by the intended recipients of the reports.

These can include the misallocation of resources and non-performance of certain measures by the Executive Board in terms of the internal operational management of the Group, as well as misinterpretation on the part of report recipients, particularly existing and potential shareholders. The processes and systems established at adesso are geared towards identifying potential sources of errors in the accounting process and thus limiting the resulting risks. They are intended to ensure that the annual report and consolidated financial statements are prepared in accordance with legal requirements. The report follows a standardised form for the consolidated management report of both adesso SE and the adesso Group.

At adesso, no control and risk management system was defined and documented especially for the purposes of the accounting process. There is no internal auditing structure or risk committee. No external advisors or auditors were regularly engaged to review the efficiency of the controls in place as part of the consolidated accounting process.

Forecast, risk and opportunities report
Control System and
Risk Management System
Takeover-relevant information

An IT audit takes place every year as part of the audit of the annual financial statements. It focuses on the effectiveness of IT controls with regard to the accounting-related ERP system.

The structure of the internal control mechanisms and risk management system is primarily the result of how the accounting and reporting processes are organised. Accounting is typically handled locally by each of the Group's subsidiaries. As the parent company, adesso SE performs accounting services for some adesso Group companies together with centralised administrative processes such as payroll accounting. These companies' accounts are primarily kept on a conventional accounting system as clients. The fact that the same people are responsible for this process throughout the Group and that the adesso SE CFO has ongoing, direct access provides a good basis for the standardised, correct representation of facts.

A standardised Group system of accounts is in place, to which the local account systems are transferred as part of the group reporting process. This allows deviations from the desired method of presentation to be traced transparently and minimised. The detailed coverage of Group accounts means that it is simple to coordinate internal Group performance processes. The respective management teams are responsible for individual annual financial statements. Each annual financial statement that forms part of the consolidated financial statement is reviewed by the Group auditor in terms of its plausibility and compliance with Group standards, irrespective of any audits performed by the local auditor or tax consultant. For this purpose, the auditor of the consolidated financial statements visits the respective local auditor and inspects the documentation of key Group companies.

All individual financial statements are submitted to a centralised consolidation system in adesso SE's Finance department and consolidated into the consolidated financial statement in accordance with the IFRS reconciliation statement. The software solution specially procured for this purpose was audited and certified in accordance with the "Erteilung und Verwendung von Softwarebescheinigungen" auditing standards ("Issuance and Use of Software Certificates") published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW PS 880). All IFRS reconciliation and consolidation processes are fully documented and traceable.

The core elements of the control and risk management system when it comes to accounting is the monthly reporting of monthly financial statements, the comparison of actual data with plan data and the repeated updates to the full-year forecast. A member of the adesso SE Executive Board is directly responsible for every company in the adesso Group. These Executive Board members discuss monthly financial statements with the respective company management and are thus able to identify abnormal developments and discrepancies in a timely manner. The monthly financial statements of all companies are analysed monthly by the adesso SE Executive Board. For the quarterly financial statements, each company must prepare an extensive IFRS package containing information for consolidation and details of the notes. This allows the Finance department of adesso SE to carry out a further audit of all information intended for external reporting during the financial year. The auditor of the consolidated financial statement is referred to for selected issues.

Takeover-relevant information

adesso SE reports in accordance with Section 315a (1) HGB and Section 289a (1) HGB with the aim of providing potential takeover bidders with a complete overview of adesso as well as any potential takeover hurdles before they submit an offer.

There is only one type of share. Each common share grants one vote. adesso shares do not have restricted transferability. The Executive Board is authorised to increase the share capital until 4 June 2023 with the consent of the Supervisory Board in the amount of up to EUR 2,469,681 by issuing 2,469,681 new bearer shares on one or more occasions in exchange for cash contributions and/or contributions in kind. Shareholders' subscription rights can be excluded for contributions in kind in the form of companies, parts of companies and investments in companies, licence rights or receivables, as well as capital increases for cash which are smaller than 10% of the share capital.

The Executive Board is authorised to acquire own shares of up to 10% of the share capital with the consent of the Supervisory Board until 2 June 2025. This authorisa-

tion for the acquisition and utilisation of own shares can be exercised one or more times, at once or in several partial amounts, or for one or more purposes. When own shares are acquired through the stock exchange, the consideration paid per share is not permitted to exceed the opening price on the acquisition date by more than 10%, nor fall more than 20% below it.

In case of acquisition through a public offer to buy, the offered purchase price or the limits of the purchase price range offered per share – subject to adjustment during the offer period – may not be more than 20% higher or lower than the average values of the closing auction prices in Xetra trading (or a comparable successor system) during the last three trading days in Frankfurt am Main prior to the day the offer is publicly announced. Own shares can be used by the Board within the framework of share option plans, sold with the consent of the Supervisory Board to third parties for cash, offered against payment in kind, particularly in mergers with companies or the acquisition of companies, used with the consent of the Supervisory Board to service convertible bonds or bonds with warrants, participation rights or participating bonds (or a combination of these instruments) in each case with conversion or option rights or conversion obligations, offered to employees and managers to acquire or ceded free of charge as part of their compensation, or withdrawn. As at the reporting date, adesso SE itself held none of its own shares. In addition, the company is not aware of any other restrictions with regard to voting rights. In principle, there are no restrictions in respect of the transfer of adesso shares. The company is not aware of any further restrictions that could arise from agreements between shareholders.

Further information on equity and the company's capital measures can be found in the equity section of the notes.

As at 31 December 2020, founding shareholder and Supervisory Board Chairman Prof. Dr Volker Gruhn held 27.9% of share capital through a company he controls. Founding shareholder and Supervisory Board member Mr Rainer Rudolf held 17.6% of shares as at the reporting date. Please refer to the notes to the consolidated financial statements for more information on the company's ownership structure.

The company is not aware of any other direct or indirect share capital participations which exceed 10% of voting rights. As the shares in the company are bearer shares, the company is in principle only notified of changes to share ownership insofar as the changes of ownership are subject to notification obligations and the respective parties fulfil these obligations. The company is only made aware of transactions that are completed within minimum and maximum notification thresholds in exceptional cases. Voting rights announcements and the shareholder structure derived as a result are always kept up-to-date and can be accessed via the Investor Relations section of the website at www.adesso-group.de.

The Articles of Association do not permit any adesso shareholder to appoint members of the Supervisory Board. No shareholder possesses any other special rights that confer them powers of control. There are no restrictions to the voting rights of the adesso shares held by our employees.

Members of the Executive Board are appointed or dismissed in accordance with Sections 84 and 85 AktG. The Executive Board consists of at least one person in accordance with Article 7 of the Articles of Association. The Supervisory Board determines the number of Executive Board members, as well as the appointment and dismissal of members and the appointment of a member of the Executive Board as CEO. Changes to the Articles of Association are carried out in accordance with Sections 133 and 179 AktG by means of a resolution by the General Meeting passed with a majority of at least three-quarters of the share capital represented at said meeting. The Articles of Association do not contain any derogative provision. The Supervisory Board is entitled to resolve changes to the wording of the Articles of Association (Article 11 (7) of the Articles of Association). The resolutions of the General Meeting are decided on the basis of a simple majority of submitted votes, unless a different voting system is stipulated by law (Article 16 of the Articles of Association).

The company is not part of any material agreement containing special provisions in the event of a change of control or acquisition of control, such as in the event of a takeover bid. Our Articles of Association do not contain any provisions which grant

Takeover-relevant information
Declaration of Conformity
Supplementary report

the Executive Board special powers in the event of a takeover bid. Agreements concerning the phantom share plan stipulate a shorter waiting period of phantom share-holders in the event of a change of control. Moreover, there are no agreements with members of the Executive Board or the Supervisory Board or any employees concerning compensation in the event of a change of control.

Declaration of Conformity (Sections 289f, 315d HGB) and Statement of compliance with the German Corporate Governance Code (Section 161 AktG) and non-financial Group declaration (Section 315b HGB)

In accordance with principle 22 of the German Corporate Governance Code, the Supervisory Board and Executive Board of adesso SE report on an annual basis regarding the corporate governance of the company in the Declaration of Conformity in accordance with Section 289f or Section 315d HGB. In addition, as the parent company of the adesso Group, adesso SE issues a special, non-financial Group report as per Section 315b Paragraph 3 HGB with exempting effect for Group companies subject to reporting. The reports and the declaration, including the Declaration of Conformity, have been made permanently available on the Internet at www.adesso-group.de/corporate-governance/.

Supplementary report on the individual financial statements of adesso SE

Business activity

In the adesso Group, adesso SE occupies the central position as by far the largest operating company and is assigned to the IT Services segment.

The IT Services segment focuses on industry-specific IT consulting and software development. Consulting develops concepts for the optimum and efficient support of business processes through IT systems. The software development department primarily implements these IT systems in the context of individual projects in its own capacity or working with the customers' teams.

In addition, as the management company of the adesso Group, adesso SE directly or indirectly holds the shares in the companies belonging to the adesso Group.

Employees

As at 31 December 2020, adesso SE employed a total workforce of 3,482 (including trainees) compared to 2,479 at the same time in the previous year. Employee growth was therefore 1,003 or 40% (previous year: growth of 387 or 18%). The mergers of three subsidiaries (smarthouse adesso financial solutions GmbH, gadiv GmbH and Arithnea GmbH) implemented in 2020 led to the transfer of 442 employees to adesso SE. These are included in the figures above. Excluding mergers, 697 new permanent employees were hired in 2020. At +29%, this represents a significant increase compared to the same period of the previous year.

Converted to full-time equivalents (FTE), the average number of employees was 2,838 (previous year: 2,097). This corresponds to an increase of 35%. 10% of the employees are assigned to the administration department (excluding sales) (previous year: 11%).

In line with the strategy of strengthening the locations away from the Dortmund headquarters, the number of employees was increased at all locations in Germany. adesso SE is a premium IT service company and pursues an ambitious recruitment and personnel development policy. adesso has won several awards as one of the 100 best employers in Germany in the nationwide company competition organised by the renowned Great Place to Work® Institute Germany. Recruitment, employee development and loyalty are taken very seriously at adesso.

Economic situation

Profitability

In 2020, sales came in at EUR 374.8 million, 33 % above the previous year's level. Sales with customers outside the Group rose by EUR 97.7 million (+38 %), while sales with affiliated companies saw a fall of EUR 5.5 million (-24 %). This reverse trend was largely attributable to the merger on 1 January 2020 of three subsidiaries (smarthouse adesso financial solutions GmbH, gadiv GmbH and Arithnea GmbH) into adesso SE which was accounted for retroactively in the balance sheet.

In 2019, the three merged companies generated sales totaling EUR 50.1 million. Of this amount, sales with adesso SE accounted for EUR 8.1 million. In turn, adesso SE generated a total of EUR 3.3 million in sales with these three subsidiaries in the 2019 financial year. If the comparative basis of the previous year's sales is adjusted accordingly, this results in sales growth of EUR 53.5 million or 17 %.

Once again, the increase in sales was substantially above market growth in the market segments relevant for adesso. The basis for the strong growth was laid by the significant increase in the number of employees in previous years and continued in 2020. 2020 saw a continuation of recruitment efforts and the number of new hires reached a new record high. The average number of employees, converted to full-time equivalents, rose in the reporting year by 741 or 35 % to 2,838 (previous year: increase of 381 or 22 %). The growth in sales was achieved organically through the expansion of customer relationships and by increasing the product portfolio. At

the same time, the strategy of forced decentralised growth led to additional impulses for growth and consolidation of regional customer relationships.

The overall performance, including the change in projects started, which is relevant to the evaluation of commercial business activities during the reporting period, saw an increase of 34 % to EUR 383.4 million.

Other operating income stood at EUR 4.4 million, compared to EUR 2.7 million the previous year. Details of the distribution of operating income are included in the notes.

Expenditure on materials amounting to EUR 73.2 million (previous year: EUR 56.3 million) related primarily to services purchased externally or from associated companies in connection with customer projects. Only EUR 1.5 million (previous year: EUR 0.7 million) was for merchandise, mainly software licenses. The merchandise was also primarily purchased for adesso customer projects. The share of material expenditure in the overall performance was one percentage point lower year on year at 19 %.

By contrast, the proportion accounted for by personnel costs rose by two percentage points to 60 %. Personnel costs increased by 38 % to EUR 224.9 million overall in the wake of further organic expansion of the workforce and the merger of three subsidiaries into adesso SE. Gross profit per employee remained constant at EUR 109 thousand. Personnel costs per employee increased from EUR 2 thousand to EUR 79 thousand. Gross profit came in at EUR 310.2 million overall, an increase of 35 % over the same period in the previous year. The proportion of the overall performance accounted for by gross profit increased by one percentage point to 81 %.

Other operating expenses rose by only 1.7 % in 2020 to EUR 52.6 million. The proportion of the overall performance accounted for by these cost items therefore fell by four percentage points to 14 %. This trend is mainly attributable to the decrease in travel and event expenses as a result of COVID-19. It was countered by an increase in the costs for premises, recruitment and marketing.

Thanks in particular to the further growth in sales, operating income (EBITDA = earnings before interest, tax, depreciation and amortization) increased by 115 % to EUR 37.1 million.

Depreciation and amortisation increased overall by 70 % in the reporting period to EUR 9.9 million. Here, there was an increase in regular depreciation and amortisation of fixed and intangible assets e.g. IT equipment and software licences in use, as well as the depreciation and amortisation of lesser-value commodities, totalling EUR 5.0 million (previous year: EUR 3.9 million) and accounting for one percentage point of the overall performance, as was the case in the previous year. Depreciation and amortisation of goodwill rose by EUR 2.3 million to a total of EUR 4.2 million. In addition to the depreciation and amortisation of goodwill in the amount of EUR 1.3 million already in place in previous years from the merger with BOV AG, there was further depreciation and amortisation on the goodwill applied to smarthouse adesso financial solutions GmbH in the amount of EUR 2.0 million and Arithnea GmbH in the amount of EUR 1.0 million in connection with the mergers of 01/01/2020 which were accounted for retrospectively in the balance sheet. In addition, the latter two mergers resulted in the recognition of intangible assets from order backlog, customer lists and software, which also led to additional depreciation and amortisation amounting to EUR 0.6 million.

Income from participations covers revenue from investments, appreciation and depreciation of financial assets, and revenue from profit and loss transfer agreements, especially revenue from the profit and loss transfer agreements with adesso mobile solutions GmbH and e-Spirit AG. It came to EUR 2.2 million (previous year: EUR 3.6 million). Income from financing activities amounted to EUR -0.2 million compared to EUR -0.4 million in the previous year.

Overall, this led to a significantly higher pre-tax profit of EUR 29.1 million (previous year: EUR 14.7 million) and net income for the year of EUR 18.8 million (previous year: EUR 12.8 million).

Assets and liabilities

As at the balance sheet date, the balance sheet total showed an increase due to the further growth of 16 % to EUR 255.4 million. On the assets side,

current assets in particular increased by EUR 20.8 million or 18 %, while fixed assets also saw a significant increase of EUR 14.5 million or 15 %.

The financing of accounts receivable with external customers and not-yet-invoiced services in the amount of EUR 94.1 million (previous year: EUR 73.8 million) represents the most significant portion of the financing requirements. As at the balance sheet date, the amount of advance payments received showed a year-on-year increase as an operational source of finance from EUR 15.5 million to EUR 19.6 million. Working capital as the difference between trade receivables and inventories and the advance payments received and made, rose by 25 % to EUR 88.2 million due to the significantly higher business volume.

At EUR 38.0 million (previous year: EUR 66.0 million), shares in associated companies represent the largest financing requirement for fixed assets. The share of this item in the balance sheet total fell from 30 % in the previous year to 15 %. This was essentially due to the merger-related disposal of the investment book values in smarthouse adesso financial solutions GmbH, gadiv GmbH and Arithnea GmbH. On the other hand, the mergers led to a recognition of goodwill in the amount of EUR 29.3 million and recognition of intangible assets in the amount of EUR 2.5 million.

Investment analysis

The adesso business model requires relatively low investments in property, plant and equipment for its ongoing operations. They consist largely of hardware such as laptops and servers, development systems including software, the ERP system, as well as office furnishings. The relevant additions to operating and office equipment, including advance payments made, came to EUR 7.3 million compared to EUR 6.0 million the previous year. The increase is in line with the expansion of the employee base and the additional investment in the interior fittings of the new location in Potsdam as well as the capacity expansion of the locations in Munich and Berlin. In addition, the mergers of three subsidiary companies disclosing resulted in the disclosure of more additions to historical purchasing costs and accumulated amortisation. Details relating to this can be found in the notes and statement of assets.

The acquisitions carried out in 2020 and the creation of new subsidiaries resulted in the receipt of shares in affiliated companies and investments in the amount of EUR 15.2 million. The relevant additions relate in particular to the acquisition of the Quanto Group in December 2020. There were also additions of EUR 12.0 million to loans to affiliated companies and participations, which were mainly loans granted to the foreign subsidiaries in the Netherlands and Spain as well as the newly established subsidiary adesso experience GmbH.

Financial position

Equity stands at EUR 101.1 million, showing an increase of EUR 16.1 million or 19 % year on year. This development is due in particular to the net income for the year of EUR 18.8 million. In June 2020, a dividend of EUR 0.47 per share was paid (previous year: EUR 0.45), resulting in a corresponding reduction in equity of EUR 2.9 million (previous year: EUR 2.8 million). The equity ratio improved by one percentage point to 40 %. The subscribed capital remained almost unchanged at EUR 6,185,343.

Liquidity and financing analysis

Cash and cash equivalents totalled EUR 28.8 million on the balance sheet date (previous year: EUR 30.2 million). They are partly offset by interest-bearing liabilities, mainly from several acquisition loans, in the amount of EUR 49.1 million (previous year: EUR 57.3 million). This includes EUR 2.0 million (previous year: 0.6 EUR million) from a loan from an affiliated company. As at the balance sheet date, several credit lines are available amounting to a total of EUR 38.9 million. The interest rates on the loans are fixed over the entire term. The credit is available at short notice.

Cash and cash equivalents include larger items that are typical of the business and are due for payment in the first few months of 2021. The largest items are the variable salary components to be paid out in the first quarter of 2021, and profit sharing for the employees and the Executive Board for 2020. Overall, liquidity is assessed as being adequate to carry on current business operations, for the planned redemption of liabilities and to compensate for ordinary fluctuations in capacity utilisation. The performance-related range of fluctuation in the variable salary components forms an additional buffer to cushion potential declines in earnings and the associated outflow of liquidity.

Overall statement on business performance by the management

Business performance in 2020 can be considered very positive overall. adesso's business model proved to be sufficiently resilient to the crisis triggered by the coronavirus pandemic. Key to this was the ability to carry on the business through distributed work using modern infrastructure and collaboration tools. It was also a stroke of good fortune to have a customer base that was itself less severely affected by the crisis.

Outlook

The report on risks and opportunities is a pivotal part of the management's considerations of the further development of adesso SE and of the forecast report.

The employment policy, which is geared towards above-average growth, will continue to be followed. The plan sees sales increase further to over EUR 410 million in 2021. The forecast for profit attributable to the business operations of adesso SE before taxes and amortisation of goodwill in 2021 is EUR 34.4 million (previous year's forecast: EUR 23.0 million). With regard to the non-financial performance indicators, a fluctuation of <10% is planned for 2021 and an increase in daily rates of at least 2%. The booking intensity should be between 83% and 103%, the inverse utilisation rate between 7% and 15%.

Remuneration report

Principles of the remuneration system

At adesso, variable remuneration systems are in place throughout the Group for a variety of functions. Management remuneration is primarily geared toward the success of the company and industry standards.

In addition to fixed remuneration, the adesso SE Executive Board is compensated depending on the amount of operating earnings (in reference to EBITDA), as well as earnings per share at the Group level, constituting performance-based remuneration. The Executive Board participated in the company-wide share option scheme open to many employees and which expired at the end of 2013. This was replaced by a model of virtual share options for the Executive Board. Because this model has also expired, no new virtual share options are being issued. No share options were granted to members of the Executive Board from the 2015 share option plan, from which it similarly has not been possible to issue any new share options since December 2019.

The members of the Supervisory Board are reimbursed for their expenses and also receive annual remuneration..

Remuneration of members of the Executive Board

Basic remuneration is paid as a monthly salary and is related to performance. The members of the Executive Board also receive payments in kind and other remuneration, including the use of a company car, the reimbursement of travel expenses, coverage of direct insurance premiums, a personal pension and reimbursement of half the documented premiums for voluntary health and nursing care insurance.

Variable, performance-based remuneration

The variable remuneration model for the Executive Board is based directly on the relevant metrics of EBITDA and earnings per share (EPS), which are reported to adesso SE shareholders in the consolidated financial statements according to IFRS. Variable remuneration increases proportionally to EBITDA and EPS. As of a defined point, the increase sinks. One of two different variants, which are differentiated by the rate of increase and watershed, can be selected each year in the variously configured contracts. In addition, individual Executive Board members have been granted the option of including performance-related bonuses in the variable compensation, the amount of which is measured according to the key figure “adesso SE’s profit before taxes under commercial law”. This maximum bonus is limited to 15 % of the fixed remuneration. Exercising this option will reduce the EBITDA- and EPS-based variable component of the performance-related remuneration, which is not subject to any upper limit in principle. More recent Executive Board contracts dating from 2019 onwards provide for a cap on the variable remuneration. This means that the total amount of the variable remuneration derived in accordance with the regulations above is limited to one times the basic salary.

Long-term remuneration

A phantom share programme for certain members of the Executive Board and employees at the first management level of adesso SE was approved by the Supervisory Board in financial year 2009. It was intended to help bind managers to the company in the long term. The phantom shares participate in dividends just like actual shares but the payments are included in salaries. After being with the company for a term of five to eight years, the holders of phantom shares have a right to receive the value represented at the time by the number of phantom shares and the underlying share price. Payment is included in salaries. In 2017, several entitled parties from phantom shares, including the two members of the Executive Board who were entitled at this point in time, agreed to an adjustment of the regulations. The adjustment curbed the effect on the Group earnings statement resulting from changes in the exchange rate above or below an exchange rate corridor. No further claims by Executive Board members were derived from these phantom shares in 2020 as in the two previous years the Executive Board members who were still entitled returned their phantom shares after expiry of the minimum qualifying period in exchange for salary payment. To do this, relevant accruals had been formed in the previous periods. Consequently, all phantom shares which were owned by the Executive Board are currently compensated for.

Former members of the Executive Board who have left the company do not receive any remuneration and were not granted any pension commitments. No loans or advances were granted to members of the Executive Board. A former member of the Executive Board has continued to work in the company as a manager since 1 July 2015 at adapted terms without Executive Board membership.

Supervisory Board remuneration

According to Section 12 of the Articles of Association, the members of the Supervisory Board are reimbursed for their expenses and also receive annual remuneration. This consists of a fixed component of EUR 5 thousand, plus variable remuneration at a rate of 0.275 % of the company's balance sheet profit, reduced by 4 % of contributions to share capital. The chairperson receives one and a half times this remuneration. Supervisory Board members who have not held their position for a full financial year receive remuneration according to their term in office. The chairperson of the Supervisory Board receives additional remuneration under a consulting and brokerage agreement.

adesso SE has neither granted loans or advances to members of the Supervisory Board nor issued bonds or guarantees on their behalf. There are no family ties between members of the Supervisory Board, nor between members of the Supervisory Board and the Executive Board. There are no service agreements between the Supervisory Board members and adesso or its subsidiaries that call for remuneration upon termination.

For further information regarding Supervisory Board and Executive Board remuneration, including detailed tables regarding individual remuneration of Supervisory Board and Executive Board members, information pursuant to Section 314 (1) No. 6 HGB and further information pursuant to the German Corporate Governance Code, refer to the consolidated notes.

The law implementing the second Shareholders' Rights Directive (ARUG II) and the GCGC as amended on 16/12/2019 have established new requirements relating to the remuneration of executive bodies. In application of the new measures, the next Annual General Meeting will be presented with a revised remuneration system for approval which will be more closely aligned to the company's goals and the requirements of its stakeholders.

Appendix

Report on equal opportunities and equal remuneration

adesso SE considers it extremely important that there are no differences between remuneration for men and women. Remuneration is based on personal and technical qualifications as well as regional differences. This is also reflected in the lack of demand for individual entitlements to disclosure as defined in Section 10 of the German Transparency in Wage Structures Act (Entgelttransparenzgesetz, EntgTranspG). Since the law entered into force in 2018, there have been 26 requests for information, of which 18 were fulfilled. The remaining eight requests for information were unable to be answered due to the terms of Section 12 (3) EntgTranspG, as the comparison group consisted of fewer than six people.

The number of applications received from female applicants for software development positions has increased over the past few years: from 16.5 % in 2017 to 17.5 % in 2018 and 19.8 % in 2019. As a consequence, the percentage of female employees in operative areas has also steadily increased, from 11 % in 2016 to 15.8 % in 2019.

Two projects have been launched over the past few years to continue this positive trend moving forward.

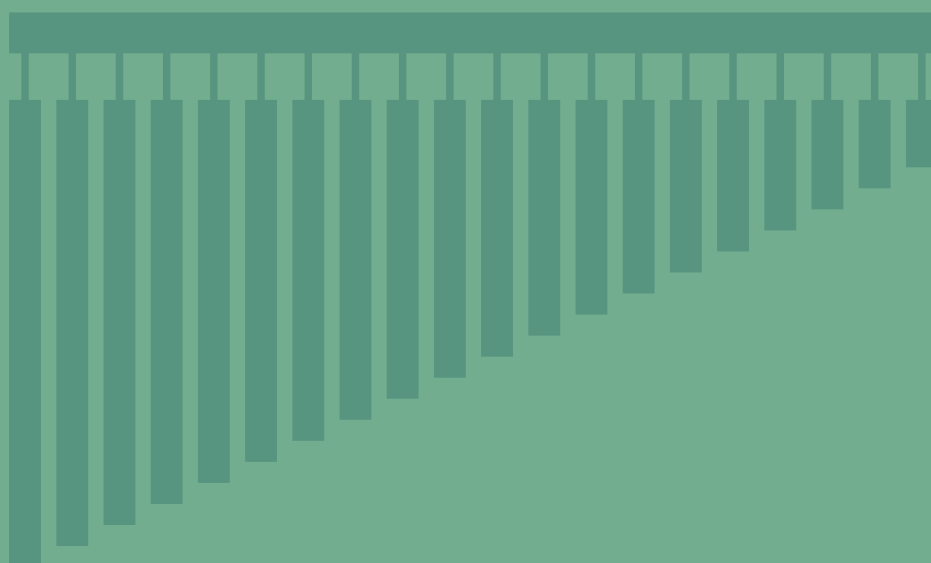
The She for IT campaign is geared towards implementing suitable frameworks to increase the percentage of female IT specialists even further. Measures range from coaching initiatives for women in IT, networking meetings and events to school sponsorships, workshops for children and specific programmes for young women at universities and other higher education institutions.

adesso SE is also aware that it is not always easy to maintain a positive work-life balance in this sector. The family@adesso project was initiated to create an environment where family life and work could be combined harmoniously. For some time, this has included child- and family-friendly activities at events and celebrations, childcare during the school holidays, partnerships with daycare facilities and various terms of employment that take family needs into account. In 2019, additional measures were implemented including the ability for parents to reduce their working hours in conjunction with a regional deployment, childcare bonuses for children not yet of school age, child-friendly offices and KidsBoxes as well as additional annual leave for parents whose children are starting school. There is also a kids' programme available exclusively to adesso children.

	Men	Women
Ø 2017		
Annual average number of employees	1,285	304
Annual average number of full-time employees	1,104	207
Annual average number of part-time employees	181	97
Ø 2018		
Annual average number of employees	1,545	380
Annual average number of full-time employees	1,279	267
Annual average number of part-time employees	266	123
Ø 2019		
Annual average number of employees	1,836	476
Annual average number of full-time employees	1,503	324
Annual average number of part-time employees	333	152

b #

FINANCIAL STATEMENT



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Consolidated Balance Sheet

OF ADESSO GROUP AS OF 31 DECEMBER ACCORDING TO IFRS

ASSETS				
<i>in EUR k</i>	<i>Appendix</i>	<i>31.12.2020</i>	<i>31.12.2019</i>	
NON-CURRENT ASSETS				
Goodwill	7.	59,016	48,557	
Intangible assets	7.	21,625	17,392	
Property, plant and equipment	8.	18,131	14,254	
Right-of-use from leasing	34.	79,413	72,504	
Shareholdings recognized under the equity method	9.	3,864	3,059	
Financial assets	10.	4,796	1,755	
Deferred tax assets	11.	1,610	1,286	
		188,455	158,807	
CURRENT ASSETS				
Cash on hand and at bank	12.	55,053	46,352	
Trade accounts receivable	13.	92,829	86,272	
Contract assets	14.	28,485	22,447	
Receivables from income taxes	11.	892	1,543	
Financial assets	15.	1,095	423	
Other assets	16.	5,337	4,920	
		183,691	161,957	
TOTAL ASSETS		372,146	320,764	

Consolidated Balance Sheet

EQUITY AND LIABILITIES

<i>in EUR k</i>	<i>Appendix</i>	31.12.2020	31.12.2019
EQUITY			
Subscribed capital	17.	6,185	6,176
Capital reserve		8,650	16,306
Other retained earnings		87,732	69,687
Accumulated other comprehensive income		-223	313
Non-controlling interests		530	0
		102,874	92,482
NON-CURRENT LIABILITIES			
Financial liabilities	19.	49,278	43,565
Pensions and similar liabilities	23.	162	166
Provisions	21.	7,179	5,523
Contract liabilities	20.	0	7
Leasing liabilities	19./34.	66,744	61,664
Other liabilities	22.	0	0
Deferred tax liabilities	11.	2,230	3,045
		125,593	113,970
CURRENT LIABILITIES			
Financial liabilities	19.	11,411	14,401
Trade accounts payable	20.	18,834	14,274
Contract liabilities	20.	8,583	9,363
Leasing liabilities	19./34.	14,501	11,773
Liabilities from income taxes	11.	14,393	4,995
Provisions	21.	12,607	9,498
Other liabilities	22.	63,350	50,008
		143,679	114,312
TOTAL EQUITY AND LIABILITIES		372,146	320,764

Consolidated Income statement

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	<i>Appendix</i>	<i>2020</i>	<i>2019</i>
Sales revenues	24.	523,375	449,704
Other operating income	25.	6,652	5,715
Change in inventory	26.	702	637
Own work capitalised	26.	173	1,405
TOTAL INCOME		530,902	457,461
Costs of material	27.	-62,622	-50,487
Personnel costs	28.	-350,069	-293,110
Result from the derecognition of financial assets	36.	-1,934	-48
Result from the change in impairment on financial assets measured at amortised cost	36.	-1,770	115
Other operating expenses	29.	-54,101	-65,800
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)		60,406	48,131
Depreciation on property, plant and equipment	30.	-26,179	-22,596
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		34,227	25,535
Earnings from shares recognized under the equity method	31.	-259	38
Interest income and similar income	31.	76	203
Interest expenses and similar expenses	31.	-2,405	-2,471
Income from ordinary activities (EBT)		31,639	23,305
Income taxes	32.	-10,692	-5,810
CONSOLIDATED EARNINGS		20,947	17,495
of which attributable to shareholders of adesso AG		20,954	17,419
of which attributable to non-controlling interests		-7	76
Number of shares at the end of the period		6,185,343	6,176,093
UNDILUTED/DILUTED EARNINGS PER SHARE (IN EUR)	33.	3,39	2,82

Consolidated Statement of Comprehensive Income

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>		<i>2020</i>	<i>2019</i>
Consolidated earnings		20,947	17,495
OTHER COMPREHENSIVE INCOME, NOT SUBSEQUENTLY TRANSFERRED TO THE INCOME STATEMENT			
- Actuarial gains (+) and losses (-)	23.	-9	-12
- Deferred taxes on actuarial gains and losses		3	3
Gains (+) and losses (-) from financial assets at fair value through other comprehensive income		168	-
Deferred tax on gains and losses from financial assets at fair value through other comprehensive income		-3	-
OTHER COMPREHENSIVE INCOME, SUBSEQUENTLY TRANSFERRED TO THE INCOME STATEMENT			
Currency translation differences		-701	-263
Other comprehensive income		-542	-272
Total income		20,405	17,223
of which attributable to shareholders of adesso SE		20,412	17,147
of which attributable to non-controlling interests		-7	76

Consolidated Income Statement
 Cons. Statement of Comprehensive Income
 Consolidated Cash Flow Statement

Consolidated Cash Flow Statement*

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	2020	2019
EARNINGS BEFORE TAX	31,639	23,305
Income from financing activities	2,329	2,268
Scheduled depreciation and amortization on property, plant and equipment and intangible assets	26,179	22,596
Result from shares recognized under the equity method	259	-38
Non-cash income (-)/expenses (+)	117	613
Change in pension provisions	-15	-14
Change in other provisions	4,164	364
Tax payments	-3,829	-9,947
Losses (+) / Gains (-) from the disposal of property, plant and equipment	38	0
Change to net operating assets	4,075	-16,804
CASH FLOW FROM OPERATING ACTIVITIES	64,956	22,343
Sale of property, plant and equipment	4	77
Sale of shares recognised at equity	0	75
Payments for shares recognised at equity	-1,544	-363
Investments in property, plant and equipment	-9,292	-9,095
Investments in intangible assets	-1,502	-2,360
Investments in financial assets	-2,953	0
Acquisition of subsidiaries (less cash and cash equivalents acquired)	-13,182	-3,747
CASH FLOW FROM INVESTMENT ACTIVITIES	-28,469	-15,413
Dividend payments	-2,903	-2,818
Dividends from shares recognised under the equity method	525	470
Capital increase	224	0
Purchase of non-controlling interests	0	-201
New liabilities to banks	5,195	20,505
Repayment of financial liabilities	-14,413	-11,674
Repayment of leasing liabilities	-13,767	-10,620
Payments for the acquisition of additional shares in subsidiaries	-83	0
Interest paid	-2,385	-2,367
Interest received	76	183
CASH FLOW FROM FINANCING ACTIVITIES	-27,531	-6,522
Currency differences	-255	32
Change in cash and cash equivalents	8,701	440
Cash and cash equivalents at the beginning of the period	46,352	45,912
Cash and cash equivalents at the end of the period	55,053	46,352

* See notes section "Information on the Consolidated Cash Flow Statement"

Consolidated Shareholders Equity Statement*

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	<i>Share capital</i>	<i>Capital reserves</i>
01.01.2019	6,176	16,540
Share-based compensation	0	89
Effects from the purchase of additional shares in subsidiaries	0	-324
Effects from the purchase of subsidiaries	0	0
Other results at the end of the financial year	0	0
Consolidated result	0	0
Total	0	0
Dividends	0	0
31.12.2019	6,176	16,306
01.01.2020	6,176	16,306
Share-based compensation	0	91
Effects from the purchase of additional shares in subsidiaries	0	-7,962
Effects from the purchase of subsidiaries	0	0
Increase in share capital by exercises of stock options	9	215
Other results at the end of the financial year	0	0
Consolidated result	0	0
Total	0	0
Dividends**	0	0
31.12.2020	6,185	8,650

Consolidated Shareholders
Equity Statement

	<i>Other reserves</i>	<i>Accumulated other comprehensive income</i>	<i>Equity of adesso SE shareholders</i>	<i>Non-controlling shares</i>	<i>Total Equity</i>
	55,056	576	78,348	59	78,407
	0	0	89	0	89
		0	-324	-326	-650
	0	0	0	230	230
	-9	-263	-272	0	-272
	17,419	0	17,419	75	17,495
	17,410	-263	17,147	75	17,223
	-2,779	0	-2,779	-39	-2,818
	69,687	313	92,482	0	92,482
	69,687	313	92,482	0	92,482
	0	0	91	0	91
	0	0	-7,962	-1,477	-9,439
	0	0	0	2,014	2,014
	0	0	224	0	224
	-6	-536	-542	0	-542
	20,954	0	20,954	-7	20,947
	20,948	-536	20,412	-7	20,405
	-2,903	0	-2,903	0	-2,903
	87,732	-223	102,344	530	102,874

* See notes section "Equity"

** Dividend payment of EUR 2.903 thousand corresponds to EUR 0.47 per share

Consolidated notes

TO THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2020

I. General Information

The adesso Group (hereinafter referred to as adesso) is a manufacturer-independent IT service provider focused on consulting and software development. adesso uses information technology to provide optimised core business process design and support to its customers.

adesso SE is a public limited company (Aktiengesellschaft) under European law. Its registered office is in Dortmund, Germany. The address is: adesso SE, Adessoplatz 1, 44269 Dortmund. The commercial register court is likewise located in Dortmund (HRB 20663).

The declaration on the German Corporate Governance Code required pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued and was made permanently available to the shareholders at www.adesso-group.de/corporate-governance/.

The consolidated financial statements and the consolidated management report for adesso SE were approved by the Supervisory Board on 19 March 2021 and released for publication by the Executive Board.

II. Summary of Significant Accounting Principles

The consolidated financial statements prepared by adesso SE have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), as adopted by the EU and applicable as of 31 December 2020, as well as the supplementary provisions of section 315e (1) of the German Commercial Code (HGB). adesso meets all requirements of the standards and interpretations applied.

The consolidated financial statements for the year ended 31 December 2020 have been prepared in euros. The financial statements have been prepared on the historical cost basis except where the IFRS require the use of different valuation methods. Uniform accounting methods based on the IFRS were applied to the assets and liabilities of the companies included in the consolidated financial statements. The individual financial statements of the companies included in the consolidated financial statements are issued for the reporting date of the consolidated financial statements.

Assets and liabilities are classified in the consolidated balance sheet as current or non-current items according to their maturities. In principle, assets and liabilities are classified as current insofar as they are realised or mature within the normal business cycle or within twelve months after the end of the reporting period. The consolidated income statement has been prepared using the nature of expense method. Unless otherwise stated, the accounting policies have been consistently applied to all periods presented.

Unless otherwise stated, all amounts are given in thousands of euros (EUR thousand). As a result of rounding, some amounts may not add up to the disclosed sums. Where it is established during the preparation of the financial statements that prior-year figures were not accurately presented, they are adjusted accordingly. adesso has not made any significant adjustments.

1. Accounting standards applied for the first time

- > In September 2019, the IASB published the amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures). The amendments relate to reporting uncertainties arising in connection with the reference interest rate reform (IBOR reform) and, in particular, concern certain simplifications in connection with the regulations on hedge accounting. In addition, as part of an expansion of reporting obligations, further disclosures are planned regarding the extent to which companies' hedging relationships are affected by the changes. The amendments are applicable to financial years beginning on or after 1 January 2020 and were adopted into European law on 16 January 2020. The amendments do not affect adesso's consolidated financial statements.
- > In October 2018, the IASB published amendments to IFRS 3 (Business Combinations). The amendments clarify the definition of "business" in IFRS. This is necessary for the presentation of an acquisition transaction as a business combination or acquisition of individual assets (and liabilities). The amendments are applicable to annual reporting periods beginning on or after 1 January 2020. The amendments, which were included in European law on 22 April 2020, do not affect adesso's consolidated financial statements.
- > In October 2018, the IASB issued amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The amendments clarify the definition of "material", which is an important accounting concept in IFRS standards. The amendments are applicable to financial years beginning on or after 1 January 2020 and were adopted into European law on 10 December 2019. The amendments do not affect adesso's consolidated financial statements.
- > In March 2018, the IASB published a revised "Conceptual Framework for Financial Reporting". The framework provides guidance on the application of IFRS. Entities shall apply the revised Conceptual Framework for the first time on or after 1 January 2020. Numerous standards and interpretations refer to the Conceptual Framework. These references, therefore, need to be adapted to fit the standards and interpretations. The proposed amendments to the standards and interpretations were published in March 2018. The amendments, which were included in European law on 6 December 2019, do not affect adesso's consolidated financial statements.

2. Regulations that have been issued, but not yet adopted

The IASB has issued standards, amendments to standards and interpretations that are to be adopted to financial years beginning on or after 1 January 2020. Adoption of the following regulations is not yet mandatory and adesso has not yet adopted these.

2.1 Endorsed by the EU:

- > The IASB adopted the "Reference Rate Reform – Phase 2" project in August 2020. This contains further exemptions and clarifications regarding the issues arising from the reference interest rate reform. The amendments pertain to IFRS 9, IAS 39, IFRS 7 (all regarding Financial Instruments), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases). The amendments are applicable to financial years beginning on or after 1 January 2021 and were adopted into European law on 14 January 2021. The amendments do not affect adesso's consolidated financial statements.
- > In June 2020, the IASB published an amendment to IFRS 4 (Insurance Contracts). It stipulated that certain insurance companies must apply IFRS 9 (Financial Instruments) for financial years beginning on or after 1 January 2021 (previously 1 January 2022). The change was adopted by European law on 16 December 2020. The amendments do not affect adesso's consolidated financial statements.

- > In May 2020, the IASB published the amendments to IFRS 16 (Leases). The amendments are related to the rent concessions, such as deferment of rent payment or rent reductions, granted due to the COVID-19 pandemic. The amendment grants the lessee the option to choose whether to treat these rent concessions in accordance with the previous IFRS regulations or refrain from accounting for them as a contract modification without review. The amendments are applicable to financial years beginning on or after 1 June 2020 and were adopted into European law on 12 October 2020. The amendments do not affect adesso's consolidated financial statements.

2.2 Not yet adopted by the EU:

- > In May 2020, the IASB approved amendments to IFRS 3 (Business Combinations). In particular, the references to the framework concept were revised. Furthermore, the IASB clearly stated that contingent receivables do not need to be recognised in the case of a merger. The amendments are applicable to annual reporting periods beginning on or after 1 January 2022. Recognition by the EU is still pending. The amendments will not have any impact on adesso's financial statements.
- > In May 2020, the IASB adopted amendments to IFRS 37 (Provisions, Contingent Liabilities and Contingent Receivables). In the process, the IASB clearly stated which expenses must be taken into account as expenses for contract fulfilment. The amendments clearly state that, in addition to the attributable individual costs, the overheads directly attributable to the fulfilment of the contract must be taken into account when evaluating the provision. The amendments are prospectively applicable to annual reporting periods beginning on or after 1 January 2022. Recognition by the EU is still pending. The amendments will not have any significant impact on adesso's financial statements as the overheads which are already directly attributable are taken into consideration when evaluating the provision.
- > In May 2020, the IASB adopted amendments to IAS 16 (Property, Plant and Equipment). The IASB decided that expenses arising from the production of products, which are produced when the property, plant and equipment is made operational, and the income from the sale of the corresponding products are not recognised in the acquisition or production costs of the property, plant and equipment but rather are recognised in accordance with the respective applicable standard. The amendments are applicable to annual reporting periods beginning on or after 1 January 2022. Recognition by the EU is still pending. The amendments will not have any significant impact on adesso's financial statements.
- > In May 2020, the IASB adopted amendments as part of the 2018–2020 annual improvements. These contain clarifications and minor amendments to IFRS 1 (First-time adoption of the International Financial Reporting Standards), IFRS 9 (Financial Instruments), IFRS 16 (Leases) and IAS 41 (Agriculture). The amendments are applicable to annual reporting periods beginning on or after 1 January 2022. Recognition by the EU is still pending. The amendments will not have any significant impact on adesso's financial statements.
- > In January 2020, the IASB adopted changes to IAS 1 (Presentation of Financial Statements). These contain clarifications regarding the classification of liabilities as current and non-current. This applies, in particular, to liabilities subject to credit covenants. The amendments were originally applicable to financial years beginning on or after 1 January 2022. After an amendment was adopted in July 2020, the new regulations must be applied for financial years beginning on or after 1 January 2023. Recognition by the EU is still pending. The amendments will not have any impact on adesso's financial statements.

> In May 2017, the IASB adopted Standard IFRS 17 (Insurance Contracts) and in June 2020 the amendments to this standard, which will replace IFRS 4 (Insurance Contracts). IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary surplus participation features. The amendments to IFRS 17 were published in reaction to implementation challenges posed by IFRS 17, including the postponement of the first-time adoption by two years. As a consequence, IFRS 17 must now be applied for financial years beginning on or after 1 January 2023, subject to adoption by the EU. IFRS 17 including the amendments are not expected to have any impact on adesso's financial statements.

3. COVID-19 pandemic

When preparing the financial statement, the adesso management analysed the effects of the COVID-19 on the financial reporting. In particular, the effects of the pandemic on the estimates and assumptions regarding the going concern premise, default risks from receivables, recoverability of assets (including goodwill) along with customer contracts were analysed. In connection with the latter, the necessity of utilising contingency reserves was also analysed.

adesso has applied for short-time allowance for employees in the context of the COVID 19 pandemic. The employee's claim for short-time allowance is against the Federal Labour Office. The payment is made to adesso, which forwards the payments received to the employees. The short-time allowance is therefore a so-called "transitory item" for adesso with no effect on the consolidated result. Furthermore, adesso has applied for deferrals of advance income tax payments and the granting of new credit lines in order to avoid possible liquidity bottlenecks in connection with the COVID 19 pandemic that ultimately did not occur.

The management has come to the conclusion that the COVID-19 pandemic has no immediate negative effects on adesso's asset, financial and profit situation.

Regarding the impact on the asset, financial and profit situation for the financial year 2020 and the general assessment of the COVID-19 pandemic, we refer to the Economic Report as well as the Forecast, Opportunities and Risk Report in the consolidated management report.

4. Acquisitions

.dotkomm

On 1 August 2020, adesso acquired the business operations of .dotkomm GmbH in Cologne via the newly founded subsidiary, adesso experience GmbH. .dotkomm is a well-established company dedicated to the successful design of digital touchpoints, as well as response and conversion optimisation based on neuro-marketing concepts. The fixed purchase price amounted to EUR 2,150 thousand and was paid in cash. In addition, there is a conditional purchase price obligation of EUR 250 thousand which is dependent on whether a specific earnings target is achieved for financial year 2020. adesso considers it probable that the earnings target will be achieved.

The business operations acquired are assigned to the IT Services segment.

Ancillary acquisition costs totalled EUR 20 thousand. They are recognised under "Other operating expenses" in the consolidated income statement. Goodwill resulting from the merger mainly represents the workforce of the company and other synergy effects, which cannot be capitalised. The goodwill is tax-deductible.

The consolidated profit and loss report contains sales revenues from the acquired company in the amount of EUR 1,313 thousand as well as earnings of EUR 188 thousand.

Bluegroup IT

On 29 October 2020, adesso acquired 94.11 % of Bluegroup IT. Bluegroup IT consists of the companies Blue4IT Professionals B.V., CodeSquad B.V. and BlueFront B.V. The acquisition was carried out via a newly established holding company, adesso Software Consulting B.V., Amsterdam, which holds the shares in the companies. Bluegroup IT specialises in developing front-end and back-end software applications for banks, international companies and government institutions and, therefore, perfectly matches adesso's strategy and market access.

The consideration paid amounts to EUR 4,666 thousand. A cash payment of EUR 4,339 thousand was made. EUR 42 thousand corresponds to the fair value of a conditional purchase price agreement. Depending on the EBIT achieved in the years 2021 and 2022, a maximum of EUR 250 thousand per year and, therefore, EUR 500 thousand in total of the conditional purchase price must be paid. adesso estimates that the scope of the possible payments will be within 10 % of the fair value determined for the conditional purchase price payment.

The remaining EUR 285 thousand arise from a combined call/put option, agreed with regard to the remaining 5.89 % of the shares of adesso Software Consulting B.V. The exercise price, which has no upper limit, depends on the average EBIT of the two financial years prior to the exercise of the option. The options can be exercised at any time, at the earliest on 1 January 2023. Given that the structure of the combined call/put options results in adesso being seen as the economic owner of the 5.89 % stake, the combined call/put options were taken into account in the presentation of the company acquisition and the acquisition was presented as if adesso had acquired 100 % of the shares.

Bluegroup IT is assigned to the IT Services segment.

The fair value of the acquired trade receivables was EUR 492 thousand. This corresponds to the contractual cash flows from receivables. Ancillary acquisition costs totalled EUR 34 thousand. They are recognised under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of the company and other synergy effects, which cannot be capitalised. The goodwill is not tax-deductible.

The consolidated profit and loss report contains sales revenues from the acquired company in the amount of EUR 723 thousand as well as earnings in the amount of EUR -44 thousand.

Solbicon

On 16 December 2020, adesso acquired 100 % of the shares in Solbicon AG, Dortmund. Solbicon is an innovative consulting company active in the field of digitalisation and big data in the SAP environment. As with Quanto AG, Solbicon reinforces adesso's SAP competence profile.

The consideration rendered for the shares amounts to EUR 275 thousand. This was rendered in cash.

Solbicon AG is assigned to the IT Services segment.

The fair value of the acquired trade receivables was EUR 232 thousand. This corresponds to the contractual cash flows from receivables. Ancillary acquisition costs totalled EUR 5 thousand. They are recognised under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of the company and other synergy effects, which cannot be capitalised. The goodwill is not tax-deductible.

The representation of the merger is provisional, as the necessary information for the identification and valuation of the assets and liabilities acquired has not yet been conclusively determined.

Quanto

On 16 December 2020, adesso acquired a 71.4% share in Quanto AG in Hameln. Quanto AG is an IT company specialising in SAP technology. Through the expertise provided by Quanto's team of 200 experts, adesso is reinforcing its SAP competency profile for its established core industries of banking/financial services and insurance and particularly for energy and utility companies, the manufacturing industry, automotive, public administration and healthcare. In future, Quanto's team of experts will work together with adesso's SAP experts under a single roof.

The consideration rendered for the shares amounted to EUR 11,666 thousand. This was rendered in cash.

The remaining 28.6% of the shares in Quanto AG is subject to a combined call/put option. The exercise price depends on the average EBIT of the two financial years prior to the exercise of the option. It amounts to a maximum of EUR 11,583 thousand. The options must be exercised uniformly in the periods from 1 January 2024 to 30 June 2024 or 1 January 2025 to 30 June 2025. Given that the structure of the combined call/put options does not result in adesso being seen as the economic owner of the 28.6% stake, the combined call/put options were not taken into account in the presentation of the company acquisition. On the acquisition date, non-controlling shares in the amount of EUR 2,014 thousand are recognised. Given that Quanto AG only holds a 90% share in Quanto Austria and a 70% share in Quanto Hungary, non-controlling shares in the amount of EUR 530 thousand are reported in the consolidated financial statement, which show the claims from these non-controlling shares on the respective net assets of the companies.

Meanwhile, as at 31 December 2020, the financial statements are presented as if adesso had acquired the shares at this time. As a result, an other financial liability of EUR 9,356 thousand is recognised and non-controlling interests are reduced by EUR 1,484 thousand as well as the capital reserve by EUR 7,872 thousand.

Four former shareholders continue to work for the company following the acquisition of the shares by adesso. The former shareholders will become entitled to claims to payment of a maximum total of EUR 2 million in the next three years. Due to the fact that the payment obligation arises from the future work performance of the beneficiaries, the amount will be recognised in the consolidated income statement as personnel costs over the course of the next three years.

In the course of the company acquisition, an agreement was reached to the effect that two of the shareholdings held by Quanto AG do not belong to the transaction. The parties agree to sell the shares and transfer the proceeds to the former shareholders of Quanto AG. In this connection, current financial assets and current financial liabilities to the amount of EUR 805 thousand are recognised in the consolidated financial statement.

Quanto AG is assigned to the IT Services segment.

The fair value of the acquired trade receivables was EUR 4,054 thousand. This corresponds to the contractual cash flows from receivables. Ancillary acquisition costs totalled EUR 105 thousand. They are recognised under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of the company and other synergy effects, which cannot be capitalised. The option to recognise goodwill for the non-controlling interests has not been exercised. The goodwill is not tax-deductible.

The representation of the merger is provisional as the necessary information for the identification and valuation of the assets and liabilities acquired has not yet been conclusively determined.

Lean Networking

On 6 November 2020, adesso acquired a 51 % share of LeanNetworking Kft., Budapest, (hereinafter referred to as LeanNet). LeanNet is an up-and-coming start-up specialising in cloud-native technologies. This acquisition amplifies adesso's own technology expertise as an IT service provider. Cloud-native technologies are the key to leveraging the benefits of modern cloud computing architectures more efficiently.

The proportional consideration for the shares amounts to EUR 495 thousand. A cash payment of EUR 268 thousand was made. The remaining EUR 227 thousand result from a combined call/put option, agreed with regard to the remaining 49 % of the shares of LeanNet. The exercise price depends on the average EBIT of the two financial years prior to the exercise of the option. It amounts to a maximum of EUR 1,142 thousand. The options must be exercised uniformly in the periods from 1 January 2023 to 30 June 2023 or 1 January 2024 to 30 June 2024. The structure of the combined call/put options results in adesso being seen as the economic owner of the 49 % stake. Therefore, the combined call/put options were accounted for when presenting the acquisition and the acquisition was presented as if adesso had acquired 100 % of the shares. The resulting purchase price liability is listed under "Financial liabilities".

The sellers continue to work for the company following the acquisition of the shares by adesso. The former shareholders will become entitled to claims to payment of a maximum total of EUR 240 thousand over the next three years. Due to the fact that the payment obligation arises from the future work performance of the beneficiaries, the amount will be recognised in the consolidated income statement as personnel costs over the course of the next three years.

LeanNet is assigned to the IT Services segment.

Goodwill resulting from the merger mainly represents the workforce of the company and other synergy effects, which cannot be capitalised. The goodwill is not tax-deductible.

The consolidated profit and loss report contains sales revenues from the acquired company in the amount of EUR 2 thousand as well as earnings in the amount of EUR -73 thousand.

Consolidated notes

<i>in EUR k</i>	<i>.dotkomm</i>	<i>Bluegroup IT</i>	<i>Quanto</i>	<i>Other</i>	<i>Total</i>
Goodwill	1,158	665	7,957	636	10,415
Customer contracts	1,037	2,808	3,442	108	7,395
Order backlog	73	635	389	28	1,124
Other non-current assets	85	109	637	46	877
Rights of use	166	1,100	1,300	181	2,747
Trade receivables	-	492	4,054	232	4,779
Contract assets	125	-	-	-	125
Income tax receivables	-	-	39	-	39
Deferred tax assets	-	195	-	-	195
Other current assets	90	453	1,037	42	1,622
Cash and cash equivalents	-	537	4,761	218	5,516
Total Assets	2,734	6,994	23,616	1,491	34,834
Provisions	-	-	525	12	537
Lease liabilities	166	1,138	1,300	181	2,785
Trade payables	-	104	1,790	112	2,006
Tax liabilities	-	19	508	-	527
Financial liabilities	-	-	1,655	91	1,746
Contract liabilities	123	-	195	-	318
Other liabilities	45	551	2,779	270	3,645
Deferred tax liabilities	-	516	1,183	55	1,754
Total Liabilities	334	2,328	9,935	721	13,318
Net Assets	2,400	4,666	13,681	770	21,517
Net assets attributable to adesso	2,400	4,666	11,666	770	19,502
Consideration	2,400	4,666	11,666	770	19,502
of which made in cash	2,150	4,339	11,666	543	18,698
Cash and cash equivalents received	-	537	4,761	218	5,516
CASH OUTFLOWS FROM ACQUISITIONS	2,150	3,802	6,905	325	13,182

If the companies had been included in the consolidated financial statements as at 1 January 2020, consolidated revenue would have amounted to EUR 553 million and consolidated earnings to EUR 21,471 thousand. The corresponding values for .dotkomm from January to July 2020 were not taken into account as the values could not be reliably determined for this business operation.

Acquisitions in the previous year

On 24 April 2019, adesso acquired 90% of the shares in management systems GmbH, Neumünster, Germany. This company was renamed adesso health solutions GmbH on 3 December 2019. adesso health solutions is a leading provider of IT services for associations which represent doctors working within the public health system in Germany.

The following assets and liabilities were recognised in the business combination. The purchase price allocation is final. There have been no changes compared to the previous year.

<i>in EUR k</i>	<i>adesso health solutions GmbH</i>
Goodwill	1,976
Customer contracts	1,750
Order backlog	330
Other non-current assets	133
Trade receivables	1,084
Contract assets	478
Deferred tax assets	29
Other current assets	16
Cash and cash equivalents	103
Total Assets	5,899
Provisions	305
Trade payables	149
Tax liabilities	92
Financial liabilities	300
Other liabilities	96
Deferred tax liabilities	679
Total Liabilities	1,621
Net Assets	4,278
Net assets attributable to adesso	4,048
Consideration of which made in cash	4,048 3,850
Cash and cash equivalents received	103
CASH OUTFLOWS FROM ACQUISITIONS	3,747

The consolidated financial statements 2020 are also prepared as if adesso had acquired the outstanding 10 % of the shares in adesso health solutions GmbH for EUR 450 thousand. At the same time, non-controlling interests were increased by a total of EUR 233 thousand. The difference of EUR 217 thousand between the purchase price for the additional shares and the amount of the non-controlling shares is recorded in the capital reserve.

5. Consolidation

5.1 Subsidiaries

Subsidiaries are companies that are directly or indirectly controlled by adesso. A company is deemed to be controlled by adesso provided that adesso possesses decision-making powers over the associated company, adesso is subject to and/or entitled to variable returns and it can use its decision-making power to influence the

variable returns. adesso possesses decision-making powers over a company if existing rights mean that adesso has the ability to direct the relevant activities of the company. Relevant activities are activities that significantly affect the respective company's variable returns. Potential voting rights from options or convertible bonds need to be taken into account in addition to current voting rights, irrespective of whether these are held by adesso SE itself or one of its subsidiaries.

Subsidiaries are fully consolidated from the date on which adesso obtains control. This means that assets, liabilities, income and expenses are recognised in the consolidated financial statements from that date.

Pursuant to IFRS 3, mergers are reported using the acquisition method. The consideration for the shares acquired comprises the assets accrued, the liabilities incurred or assumed, equity instruments issued and any agreed contingent consideration, each measured at fair value. Pursuant to IFRS 9, assets and liabilities from contingent considerations are measured at fair value, while income and expenses are recognised in the consolidated income statement. Where contingent consideration is to be classified as equity, current changes in value are not recognised, and differences are recognised in equity when the contingent consideration is paid. Shares previously held in a subsidiary (step acquisition) must be measured at fair value immediately before the business combination and recognised. The acquisition costs of a business combination are recognised directly in the consolidated income statement. Pre-existing relationships at the time of acquisition of control have to be eliminated prior to consolidation. The resulting profit contributions are recognised directly in the consolidated income statement.

The acquired assets and liabilities are recognised to the extent that they meet the definition of an asset or liability. In general, the acquired assets and liabilities are recognised at fair value. Non-controlling interests can be valued according to the pro-rata net assets measured pursuant to IFRS 3 or at fair value. The last option in principle includes the recognition of goodwill for the shares of non-controlling shareholders as well. adesso measures the shares of non-controlling shareholders with the proportionate net assets determined according to IFRS 3.

In a number of cases, put/call options were agreed regarding non-controlling shares. This means that, in future, adesso will have the opportunity to acquire non-controlling shares while the holder of the non-controlling shares simultaneously has the option of offering these shares to adesso. A liability resulting from the put options must be recognised in the financial statements as adesso has no means of avoiding this obligation. The recognition of the liability depends on a number of assumptions and estimates. It must be determined whether adesso is the beneficial owner of the shares. This is, for example, the case provided that adesso possesses a right to variable returns realised by the non-controlling shares until the exercise of the options, as a rule, if dividends are not paid out to the holder of the non-controlling shares. Provided that adesso is the beneficial owner of the non-controlling shares, the business combination will be presented in the financial statements as though adesso had already acquired the shares underlying the options and the liability will be recognised at the time of the business combination. Changes in the value of this liability will be recognised in the consolidated income statement in future.

Provided that adesso cannot be regarded as the beneficial owner of the non-controlling interests, the presentation initially depends on whether the liability should be presented in accordance with IAS 32 or IFRS 10. adesso is of the opinion that presentation in accordance with IFRS 10 takes precedence. The financial statement is presented as if adesso had acquired the non-controlling shares at the end of the respective financial year. As a result, the net profit for the year is allocated to the non-controlling interests and the liability from the put option is reported in the consolidated balance sheet rather than the non-controlling interests. Any difference between the liability and the non-controlling interests is recognised in equity in the capital reserve. From the beginning of the respective following financial year, non-controlling interests are considered outstanding until the end of the relevant accounting period or until the options are exercised. Where a combination of call and put options exists, these are generally analysed as described.

The goodwill attributable to the shareholders of the parent company is generally equal to the difference between the value of the consideration paid plus the fair value of the shares held in the subsidiary prior to the business combination and the proportionate share of net assets of the acquired company measured in accordance with IFRS 3.

If the identification and measurement of the acquired assets and liabilities and/or the determination of the consideration given is not completed on the balance sheet date following the business combination, the business combination must be provisionally recognised in the consolidated financial statements. Reporting for the business combination has to be completed within twelve months of the business combination date (measurement period).

Intra-group relationships between the consolidated companies are eliminated. As part of the consolidation of capital, participations in subsidiaries are offset against the acquired pro-rata equity of the respective subsidiary allocated to adesso. Obligations between the companies included in the consolidated financial statement are eliminated in the course of debt consolidation. Intercompany profit and loss from intragroup transactions included in the assets and liabilities is eliminated as part of the elimination of interim results; income and expenses from intercompany transactions are eliminated in the course of income and expense consolidation.

Changes in the participating interest in a subsidiary that does not result in a loss of control are recognised as equity transactions. Differences between the fair value of the consideration given or received and the carrying amount of the pro-rata equity are recorded in capital reserves.

A company is deconsolidated as of the date on which adesso no longer controls it. From this date onwards, the assets and liabilities, as well as income and expenses, are no longer attributed to adesso. Any share in the former subsidiary remaining with adesso is measured at fair value. The difference between the net assets attributable to the remaining shares at the date of deconsolidation and the fair value of the shares is reported in the consolidated income statement. A reserve from currency translation differences recognised in equity in connection with the deconsolidated subsidiary must be recognised in the consolidated income statement with an effect on income.

adesso holds the majority of the voting rights in all subsidiaries. This enables adesso to direct the relevant activities of the subsidiaries.

There are no significant non-controlling interests in the adesso consolidated financial statements.

In 2020, smarthouse adesso financial solutions GmbH, gadiv GmbH and Arithnea GmbH were merged into adesso SE.

In respect of the list of companies included in the consolidated financial statements we refer to the list of shareholdings in accordance with Section 313 (2) HGB under “46. Subsidiaries” or “47. Associated companies and joint ventures”.

5.2 Joint arrangements and associates

Pursuant to IFRS 11, joint arrangements are classified as joint operations or joint ventures. Joint operations are joint arrangements where the joint operators have rights to the assets and liabilities relating to the joint arrangements. In the case of joint ventures, the partner companies have rights to the net assets included in the arrangement. In the case of joint operations, the joint operator accounts for the assets and liabilities, including its share of those held jointly, its income and its share of the joint income of the arrangement, as well as its expenses, including its share of any expenses incurred jointly. Pursuant to IFRS 11, interests in joint ventures are consolidated using the equity method described in IAS 28.

A company is considered to be an associate of adesso if adesso has significant influence over the company, does not control the company and does not control the company together with another. Where adesso holds 20% to 50% of the shares in a company, it is assumed under IAS 28 that adesso can exert a significant influence on the company. Like joint ventures, associates are consolidated using the equity method.

According to the equity method, the interests are recognised at cost when they are recognised. If, at the time that the company is consolidated using the equity method for the first time, the cost exceeds the pro-rata fair value of the net assets of the company, the share must include fair value. An amount equal to the difference is to be recognised if the reverse is true. As a result, the results of joint ventures and associated companies are recognised pro rata in adesso's financial statements, while any hidden reserves and encumbrances discovered upon acquisition are carried forward.

The profits and losses of the joint venture and associated companies are recognised pro rata in the consolidated income statement, while other comprehensive income of the joint venture and associated companies is to be recognised pro rata in other period sales results; in both cases, an adjustment is to be made to the carrying amount of the shares. Dividend distributions from joint ventures and associates reduce the carrying amount of the interests in equity with no overall effect on the income statement. If losses recognised on a pro rata basis are greater than the net investment in the joint venture or associate (e.g. shares plus loans for which repayment is neither planned nor expected within the foreseeable future), the losses in excess of the net investment are not recognised. Negative equity is carried forward in a separate account. It is included in the consolidated balance sheet once it turns positive again.

If an associate becomes a joint venture as a result of a change in the amount of the investment, or a change in contractual arrangements, or if a joint venture becomes an associate as a result of a change in contractual arrangements, the equity amount will only be adjusted for any shares acquired or disposed of. Shares are not revalued. If shares in associates or joint ventures are sold and they continue to be consolidated using the equity method, the amounts recognised in other comprehensive income are reported pro rata in the consolidated income statement, provided that this would also be the case with the disposal of the corresponding assets and/or liabilities.

adesso conducts a check on each balance sheet date to determine whether there is any objective evidence that the carrying amount of the net investments is impaired. The impairment test is then conducted in accordance with IAS 36. An impairment loss is to be recognised in the amount of the difference between the recoverable amount of the net investment in the joint venture or associated company and the carrying amount of the net investment. As the impairment relates to the entire carrying amount and not the carrying amount of the individual assets included in the carrying amount, a reversal of impairment losses pursuant to IAS 36 may have to be recognised in the future.

Intercompany profits and losses from upstream and downstream transactions with associates and joint ventures are eliminated on a pro-rata basis.

adesso does not hold any significant interests in associates and joint ventures. Information about these companies is published under “47. Associates and joint ventures”.

5.3 Currency translation

Each of the companies included in the consolidated financial statements prepares its own separate financial statements in its respective functional currency. The functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. This functional currency for the companies included in the adesso consolidated financial statements corresponds to the respective currency of the country where the company has its registered office. Transactions conducted in a currency other than the functional currency are translated into the functional currency using the spot and/or respective exchange rate. The expenses and income resulting from this and from the settlement of such transactions are recognised in the consolidated income statement, provided that the amounts are not recognised as respective profit amounts in other comprehensive income.

Financial statements prepared in functional currencies other than the euro are translated using the modified closing rate method. The equity of the companies with functional currencies other than the euro included in the consolidated financial statements is translated using historical exchange rates. All assets and liabilities are translated using the spot rate. The income and expenses, as well as the result for the year recognised in the consolidated income statement, are generally translated at the transaction rate; for reasons of simplification, where permissible, at the average rate. The translation differences arising in the current year are recognised correspondingly in other comprehensive income. The amounts below are stated at standard indirect quotations. This means, for example, that the valid exchange rate on 31 December 2020 is: 1 EUR to 1.08 CHF.

FOREIGN CURRENCY AT EUR 1

	Closing rate		Average rate	
	2020	2019	2020	2019
Swiss franc (CHF)	1.08	1.09	1.07	1.11
British pound (GBP)	0.90	0.85	0.89	0.88
US dollar (USD)	1.23	1.12	1.14	1.12
Turkish lira (TRY)	9.11	6.68	8.04	6.36
Bulgarian lev (BGN)	1.96	1.96	1.96	1.96
Hungarian forint (HUF)	368.89	330.53	351.21	327.68

6. Accounting policies

6.1 Sales revenue

Sales revenue is recognised in accordance with the IFRS 15 regulations. Prerequisites for revenue recognition are as follows: a valid contract, identifiable performance obligations, clear terms of payment, the contract must have economic substance and it must be likely that the agreed consideration will be received. Where different contracts with customers that have been agreed at the same time or in a timely manner are not independent of each other, they shall be analysed as one contract. Subsequently, revenue is recognised as soon as a performance obligation has been fulfilled. Under IFRS 15, revenue is recognised at one point in time. Deviating from this, revenues are recorded over a period of time where the customer directly consumes the benefits, or adesso creates or improves an asset that is controlled by the customer, or adesso creates an asset without alternative use for a customer and adesso acquires a claim to remuneration for the respective services rendered, as is common with a contract for work and services. On this basis, revenues from performance obligations are recognised as follows:

- > Licence sale, no further obligation on the part of adesso: Once the licence key has been delivered and the customer can access the licence. This applies irrespective of whether the right of use transferred to the customer is limited in time. As far as adesso acts as an intermediary or agent in the sale of a licence, adesso only recognises a commission from the sale of the software. Invoices are always issued after delivery of the software. The payment terms are typically not longer than 30 days.
- > The right of the customer to access software that is regularly updated by adesso: For the term of the contract. Payments are generally made on a monthly basis.
- > Consulting projects:
 - Where consulting projects are agreed as time & material projects (actual number of hours worked and the resources deployed are billed), revenue is recognised based on billable hours and expenses incurred. Invoices are issued monthly and the payment terms are typically no longer than 30 days.
 - Where consulting projects are agreed as fixed-price projects, revenue is recognised on the basis of the progress made in terms of performance or the stage of completion over the term of the project. The percentage of completion generally corresponds to the costs incurred as at the reporting date as a proportion of the expected total costs for the project. Revenues cannot be recognised using the percentage-of-completion method if the expected total costs and/or the expected total income cannot be reliably estimated. In this case, revenues are recognised in an amount not exceeding the amount of expenses incurred. If the expected total expenses of a fixed-price project exceed the expected total revenue, meaning that there is a risk that the project will incur losses, the loss has to be recognised directly and in full in other operating expenses irrespective of the percentage of completion by recognising a provision for contingent losses from pending transactions. The resulting expense is recorded under other operating expenses. If a licence is sold together with the consulting project, the revenue for the licence is recognised at the time of delivery of the licence. Deviating from this, the revenue for the licence is recognised as part of consulting project revenue (a performance obligation), provided that the source code of the software is not materially adjusted as part of the consulting project. For some fixed-price contracts, progress payments are contractually agreed. The final invoice will be issued after acceptance with typical payment terms of 30 days.
- > Maintenance and hosting services are generally time-based: Revenues are recognised over the corresponding period. Payments are usually made quarterly in advance.

In determining the amount to be recognised as revenue for performance obligations, variable components of the agreed consideration are taken into account. These include, for example, discounts, performance incentives, bonuses or penalties. Revenues from variable components may only be recognised to the extent that it is highly probable that they will not be withdrawn in the future. If several performance obligations are agreed in one contract, the agreed consideration is to be allocated to the individual performance obligations for the purpose of revenue recognition on the basis of the relative individual selling prices. The negotiations usually cover prices, which are in the same league as the retail price.

Under IFRS 15, the transaction price attributable to unfulfilled performance obligations which will be recognised as revenue in the future must be disclosed. Here, adesso uses the simplified approach to indicate this for contracts which have an original term of more than one year. Under the simplified approach, the transaction price of time & material projects is also not taken into account in this specification.

6.2 Borrowing costs

Borrowing costs are generally included as an expense in the consolidated income statement. Under IAS 23, the borrowing costs of qualifying assets make up part of the cost of acquisition or production. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. adesso did not identify any qualifying assets in the reporting period for which not insignificant borrowing costs had to be capitalised.

6.3 Goodwill

In case of a business combination, goodwill is the positive difference between the consideration rendered in the business combination plus the fair value of the shares previously held as well as the non-controlling interests measured as pro-rata net assets and the pro-rata equity of the acquired company at the time of the business combination measured according to IFRS 3. For impairment testing purposes, goodwill is not amortised, but instead assigned to the (groups of) cash-generating units that benefit from the business combination. According to IAS 36.80, the highest allocation level in the company is the level on which goodwill is observed by management and no higher than the level of operating segments pursuant to IFRS 8 before they are combined into reportable segments. For details on the impairment test, please see “6.5 Impairment of non-financial assets”.

6.4 Tangible and intangible assets

Tangible and intangible assets are recognised at historical cost. Where applicable, they are stated at amortised cost or historical cost. Assets are depreciated or amortised on a straight-line basis over their expected useful life. Where applicable, residual values are taken into account when calculating depreciation on tangible assets. For intangible assets, residual values are only taken into account insofar as a third party is obligated to assume the intangible asset at the end of its useful life. Furthermore, residual values are taken into account when there is an active market for the intangible asset, the residual value can be established in reference to said market and the active market is expected to exist at the end of the useful life of the intangible asset.

Whenever possible, the recognition of non-current intangible assets is broken down into a research and a development phase. Expenditure in the research phase must always be recognised as expenses. Expenditure in the development phase is to be capitalised from the date on which the following can be satisfied:

- > The technical feasibility of completing the intangible asset so that it is available for use or sale;
- > The intention to complete the intangible asset and use or sell it;
- > The ability to use or sell the intangible asset;
- > How the intangible asset will generate future economic benefits;
- > adesso has sufficient resources to complete the intangible asset; and
- > The cost of the intangible asset can be measured reliably.

Intangible assets are typically amortised on a straight-line basis over three years. Exceptions are additions through business combinations such as customer contracts, software and order backlogs. The carrying amount of the order backlog is written off as soon as the revenue on the respective order is realised. Customer relationships have a useful life of three to six years. The PSLife software acquired in 2015 is being amortised over ten years.

Property, plant and equipment is classified as technical equipment and machinery, which is generally depreciated over three years, as well as office and other equipment, which is depreciated on a straight-line basis over five to 20 years.

The total development expense recognised in the financial year is the amortisation of internally generated intangible assets. This amounts to EUR 1,587 thousand (previous year: EUR 1,237 thousand).

See the comments below on impairment of non-current intangible assets and property, plant and equipment.

6.5 Impairment of non-financial assets

Under IAS 36, goodwill, non-current tangible and intangible assets all have to be tested for impairment. A review must be performed to determine at the balance sheet date if there are indications of an impairment. An impairment test is to be performed where such indications exist. In derogation of this, impairment tests are performed at least once a year for goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use. The date on which the mandatory impairment tests are performed can be selected at will and must be applied consistently. For all assets within the scope of IAS 36, an impairment test should also be performed if there are indications of impairment.

Impairment tests are performed for individual assets. If this is not possible, the impairment test must be performed at the level of a cash-generating unit. Such a unit is the smallest group of assets that comprise the asset to be tested and for which cash flows that are largely independent from other assets can be identified. Goodwill is always to be tested for impairment on the basis of a single cash-generating unit or a group of cash-generating units.

When testing for impairment, the carrying amount of an asset and/or a cash-generating unit including, where appropriate, the carrying amount of goodwill is compared to the recoverable amount of the cash-generating unit. The recoverable amount is the higher value in use and the fair value less disposal costs.

An impairment loss is to be recognised should the carrying amount be higher than the recoverable value. The carrying amount of an asset is to be reduced if an individual asset is tested for impairment. If an impairment loss is recognised in a cash-generating unit, the carrying amount of the goodwill may have to be reduced to EUR 0. If an additional impairment loss has to be recorded, the carrying amounts of the assets of the

cash-generating units covered by IAS 36 have to be reduced on a pro-rata basis according to the total carrying amounts. This may not be lower than the recoverable amount of the respective asset. If the fair value rises again after an impairment loss has been recognised, the assets will be written up. A write-up of goodwill is not permitted.

6.6 Costs of obtaining a contract

Costs of obtaining a contract (commissions) are capitalised in accordance with IFRS 15 to the extent that they are directly attributable to the conclusion of a contract with a customer. adesso uses the simplified approach to capitalise and amortise the costs of obtaining a contract only for those contracts for which the amortisation period is longer than one year. They are reported under intangible assets. adesso amortises these costs of obtaining a contract on a straight-line basis over the life of the underlying contract. If, as a result, the expected term of the contract deviates significantly from the originally estimated term of the contract, the residual carrying amount of the costs of obtaining a contract is amortised over the newly estimated residual term. When calculating impending losses from a contract, the carrying amount of the costs of obtaining a contract will be recognised as contract costs. The carrying amount of the costs of obtaining a contract are EUR 635 (previous year: EUR 598 thousand). The amortisation for the financial year amounted to EUR 579 thousand (previous year: EUR 499 thousand).

6.7 Leasing

IFRS 16 is generally applicable to all leasing contracts. However if, for example, the lessee has a right of use under a licence agreement, this right must be accounted for in accordance with IAS 38.

In the case of lease transactions, a distinction must be made between the lessee's and the lessor's recognition of lease agreements.

The lessee capitalises an asset – Right of Use (RoU) asset – and a lease liability for the right to use the leased asset in the future. Exceptions to the recognition principle apply to so-called low value and short term leases. A lease is deemed low value if the new value of the leased asset does not exceed EUR 5 thousand. A short term lease transaction is deemed to exist insofar as the lease term does not exceed twelve months. In the case of low-value and short-term leases, the lease payments are generally recognised as an expense on a straight-line basis over the lease term.

A RoU asset is initially recognised at cost. Among other things, the cost of acquisition includes the initial carrying amount of the corresponding lease liability, lease payments made prior to provisioning less lease incentives received, the initial costs incurred by the lessee, and any future

restoration or reclamation costs associated with the leased asset recognised as a provision. The initial carrying amount of the lease liability is the present value of the future lease payments calculated at the lease's internal rate of return or, if this cannot be readily determined, at the marginal lending rate. Lease payments include fixed and variable lease payments, expected payments from residual value guarantees and sufficiently secure payments from agreed purchase options. In measuring the lease liability, the effects of extension and termination options must be taken into account, insofar as there is sufficient certainty that they will be exercised. The management of adesso SE is of the opinion that a rent extension option that can be exercised in more than ten years is generally not exercised with a sufficient level of certainty. Therefore, adesso typically does not take such extension options into consideration.

After initial recognition, the RoU asset must be depreciated on a scheduled basis over the expected lease term and, if necessary, amortised on an unscheduled basis. After initial recognition, the lease liability must be increased by the interest expense to be recognised and reduced by redemption repayments. If the lease liability has to be revalued due to a reassessment of the lease liability or a modification of the lease, the carrying amount

of the RoU asset must in essence be adjusted. If the scope is reduced due to a modification of the lease, the pro-rata RoU asset and the pro-rata leasing liability must be derecognised. The difference between the two items must be recognised as profit or loss.

In the case of sale and leaseback transactions, an analysis must be made as to whether a sale has taken place in accordance with the provisions of IFRS 15. If this is the case, the lessee must measure the RoU asset pro rata based on the carrying amount for the retained right of use. A loss or gain is recognised from the transaction for the right of use transferred to the lessor. If a sale and leaseback transaction does not qualify as a sale under IFRS 15, the lessee must measure the right of use at the carrying amount of the underlying asset and recognise a financial liability measured in accordance with IFRS 9 in the amount of benefit received.

For the lessor, leasing transactions are classified as financing leases or operating leases based on the economic nature of the transaction. The leasing transaction is classified as a financing lease insofar as all material risks and opportunities associated with the lease asset are transferred to the lessee and otherwise as an operating lease.

If a lease is classified as a finance lease, the leased asset is derecognised and a receivable is recognised.

When a leasing transaction is classified as an operating lease, the lease payments are recorded over the lease term on a straight-line basis. The benefits of agreed rent-free periods are allocated over the term of the rent period.

There are no hidden leasing transactions.

6.8 Financial assets

Financial assets include debt instruments (e.g. loans and receivables), equity instruments and cash and cash equivalents. They are recognised as soon as adesso becomes a contractual partner for a corresponding financial instrument. Depending on the classification of the cash flows arising from a financial asset and the business model within which the financial asset is held, the financial asset is classified after initial recognition as follows:

- > Measured at amortised cost (AC)
- > Measured at fair value through other comprehensive income (FVOCI)
- > Measured at fair value through profit and loss (FVPL)

Debt instruments, classification

Debt instruments are classified in the AC and FVOCI measurement categories if the cash flows arising from the debt instrument qualify as principal and interest payments. Where future cash flows contain speculative components in addition to principal and interest payments, the IASB is of the opinion that this is not consistent with a “basic lending arrangement” and the debt instrument should, therefore, be classified in the FVPL category. This category is assigned to a convertible loan issued to an associated company (EUR 915 thousand). An embedded derivative is not recognised separately.

Where the cash flows arising from the debt instrument are classified as payments of principal and interest, further classification will depend on the specific business model. IFRS 9 identifies the following types of business models:

- > „Hold to collect”: The objective is both to collect contractual cash flows (interest and repayment). Typically classified under the AC category.
- > „Hold to collect and sell”: The objective is both to collect contractual cash flows (interest and repayment) and to sell debt instruments. Typically classified under the FVOCI category. The mere option of selling receivables in the event of financial bottlenecks does not adequately justify allocation to this business model.
- > „Other” Collecting interest and principal is not an objective pursued by this business model. The aim is rather to sell debt instruments. Typically classified under the FVPL category.

An entity may use different business models to pursue different objectives for different debt instruments.

If debt instruments are typically classified under the AC or FVOCI categories, under the so-called fair value option, entities are permitted to elect to measure debt instruments at FVPL if doing so would eliminate or significantly reduce a measurement or recognition inconsistency. adesso does not apply this option.

Initial and subsequent valuation

Debt instruments are initially recognised at fair value (typically the transaction price) plus transaction costs. Only with respect to debt instruments classified under the FVPL category are transaction costs recognised directly as expenses.

Where debt instruments have been classified under the AC or FVOCI category, interest, impairments and foreign currency translation differences recognised on the basis of the effective interest method must be recognised in the consolidated income statement (identical effect on earnings). In the case of debt instruments classified under FVOCI, changes in value that go beyond the above changes are recognised in other comprehensive income. The debt instrument amounts recognised in OCI classified as FVOCI must be recognised in the consolidated income statement upon derecognition. According to the effective interest method, interest is recorded on the basis of the so-called effective interest rate. This reflects the interest rate at which the present value of the future expected contractual cash flows corresponds to the initial carrying amount of the debt instrument upon recognition.

If debt instruments belonging to the FVPL category were assigned, these must be recognised as profit or loss at the fair value on each reporting date.

Impairment losses and interest

Impairment losses and interest are recognised based on a three-stage impairment model. They correspond to the probability-weighted cash value of future payment defaults or delays in payment. On initial recognition, debt instruments are assigned to Stage 1 of the impairment model. In Stage 1, interest is calculated on the gross carrying amount (before impairment). The impairment is recognised on the basis of the probability-weighted cash value of future payment defaults or delays in payment, which result from loss events which may occur within 12 months.

If the default risk of a debt instrument has increased significantly compared to the default risk on initial recognition, the debt instrument is allocated to Stage 2 of the impairment model. Interest revenue is calculated on the gross carrying amount as in Stage 1, but impairment is determined by reference to any loss event that may occur throughout the life of the debt instrument and its related probability.

If there is also objective evidence of impairment (the debt instruments have an impaired credit rating), the debt instrument is allocated to Stage 3 of the impairment model. Objective indications are or can be, for example, the opening of insolvency proceedings, a significant deterioration in creditworthiness or rating, trading in the debtor's securities far below the nominal amount or other identified financial difficulties of the debtor. The amount of the impairment is determined as in Stage 2, but interest is recognised on the basis of the net carrying amount, i.e. after taking the impairment into account. The change in the classification of debt instruments between stages is symmetrical. This means that a change to a higher stage is just as possible as a change to a lower stage if the conditions are met.

adesso uses a simplified approach for certain trade receivables as well as contract assets. Accordingly, trade receivables and contract assets are allocated to Stage 2 of the impairment model upon initial recognition. The term of these financial assets is usually a maximum of one year, so that the determination of the impairment in Stages 1 and 2 would be largely identical. As a result, there is no need to monitor for significant increases in default risk.

If there is objective evidence of impairment for debt instruments at the time they are acquired or issued, the impairment is immediately classified as Stage 3 of the impairment model. These debt instruments may not be subsequently reclassified to Stage 1 or 2. adesso does not hold any debt instruments, which were already impaired upon issuance or acquisition.

A loss event occurs when a company is no longer able to meet its payment obligations or has filed for insolvency. In addition, there is a presumption that a loss event has occurred if a financial asset is more than 90 days past due. The carrying amounts and impairments from debt instruments, which are assigned to Stage 1 of the impairment model, are not considered to be material. As a result, adesso does not have a differentiated system for assessing whether the credit risk has increased significantly. adesso takes into account publicly available information about debtors, industry-related and macroeconomic information, and, where available, internal information about debtors. adesso does not have any information that would indicate that the credit risk of one of these debt instruments has increased significantly. This type of financial asset has not defaulted in the past. For the calculation of the impairment, adesso applies the impairment rate determined for trade receivables and contract assets.

The impairment of trade receivables and contract assets is measured primarily on the basis of past defaults on such claims. Forward-looking, industry-related and macroeconomic information is also taken into account.

The credit quality is considered to be impaired, when an event with a negative impact on future cash flows has occurred, e.g. significant financial difficulties, breaches of contract or the acquisition of debt instruments of the company far below the nominal amount.

Equity instruments

Under IFRS, equity instruments are measured at fair value, with value changes recognised in the consolidated income statement. If the equity instruments are not held for trading purposes, there is an option to present value changes in other comprehensive income. A future reclassification of amounts recognised in other comprehensive income to the consolidated income statement is not permitted.

Derecognition/Depreciation

Financial assets are to be derecognised either when rights to future cash flows no longer exist or the asset is transferred to a third party. A financial asset is classed as having been transferred when adesso no longer has any rights to future cash flows or if adesso still has such rights but is at the same time obligated to pass these payments on to a third party.

A debt instrument is written off and derecognised if adesso has no reasonable expectations of recovering the debt instrument in its entirety or a portion thereof. In this case, the gross carrying amount is reduced rather than recognising an impairment in the amount of the virtually certain default. Where legal steps are taken to recover cash flows on a debt instrument, the instrument will not be derecognised.

Factoring

If trade receivables are sold, these must be derecognised, provided that adesso has also sold the rights to the cash flows. If adesso retains the right to retain the cash flows, adesso must evaluate whether the risks and opportunities associated with the ownership were transferred. If essentially all of these risks and opportunities were transferred, adesso must derecognise the receivable. If adesso has essentially retained all of these risks and opportunities, the receivable must be recognised in adesso's financial statements despite the legal sale. This is the case, for example, if current trade receivables are sold and adesso bears the default risk associated with the claim at the time of sale.

If the risks and opportunities associated with the ownership were neither transferred nor retained, adesso must evaluate whether the power of disposal over the receivable was retained. If the power of disposal was not retained, the receivable must be derecognised. If adesso has retained the power of disposal over the receivable, it must be recognised in accordance with the continuing involvement.

The adesso Switzerland subsidiary has concluded an agreement providing the option of selling the receivables from two specific customers to a factor within the framework of silent factoring. The decision as to whether to sell a receivable is made by adesso Switzerland. adesso Switzerland aims to hold the receivables from these customers until payment is made, but the contract opens up another opportunity to improve liquidity in the short term. On the reporting date, no receivables from these customers attributable to the "hold to collect and sell" business model existed.

Solbicon AG, which was acquired during the financial year, sells a large proportion of its trade receivables by means of real and open factoring. Therefore, the receivables are derecognised upon being sold. On the reporting date, EUR 108 thousand was slated for sale. Receivables must be measured at fair value, which generally corresponds to the amount with which the receivables were recognised. The fair value measurement does not have any material impact on adesso's financial statements.

6.9 Other assets and other liabilities

The accruals and other receivables and liabilities reported under this item are generally measured at nominal value.

6.10 Contract assets/Contract liabilities

Under IFRS 15, claims against customers that are not recognised as receivables are reported as contract assets. Receivables are recognised insofar as the right to payment is merely dependent on the passage of time. adesso mainly recognises contract assets for fixed-price projects in which revenue is recognised based on the progress made. Payments from customers (or due payments) are deducted when determining the amount of contract assets. If these payments from customers exceed the underlying claim, they will be recognised as a contract liability.

The contract assets also include all finished time & material services that have not yet been invoiced to the customer as of the balance sheet date. In addition to prepayments for fixed-price projects, contract liabilities also include payments that will lead to revenue from maintenance or hosting only in subsequent periods.

6.11 Cash on hand and at bank

This item includes cash in hand and bank balances as well as current, highly liquid assets with a residual term of no more than three months from the acquisition date. These assets can be converted into a specific amount of cash at any time and are subject to immaterial valuation risk only.

6.12 Financial liabilities

Financial liabilities are recognised as soon as the adesso Group becomes a contractual partner for a corresponding financial instrument. Current liabilities are measured at amortised cost, which largely corresponds to the repayment amount. Non-current liabilities are recognised at the fair value of the consideration received on the transaction date. Transaction costs are included in the carrying amount of liabilities when they are recognised. Non-current liabilities are always valued at amortised cost using the effective interest method.

Some financial liabilities are measured at fair value. This primarily includes liabilities from put/call options relating to non-controlling shares. As a rule, the value depends on specific future earnings figures. The value of the liability is determined on the basis of the expected future values of these parameters. If economic ownership of the non-controlling shares can be assigned to adesso, changes in value are recognised in the consolidated income statement. If economic ownership of the non-controlling interests cannot be assigned to adesso, the liability is recognised at fair value at the end of each year and the difference between the fair value of the liability and the non-controlling shares is recognised in the capital reserve. See also Note 5.1 "Subsidiaries" and Note 6.20 "Estimates and Assumptions".

A financial liability is to be derecognised when the contractual obligation ends, is met or is lifted.

The company did not make use of the option under IFRS 9 to classify financial liabilities as measured at fair value through profit or loss.

6.13 Provisions

Provisions are recognised for actual, legal or factual obligations arising from past events which are likely to result in an outflow of economic resources and the amount of which can be estimated reliably. For similar obligations, such as product guarantees, the probability of utilisation is considered on the basis of the overall group of obligations. Provisions for pending losses from pending transactions are valued on the basis of the excess obligation. Accordingly, individual costs and appropriate overheads which can be allocated to the contract are taken into account. If the compensation or fines resulting from non-fulfilment are less than the excess obligation, the provision is to be valued on the basis of the compensation or fine.

Provisions may be discounted when the discount amount is material. The interest rate to be applied is an interest rate before taxes, which reflects current market expectations with regard to the interest effect and the risks pertaining to the debt. Provisions are generally valued at the cash value of future expected cash flows required to settle the obligation. The determination of future cash flows must take into account cost increases.

When the amount of a provision is expected to be reimbursed, for example based on insurance coverage, a reimbursement is only recognised as a separate asset if it is as good as certain. The income of reimbursement is not offset against expenses.

6.14 Provisions for pensions

Provisions for pensions are measured at the present value of the defined benefit obligation. Plan assets were not endowed by adesso. Actuarial gains and losses are recorded in other comprehensive income in the course of the remeasurement of the net liability. The present value of provisions for pensions is determined using the projected unit credit method. The calculations are based on the biometric parameters of the Heubeck 2018 G mortality tables. adesso commissioned external experts to value the pension obligation as at 31 December 2020. The applied discount rate corresponds to the interest rate on corporate bonds with the best credit rating and a term corresponding to the provisions for pensions.

6.15 Share-based payment transactions

In the past, adesso has issued employee options to buy shares in adesso SE (an “equity-settled share-based payment transaction”). The vesting period of the options issued in accordance with IFRS 2 is four years. Total personnel costs to be recognised are determined by multiplying the fair value of the option on the grant date by the number of options expected to be exercisable after the end of the vesting period. In general, the total personnel costs are recognised on a straight-line basis against the capital reserve over the vesting period. The number of options expected to be exercised after the end of the vesting period has to be adjusted to current estimates on each reporting date.

Debt from share-based payment issued in payment instruments is remeasured at present value on each reporting date. Changes in the value of this liability are recognised in the consolidated profit and loss account. In this context, adesso has in the past issued virtual stock options and so-called phantom shares to employees and members of the Executive Board.

6.16 Income tax

Income taxes include both actual income taxes and deferred taxes. The actual tax liabilities and taxes receivable encompass all obligations and claims for domestic and foreign income tax. They are calculated based on the applicable tax laws.

Deferred taxes are recognised on deductible or taxable temporary differences. These are positive or negative differences between the carrying amount according to the IFRS and the tax value of an asset or liability with a future impact on taxable income. Deferred taxes are measured at the future tax rate expected to be applicable on the date when the difference reverses. Furthermore, deferred tax assets have to be recognised for the benefit associated with a tax loss carryforward. Deferred tax assets on deductible temporary differences are recognised at least in the amount applicable to taxable temporary differences with the same tax authority and that reverse in the same period as the deductible temporary differences. Furthermore, deferred tax assets are recognised in the amount of the corresponding future economic benefit that is expected to be realised. The benefit of tax loss carryforwards eligible for capitalisation is determined by adesso over a maximum period of five years.

6.17 Government grants

According to IAS 20, government grants have to be classified as investment grants or grants for expenses. Grants are only recognised according to IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) when there is sufficient certainty that the related conditions will be met and the grants issued. They are allocated through profit or loss in the periods in which the expenses compensated by the grants are incurred. Investment grants are deducted from the acquired assets. Grants for expenses are recorded through profit or loss in the period in which the corresponding expenses are recognised.

6.18 Dividends

Dividends are recognised as receivables or liabilities as soon as a binding dividend proposal has been resolved.

6.19 Fair values

Numerous IASB regulations demand that financial and non-financial assets and liabilities be recognised at fair value or be included in the notes. According to IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Determining fair values of financial assets and liabilities is based on observable parameters wherever possible. If none are available, non-observable parameters are to be applied. IFRS 13 defines a valuation hierarchy for determining fair value, which comprises three levels. Allocation to a level depends on the valuation parameters.

The parameters are allocated to the following levels:

- > Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities which the company can access at the valuation date.
- > Level 2: Input parameters other than the quoted prices in level 1 which are either directly or indirectly observable for the asset or liability.
- > Level 3: Unobservable input parameters for the asset or liability.

If parameters of different levels are used for measurement, the fair value is to be assigned to the same level as the input parameter of the lowest level used for measurement.

Fair values are either determined by adesso or external specialists.

The only significant liability to be measured at fair value as at the reporting date is the liability from the put/call options in connection with the acquisition of the shares in Quanto AG. See the disclosures on estimates and assumptions below. adesso holds some shares in companies that are to be measured at fair value. Overall, these do not qualify as material. See chapter 10 "Other non-current financial assets".

6.20 Estimates and assumptions

Numerous estimates and assumptions have to be made by the management of adesso SE in preparing the consolidated financial statements. These relate to the following in particular:

- > Mergers: For mergers, the identifiable assets and liabilities acquired in a business combination are generally measured at fair value. Since there is no active market for many assets and liabilities, the fair values have to be determined on the basis of recognised measurement methods. For example, these include the relief from royalty method and the multi-period excess earnings method. Significant valuation parameters that have to be estimated for these methods are the future cash flows resulting from the assets and liabilities as well as the applicable discount rates. For the valuation of contingent payment obligations related to mergers, assumptions have to be made regarding the values of parameters underlying the valuation.

- > Non-current assets: The useful life of non-current assets subject to depreciation and amortisation has to be estimated. An estimate of the residual value, which has to be taken into account in calculating depreciation and amortisation, is also required.

- > Costs of obtaining a contract: adesso capitalises the cost of obtaining contracts with customers with an original term of more than one year. The sales commissions are not always directly attributable to individual customer contracts. adesso allocates the sales commissions which are not individually attributable based on commissioned revenue from a customer contract divided by the total commissioned revenue of an employee multiplied by the employee's total commission. The management of adesso SE is of the opinion that the costs of obtaining a contract are appropriately assessed on this basis.

- > In 2019, adesso received 20 % of the shares in pangenia systems GmbH in the context of a capital increase. Acquisition costs totalled EUR 250 thousand. Due to a call option, the other shareholders of pangenia systems GmbH have the right to acquire the shares held by adesso for EUR 250 thousand plus interest from 1 June 2020. adesso is of the opinion that adesso does not hold any beneficial ownership of the shares. adesso, therefore, reports a receivable measured at amortised cost in accordance with IFRS 9.B3.2.15.

- > Leasing: In order to account for future payments from rental and lease agreements in accordance with IFRS 16 and to disclose other financial obligations, it is necessary to estimate whether and to what extent future rental extension options and termination options will be used. A consideration is only permissible, where the extension of the contract by exercising the option is sufficiently certain. The same applies to open-ended leases. The management of adesso SE is of the opinion that a rent extension option that can be exercised in more than ten years is generally not exercised with a sufficient level of certainty. Therefore, adesso typically does not take such extension options into consideration.

- > Impairment test: According to IAS 36, numerous parameters have to be estimated for the impairment test to verify the recoverability of the assets held by adesso. These primarily include estimates of future cash flows, growth rates as well as the interest rate applicable for the future cash flows. The risks are primarily associated with goodwill. Financing payments should not be taken into account when calculating the cash flows on which the value in use is based. At the same time, expenses necessary for generating future cash inflows must be taken into account. Payments for right of use assets must be allocated to financing (interest payments and repayment of the lease liability). They are, however, also necessary to maintain the substance of the cash-generating unit and to generate future cash flows. Until clarification by the IASB, the estimated payments from future leases for which no right of use asset has yet been recognised are taken into account when determining the value in use. Information on the impairment tests includes "7. Goodwill and intangible assets".

- > **Receivables:** Assessment of the recoverability of trade receivables as well as contract assets. This requires an estimate of the extent to which adesso customers meet their payment obligations. Moreover, adesso must determine which business model defined in accordance with IFRS 9 the receivables are allocated to.
- > **Factoring:** The presentation of the sale of receivables depends on the extent to which the company has transferred the risks and opportunities associated with the ownership and, if applicable, whether it has retained control of a sold asset. Both require estimates by the management.
- > **Provisions and contingent liabilities:** Recognising provisions often requires an assessment of whether the grounds for recognising a provision are met. For example, this applies to possible provisions for contingent losses on orders, warranty provisions, provisions for removal, shut-down or similar obligations, as well as provisions for legal risks and other provisions. The measurement of provisions requires an estimate and assumptions regarding the future amount required to redeem or settle the debt. This also applies to employee benefits after the end of the employment relationship. If a reliable estimate for the amount of an obligation cannot be made, it needs to be disclosed in the notes as a contingent liability. Discount rates must also be estimated in connection with provisions.
- > **Financial liabilities:** adesso recognises some liabilities from put/call options on non-controlling shares (EUR 10,318 thousand, previous year: EUR 450 thousand). The liabilities are measured at fair value. This corresponds to the present value of the expected future payments. The future payments depend primarily on future earnings figures. The liability from the acquisition of Quanto AG amounting to EUR 9,356 thousand is recognised on the basis of an expected future EBIT of EUR 6,000 thousand. The maximum value of the liability is limited. The maximum amount payable is EUR 11,583 thousand. If the valuation of the liability were based on a 10% higher EBIT, the fair value of the liability would amount to EUR 10,291 thousand. If the valuation were based on a 10% lower EBIT, the fair value of the liability would amount to EUR 8,420 thousand. Changes in the value of this liability are ultimately recognised against the capital reserve and the non-controlling interests (see section 5.1 “Subsidiaries” and 6.12 “Financial liabilities”).
- > **Provisions for pensions and the related income/expenses** are determined on the basis of actuarial calculations. The calculation of provisions for pensions (EUR 162 thousand; previous year: EUR 166 thousand) is based on actuarial assumptions (probability of death and disability, interest rate and other biometric assumptions).
- > **Deferred taxes:** The measurement and realisation of deferred tax assets on loss carryforwards requires a management estimate of the extent to which the benefit associated with the tax loss carryforward can be realised. The benefit of the tax loss carryforwards can only be realised to the extent these are approved by the fiscal authorities. To benefit from tax loss carryforwards in the future, a deferred tax asset is recognised in the consolidated financial statements for the tax loss carryforwards to be set off against tax loss carryforwards within a maximum of five years. Further benefits are not capitalised.
- > **Current taxes:** In the 2016 financial year, a market entry compensation and sales promotion agreement was concluded between e-Spirit Inc. and e-Spirit AG. This results in a reduction in the total tax burden of adesso AG (as the controlling entity of the group taxation relationship for income tax purposes with, among others, e-Spirit AG) as well as the adesso Group, as the income recognised in the USA was set off against tax loss carryforwards. In the 2020 financial year, e-Spirit AG made payments of EUR 786 thousand to e-Spirit Inc. under this agreement, totalling EUR 6.1 million. The management of adesso AG assumes that the specified e-spirit AG expenses are fully tax deductible. Further uncertainty in the tax position could result

from future tax audits. The Board estimates the probability that this could lead to individual cash outflows as less than 50 %. In making this assessment, the Executive Board has taken into account the results of the past tax audit as well as current tax court rulings.

- > Revenue: adesso provides services to its customers. The resulting revenue is frequently recognised based on the progress made. This means that revenues are realised according to the percentage of completion. Estimating the percentage of completion is of particular importance with this method. Furthermore, the total contract costs incurred until completion, the total contract revenue as well as the risks associated with the contract and other significant variables must be estimated. adesso must disclose when revenue from performance obligations from active contracts must be recognised in future. Estimates are required with regard to some contracts.

- > Share-based payment expenses: To recognise personnel costs from share-based payments, the management has to estimate how many rights are expected to be vested and, thus, exercisable after the end of the vesting period.

- > adesso aggregates the operating segments into reportable segments for segment reporting purposes. Such aggregation requires an assessment as to whether the individually identified operating segments have similar economic characteristics and whether they also qualify as similar in terms of products or services and types of customers.

III. Notes to items in the consolidated balance sheet

7 Goodwill and intangible assets

Goodwill and intangible assets developed as follows:

2020 in EUR k	Goodwill	Customer contracts	Order backlog	Internally generated intangible assets	Other intangible assets	Total
Gross value 1 January	50,952	10,693	1,547	8,467	21,889	93,548
Accumulated amortisation 1 January	2,395	5,829	809	2,238	16,328	27,599
CARRYING AMOUNT 1 JANUARY	48,557	4,864	738	6,229	5,561	65,949
Currency differences	44	12	-	-	-7	48
Company acquisitions	10,415	7,395	1,124	-	393	19,327
Additions	-	-	-	173	1,330	1,503
Amortisation	-	1,881	365	1,587	2,345	6,178
Disposals	-	-	-	-	8	8
Gross value 31 December	61,411	18,100	2,672	8,640	23,596	114,419
Accumulated amortisation 31 December	2,395	7,710	1,175	3,825	18,672	33,777
CARRYING AMOUNT 31 DECEMBER	59,016	10,389	1,497	4,815	4,924	80,641
<hr/>						
2019 in EUR k	Goodwill	Customer contracts	Order backlog	Internally generated intangible assets	Other intangible assets	Total
Gross value 1 January	48,623	9,298	2,121	7,337	20,447	87,826
Accumulated amortisation 1 January	2,395	4,464	1,080	1,276	13,028	22,243
CARRYING AMOUNT 1 JANUARY	46,228	4,834	1,041	6,061	7,419	65,583
Currency differences	353	29	-	-	3	385
Company acquisitions	1,976	1,750	330	-	17	4,073
Additions	-	-	-	1,405	956	2,361
Amortisation	-	1,749	633	1,237	2,832	6,451
Disposals	-	-	-	-	2	2
Gross value 31 December	50,952	10,693	1,547	8,467	21,889	93,548
Accumulated amortisation 31 December	2,395	5,829	809	2,238	16,328	27,599
CARRYING AMOUNT 31 DECEMBER	48,557	4,864	738	6,229	5,561	65,949

Intangible assets mainly comprise the PSLife software acquired in 2015 (EUR 2,254 thousand, previous year: EUR 2,768 thousand), internally developed software for processing benefits in private health insurance (EUR 4,165 thousand; previous year: 5,366 thousand) and customer contracts acquired through mergers (EUR 10,389 thousand, previous year: EUR 4.864 thousand). The average remaining useful life of customer relationships is 4.2 years (previous year: 3.9 years).

Amortisation includes impairment of EUR 0 thousand on customer contracts acquired as a result of business combinations (previous year: EUR 37 thousand).

For impairment testing purposes pursuant to IAS 36, goodwill has to be assigned to the (groups of) cash-generating units that benefit from the merger. Under IAS 36.80, the highest allocation level in the company is the level on which goodwill is observed by management and no higher than the level of operating segments before they are combined into reportable segments. For the purpose of impairment testing, adesso allocates goodwill to the operating segments according to IFRS 8. The following table provides an overview of goodwill for the operating segments at the end of the reporting period:

<i>in EUR k</i>	2020			2019		
	<i>Carrying amount</i>	<i>Interest before taxes in %</i>	<i>Gross margin and EBT margin in %</i>	<i>Carrying amount</i>	<i>Interest before taxes in %</i>	<i>Gross margin in %</i>
IT SERVICES SEGMENT						
adesso SE	24,165	8.86	8.5	7,371	7.83	5.3
adesso Austria GmbH	3,552	8.75	11.2	3,552	10.16	8.0
adesso Schweiz AG	10,361	7.34	4.4	10,312	7.70	9.5
Arithnea GmbH	5,054	8.45	7.8	5,054	7.82	8.0
Quanto AG	7,957	10.61	5.9 to 31.9	-	-	-
adesso experience GmbH	1,158	10.52	16	-	-	-
Bluegroup IT	665	10.54	15.8	-	-	-
Lean Networking Kft.	417	10.47	25	-	-	-
Solbicon AG	213	10.56	4 to 6	-	-	-
Total IT Services segment	53,542	-	-	26,289	-	-
IT SOLUTIONS SEGMENT						
adesso insurance solutions GmbH	3,034	9.74	-0.8 to 3.6	3,034	9.03	8.9 to 9.3
medgineering GmbH	464	9.24	44.6 to 60.6	464	9.61	-38.8 to 62.1
smarthouse adesso financial solutions GmbH	--	--	--	16,794	8.75	10.8
adesso health solutions GmbH	1,976	9.43	11.1 to 13.3	1,976	8.55	8.0 to 8.7
Total IT Solutions segment	5,474	-	-	22,268	-	-
TOTAL AMOUNT	59,016	-	-	48,557	-	-

The increase in goodwill in the IT Services segment primarily results from the companies acquired in 2020. Due to the decision to merge smarthouse adesso financial solutions GmbH and Arithnea GmbH into adesso SE, the corresponding goodwill is to be allocated to adesso SE from 2020.

An impairment test for goodwill has to be performed on this basis at least once a year and whenever there are indications of impairment. The annual goodwill impairment test is performed by adesso as at 30 June of the financial year. The impairment test for goodwill was carried out on 31 December for the companies acquired during the financial year. Given that the planning for the companies is not yet sufficiently detailed to specify the planned gross margin, the EBT margin (EBT/turnover) which the planning is based on is listed in the table above.

The realisable value of the operating segments is the value in use determined using the discounted cash flow method. This is determined based on cash flows after taxes and interest. The management of adesso believes that the value in use of the cash-generating units mainly responds to changes in the estimated revenue growth, the estimated gross margin and the discount rate.

Estimating the value in use and, therefore, also estimating cash flow is based on management's most recent operational planning. Detailed planning covers one to three years. Revenue growth is calculated individually for each operating segment. If it is apparent with one year of planning and an expected increase of incoming cash flows that an impairment will not have to be recognised, further detailed planning is omitted. The average revenue growth per segment is between 0 % and 40 %. Future sales revenues growth estimates are based on past sales revenues development, expected sales revenues growth in the operating segments and the future development of the market and the overall economy. As in the previous year, adesso expects cash flows to grow by 1 % p.a. in the long-term. This growth rate does not exceed the long-term expected growth rate for adesso's markets. The company bases its estimates for future cash flows, where possible, on estimates by external analysts. The gross margin (EBT – sales revenues less cost of materials – above all procured services) results from the planning for the individual segments. In addition to sales revenues, they also result from the expected expenses incurred by the segments. These are determined individually on the basis of historical performance and expected future developments.

adesso conducts its impairment test based on an after tax assessment. The interest rate before taxes is then calculated as required by IFRS. This is the interest where the cash value of cash flows before taxes corresponds to the amount calculated according to an after tax assessment. This interest rate after taxes corresponds to the weighted average cost of capital determined using the capital asset pricing model. The key parameters for calculating it are the risk-free interest rate (0.0 %, previous year: 0.6 %), a beta factor derived from a representative peer group for the IT services and IT solutions segments (to represent the systematic risk), a market risk premium (7.0 %, previous year: 6.5 %; as the difference between the expected return on a reference market and the risk-free interest rate), the tax rate and the cost of debt. The parameters underlying the calculation of the weighted average cost of capital are based on sources external to the company.

adesso carried out a sensitivity analysis of all parts of goodwill allocated to the operating segments to determine whether impairment would have to be recognised if any changes were deemed possible in key parameters of the goodwill impairment test. An increase in the weighted average cost of capital by 1 percentage point before taxes, 10 % lower cash flows and a 1 percentage point lower gross margin (EBT/(revenues less cost of materials)) were assumed as possible changes. No change in these variables would result in an impairment having to be recognised.

As of 31 December 2020, there were no indicators for an impairment of goodwill.

8 Property, plant and equipment

Property, plant and equipment developed as follows:

<i>in EUR k</i>	<i>2020</i>	<i>2019</i>
Gross value 1 January	34,733	26,045
Accumulated amortisation 1 January	20,479	16,161
Carrying amount 1 January	14,254	9,884
Currency differences	-133	-9
Additions	9,292	9,095
Company acquisitions	362	116
Disposals	89	75
Amortisation	5,555	4,757
Gross value 31 December	44,165	34,733
Accumulated amortisation 31 December	26,034	20,479
CARRYING AMOUNT 31 DECEMBER	18,131	14,254

Property, plant and equipment mainly comprises factory and office equipment as well as IT hardware and leasehold improvements.

9 Equity method investments

adesso does not hold any shares in significant joint ventures or associates. The carrying amount as well as the comprehensive income for the period were comprised as follows:

<i>in EUR k</i>	<i>2020</i>		<i>2019</i>	
	<i>Joint ventures</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Associates</i>
Carrying amount 31 December	1,304	2,560	906	2,153
Share in the comprehensive income for the period	173	-432	60	-30
Share in the other comprehensive income of the financial period	-	-	-	-
SHARE IN THE TOTAL	173	-432	60	-30

The increase in shares in joint ventures results from the acquisition of shares (EUR 225 thousand) as well as the pro rata result for 2020 (EUR 173 thousand). The change in the carrying amount of the associated companies primarily arises out of a capital increase at AISportsWatch GmbH (EUR 1,320 thousand), the takeover of the pro rata result from associates (EUR -432 thousand) and a dividend payment to the amount of EUR 525 thousand.

10 Non-current other financial assets

Non-current other financial assets consist of the following items:

<i>in EUR k</i>	2020	2019
Company shares	2,080	351
Deposits	1,091	854
Convertible loans	915	-
Loans	710	550
CARRYING AMOUNT	4,796	1,755

The increase in all company shares allocated to the “Measured at fair value with change in value in other comprehensive income (FVOCI)” category primarily results from the acquisition of shares. Changes in value amounting to EUR 168 thousand were recorded in the other results for the period.

The convertible loan is a loan to an associate that includes the option to convert the loan into shares in the company. The convertible loan is assigned to the “Measured at fair value with change in value in the consolidated income statement (FVPL)” category.

11 Receivables and liabilities from income taxes as well as deferred taxes

Deferred tax assets and liabilities were comprised as follows as at the balance sheet date:

<i>in EUR k</i>	2020	2019
DEFERRED TAXES		
Tangible and intangible assets	1,673	839
Receivables and other assets	60	-
Provisions	953	1,115
Lease transactions	24,900	22,541
Other debts	467	-
Loss carryforwards	1,734	878
<i>Total (of which current: EUR 6,139 thousand; previous year: EUR 5,013 thousand)</i>	29,787	25,373
Set-offs	-28,177	-24,087
CARRYING AMOUNT	1,610	1,286
DEFERRED TAX LIABILITIES		
Intangible assets	3,721	1,772
Goodwill	233	112
Rights of use	24,379	22,274
Contract assets	1,654	2,559
Provisions	408	350
Miscellaneous	12	65
<i>Total (of which current: EUR 8,179 thousand; previous year: EUR 7,185 T thousand)</i>	30,407	27,132
Set-offs	-28,177	-24,087
CARRYING AMOUNT	2,230	3,045

Deferred taxes are measured based on the applicable future tax rates for the respective companies. The applicable overall tax rate is 32.2 % (previous year: 32.8 %). It is comprised of the corporate tax rate of 15.0 %, the solidarity surcharge of 5.5 % and the average trade income tax rate of 16.28 % (previous year: 16.98 %). Deferred tax assets and liabilities are offset in accordance with IAS 12.74.

Deferred tax assets on tax loss carryforwards are capitalised based on medium-term planning over a period of one year of operation. The planning results are considered sustainable unless material reasons speak against that. Deferred tax assets on tax loss carryforwards are recognised for the benefit that can most likely be realised within the next five years. The future benefits are not sufficiently certain for further capitalisation. The recognition of deferred tax assets on tax loss carryforwards at adesso insurance solutions GmbH (EUR 1,153 thousand), adesso Netherlands (EUR 332 thousand, previous year: EUR 0 thousand), adesso Austria (EUR 137 thousand, previous year: EUR 348 thousand), adesso Turkey (EUR 29 thousand, previous year: EUR 189 thousand), adesso Spain (EUR 12 thousand, previous year: EUR 132 thousand) and medgi-neering GmbH (EUR 71 thousand, previous year: EUR 39 thousand) is based on the companies' respective tax planning.

The tax loss carryforwards can be carried forward perpetually. Deferred tax assets of EUR 550 thousand were recognised on tax loss carryforwards of companies based in Germany (previous year: EUR 314 thousand) and on tax loss carryforwards of companies based outside Germany amounting to EUR 2,768 thousand (previous year: EUR 1,902 thousand).

The deferred tax assets on loss carryforwards changed as follows:

<i>in EUR k</i>	2020	2019
1 JANUARY	878	848
Additions arising from company mergers	195	29
Use	-389	-358
Addition for previous years	31	127
Addition for current tax losses	1,290	283
Amortisation	-235	-41
Currency differences	-36	-10
31 DECEMBER	1,734	878

On 31 December 2020, a deferred tax liability of EUR 456 thousand was recognised in accordance with IAS 12.39 (previous year: EUR 277 thousand) for temporary differences of EUR 22,872 thousand (previous year: EUR 16,908 thousand) in connection with shares in subsidiaries (outside basis differences), because the management of adesso SE can control their dissolution and they will not be dissolved in the foreseeable future.

The receivables from income taxes (EUR 892 thousand, previous year: EUR 1,543 thousand) and liabilities from income taxes (EUR 14,393 thousand, previous year: EUR 4,995 thousand) are due in full within twelve months. The increase in income tax liabilities primarily arises as a result of a deferral of advance income tax payments granted in connection with the COVID-19 pandemic.

12 Cash on hand and at bank

Cash in hand and at bank is EUR 55,053 thousand (previous year: EUR 46,352 thousand).

13 Trade receivables

Trade receivables in the amount of EUR 92,829 thousand (previous year: EUR 86,272 thousand) are all due within one year. Information on impairment losses on trade receivables and other financial assets is contained in Note “36. Financial instrument disclosures”. Trade receivables include receivables amounting to EUR 108 thousand from the subsidiary Solbicon, which was acquired during the financial year. These receivables will be sold as part of a factoring agreement. These are assigned to the “Measured at fair value with change in value in the consolidated income statement (FVPL)” category. Profit contribution was not recognised from the valuation of these receivables.

14 Contract assets

Contract assets amounted to EUR 28,485 thousand (previous year: EUR 22,447 thousand). Information on impairment losses on trade receivables and other financial assets is contained in Note “36. Financial instrument disclosures”.

15 Current financial assets

Current financial assets include:

<i>in EUR k</i>	2020	2019
Deposits	87	235
Employee loans	0	188
Other	1,008	-
CARRYING AMOUNT	1,095	423

Other receivables primarily include a receivable (EUR 805 thousand) arising from the sale of shares acquired as part of the acquisition of the shares in Quanto AG. Due to the fact that adesso is obliged to pass on the proceeds, a liability in the same amount is listed in the current financial liabilities.

16 Other current assets

Other current assets comprise:

<i>in EUR k</i>	2020	2019
Accruals	3,988	4,277
Receivables from input tax surpluses	443	316
Receivables from employees	93	53
Down payments made	338	-
Miscellaneous	475	274
CARRYING AMOUNT	5,337	4,920

The accruals also include payments for software licences that can be used for a limited period of time and cannot be capitalised as intangible assets that are not be recognised as expenses until after the balance sheet date.

17 Equity

17.1 Subscribed capital

The subscribed capital of adesso SE, Dortmund, Germany, amounted to EUR 6,185,343 (previous year: EUR 6,176,093). It is divided into 6,185,343 (previous year: 6,176,093) ordinary bearer shares (no-par shares). The nominal value per share is EUR 1.

17.2 Authorised capital

The new authorised capital 2018 resolved at the Shareholders' Meeting on 5 June 2018 (EUR 2,469,681) is unchanged as at 31 December 2020 and amounts to EUR 2,469,681.

The Executive Board is authorised to increase the share capital until 4 June 2023 with the consent of the Supervisory Board in the amount of up to EUR 2,469,681 by issuing 2,469,681 new no-par bearer shares, on one or more occasions, in exchange for cash contributions and/or contributions in kind (authorised capital 2018). Shareholders are generally entitled to subscription rights. The new shares may be assumed by one or more banks with the obligation to offer subscription rights to the shareholders. In certain individual cases, the Executive Board, with the consent of the Supervisory Board, has the right to exclude shareholder subscription rights one or more times.

The Executive Board also has the right to establish additional details of the capital increase and its realisation with the consent of the Supervisory Board. The Supervisory Board is authorised to amend Article 3 of the Articles of Association after the increase in share capital is realised in full or in part according to the respective utilisation of the authorised capital and, if the authorised capital is not utilised in whole or in part by 4 June 2023, after the end of the authorisation period.

17.3 Conditional capital

As at 31 December 2020, conditional capital amounted to EUR 540,750 (conditional capital 2015 and 2020). The conditional capital 2015 was partially cancelled at the Annual General Meeting on 3 June 2020, decreasing from EUR 500,000 to EUR 50,000 in accordance with the existing options. At the same time, new conditional capital 2020 in the amount of EUR 500,000 was resolved. The conditional capital increase is intended for exercising options granted to adesso SE employees, management personnel and members of the Executive Board, as well as employees and managers of affiliated companies under a 2020 stock option plan.

A total of 9,250 share options were issued from conditional capital 2015 in the financial year.

A detailed overview of the composition and development of equity in the consolidated financial statements is provided in the consolidated statement of changes in equity.

17.4 Other reserves

The capital reserves primarily include all premiums received from the issue of shares. The differences between the price for shares and the proportional net assets when acquiring non-controlling amounts or disposing of shares in subsidiaries, if adesso SE does not lose the controlling position with this subsidiary as a result of such a transaction, are also recognised. The retained annual results as well as actuarial gains and losses from performance-based retirement plans are recorded in other reserves. The other reserves reported in the consolidated financial statements in accordance with IFRS only provide a limited indication of the possibility of future distributions. With regard to the possibility of a future distribution as well as any existing restrictions on distribution, reference is made to the financial statements of adesso SE. The reserve for currency conversion contains differences from the conversion of the financial statements of subsidiaries to euros, whose functional currency does not correspond to the functional currency of adesso SE. Non-controlling interests contain the shares of the adesso Group's net assets attributable to the non-controlling shareholders.

18 Share-based payment

18.1 Equity-settled share-based payment – Share option plans

No options were issued from “conditional capital 2015” in the financial year (previous year: 14,948 options; average fair value: EUR 9.37). The vesting period of the options issued as on the reporting date is 48 months. The maximum total term is 84 months. The options can be exercised if the beneficiary has worked for adesso for 48 months and adesso SE’s share price at the time the option is exercised is 10% over the exercise price. The exercise price corresponds to the average price of the adesso share in the ten trading days prior to the commitment of the option. The exercise prices of options outstanding from “conditional capital 2015” are EUR 22.67 for the 1,250 options issued in 2016 (between EUR 22.67 and EUR 26.47 in the previous year) and, as in the previous year, between EUR 49.91 and EUR 58.64 for options issued from 2017 onwards. The average weighted residual term of the outstanding options is 4.36 years (previous year: 4.98 years). The number of outstanding options developed as follows:

	2020		2019	
	Number	Average exercise price per option in EUR	Number	Average exercise price per option in EUR
As at 1 January	50,448	46.93	38,500	46.18
Committed	-	-	14,948	51.25
Exercised	9,250	24.24	-	-
Expiry date	2,000	55.20	3,000	58.77
As at 31 December	39,198	51.86	50,448	46.93
Vested and exercisable on 31 December	1,250	22.67	0	-

Options have lapsed because employees have left the company.

The options issued in 2019 were valued using the trinomial model. The valuation was based on the following factors:

	2019
Average share price (in EUR)	51.78
Average exercise price (in EUR)	51.25
Average expected volatility (in %)	31.5
Maximum term of the options (in years)	7
Expected dividend yields (in %)	1
Average risk-free interest rate over the contractual option term	-0.5

In 2020, no options were issued.

The expected volatility corresponds to the “long run forecast” based on the GARCH model (generalised autoregressive conditional heteroscedasticity). The valuation assumes that the options are exercised as soon as the market price of the shares is 10 % above the exercise price, or the options are “in the money” at the end of the term.

An expense of EUR 91 thousand for the share option programme was recognised in the financial year under review (previous year: EUR 89 thousand). The weighted average market price of the adesso share was EUR 61.38 when the options were exercised.

18.2 Cash-settled share-based payment – phantom share programme

Measurement of liabilities from the phantom shares programme resolved in 2009 is based on the market value of adesso SE shares as of 31 December 2020. The holders of the phantom shares could choose as follows: The payout corresponds to the number of shares multiplied by the average share price over the last 180 stock exchange trading days. 4,497 phantom shares are valued as per this model. The remaining phantom shares (110,104 phantom shares) are valued taking into account price increases above EUR 50.00 at 25 % and a price decrease below EUR 40.00 also only at 25 %.

Return or redemption of the phantom shares in exchange for payment from the company is normally possible between five and eight years (vesting period) after the start of the commitment, whereby the holder of the phantom shares may also return or redeem them at a later point in time. adesso SE has the right to pay the due amount in three annual tranches. The amount payable is accumulated during this period in profit or loss over the vesting period. The phantom shares are used to make payments to the holders of the phantom shares to secure their value, which are consistent with the approved dividends per share. These payments are expensed (EUR 49 thousand). During the financial year, 10,000 phantom shares were returned against payment of EUR 503 thousand. 5,880 new phantom shares were issued. Expenses from the phantom share programme in the amount of EUR 1,580 thousand were recognised in the financial year (previous year: EUR 1,067 thousand) in the item “Personnel expenses”. Provisions totalling EUR 5.994 thousand (previous year: EUR 4.970 thousand) are recognised for 114,601 (previous year: 118,721) phantom shares.

Payments under the phantom share programme are due as follows:

in EUR k	2020				2019			
	Carrying amount	Residual term up to 1 year	Residual term > 1 to 5 years	Residual term > 5 years	Carrying amount	Residual term up to 1 year	Residual term > 1 to 5 years	Residual term > 5 years
Provision for phantom shares	5,994	937	4,811	246	4,970	966	3,748	256

Whether a payment is due depends on whether the holder of the phantom shares returns them to the company or redeems them.

18.3 Summary notes on share-based payment

In the financial year under review, the total expenses arising from share-based payments amounted to EUR 1,671 thousand (previous year: EUR 1,118 thousand). Earned claims amounting to EUR 1,524 thousand from the phantom share programme will be reported as at the reporting date (previous year: EUR 971 thousand).

19 Financial liabilities

Financial liabilities include the following items with the indicated maturities:

in EUR k	2020				2019			
	Carrying amount	Residual term up to 1 year	Residual term > 1 to 5 years	Residual term > 5 years	Carrying amount	Residual term up to 1 year	Residual term > 1 to 5 years	Residual term > 5 years
Loans	48,575	10,116	37,672	786	56,685	14,057	32,733	9,895
Lease liabilities	81,245	14,501	35,359	31,385	73,437	11,773	30,153	31,511
Other financial liabilities	12,114	1,295	10,819	-	1,281	344	937	-
TOTAL	141,934	25,912	83,850	32,171	131,403	26,174	63,823	41,406

The effective interest rate depends on the type of agreement as well as the term and ranges between 0.44 % and 2.31 %. In the financial year, Euro 14,066 thousand (previous year: Euro 10,174 thousand) in loans were repaid as scheduled. For further disclosures on financial liabilities, see note “36 Financial instrument disclosures”.

Financial liabilities can be reconciled as follows:

in EUR k	Loans	Leasing	Other	Total
<i>Stock at 31 Dec. 2018</i>	45,943	-	2,165	48,108
Additions arising from lease liabilities from the initial application of IFRS 16 on 1 January 2019	-	57,374	-	-57,374
STOCK AS OF 1 JANUARY 2019	45,943	57,374	2,165	105,482
Repayments	-10,174	-10,620	-1,500	-22,294
Use of loans	20,505	-	-	20,505
Additions arising from new leasing contracts	-	29,473	-	29,473
From company mergers	-	-	199	199
Other additions	-	-	1,084	1,084
Disposal	-	-2,806	-	-2,806
Dissolution impacting net income	-	-	-666	-666
Currency differences	411	16	-	427
STOCK AT 31 DEC. 2019	56,685	73,437	1,282	131,404
Repayments	-14,066	-13,767	-347	-28,180
Use of loans	4,969	-	-	4,969
Additions arising from new leasing contracts	-	20,570	-	20,570
From company mergers	940	2,542	1,609	5,091
Other additions	-	-	49,705	49,705
Disposal	-	-1,306	-	-1,306
Dissolution impacting net income	-	-	-136	-136
Currency differences	47	-230	-	-183
31 DECEMBER 2020	48,575	81,246	12,113	141,934

Other additions in the current year mainly include the addition of the liability from the put/call option on the acquisition of the non-controlling interests in Quanto AG (EUR 9,356 thousand).

20 Trade payables and contract liabilities

Trade payables are all due within twelve months. Of the contract liabilities at the end of the previous year, EUR 9,203 thousand (previous year: EUR 8,450 thousand) were recognised as revenue in the financial year under review.

21 Provisions

Provisions developed as follows:

in EUR k	1 January 2020	Addition	Company acquisition/ disposal	Utili- sation	Re- booking	Currency difference	Reversal	31 Dec. 2020
CURRENT PROVISIONS								
Warranty	1,975	492	101	955	520	1	27	2,107
Other provisions	7,523	6,037	409	3,222	-	7	254	10,500
TOTAL CURRENT PROVISIONS	9,498	6,529	510	4,177	520	8	281	12,607
NON-CURRENT PROVISIONS								
Warranty	1,373	1,099	-	-	-520	-2	-	1,950
Other provisions	4,150	1,052	27	-	-	-	-	5,229
TOTAL NON-CURRENT PROVISIONS	5,523	2,151	27	0	-520	-2	0	7,179

Other current provisions also primarily include provisions from the phantom share programme (EUR 937 thousand; previous year: EUR 966 thousand), operating provisions in the form of bonuses, discounts, etc. (EUR 5,269 thousand; previous year: EUR 3,619 thousand) and contingency reserves (EUR 1,683 thousand; previous year: EUR 397 thousand). The remaining provisions are primarily comprised of outstanding obligations (Chamber of Industry and Commerce, Employer's Liability Insurance Association contributions, insurance premiums, taxation of corporate events and similar).

Other non-current provisions include provisions for the phantom share programme (EUR 5,057 thousand; previous year: EUR 4,003 thousand). The amount ultimately paid and, therefore, the change in provisions for the phantom share programme is closely related to the change in the price of adesso SE shares. For future payment dates, see Note "18. Share-based payment transactions". The warranty provisions have a maximum term of two years. No significant effect was recorded from the amendment of the applicable discount rates.

22 Other liabilities

Other current liabilities are due within twelve months. They mainly comprise liabilities to personnel (from agreements on variable salary components, bonuses and obligations arising from vacation not taken) amounting to EUR 39,918 thousand (previous year: 33,614 thousand), liabilities from value added tax amounting to EUR 10,626 thousand (previous year: EUR 6,849 thousand) and liabilities relating to wage taxes of EUR 9,277 thousand (previous year: EUR 7,588 thousand).

23 Pensions and similar liabilities

As at 31 December 2020, adesso has provisions for pensions for two former employees. They cover claims for (advanced) old age pension, disability pension and orphan's pension. Interest expense from compounding the obligation is included in the interest result. The pension obligations are recognised on the basis of an actuarial analysis prepared by an external expert. Plan assets are not endowed by adesso. The carrying amount of the pension provision therefore corresponds to the so-called defined benefit obligation.

Provisions for pensions developed as follows:

<i>in EUR k</i>	
<i>Carrying amount as at 1 January 2019</i>	165
Interest expenses	2
Payments	-14
Actuarial loss	13
of which due to changes in financial parameters	9
of which due to changes in demographic assumptions	0
of which due to experience adjustments	4
<i>Carrying amount as at 31 December 2019</i>	166
Interest expenses	1
Payments	-14
Actuarial loss	9
of which due to changes in financial parameters	4
of which due to changes in demographic assumptions	0
of which due to experience adjustments	5
CARRYING AMOUNT AS AT 31 DECEMBER 2020	162

The calculation of provisions for pensions is based on the following parameters:

<i>in %</i>	2020	2019
Interest rate	0.50	0.80
Rate of pension progression	2.00	2.00

Future medical care is not part of the commitment.

The amount of provisions for pensions depends on the calculation of the underlying parameters. The following table shows the sensitivity of pension provisions to changes in parameters.

2020 (in EUR k)	Change	Increase in parameter	Decline in parameter
Interest rate	+/- 0.5 % points	-6	6
Rate of pension progression	+/- 0.25 % points	3	-3
Residual life expectancy	+/- 1 year	10	-8

2019 (in EUR k)	Change	Increase in parameter	Decline in parameter
Interest rate	+/- 0.5 % points	-6	7
Rate of pension progression	+/- 0.25 % points	3	-3
Residual life expectancy	+/- 1 year	20	-20

A sensitivity analysis shows the change in the provision according to a change in a specific parameter. The same method is used for calculating the carrying amount of provisions for pensions. It should be noted that a doubling in the change of a parameter, for example, does not automatically result in a doubling of the effect of the carrying amount of the provisions for pensions. If several parameters change, this actual change in provisions for pensions does not necessarily correspond to the total of the changes stated.

The following table shows the expected cash flows from the pension liability:

in EUR k	Carrying amount	Payments up to 1 year	Payments 1 to 5 years	Payments > 5 years
2020	162	15	55	98
2019	166	15	55	107

The weighted average residual term of the defined benefit obligations is 7.4 years (previous year: 7.7 years).

For amounts recognised from statutory pension schemes under defined contribution plans, see Note "28. Personnel costs".

IV. Notes to the Consolidated Balance Sheet and Consolidated Income Statement

The consolidated income statement has been prepared using the nature of expense method. An overview of the earnings structures by segments is provided in segment reporting.

24 Sales revenue

Sales revenues comprise service revenues and licence sales.

<i>in EUR k</i>	2020	2019
Services	504,302	423,351
of which maintenance/hosting revenues	34,934	30,429
Licence revenues	19,073	26,353
TOTAL	523,375	449,704

The sales revenues recognised in 2020 comprise amounts of EUR 9,203 thousand (previous year: EUR 8,450 thousand), which were included in contract liabilities at the end of the previous year.

The following table shows the transaction price (order backlog) attributable to unfulfilled performance obligations as of 31 December and when this is expected to be recognised as revenue. Contracts with an original term of up to one year and time & material projects billable monthly in accordance with the simplified approach set out in IFRS 15 are not taken into account:

<i>in EUR k</i>	2020	2019
Order backlog as at 31 December from contracts with an original term of more than one year	60,815	56,751
expected to be recognised in the following year	26,469	24,309
expected to be recognised in the second subsequent year	12,820	9,970
expected to be recognised after the second subsequent year	21,526	22,472

25 Other operating income

Other operating income is comprised as follows:

<i>in EUR k</i>	2020	2019
Income from translation differences	1,221	898
Expense subsidies	477	681
Income from the reversal of provisions	281	362
Income from evaluation of financial liabilities at fair value	136	666
Income from the recharging of costs	578	200
Miscellaneous	3,959	2,908
TOTAL	6,652	5,715

The reversal of provisions results largely from a number of individual items in the course of ordinary business activities.

26 Changes in inventories and own work capitalised

Changes in inventories include the production costs of work in progress. Under IFRS 15, revenues are not recorded over a period of time, but, as the work has an alternative use to adesso in this case, at a point in time in the future at which the relevant performance obligation is fulfilled.

Own work capitalised includes the production costs of internally generated software.

27 Cost of materials

<i>in EUR k</i>	2020	2019
Expenses for purchased merchandise	1,485	1,481
Cost of purchased services	61,137	49,006
TOTAL	62,622	50,487

28 Personnel costs

Personnel costs are comprised as follows:

<i>in EUR k</i>	2020	2019
Wages and salaries	297,426	245,556
Social security contributions of which pension insurance or pension scheme (defined contribution)	52,643 2,389	47,554 20,295
TOTAL	350,069	293,110

On average, the adesso Group had 4,618 FTE (full time equivalent) employees in 2020 (previous year: 3,634 FTE), of which 4,179 were salaried employees (previous year: 3,358 employees).

29 Other operating expenses

An overview of the other operating expenses is provided in the following table:

<i>in EUR k</i>	2020	2019
Travel expenses	6,532	16,519
Business premises expenses	4,528	3,884
Expenses for vehicles	4,363	5,232
Personnel recruitment	7,688	6,541
Marketing	4,474	4,718
Further training	2,616	2,647
Telephone/Internet costs	2,523	2,203
Expenses for licences and concessions	3,727	5,076
Legal, consulting and audit costs	1,882	1,503
Insurance policies	573	494
Other	15,195	16,983
TOTAL	54,101	65,800

The expenses listed in the table under “Other” include a range of different expenses. Expenses from foreign currency differences amounting to EUR 1,161 thousand (previous year: EUR 831 thousand) are also included in these expenses.

The reported other operating expenses include expenses for short-term leases amounting to EUR 1,321 thousand (previous year: EUR 1,970 thousand) as well as expenses amounting to EUR 6 thousand (previous year: EUR 3 thousand) for leasing contracts based on a low-value asset.

30 Depreciation and amortisation

In the financial year under review, depreciation and amortisation of non-current assets amounted to EUR 26,179 thousand (previous year: EUR 22,596 thousand). Of the scheduled depreciation and amortisation, EUR 2,445 thousand (previous year: EUR 2,826 thousand) is accounted for by the amortisation of intangible assets capitalised in the course of company mergers. Amortisation includes write-downs on customer lists capitalised in connection with acquisitions (previous year: EUR 37 thousand).

31 Result from investments measured using the equity method and financial result

Income from participations includes pro-rata profits from shares recognised using the equity method (see Note “9. Equity method investments”). Interest income of EUR 76 thousand (previous year: 203 EUR thousand) is cash-effective in the reporting year under review to the amount of EUR 76 thousand (previous year: EUR 183 thousand). Of the total interest expenses of EUR 2,405 thousand (previous year: EUR 2,471 thousand), EUR 2,385 thousand (previous year: EUR 2,367 thousand) are cash-effective. This includes interest expenses for leasing liabilities in the amount of EUR 1,555 thousand (previous year: EUR 1,538 thousand).

32 Income taxes

Income taxes are comprised as follows:

<i>in EUR k</i>	2020	2019
Current tax expense	13,476	7,502
Deferred tax income	-2,784	-1,692
TOTAL	10,692	5,810

Current taxes include a tax expense from adjustments in previous years of EUR 35 thousand (previous year: EUR 1,035 thousand). The benefit from utilising the tax loss carryforwards, for which deferred taxes were not recognised at the end of the previous financial year, is EUR 0 thousand (previous year: EUR 13 thousand). The deferred tax revenue from the change in the temporary difference amounts to EUR 2,087 thousand (previous year: EUR 1,682 thousand).

The table below shows the reconciliation of the theoretically expected tax expense to actual reported income tax expense pursuant to IAS 12.81 (c):

<i>in EUR k</i>	2020	2019
Consolidated earnings before income taxes	31,639	23,305
EXPECTED TAX EXPENSE BASED ON ADESSO SE'S TAX RATE OF 32.2 % (PREVIOUS YEAR: 32.8 %)	10,189	7,644
Effect of different tax rates	-554	-377
Non-deductible expenses	830	649
Tax-free income and expenses only recognised for tax purposes	-529	-780
Capitalisation of deferred taxes not recognised in previous years	-47	-127
Utilisation of loss carryforwards for which deferred taxes were not recognised in the previous year	0	-13
Non-capitalised deferred taxes on tax losses in the current financial year	350	123
Amortisation of deferred tax assets on loss carryforwards	237	41
Other taxes from the previous year	126	-1,422
Miscellaneous	90	72
TAX EXPENSE REPORTED	10,692	5,810

Deferred tax revenue of EUR 0 thousand was included in other comprehensive income in the financial year (previous year: EUR 3 thousand).

33 Earnings per share

	2020	2019
Proportion of consolidated earnings allocated to adesso SE shareholders (in EUR k)	20,954	17,419
Average number of shares outstanding in the financial year	6,179,974	6,179,093
Effect of dilutive options	4,955	5,471
Average number of shares outstanding, including the dilution effect of outstanding options	6,184,929	6,181,564
Undiluted earnings per share (in EUR)	3.39	2.82
Diluted earnings per share (in EUR)	3.39	2.82

V. Information on the Consolidated Cash Flow Statement

In accordance with IAS 7, the cash flow statement shows the change in cash and cash equivalents of the Group during the reporting year as a result of inflows and outflows. Cash and cash equivalents are comprised of cash on hand and at bank. According to IAS 7 (Statement of Cash Flows), the cash flows are classified into operating, investment and financing activities.

The changed cash flow arising from operating activities in the 2020 financial year can primarily be attributed to the higher operating result along with the change in net operating assets. The tax payments are EUR 6,118 thousand lower than in the previous year. The decline in tax payments primarily arises as a result of a deferral of advance income tax payments granted in connection with the COVID-19 pandemic. The cash flow from investing activities increased primarily as a result of payouts for the acquisition of subsidiaries. The payments made for investments in financial assets include payments for a convertible loan to an associate amounting to EUR 915 thousand together with payments for shares in companies. Compared to the previous year, the main changes in cash flow arising from financing activities are due to the lower borrowing (EUR 5,195 thousand, previous year: EUR 20,505 thousand), the higher repayment of financial liabilities (EUR 14,413 thousand, previous year: EUR 11,674 thousand) as well as the higher repayment of liabilities from leases (EUR 13,767 thousand, previous year: EUR 10,620 thousand).

Significant non-cash transactions include the conclusion of new lease agreements in 2020 (see Note “34. Lease disclosures”). Other notable non-cash transactions consist of the accounting of the acquisition of the remaining shares in subsidiaries (see Note “4. Acquisitions”), the change in liabilities recognised in profit or loss relating to the acquisition of medgineering GmbH (EUR 108 thousand) and the reversal of the corresponding liability recognised in profit or loss (EUR 136 thousand).

VI. Notes on Segment Reporting

adesso's consolidated balance sheet and consolidated income statement present data in aggregate form. In order to better identify the risks and opportunities of the adesso business activities, information on the basis of reportable segments is disclosed in segment reporting. The first step is to determine the operating segments. According to IFRS 8, a business area is an operating segment if it is engaged in business activities that generate income and expenses, the earnings are monitored regularly by a person in charge and investment decisions are made on this basis and when separate financial information is available.

These criteria are met by adesso SE and its subsidiaries. In accordance with IFRS 8, for segment reporting purposes, similar operating segments based on similar products and services are combined in a second step into the reportable segments IT Services and IT Solutions. inQventures GmbH, which supports start-ups operating in adesso's core industries, is a separate, non-reportable operating segment.

The IT Services segment focuses on industry-specific, individual IT consulting as well as software development. Consulting develops concepts for the optimum and efficient support of business processes through IT systems.

The IT Solutions segment distributes standard software products and industry-specific or industry-neutral solutions.

The individual companies are assigned to these segments as follows:

IT SERVICES	IT SOLUTIONS
adesso SE*	adesso health solutions GmbH
adesso as a service GmbH	adesso insurance solutions GmbH
adesso Austria GmbH	adesso mobile solutions GmbH
adesso Bulgaria EOOD	e-Spirit AG
adesso experience GmbH	e-Spirit Inc.
adesso Hungary Software Kft.	e-Spirit Schweiz AG i. L.
adesso Netherlands B. V.	medgineering GmbH
adesso Schweiz AG	
adesso Spain Consultoria y Soluciones Tecnologicas S.L.	
adesso Transformer Deutschland GmbH	
adesso Transformer GmbH	
adesso Turkey Bilgi Teknolojileri Ltd. Şti.	
alleato assekuranzmakler GmbH	
A3A Strategy Consulting GmbH	
BlueGroup IT – Companies	
LeanNetworking Kft.	
percision services GmbH	
Quanto AG – Companies	
Solbicon AG	

* In 2020, smarthouse adesso financial solutions GmbH, gadiv GmbH and Arithnea GmbH were merged into adesso SE.

Given the 2020 merger of smarthouse adesso financial solutions GmbH and gadiv GmbH, which were allocated to the IT Solutions segment in the previous year, with adesso SE, which is allocated to the IT Services segment, the segment reporting deviates from the information reported in the 2019 annual report in accordance with the provisions of IFRS 8 and is presented here as if smarthouse adesso financial solutions GmbH and gadiv GmbH were also allocated to the IT Services segment in 2019.

IFRS 8 consistently implements the so-called management approach for segment reporting. That means that the same information reported for internal purposes is disclosed externally. As figures are reported in accordance with local accounting regulations, segment reporting also includes figures in accordance with these local accounting regulations. Exceptions include information on revenues from external customers based on the customer's registered office and information on non-current assets based on the location of the assets. These disclosures must be based on the IFRS figures.

The published segment reporting shows the data presented to the leading decision makers in the course of internal reporting. The reported figures are determined in accordance with respective local laws. Scheduled amortisation of goodwill recorded in individual financial statements resulting from mergers is eliminated for internal reporting purposes. Accordingly, this is the same in segment reporting.

Non-consolidated figures are reported for each operating segment. This means, for example, that revenues between the individual companies are not eliminated in segment reporting. Accounting under local law differs in significant respects from accounting under IFRS. Material differences for the purpose of segment reporting are discussed below:

- > Under local law, revenues from services are generally recognised using the completed contract method. This means that revenue is only recognised when the contract is 100% completed. Under IFRS, revenues for services and the corresponding expenses are recognised based on the percentage of completion on the reporting date. This results in a deviation in the allocation of earnings from service agreements. It should be made clear that this does not mean that the reported sales revenues under IFRS are generally higher than the sales revenues reported under local law.
- > Goodwill included in the individual financial statements is amortised according to local law. Under IFRS, goodwill is not amortised. At least once per year, goodwill must be tested to determine whether an impairment exists. If an impairment exists, the goodwill must be amortised on an unscheduled basis.
- > Production costs according to IFRS encompass the full production-related costs. Other expenses such as general and administrative costs may be included in cost of sales under local law but not under IFRS.
- > Impairment losses on receivables are to be recognised under local law insofar that they have occurred. Under IFRS, impairment of receivables is to be recognised in the amount of the weighted, expected discounted amount.
- > According to IFRS, liabilities are not measured at the redemption amount but at the fair value of the consideration received less incidental costs. They are subsequently valued using the effective interest method.
- > Under IFRS 2, expenses from share-based payments are recognised in the income statement against additional paid-in capital over the vesting period for equity-settled plans. Under HGB, expenses are not recognised.
- > Leasing expenses that are recognised under HGB are eliminated under IFRS. Due to the fact that rights of use and lease liabilities arising from leases must always be recognised under IFRS, as a matter of principle, amortisation of rights of use and interest expenses must be recognised as per IFRS.

The total figures reported for the segments differ from the figures reported in the group. Differences result primarily from accounting differences between local laws and IFRS, from consolidation measures and from amounts not allocated to the reportable segments. The column "Reconciliation local laws/IFRS" included in the segment reporting contains the accounting differences between IFRS and the respective local law. The column "Consolidation/other" contains the other differences.

Transactions between the operating segments are settled at market prices.

SEGMENT REPORTING 2020

2020 in EUR k	IT Services	IT Solutions	Reconciliation local laws/ IFRS	Consoli- dation/ other	Group
Revenues with external customers					
Services	438,657	59,092	6,537	16	504,302
Licences	7,333	11,740	-	-	19,073
Revenues with other operating segments	71,337	13,371	-	-84,708	0
Total revenues	517,327	84,203	6,537	-84,692	523,375
Changes in inventories	10,244	-285	-9,257	-	702
Own work capitalised	-	-	-	173	173
Other operating income	15,987	3,102	-8,074	-4,363	6,652
Cost of materials	-124,817	-20,944	-	83,139	-62,622
Personnel costs	-306,289	-51,277	6,960	537	-350,069
Other operating expenses	-61,044	-16,313	13,754	5,798	-57,805
EBITDA	51,408	-1,514	9,920	592	60,406
Depreciation and amortisation	-7,786	-1,764	-14,350	-2,279	-26,179
Amortisation of goodwill	-5,329	-588	5,917	-	-
EBIT	38,293	-3,866	1,487	-1,687	34,227
Income from participations	779	-	-2	-1,036	-259
Interest income	656	42	13	-635	76
Interest expense	-1,372	-74	-1,604	645	-2,405
Income from financing activities	-716	-32	-1,591	10	-2,329
INCOME FROM ORDINARY ACTIVITIES (EBT)	38,356	-3,898	-106	-2,713	31,639
Amortisation of goodwill	5,329	588	-5,917	-	0
EBT before amortisation of goodwill	43,685	-3,310	-6,023	-2,713	31,639

Depreciation and amortisation in 2020 in the consolidated financial statements includes impairment losses on customer lists of EUR 0 thousand (previous year: EUR 37 thousand). Of this amount, EUR 0 thousand (previous year: EUR 7 thousand) is attributable to the IT Solutions segment and EUR 0 thousand (previous year: EUR 30 thousand) to the IT Services segment.

SEGMENT REPORTING 2019

2019 in EUR K	IT Services	IT Solutions	Reconciliation local laws/ IFRS	Consoli- dation/ other	Group
Revenues with external customers					
Services	364,381	48,035	7,376	3.559	423,351
Licences	7,470	18,883	-	-	26,353
Revenues with other operating segments	70,316	10,907	-	-81,223	0
Total revenues	442,167	77,825	7,376	-77,664	449,704
Changes in inventories	4,717	1,664	-5,744	-	637
Own work capitalised	-	-	216	1,189	1,405
Other operating income	15,751	3,402	-7,812	-5,626	5,715
Cost of materials	-107,742	-18,260	153	75,362	-50,487
Personnel costs	-259,658	-44,525	10,441	632	-293,110
Other operating expenses	-67,958	-13,310	9,701	5,834	-65,733
Other taxes	-35	-15	50	-	0
EBITDA	27,242	6,781	14,381	-273	48,131
Depreciation and amortisation	-5,763	-1,241	-11,627	-3,965	-22,596
Amortisation of goodwill	-3,069	-588	3,657	-	0
EBIT	18,410	4,952	6,411	-4,238	25,535
Income from participations	469	0	-260	-171	38
Interest income	749	121	-12	-655	203
Interest expense	-1,464	-168	-1,347	508	-2,471
Income from financing activities	-715	-47	-1,359	-147	-2,268
INCOME FROM ORDINARY ACTIVITIES (EBT)	18,164	4,905	4,792	-4,556	23,305
Amortisation of goodwill	3,069	588	-3,657	-	0
EBT before amortisation of goodwill	21,233	5,493	1,135	-4,556	23,305

The following table shows the breakdown of external revenues by domicile of the customer and non-current assets by domicile of the assets by geographical segments as required by IFRS 8.

<i>in EUR k</i>	<i>External sales by customer domicile</i>		<i>Non-current assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Germany	413,053	360,987	148,143	127,437
of which goodwill			44,019	34,693
Austria	10,533	8,518	4,694	4,192
of which goodwill			3,552	3,552
Switzerland	72,636	60,081	16,138	17,118
of which goodwill			10,362	10,312
Other	27,153	20,118	9,211	3,961
of which goodwill			1,083	-

More than 10% of revenues generated by adesso were not applicable to any one customer in the financial years 2020 and 2019.

VII. Supplementary Information

34 Notes on leasing contracts

Significant rental and leasing agreements exist at adesso for business premises and motor vehicles. The residual terms of the contracts for business premises are up to 13 years and up to 3 years for company vehicles. Leasing agreements for business premises can have extension and termination options, the use of which is assessed on a case-by-case basis.

The following table gives an overview of the recognised rights of use:

<i>2020 in EUR k</i>	<i>Land and buildings</i>	<i>Company vehicles</i>	<i>Other operating and office equipment</i>	<i>Total</i>
Carrying amount 31 December 2020	71,143	7,313	957	79,413
Additions 2020	16,942	5,372	761	23,075
Depreciation 2020	10,489	3,545	411	14,445

<i>2019 in EUR k</i>	<i>Land and buildings</i>	<i>Company vehi- cles</i>	<i>Other operating and office equipment</i>	<i>Total</i>
Carrying amount 31 December 2019	66,001	5,861	642	72,504
Additions 2019	24,663	4,327	484	29,473
Depreciation 2019	8,244	2,824	321	11,388

Disposals of RoU assets amounting to EUR 1,238 thousand were recognised in 2020 (previous year: EUR 2,981 thousand). Expenses for variable lease payments not included in the measurement of the lease liability amount to EUR 0 thousand (previous year: EUR 376 thousand). Income of EUR 405 thousand was generated from subleases of rights of use to third parties (previous year: EUR 368 thousand). The total cash outflow for leases amounts to EUR 15,908 thousand (previous year: EUR 14,131 thousand). Potential payments from extension options not taken into account amount to

EUR 32,824 thousand (previous year: EUR 34,160 thousand), of which EUR 20,735 thousand (previous year: EUR 21,625 thousand) would be due from 2030.

Further information on leasing is provided in Note “29. Other operating expenses”, “30. Depreciation”, “31. Results from investments measured using the equity method and financial result” and “36. Financial instrument disclosures”. The expected payments from leasing agreements already concluded are shown in the following section “35. Other financial obligations”.

35 Other financial obligations

Other financial obligations are comprised as follows:

2020 in EUR k	Total amount	thereof due: in year 1	in year 2 to 5	after 5 years
Space and equipment rental	86,167	3,884	27,713	54,570
Other leasing contracts	1,916	470	1,446	-
Other long-term contracts	38,731	5,565	15,204	17,962
Insurance policies	580	580	-	-
Total	127,394	10,499	44,363	72,532

2019 in EUR k	Total amount	thereof due: in year 1	in year 2 to 5	after 5 years
Space and equipment rental	57,029	1,146	20,599	35,284
Other leasing contracts	1,332	360	972	-
Other long-term contracts	29,585	4,352	12,291	12,942
Insurance policies	369	369	-	-
TOTAL	88,315	6,227	33,862	48,226

The liabilities from rents for premises and equipment and from other lease transactions include liabilities from leasing contracts that begin after 31 December 2020 and will then lead to an addition to assets and liabilities in the balance sheet. There are no significant further financial liabilities as of the balance sheet date.

36 Financial instrument disclosures

As in the previous year, financial assets held by adesso will always be valued at amortised cost as at the balance sheet date (“Amortised cost” category). Excluding shares in companies (EUR 2,080 thousand, previous year: EUR 351 thousand) and financial assets measured at fair value recognised as profit or loss to the amount of EUR 1,023 thousand (previous year: EUR 0 thousand). Financial liabilities are generally measured at amortised cost. This excludes liabilities arising from combined call/put options relating to the sale or purchase of non-controlling shares amounting to EUR 10,318 thousand (previous year: EUR 450 thousand), contingent purchase price obligations amounting to EUR 292 thousand (previous year: EUR 146 thousand) as well as liabilities from mergers to be amalgamated on a pro rata basis of EUR 459 thousand (previous year: EUR 487 thousand), where future payments are linked to the performance of the seller.

The table below shows the carrying amounts measured at (amortised) cost as well as the fair value of the financial assets and liabilities. Determining fair values of financial assets and liabilities is based on the market rates of similar financial instruments.

in EUR k	Evaluation	2020			2019		
		Carrying amount	Fair value	Fair value level*	Carrying amount	Fair value	Fair value level*
ASSETS							
Cash and cash equivalents	AC	55,053	55,053		46,352	46,352	
Trade receivables		92,829	92,829		86,272	86,272	
of which measured at amortised cost	AC	92,721	92,721		86,272	86,272	
of which measured at fair value and recognised as profit or loss	FVPL	108	108	3	-	-	
Financial assets		5,891	5,891		2,178	2,178	
of which measured at amortised cost	AC	2,896	2,896		1,827	1,827	
of which measured at fair value through OCI with no effect on profit or loss	FVOCI	2,080	2,080	3	351	351	3
of which measured at fair value and recognised as profit or loss	FVPL	915	915	3	-	-	
TOTAL		153,773	153,773		134,802	134,802	
EQUITY AND LIABILITIES							
Trade payables	AC	18,834	18,834		14,274	14,274	
Loans	AC	48,575	49,065	3	56,685	57,531	3
Other financial liabilities		12,114	12,114		1,282	1,282	
of which measured at fair value**	FV	11,069	11,069	3	1,084	1,084	3
of which others	AC	1,045	1,045		198	198	
TOTAL		79,523	80,013		72,240	73,087	

* Explanation in Note "6.17 Fair values".

** of which liabilities of EUR 9,806 thousand from put/call options, where the changes in value are ultimately recognised against the capital reserve and non-controlling interests, EUR 512 thousand from put/call options, where the changes in value are recognised in the consolidated income statement, EUR 292 thousand from contingent purchase price obligations and EUR 459 thousand from an obligation to be accrued in instalments, which is dependent on the future work performance of certain persons.

AC: Measured at amortised cost | FVPL: Measured at fair value with changes in value recognised in the consolidated income statement

FVOCI: Measured at fair value with changes in value recognised in other comprehensive income (OCI).

The fair value of the loans is calculated by discounting future cash flows from the loans by adesso's current borrowing rate.

Leasing liabilities of EUR 13,767 thousand were repaid in the financial year under review (previous year: EUR 10,620 thousand).

Other financial liabilities measured at fair value developed as follows:

<i>in EUR k</i>	2020	2019
AS AT 1 JANUARY	1,084	1,865
Repayment	-149	-1,200
Change recognised in profit or loss	-26	-59
Addition from business combination	804	0
Other additions	9,356	478
AS AT 31 DECEMBER	11,069	1,084

The net results are as follows:

2020 <i>in EUR k</i>	<i>From interest</i>	<i>Value adjustment/ write-up</i>	<i>Derecognition</i>	Total
Financial assets carried at amortised cost	76	-1,770	-1,934	-3,628
Financial liabilities carried at amortised cost	-2,405	-	-	-2,405

2019 <i>in EUR k</i>	<i>From interest</i>	<i>Value adjustment/ write-up</i>	<i>Derecognition</i>	Total
Financial assets carried at amortised cost	203	115	-48	270
Financial liabilities carried at amortised cost	-2,471	-	-	-2,471

The net result of the category “Financial assets measured at amortised cost” is based on compounding of non-current financial assets, from the interest-bearing investment of financial assets, from the impairment and the derecognition of defaulted financial assets. The net result of the category “Financial liabilities measured at amortised cost” is based on interest expenses.

The net result from equity instruments measured at fair value recognised in the other comprehensive income amounts to EUR 168 thousand (previous year: EUR 0 thousand).

The net result from a convertible loan measured at fair value amounts to EUR 0 thousand.

The Group is exposed to a variety of risks due to its business activities. These include default risk, liquidity risk and market risk.

36.1 Default risks/impairments

The Group is exposed to default risks mainly due to trade receivables, contract assets and other financial assets (deposits, loans and employee loans). Existing and major customers continued to dominate the customer portfolio in the financial year under review.

The following table shows the change in impairment of debt instruments. The deposits, loans and other current financial assets reported under other financial assets are allocated to level 1. Level 2 contains only trade receivables and contract assets that were directly allocated to this level on the basis of the simplification rule of IFRS 9. Level 3 contains trade receivables for which there are objective indications of impairment.

2020 <i>Figures in EUR k</i>	<i>Impairment based on 12 months (stage 1)</i>	<i>Impairment based on total duration (stage 2)</i>	<i>Credit impairment (stage 3)</i>	Total
As at 1 January 2020	9	669	375	1,053
Changes from recognised or derecognised receivables	4	1775	-228	1,551
Reclassification	-	-1,474	1,474	0
As at 31 December 2020	13	970	1,621	2,604

<i>Figures in EUR k</i>	<i>Impairment based on 12 months (stage 1)</i>	<i>Impairment based on total duration (stage 2)</i>	<i>Credit impairment (stage 3)</i>	Total
AS AT 1 JANUARY 2019	5	797	350	1,152
Changes from recognised or derecognised receivables	4	-128	25	-99
AS AT 31 DECEMBER 2019	9	669	375	1,053

The following table shows the development of the gross carrying amounts (without value adjustment) of the financial assets:

2020 Figures in EUR k	Gross amount (Stage 1)	Gross amount (Stage 2)	Gross amount (Stage 3)	Total
As at 1 January 2020	1,835	109,348	407	111,590
Changes from recognised or derecognised receivables/contractual assets	1,074	12,078	-232	12,920
Reclassification	-	-1,826	1,826	0
Changes due to derecognition of financial assets through profit or loss	-	-1,934	-	-1,934
Other amendments		4,238		4,238
from company mergers	-	4,901	-	4,901
Currency differences	-	-663	-	-663
As at 31 December 2020	2,909	121,904	2,001	126,814

2019 Figures in EUR k	Gross amount (Stage 1)	Gross amount (Stage 2)	Gross amount (Stage 3)	Total
AS AT 1 JANUARY 2019	1,617	93,093	380	95,090
Changes from recognised or derecognised receivables/contractual assets	218	14,589	-9	14,798
Reclassification	-	-36	36	0
Changes due to derecognition of financial assets through profit or loss	-	-48	-	-48
Other amendments				
from company mergers	-	1,562	-	1,562
Currency differences	-	188	-	188
AS AT 31 DECEMBER 2019	1,835	109,348	407	111,590

adesso has not identified any noteworthy concentrations of risk associated with its financial assets. The following table shows the maturity structure of the gross carrying amounts of financial assets. Other financial assets do not include equity instruments as they have no maturity.

2020 in EUR k	Total amount	<i>Not overdue</i>	<i>Not more than 3 months</i>	<i>More than 3 months and not more than 6 months</i>	<i>More than 6 months and not more than 1 year</i>	<i>More than 1 year</i>
Trade receivables	92,829	67,960	21,710	1,806	813	540
Contract assets	28,485	28,485	-	-	-	-
Other financial assets	3,811	3,811	-	-	-	-
Total	125,125	100,256	21,710	1,806	813	540

2019 in EUR k	Total amount	<i>Not overdue</i>	<i>Not more than 3 months</i>	<i>More than 3 months and not more than 6 months</i>	<i>More than 6 months and not more than 1 year</i>	<i>More than 1 year</i>
Trade receivables	86,272	62,990	21,041	1,428	536	277
Contract assets	22,447	22,447	-	-	-	-
Other financial assets	1,827	1,827	-	-	-	-
TOTAL	110,546	87,264	21,041	1,428	536	277

36.2 Liquidity risks

adesso is exposed to liquidity risk due to the possibility that future financial obligations may not be met. Medium and long-term liquidity management is centralised in Dortmund, Germany, under the responsibility of the CFO. All Group companies independently plan and monitor their liquidity. Central cash management has not been implemented. Liquidity is mainly assured by cash flow from operating activities as well as a high level of cash and cash equivalents. The Group companies periodically report their short, medium and long-term liquidity to adesso SE based on various time horizons.

The tables below show the carrying amounts and cash flows (interest and repayments) of the financial liabilities. The difference between the carrying amount and the total of future cash flows corresponds to the future interest due:

2020 in EUR k	Carrying amount	Maturity ... up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	18,834	18,834	-	-
Loans interest thereon	48,575	10,729 541	38,639 1,039	797 10
Lease liabilities interest thereon	81,245	15,897 1,396	38,827 3,468	33,125 1,740
Other financial liabilities	12,114	1,295	11,423	-
Total	160,768	46,755	88,889	33,922

2019 in EUR k	Carrying amount	Maturity ... up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	14,274	14,274	-	-
Loans interest thereon	56,685	14,764 707	34,270 1,536	10,020 126
Lease liabilities interest thereon	73,437	13,237 1,464	33,978 3,825	33,644 2,133
Other financial liabilities	1,281	344	937	-
TOTAL	145,677	42,619	69,185	43,664

36.3 Market risk

Revenues are largely realised in the national currencies of the respective companies. The exchange rate risk can, therefore, continue to be considered low. The interest rate risk can also be classified as low. The loans taken out are subject to fixed interest rates. In addition, interest expense is low in relation to cash and cash equivalents.

36.4 Information about capital management

Active capital management is not performed. The Executive Board manages the company using earnings, yield and liquidity indicators. No capital measures other than the authorised and conditional capital disclosed in Section 11 have currently been approved.

37 Executive Board

37.1 Composition of the Executive Board

The following persons were members of the Executive Board of adesso SE in the reporting year:

- > Michael Kenfenheuer, Frechen, Chairman of the Board of Directors
(Banking, Sales Support, Inside Sales and Corporate Account Management)
- > Dirk Pothen, graduate in economics, Düsseldorf, Member of the Executive Board
(Automotive & Transportation, Manufacturing Industry, Microsoft and Digital Experience as well as Human Resources)
- > Andreas Prenneis, graduate in statistics, Dortmund, Member of the Executive Board
(Health, Public, Cross Industries, IT Management Consulting, Data & Analytics as well as Administration, Legal, IT, Project Management Office and Proposal Management)
- > Stefan Riedel, graduate in business information systems, Wesseling, Member of the Executive Board
(Insurance)
- > Jörg Schroeder, graduate in business information systems, LL.M., Executive MBA, Münster, Member of the Executive Board
(Finance and Controlling, Investor Relations and Mergers & Acquisitions)

All Executive Board members are authorised to represent the company alone. They are exempt from the restrictions of Article 181 of the German Civil Code (BGB).

37.2 Remuneration of members of the Executive Board

The Executive Board remuneration contains exclusively short-term components.

The remuneration of the members of the Executive Board includes a fixed basic remuneration as well as a variable remuneration in accordance with industry standards and primarily dependent on business performance. It is based on arrangements that have been contractually agreed with the Supervisory Board.

adesso grants further benefits to all members of the Executive Board from their contracts that partially consist of non-cash benefits and taxed accordingly. This primarily includes the provision of a company car as well as payments to social insurance.

The Executive Board remuneration principles as well as other details are presented in the Remuneration Report contained in the Management Report.

In 2020, the total remuneration (inflow) of all members of the Executive Board of adesso SE appointed during this period amounted to EUR 2,041 thousand (previous year: EUR 3,364 thousand). The value from the previous year includes payments from the phantom share programme amounting to EUR 1,508 thousand as well as payments for virtual stock options amounting to EUR 130 thousand. Since the end of 2019, neither phantom shares nor virtual share options have been issued to the Executive Board. The total remuneration (inflow) does not include dividends from the phantom share programme (previous year: EUR 18 thousand).

The tables below provide an overview of remuneration and benefits paid to the members of the Executive Board and recognised as an expense.

REMUNERATION AND BENEFITS PAID

<i>Michael Kenfenheuer CEO</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	245	260	260	260
Fringe benefit	21	24	24	24
Benefit expense	9	9	9	9
Total	275	293	293	293
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	216	278	-	*
Long-term performance-related variable remuneration	-	-	-	-
Total	216	278	0	-
TOTAL REMUNERATION	491	571	293	-

* Short-term performance-based remuneration granted is not subject to any limitation.

REMUNERATION AND BENEFITS PAID

<i>Christoph Junge** Member of the Executive Board</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	204	-	-	-
Fringe benefit	14	-	-	-
Benefit expense	7	-	-	-
Total	224	-	-	-
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	165	-	-	-
Long-term performance-related variable remuneration	206	-	-	-
Total	371	-	-	-
TOTAL REMUNERATION	595	-	-	-

** Member of the Executive Board until 30 September 2019

REMUNERATION AND BENEFITS PAID

<i>Andreas Prenneis Member of the Executive Board</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	225	225	225	225
Fringe benefit	15	14	14	14
Benefit expense	7	8	8	8
Total	247	248	248	248
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	220	283	-	*
Long-term performance-related variable remuneration	-	-	-	-
Total	220	283	0	-
TOTAL REMUNERATION	467	531	248	-

* Short-term performance-based remuneration granted is not subject to any limitation.

REMUNERATION AND BENEFITS PAID

<i>Dirk Pothen Member of the Executive Board</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	200	200	200	200
Fringe benefit	13	13	13	13
Benefit expense	7	13	13	13
Total	220	226	226	226
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	220	283	-	*
Long-term performance-related variable remuneration	-	-	-	-
Total	220	283	0	-
TOTAL REMUNERATION	440	509	226	-

* Gewährte kurzfristige erfolgsabhängige Vergütungen unterliegen keiner Begrenzung.

REMUNERATION AND BENEFITS PAID

<i>Jörg Schroeder*** Member of the Executive Board</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	62	185	185	185
Fringe benefit	5	16	16	16
Benefit expense	2	8	8	8
Total	69	209	209	209
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	62	185	-	185
Long-term performance-related variable remuneration	-	-	-	-
Total	62	185	0	185
TOTAL REMUNERATION	131	394	209	394

*** Member of the Executive Board since 1 September 2019

REMUNERATION AND BENEFITS PAID

<i>Stefan Riedel**** Member of the Executive Board</i>				
<i>in EUR k</i>	2019	2020	2020 (min)	2020 (max)
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	-	275	275	275
Fringe benefit	-	19	19	19
Benefit expense	-	9	9	9
Total	-	303	303	303
PERFORMANCE-RELATED REMUNERATION				
Short-term performance-related variable remuneration	-	275	-	275
Long-term performance-related variable remuneration	-	-	-	-
Total	-	275	0	275
TOTAL REMUNERATION	-	578	303	578

**** Member of the Executive Board since 1 January 2020

The remuneration granted is summarised in the following table according to IAS 24.17:

<i>in EUR k</i>	2020	2019
Short-term remuneration	2,582	1,918
Long-term remuneration from phantom shares (share based payment)	-	206
TOTAL	2,582	2,124

BENEFITS PAID

<i>in EUR k</i>	<i>Michael Kenfenheuer CEO</i>		<i>Christoph Junge* Member of the Executive Board</i>	
	2020	2019	2020	2019
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	260	245	-	204
Fringe benefit	24	21	-	14
Benefit expense	9	9	-	7
Total	293	275	-	224
PERFORMANCE-BASED VARIABLE REMUNERATION				
Short-term variable remuneration	230	189	-	243
Long-term variable remuneration	-	130	-	1,526
Total	230	319	-	1,769
TOTAL REMUNERATION	523	594	-	1,993

* Member of the Executive Board until 30 September 2019

BENEFITS PAID

	<i>Andreas Prenneis</i> Member of the Executive Board		<i>Dirk Pothen</i> Member of the Executive Board	
<i>in EUR k</i>	2020	2019	2020	2019
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	225	225	200	200
Fringe benefit	15	14	13	12
Benefit expense	8	7	13	7
Total	248	247	226	220
PERFORMANCE-BASED VARIABLE REMUNERATION				
Short-term variable remuneration	235	193	235	48
Long-term variable remuneration	-	-	-	-
Total	235	193	235	48
TOTAL REMUNERATION	483	440	461	268

BENEFITS PAID

	<i>Jörg Schroeder**</i> Member of the Executive Board		<i>Stefan Riedel***</i> Member of the Executive Board	
<i>in EUR k</i>	2020	2019	2020	2019
PERFORMANCE-INDEPENDENT REMUNERATION				
Fixed remuneration	185	62	275	-
Fringe benefit	16	5	19	-
Benefit expense	8	2	9	-
Total	209	69	303	-
PERFORMANCE-BASED VARIABLE REMUNERATION				
Short-term variable remuneration	62	-	0	-
Long-term variable remuneration	-	-	-	-
Total	62	0	0	-
TOTAL REMUNERATION	271	69	303	-

** Member of the Executive Board since 1 September 2019; *** Member of the Executive Board since 1 January 2020

Liabilities to members of the Supervisory Board on the reporting date were EUR 1,303 thousand (previous year: EUR 883 thousand) which were paid out in the following year.

The members of the Executive Board of adesso SE held the following adesso SE shares as at 31 December 2020:

<i>Executive Board</i>	<i>Number of no-par bearer shares</i>
Michael Kenfenheuer, Frechen, Germany	26,238
Dirk Pothen, Düsseldorf, Germany	500
Andreas Prenneis, Dortmund, Germany	850
Stefan Riedel, Wesseling, Germany	300
Jörg Schroeder, Münster, Germany	950
TOTAL	28,838

The Executive Board members received EUR 13 thousand in dividends from the shares held in adesso SE (previous year: EUR 18 thousand).

Former members of the Executive Board do not receive any remuneration and were not granted any pension commitments. A former member of the Executive Board continues to work in the company holding a different position and receives market pay rates. No loans or advances were granted to members of the Executive Board.

The members of the adesso SE Executive Board also hold the following positions on supervisory boards and other governing bodies within the meaning of Article 125 (1) clause 5 AktG:

- > Michael Kenfenheuer, Frechen, Germany
Chairperson of the Supervisory Board of e-Spirit AG, Dortmund, Germany
- > Dirk Pothen, Düsseldorf, Germany
Member of the Administrative Board of adesso Schweiz AG, Zurich, Switzerland
- > Andreas Prenneis, Dortmund, Germany
Member of the Supervisory Board of e-Spirit AG, Dortmund, Germany
Member of the Supervisory Board of Quanto AG, Hameln, Germany
- > Jörg Schroeder, Münster, Germany
Member of the Supervisory Board of adesso banking solutions GmbH, Frankfurt am Main, Germany

38 Supervisory Board

38.1 Composition of the Supervisory Board

The members of the Supervisory Board in 2020 were as follows:

- > Prof. Volker Gruhn, Dortmund, Germany, Chairman of the Supervisory Board
Head of the Software Engineering Department at University of Duisburg-Essen, Germany
- > Dr Friedrich Wöbking, Pullach, Germany, Deputy Chairman of the Supervisory Board
Management consultant
- > Prof. Gottfried Koch, Stein, Switzerland
Professor of Insurance Information Technology at Leipzig University
- > Dipl.-Kfm. (business management graduate) Hermann Kögler, Bonn, Germany
Management consultant

- > Dipl.-Math. (mathematics graduate) Heinz-Werner Richter, Dortmund, Germany
Actuarial trustee, appraiser
- > Dipl.-Inform. (graduate computer scientist) Rainer Rudolf, Dortmund, Germany
Member of the Executive Board of W3L AG, Dortmund, Germany

The members of the adesso SE Supervisory Board also hold the following positions on supervisory boards and other governing bodies within the meaning of Article 125 (1) clause 5 AktG:

- > Prof. Volker Gruhn, Dortmund, Germany
Member of the supervisory board of e-Spirit AG, Dortmund, Germany
- > Dipl.-Kfm. Hermann Kögler, Bonn, Germany
Chairperson of the Supervisory Board of Cognos AG, Cologne, Germany
- > Prof. Gottfried Koch, Stein, Switzerland
Chairman of the Board of Directors of automobilie AG, Bühler, Switzerland
Chairman of the Board of Directors of Pfefferbeere AG, Bühler, Switzerland
- > Dr Friedrich Wöbking, Pullach, Germany
Member of the Supervisory Board of Erste Financial Service GmbH (EFS), Düsseldorf, Germany
(until 2 April 2020)

38.2 Remuneration of members of the Supervisory Board

Total remuneration in calendar year 2020 for all members of the adesso SE Supervisory Board appointed in this period was EUR 68 thousand (previous year: EUR 57 thousand).

Supervisory Board remuneration paid in the financial year

<i>in EUR k</i>	<i>Basic remuneration</i>	<i>Variable share</i>	<i>Total</i>
Prof. Volker Gruhn	8	-	8
Prof. Gottfried Koch	5	9	14
Hermann Kögler	5	9	14
Heinz-Werner Richter	5	9	14
Rainer Rudolf	5	-	5
Dr Friedrich Wöbking	5	9	14
TOTAL	33	36	69

All transactions with related parties are concluded at market terms and conditions. Liabilities to members of the Supervisory Board on the reporting date were EUR 283 thousand (previous year: EUR 221 thousand). Liabilities for Supervisory Board remuneration of EUR 33 thousand were created in the current financial year (previous year: EUR 33 thousand). Expenses of EUR 463 thousand (previous year: EUR 422 thousand) were recognised for commissions, fees and expense allowances.

adesso has neither granted loans to members of the Supervisory Board nor issued bonds or guarantees on their behalf. There are no family ties between members of the Supervisory Board, nor between members of the Supervisory Board and the Executive Board. There are no service agreements between the Supervisory Board members and adesso or its subsidiaries that call for remuneration upon termination.

Former members of the Supervisory Board do not receive any remuneration, nor were any pension commitments made.

The members of the Supervisory Board of adesso SE held the following adesso SE shares as at 31 December 2020:

	<i>Number of no-par bearer shares</i>
Prof. Volker Gruhn, Dortmund, Germany (indirectly via Setanta GmbH, Dortmund, Germany)	1,723,767
Rainer Rudolf, Dortmund, Germany	1,088,195
Prof. Gottfried Koch, Stein, Switzerland	15,921
Dr Friedrich Wöbking, Pullach, Germany	6,230
Hermann Kögler, Bonn, Germany	-
Heinz-Werner Richter, Dortmund, Germany	-
TOTAL	2,834,113

The Supervisory Board members (excluding Setanta GmbH) received dividends of EUR 522 thousand (previous year: EUR 500 thousand).

39 Related Party Disclosures

In addition to the members of the Executive Board and Supervisory Board, the following companies are considered to be related parties of adesso:

Joint ventures/associates:

- > adesso banking solutions GmbH
- > AISportsWatch GmbH, Essen, Germany
- > Barmenia IT+ GmbH, Wuppertal, Germany
- > com2m GmbH, Dortmund, Germany
- > TRILUX Digital Solutions GmbH, Arnsberg, Germany
- > urban Energy GmbH

Other:

- > Gesundheitsforen Leipzig GmbH, Leipzig, Germany
- > Interaction Room GmbH, Essen, Germany
- > it factum GmbH, Munich, Germany
- > Setanta GmbH, Dortmund, Germany (wholly owned by Prof. Volker Gruhn)
- > Softwareforen Leipzig GmbH, Leipzig, Germany
- > Tamed AI GmbH, Essen, Germany

Receivables from and liabilities to related parties were as follows as at 31 December:

<i>in EUR k</i>	2020		2019	
	<i>Receivables</i>	<i>Liabilities</i>	<i>Receivables</i>	<i>Liabilities</i>
Joint ventures	666	-	456	42
Associates	921	19	121	133
Other	2	39	-	35
TOTAL	1,589	58	577	210

The following income (primarily from service agreements) and expenses with related parties were recognised in the financial year under review:

in EUR k	2020		2019	
	Income	Expenses	Income	Expenses
Joint ventures	766	195	441	106
Associates	138	18	288	35
Other	3	339	66	224
TOTAL	907	552	795	365

For transactions with members of the Executive Board and Supervisory Board, we refer to Note “37. Executive Board” and “38. Supervisory Board”. adesso received dividend payments of EUR 525 thousand from a company measured using the equity method (previous year: EUR 470 thousand). Setanta GmbH received dividends from adesso SE of EUR 809 thousand (previous year: EUR 774 thousand), which were paid in full. No other transactions took place with Setanta GmbH in the financial year, as was the case in the previous year.

40 Auditor's fee

Under German law, the auditors are elected by the Annual General Meeting on the proposal of the Supervisory Board. Once the auditor has been chosen, the Supervisory Board issues the mandate, approves the conditions and scope of the audit, as well as all audit fees, under its own responsibility, and monitors the independence of the auditor.

The Annual General Meeting elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, Germany, as auditors for 2020 on the proposal of the Supervisory Board.

The activities of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, are subject to reporting and are disclosed in the table below.

in EUR k	2020	2019
Audit of the financial statements	223	178
Tax consulting services	-	-
Other consulting services	2	7
TOTAL	225	185

Of the expenses for audit services in 2020 EUR, 45 thousand (previous year: EUR 30 thousand) relate to the previous year.

41 Events occurring after the balance sheet date

On 19 March 2021, with the approval of the Supervisory Board, adesso SE sold the e-spirit AG subgroup included in adesso's consolidated financial statements, which until now has developed and sold the FirstSpirit content management system (CMS), to the US company CrownPeak Technology Inc. Through the transaction, CrownPeak also acquires the rights to the source code of the FirstSpirit product, which has also been internationally renowned for many years. The purchase price amounts to around USD 30 million. With this transaction, adesso SE continues to focus on its core business with industry-specific IT services and products.

As at 31 December 2020, the e-Spirit AG subgroup was not yet classified as "available for sale". The net assets attributable to the sold Group units amount to EUR 9 million and are composed as follows:

<i>in EUR k</i>	<i>31.12.2020</i>
Non-current assets	8,749
Current assets	5,188
Non-current liabilities	1,315
Current liabilities	3,561
NET ASSETS	9,060

The information on the net assets of the Group units sold are preliminary calculations. Impairment losses are not to be recognised due to the classification as discontinued operations. The companies are allocated to the IT Solutions segment at the end of 2020.

42 Appropriation of net income

On 03 June 2020, the Annual General Meeting of adesso SE resolved to pay a dividend of EUR 0.47 per share for the 2019 financial year. The dividend payment made by adesso SE in the reporting period totalled EUR 2,903 thousand.

For the 2020 financial year, the Executive Board and Supervisory Board will propose to the Annual General Meeting of adesso SE a dividend payment of EUR 3,216,378.36 or EUR 0.52 per share. The distribution of dividends has no income tax consequences for adesso.

43 Statement of compliance with the German Corporate Governance Code in accordance with Article 161 AktG

Pursuant to Article 161 AktG, the Executive Board and Supervisory Board of adesso SE hereby declare that adesso AG is compliant with the recommendations of the "Government Commission on the German Corporate Governance Code" in the current version published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger). Possible deviations from the recommendations are listed and commented on in the compliance statement.

The Executive Board and Supervisory Board of adesso SE report on corporate governance for the company annually and publish this information as part of the management report. The report and statement, including the declaration of conformity, have been made available online at www.adesso-group.de/corporate-governance/ for an unlimited period.

44 Notification obligations

adesso SE received the following reports pursuant to Article 19 (1) MAR for financial year 2020:

Transaction	Name	Type	Shares	Price
9 December 2020	Dr Friedrich Wöbking	Disposition, processed via joint brokerage account with wife	100	95.10
9 December 2020	Dr Friedrich Wöbking	Disposition, processed via joint brokerage account with wife	120	94.80
9 December 2020	Dr Friedrich Wöbking	Disposition, processed via joint brokerage account with wife	50	94.60
31 July 2020	Setanta GmbH	Purchase	1,800	56.93
23 July 2020	Rainer Rudolf	Disposition	490	57.79
22 July 2020	Rainer Rudolf	Disposition	999	57.62
21 July 2020	Rainer Rudolf	Disposition	861	56.90
15 July 2020	Jörg Schroeder	Purchase, processed via joint brokerage account with wife	250	57.20
1 July 2020	Dr Friedrich Wöbking	Disposition, processed via joint brokerage account with wife	812	56.79
1 April 2020	Rainer Rudolf	Purchase	2,350	41.94
1 April 2020	Andreas Prenneis	Purchase	850	42.59
1 April 2020	Dirk Pothen	Purchase	500	42.61
1 April 2020	Jörg Schroeder	Purchase, processed via joint brokerage account with wife	500	43.67
31 March 2020	Setanta GmbH	Purchase	2,200	45.00

45 Shareholder Structure

The shareholder structure was as follows as at the balance sheet date:

Shareholder	Threshold value above or below	Share in %
Prof. Volker Gruhn (Setanta GmbH)	13 August 2007	27.9
Rainer Rudolf	2 October 2007	17.6
Ludwig Fresenius	18 April 2017	9.9

In accordance with the free float definition as set out in the “Guide to the DAX Equity Indices” by Qontigo, a subsidiary of Deutsche Börse Group, the free float is, therefore, 44.6%.

In the 2020 financial year, adesso SE did not receive any notifications in accordance with Article 33 or Articles 38, 39 of the German Securities Trading Act (WpHG).

Invesco Ltd, Hamilton, Bermuda, notified us on 24 March 2020 that its voting rights in adesso SE, Dortmund, Germany, exceeded the threshold of 3% of the voting rights on 19 March 2020 and amounted to 2.99% on that day, which corresponds to 185,208 voting rights.

On 27 May 2020, Michael Hochgürtel informed us that his share of the voting rights in adesso SE, Dortmund, Germany, had fallen below the 3% threshold of the voting rights on 18 May 2020 and on that day amounted to 2.99% (corresponding to 185,225 voting rights).

46 Subsidiaries

Company name	Registered office	Equity ²⁾	Annual result ²⁾	Share-holding
adesso as a service GmbH	Dortmund, Germany	EUR 3,545 k	EUR 1,787 k	100%
adesso Austria GmbH	Vienna, Austria	EUR -2,034 k	EUR 797 k	100%
adesso Bulgaria EOOD	Sofia, Bulgaria	TBGN 1,598	TBGN 890	100%
adesso experience GmbH	Cologne, Germany	EUR 226 k	EUR 201 k	100%
adesso health solutions GmbH	Neumünster, Germany	EUR 1,457 k	EUR 242 k	90%
adesso Hungary Software Kft.	Budapest, Hungary	MHUF -93	MHUF -105	100%
adesso insurance solutions GmbH	Dortmund, Germany	EUR 3,192 k	EUR -4,685 k	100%
adesso mobile solutions GmbH ¹⁾	Dortmund, Germany	EUR 343 k	EUR 0 k	100%
adesso Netherlands B.V.	Amsterdam, Netherlands	EUR -564 k	EUR -639 k	100%
adesso Schweiz AG	Zurich, Switzerland	TCHF 3,144	TCHF 1,841	100%
adesso Spain Consultoria y Soluciones Tecnológicas S. L.	Barcelona, Spain	EUR -793 k	EUR -806 k	100%
adesso Transformer Deutschland GmbH	Dortmund, Germany	EUR 375 k	EUR 316 k	100%
adesso Software Consulting B.V.	Amsterdam, Netherlands	EUR 181 k	TEUR -91	94%
adesso Transformer GmbH	Vienna, Austria	EUR 22 k	EUR -10 k	100%
adesso Turkey Bilgi Teknolojileri Ltd. Şti.	Istanbul, Turkey	TTRY 43,294	TTRY 23,116	100%
alleato assekuranzmakler GmbH	Dortmund, Germany	EUR 183 k	EUR 247 k	100%
A3A Strategy Consulting GmbH	Cologne, Germany	EUR 109 k	EUR 108 k	100%
Blue4IT Professionals B.V.	Hendrik Ido Ambracht, Netherlands	EUR 572 k	EUR 251 k	100%
Bluefront B.V.	Schiedam, Netherlands	EUR 57 k	EUR 40 k	100%
Codesquad B.V.	Nieuwegein, Netherlands	EUR 443 k	EUR 299 k	100%
e-Spirit AG ¹⁾	Dortmund, Germany	EUR 4,895 k	EUR 0 k	100%
e-Spirit Inc.	Lexington, USA	TUSD 659	TUSD 26	100%
e-Spirit Schweiz AG i. L.	Zurich, Switzerland	TCHF 136	TCHF -38	100%
inQventures GmbH	Berlin, Germany	EUR 244 k	EUR -30 k	100%
IoT Deutschland GmbH	Hamburg, Germany	EUR 2 k	EUR -2 k	100%
LeanNetworking Kft.	Budapest, Hungary	MHUF 0	MHUF -26	51%
medgineering GmbH	Dortmund, Germany	EUR -288 k	EUR 49 k	100%
percision services GmbH	Dortmund, Germany	EUR 908 k	EUR 1,267 k	100%
QUANTO AG	Hamel, Germany	EUR 1,730 k	EUR 1,028 k	71%
QUANTO Austria Consulting GmbH	Vienna, Austria	EUR 119 k	EUR 23 k	90%
QUANTO Hungary Consulting Kft.	Gyor, Hungary	MHUF 427	MHUF 154	70%
Solbicon GmbH (formerly Solbicon AG)	Dortmund, Germany	EUR 88 k	EUR 39 k	100%

1) Result for the year is EUR 0 thousand due to a profit and loss transfer agreement with adesso SE.

2) Equity and the result for the year are stated in accordance with the respective national laws.

47 Associates and joint ventures

<i>Company name</i>	<i>Registered office</i>	<i>Associated Company (AC)/ Joint Venture (JV)</i>	<i>Proportionate equity¹⁾</i>	<i>Proportionate Annual Result¹⁾</i>	<i>Shareholding</i>
adesso banking solutions GmbH	Frankfurt am Main, Germany	JV	EUR 174 k	EUR -26 k	50.0 %
AlSportsWatch GmbH	Essen, Germany	AC	EUR 464 k	EUR -672 k	35.4 %
Barmenia IT+ GmbH	Wuppertal, Germany	AC	EUR 770 k	EUR 320 k	24.0 %
com2m GmbH	Dortmund, Germany	JV	EUR 180 k	EUR 199 k	58.7 %
TRILUX Digital Solutions GmbH	Arnsberg, Germany	AC	EUR -12 k	EUR 15 k	20.0 %
urban Energy GmbH	Berlin, Germany	AC	EUR 32 k	EUR -96 k	17.9 %
QUANTO Masernet GmbH	Paderborn, Germany	AC	EUR 7 k	EUR 0 k	30.0 %
QUANTO TS GmbH	Hanover, Germany	AC	EUR 50 k	EUR 0 k	35.0 %

1) Equity and the result for the year are stated in accordance with the respective national laws.

48 Use of exemption provisions

The following domestic group companies in the legal form of a joint-stock company satisfied the necessary conditions for utilising the exemption provisions pursuant to Section 264 (3) HGB and will therefore not be preparing a Management Report and Notes, nor will the annual financial statements be audited by an auditor or be disclosed for the 2020 financial year:

- > e-Spirit AG
- > adesso mobile solutions GmbH

Statement of the legal representatives

We confirm that the consolidated financial statements, in accordance with the applicable accounting principles and to the best of our knowledge, present a true and fair view of the group's net assets, financial position and results of operations, and that the combined management report presents a true and fair view of the group's results of operations and position in addition to describing the material opportunities and risks for the expected development of the group.

Dortmund, Germany, 19 March 2021

adesso SE



Michael Kenfenheuer



Dirk Pothen



Andreas Prenneis



Stefan Riedel



Jörg Schroeder

Reproduction of the auditor's report

We have issued the following auditor's report on the consolidated financial statements and the consolidated management report, which was combined with the company's management report:

“Independent auditor's report

To adesso SE

Note on the audit of the consolidated financial statements and the consolidated management report

Audit opinions

We have audited the consolidated financial statements of adesso SE, Dortmund, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 01 January 2020 to 31 December 2020, as well as the consolidated notes including a summary of significant accounting methods. In addition, we have audited the consolidated management report of adesso SE, which was combined with the company's management report, for the financial year from 1 January 2020 to 31 December 2020. The audit did not include the non-financial declaration in accordance with Sections 289b to 289e HGB and the Declaration of Conformity in accordance with Section 289f (2) and (5) of the German Commercial Code (HGB, including the statement of compliance with the German Corporate Governance Code in accordance with Section 161 AktG.

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

- > the consolidated financial statements attached comply in all material respects with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315a (1) HGB and give a true and fair view of the asset and financial situation of the Group as of 31 December 2020, as well as its results for the financial year from 01 January 2020 to 31 December 2020, in accordance with these regulations, and
- > imparts an overall accurate impression of the Group's position. In all material respects, this consolidated management report agrees with the consolidated financial statements, complies with the German legal requirements, and gives a true and fair view of the opportunities and risks associated with future developments. Our audit opinion on the consolidated management report does not extend to the content of the aforementioned non-financial declaration and the Declaration of Conformity.

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

Basis of the audit opinions

We have carried out our audit of the consolidated financial statements and consolidated management report in accordance with Section 317 HGB and the EU Audit Regulation (no. 537/2014) in accordance with the generally accepted German standards for the audit of financial statements determined by Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these regulations and principles are further described in the section of our auditor's report entitled 'Responsibility of the auditor for the audit of the consolidated financial statements and the consolidated management report'. We are independent of the Group companies in accordance with the European and German commercial and professional regulations and have fulfilled our

other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services under Article 5 (1) of the EU Audit Regulation. In our opinion, the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the consolidated management report.

Particularly important audit matters in the audit of the consolidated financial statements

Particularly important audit matters are those matters that, in our best judgement, were most significant in our audit of the consolidated financial statements for the financial year from 01 January 2020 to 31 December 2020. These matters have been taken into account in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not deliver a separate opinion on these matters.

Below we describe what we consider to be particularly important audit matters:

1. Impairment of goodwill

Reasons for determination as a particularly important audit matter

adesso performs the impairment test to be carried out in accordance with IAS 36, Impairment of Assets, as of 30 June of the financial year and additionally on an ad hoc basis. There, the recoverable amount must be compared with the recoverable amount of a goodwill-bearing cash-generating unit. The Group determines this using a discounted cash flow method. Against the background of the associated complexity and discretionary scope, the impairment test for goodwill was a particularly important issue during our audit.

The impairment test is based on assumptions that are derived from corporate planning and that are influenced by expected future market and economic conditions. The impairment test is also significantly based on the appropriate accrual of the cash-generating units carrying the goodwill. Each recoverable amount depends in particular on the future cash flows in the medium-term planning of the cash-generating units as well as on the assumed discount and growth rates. The definition of these parameters is the responsibility of the legal representatives and is discretionary. There is a risk that changes to these discretionary decisions could result in material changes to the impairment tests of the respective cash-generating units.

Auditing procedure

As part of our auditing procedures, we have reconstructed the process established by the Group for conducting impairment tests with regard to its ability to determine potential depreciation needs. In doing so, we have dealt with the planning process and the applicable integration of the individual planning into the Group planning. As part of this, we have discussed and documented the key planning assumptions with the legal representatives of the parent company, in consultation with our valuation experts. The focus here was on the assessment of the expected future cash flows in the medium-term planning of the major cash-generating units as well as on the discount rates and growth rates used. For this purpose, we have reconstructed the premises underlying the impairment test by comparing them with general and industry-specific market expectations. In this context, we have also reviewed the achievement of targets by comparing the medium-term plans of the previous years with the actual figures for the financial year. In addition, we have compared the medium-term plans used in the impairment tests with the medium-term plans approved by the Executive Board and the Supervisory Board and assessed the mathematical correctness of the valuation models in random samples.

The focus of our audit activities was additionally the assessment of the information provided by adesso in the consolidated notes. In this regard, we have reviewed the information provided by the legal representatives regarding their completeness and compared them with our expectations. In particular, the legal representatives' statement regarding which changes in the main planning assumptions could lead to a possible need for impairment was a major focus of the audit within the consolidated notes. In this context, we conducted our own sensitivity analyses (book value in comparison to the recoverable amount) of significant cash-generating units in order to understand the impact of changes in certain parameters on the valuation models.

Our audit procedures found no objections with regard to the recoverability of goodwill.

Reference to related information

The information provided by adesso on goodwill is contained in Sections II. 'Summary of Material Accounting Principles' under 'Consolidation' and 'Estimates and Assumptions', III.7. 'Goodwill and Intangible Assets' and VI. 'Information on Segment Reporting' of the consolidated notes.

2. Accrual accounting and recognition of revenue

Reasons for determination as a particularly important audit matter

The significant revenue streams in the consolidated financial statements of adesso stem from licence sales, consulting projects, and maintenance, SmartCloud and hosting contracts. Due to their complexity, the proper accrual and recognition of these different revenue streams are subject to an increased risk of incorrect accounting. In light of this, the accrual and recognition of the significant revenue streams was one of the most important issues for our annual audit.

Auditing procedure

As part of our audit, we have first of all concerned ourselves with the accrual accounting and recognition of significant income streams as well as the associated control environment with regard to the criteria of the IFRS 15 – Revenues from Contracts with Customers. In this context, we have tested the process-related controls for complete and accrued recognition of all billable services and underlying times – also using data analysis. In order to understand the regularity of revenue accrual as of the balance sheet date, we have reviewed key contracts, obtained external customer confirmations and performed sample-based document checks of proofs of delivery, customer invoices and incoming payments as of the balance sheet date. Furthermore, we have inspected the relevant project documents, such as contracts, customer communication, project manager confirmations and acceptance reports, in random samples. With the help of analytical analyses of the entire revenue-relevant data stock of the financial years, we have performed a correlation analysis and reviewed daily revenue bookings based on these findings using spot checks. In doing so, we compiled our expectations on the basis of industry and market-related data as well as the previous year's figures and compared these with the results of our data analyses. The percentage of completion determined by the Group for the application of the period-related recognition of sales revenues in the area of fixed-price projects has been examined using spot checks of the respective hourly calculations and project documents, such as contracts, customer communication and project manager confirmations. Moreover, we have carried out historical target-actual comparisons of project calculations with the actually occurring values using random samples. Building on that, we have compared expenses estimated by the company, which will not be paid until completion, with confirmations of the project heads about the anticipated overall project expense, to determine whether the value of the capitalised receivables needs to be adjusted.

The risk that projects could be released inaccurately and the ensuing revenue posted was countered by relying on extensive surveys of legal representatives and the use of data analysis for our audit opinion. In this context, we randomly examined the database regarding project releases and performed spot checks to assess whether unauthorized project releases were made in financial year 2020.

Our audit procedures found no objections with regard to accrual accounting and revenue recognition.

Reference to related information

The information of the company for the recognition of revenues is contained in Sections II. 'Summary of Material Accounting Principles' under 'Consolidation' and 'Accounting – Estimates and Assumptions' and IV. 'Explanations for Items on the Consolidated Income Statement' are contained within point 24 'Sales revenues' of the consolidated notes.

Other information

The legal representatives are responsible for the other information. The other information includes the non-financial declaration in accordance with Sections 315b and 315c and the Declaration of Conformity in accordance with Section 315d HGB, including the statement of compliance with the German Corporate Governance Code in accordance with Section 161 AktG. Moreover, the other information encompasses the following components envisaged for the company report, of which we obtained a copy before issuing this auditor's report: the report by the Supervisory Board in accordance with Section 171 (2) and (3) AktG and the balance sheet oath in accordance with Section 264 (2) (3) HGB.

Our audit opinions on the consolidated financial statements and consolidated management report do not extend to the other information. Accordingly, we do not issue an audit opinion or any other form of conclusion regarding audit findings on the matter.

In connection with our audit, we are responsible for reading the other information and for acknowledging whether the other information

> contains material inconsistencies with the consolidated financial statements, consolidated management report or our findings gathered during the audit, or

> otherwise appear materially misstated.

We are obliged to report whether we discover any material misstatements of this other information on the basis of the work performed by us. We have nothing to report in this context.

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

The legal representatives are responsible for the preparation of the consolidated financial statements in compliance, in all material respects, with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315e (1) HGB and for ensuring that the consolidated financial statements give a true and fair view of the asset, financial and earnings situation of the Group in accordance with these regulations. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

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

In addition, the legal representatives are responsible for the preparation of the consolidated management report, which imparts an overall accurate impression of the Group's position, is in all material respects consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks associated with future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a consolidated management report in accordance with the applicable German legal requirements and for being able to provide sufficient suitable evidence for the statements in the consolidated management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for preparing the consolidated financial statements and the consolidated management report.

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

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the consolidated management report imparts an overall accurate impression of the Group's position and corresponds to the consolidated financial statements and the findings of the audit in all material respects, that it complies with German legal requirements and accurately reflects the opportunities and risks associated with future development, and to issue an audit report that includes our audit opinions on the consolidated financial statements and the consolidated management report.

Sufficient security refers to a high degree of security, but no guarantee that a test conducted in accordance with Section 317 HGB and the EU Audit Regulation in accordance with the generally accepted German standards for the audit of financial statements determined by Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from breaches or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these consolidated financial statements and this consolidated management report.

During the audit, we exercise due discretion and maintain a critical attitude. Moreover,

- > we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and the consolidated management report, plan and execute audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misstatements may not be detected is higher for violations than for inaccuracies, as violations may include fraud, falsification, intentional incompleteness, misrepresentations or the discontinuation of internal controls;
- > we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the consolidated management report in order to design audit procedures that are appropriate in the given circumstances, but not with the aim of expressing an opinion on the effectiveness of these systems;

- > we assess the appropriateness of the accounting methods used by the legal representatives and the reasonableness of the estimates and related information provided by the legal representatives;
- > we draw conclusions about the appropriateness of the accounting principle used by the legal representatives in continuation as a going concern and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that could raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related information in the consolidated financial statements and the consolidated management report or, if this information is inadequate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the Group being unable to continue as a going concern;
- > we assess the overall presentation, structure and content of the consolidated financial statements including the information provided and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements are prepared in compliance with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315e (1) HGB and give a true and fair view of the asset, financial and earnings situation of the Group;
- > we obtain sufficient audit evidence for the accounting information of the companies or business activities within the Group in order to provide audit opinions on the consolidated financial statements and the consolidated management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions;
- > we assess the consistency of the consolidated management report with the consolidated financial statements, its legal conformity and the impression it imparts of the Group's position;
- > we conduct audits of the forward-looking statements presented by the legal representatives in the consolidated management report. On the basis of sufficient suitable audit evidence, we, in particular, reproduce the significant assumptions on which the forward-looking statements are based, and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings that we identify during our audit, including any deficiencies in the internal control system.

We provide a statement to the supervisors that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the protective measures taken for that purpose.

Of the matters we discussed with the supervisors, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are, therefore, the most important audit matters. We describe these matters in the audit report, unless laws or other legal provisions exclude public disclosure of the matter.

Other statutory and other legal requirements

Note on the audit of the electronic reproduction of the consolidated financial statements and the consolidated management report, which were prepared for disclosure purposes, in accordance with Section 317 (3) (b) HGB

Audit opinions

In accordance with Section 317 (3) (b) HGB, we have performed an audit with adequate certainty as to whether the reproductions of the consolidated financial statements and the consolidated management report that was combined with the company's management report (hereinafter also referred to as the 'ESEF documents'), which are contained in the attached file 'adesso-2020-12-31' and were created for disclosure purposes, meet the requirements of Section 328 (1) HGB for the electronic reporting format ('ESEF format') in all material respects. In accordance with the German statutory requirements, this audit extends only to the transfer of information from the consolidated financial statements and the consolidated management report in the ESEF format and, therefore, does not extend to the information contained in these reproductions or in the aforementioned files.

We believe the reproductions of the consolidated financial statements and the consolidated management report, which are contained in the aforementioned attached file and were created for disclosure purposes, meet the requirements of Section 328 (1) HGB for the electronic reporting format in all material respects. We issue no auditor's opinion on the information contained in these reproductions, or on the other information contained in the aforementioned file, beyond this auditor's opinion and the auditor's opinion on the attached consolidated financial statements and the attached consolidated management report for the financial year from 1 January to 31 December 2020, which is contained in the preceding 'Note on auditing the consolidated financial statements and the consolidated management report'.

Basis of the audit opinions

We have performed our audit of the reproductions of the consolidated financial statements and the consolidated management report contained in the aforementioned attached file in accordance with Section 317 (3) (b) HGB and in compliance with the draft of the IDW auditing standard: Auditing electronic reproductions of financial statements and management reports in accordance with Section 317 (3) (b) HGB (IDW EPS 410). Our responsibility according to this is described further in the section 'Responsibility of the auditor of the consolidated financial statements for the audit of the ESEF documents'. Our auditing practice applied the requirements of the quality assurance system of the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1).

Responsibility of the legal representatives and Supervisory Board for the ESEF documents.

The company's legal representatives are responsible for creating the ESEF documents with the electronic reproductions of the consolidated financial statements and the consolidated management report in accordance with Section 328 (1) (4) (1) HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) (4) (2) HGB.

Furthermore, the company's legal representatives are responsible for the internal controls they deem necessary for creating ESEF documents that are free from material infringements (whether intentional or unintentional) against the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's legal representatives are also responsible for submitting the ESEF documents, together with the auditor's report, the attached audited consolidated financial statements and the consolidated management report, and additional documents to be disclosed, to the operator of the Federal Gazette.

The Supervisory Board is responsible for monitoring the creation of the ESEF documents as a part of the accounting process.

Responsibility of the auditor of the consolidated financial statements for auditing the ESEF documents

We aim to obtain adequate certainty about whether the ESEF documents are free from material infringements (whether intentional or unintentional) against the requirements of Section 328 (1) HGB. During the audit, we exercise due discretion and maintain a critical attitude. Moreover,

- > we identify and assess the risks of material infringements (whether intentional or unintentional) against the requirements of Section 328 (1) HGB, plan and execute audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion.
- > We gain an understanding of the internal control system relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the given circumstances, but not with the aim of expressing an opinion on the effectiveness of these systems;
- > we evaluate the technical validity of the ESEF documents, meaning whether the files containing the ESEF documents meet the requirements of the Delegated Regulation (EU) 2019/815, in the version applicable on the balance sheet date, on technical specifications for these files;
- > we evaluate whether the ESEF documents enable an XHTML reproduction, with the same content, of the audited consolidated financial statements and the consolidated management report;
- > we evaluate whether the marking up of the ESEF documents with inline XBRL technology (iXBRL) enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information pursuant to Article 10 of the EU Audit Regulation.

We were elected as group auditors by the Annual Shareholders' Meeting on 03 June 2020. We were commissioned by the Supervisory Board on 24 June 2020. We have acted as the auditors of adesso continuously since financial year 2017.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (audit report).

In addition to the audit of the financial statements, we provided the following services that are disclosed in the consolidated financial statements as other consulting services for the audited entity and/or for companies controlled by said entity:

Responsible auditor

The auditor responsible for the audit is Andreas Muzzu.”

Dortmund, Germany, 19 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu

Kavun

Wirtschaftsprüfer
[German public auditor]

Wirtschaftsprüferin
[German public auditor]

Investor Relations

The Share

The Trading Year 2020 – General Conditions

Following strong growth of 25% in the previous year, the DAX, Germany's leading stock market index, closed the year 2020 at 13,719 points, marking an increase of 4% despite a massive collapse during the course of the year. The TecDAX achieved slightly more growth than the DAX, closing the year with a gain of 7%, following slightly lower growth of 23% compared to the DAX in 2019. As in the previous year, the MDAX once again achieved the best performance among the selection indices with a plus of 9% in 2020. Despite the comparatively forgiving performance of the indices, the trading year 2020 will remain an unforgettable year among investors. It was primarily shaped by the COVID-19 pandemic and the resulting extremely volatile price development, especially in the first half of the year. Never before has the DAX fallen so rapidly in such a short space of time and then recovered so quickly. By 18 March 2020, the DAX had lost 39%, or 5,347 points, compared to its new all-time closing price high on 19 February 2020. By 5 June 2020, it had almost returned to its level from the start of the year, gaining an impressive 52%. Shortly before the end of the year, on 28 December 2020, the DAX once again surpassed its highest level from February at 13,790 points.

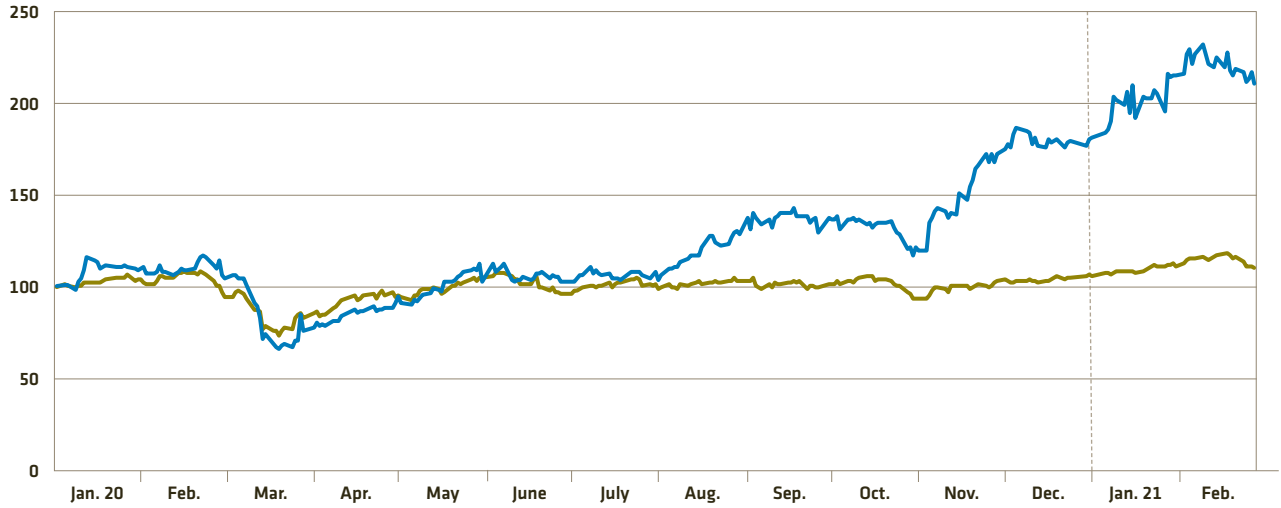
Investors initially started the year 2020 with momentum. The positive mood on the stock markets at the end of 2019 continued throughout January. The strong start in 2020 was due to the maintenance of low key interest rates and the partial agreement in the trade war between the US and China. Following its strong performance in 2019, the DAX rose by 2% in the year's first few weeks of trading to achieve a new all-time closing price high

of 13,577 points on 24 January 2020. Concerns about the novel coronavirus that was spreading in China and its potential effect on the economy subsequently resulted in just a small decline at first. Confidence among investors soon returned. The DAX rose by a further 2 percentage points to a new record closing price of 13,789 points on 19 February 2020. By that date, the TecDAX had gained 9%. The spread of the coronavirus to other countries put a sudden end to the positive market sentiment. Massive stock market losses from 20 February reflected investors' new concerns about a pandemic and the possible impact on global economic growth. A fall of more than 12% in the last trading week in February alone represented the biggest weekly loss for the DAX since the stock market crash in August 2011. In the second trading week in March, the DAX's negative development accelerated, and it dropped by more than 15%. Investors reacted to the feared global spread of the virus with a historic daily loss that exceeded 12% on 12 March 2020. There has only been one slightly higher daily loss in the DAX's history of more than 60 years. The half-year low on 18 March 2020 was followed by an equally unprecedented recovery. On 24 March 2020, the DAX rose by almost 11% in a single day as a consequence of speculation about rescue packages in the course of the COVID-19 pandemic. The DAX continued its consistent upward trend until the end of July, in response to the effects of the mitigation measures as well as massive economic aid packages, before growth concerns, further heightened by disappointing corporate reports, soured the mood. Lacking any directional impulses, this was followed by volatile, sideways movement until mid-October. Given the renewed rise in

DEVELOPMENT OF THE ADESSO SHARE COMPARED TO THE TECDAX

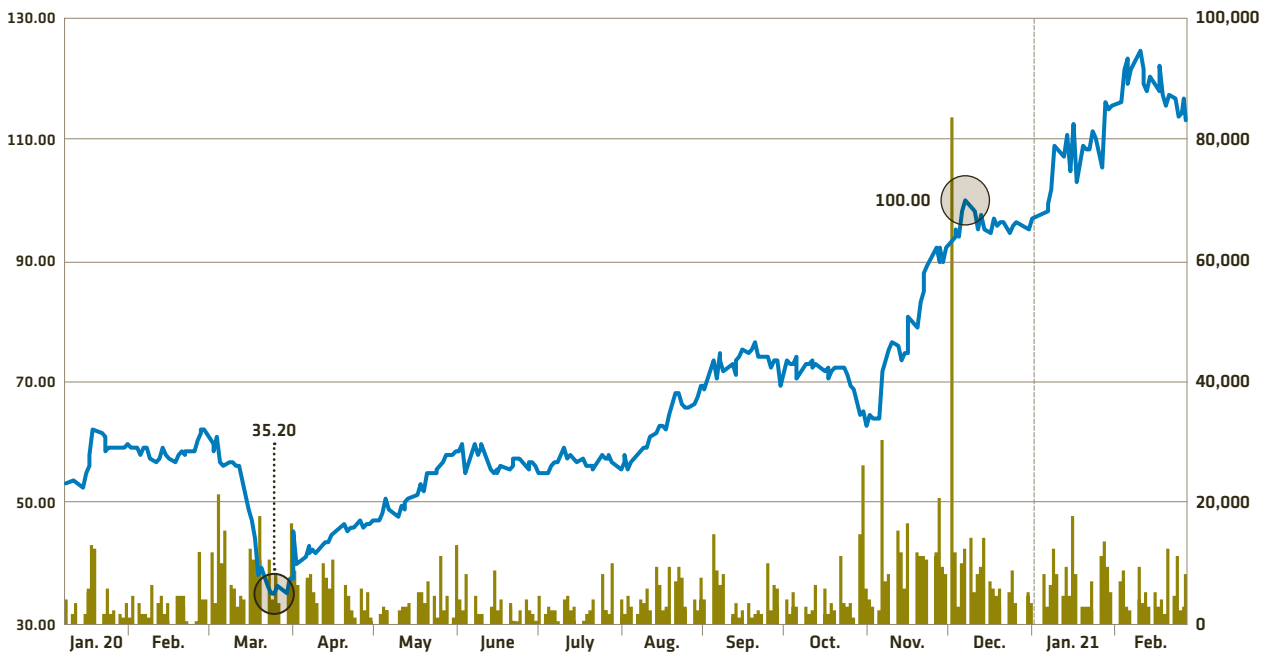
indexed

■ adesso SE ■ TecDAX



DEVELOPMENT OF THE ADESSO SHARE AND TRADING VOLUMES (XETRA)

in EUR / trading volumes in shares



infection figures in autumn, increasing concerns about another lockdown caused the DAX to take a downward turn and fall below the 11,500 mark during the course of trading by the end of October, going as low as 13% below the previous year's close. Despite continuously increasing infection statistics, the subsequent recovery of the DAX rapidly gained headway once positive research results regarding a possible COVID-19 vaccine were announced on 9 November 2020. Following a brief sideways movement, confidence prevailed among investors at the end of the year in spite of the new partial and then strict lockdown in Germany. Gains drove the DAX to a new all-time high on 28 December 2020. The Brexit agreement reached at the last minute, the approval of the US economic stimulus package together with the expected normalisation thanks to coronavirus vaccines also contributed to the positive mood. The TecDAX development largely mirrored that of the DAX throughout the year. However, it suffered a less severe downturn while also extending its lead during the recovery from March onwards. The DAX was unable to catch up until the second trading week in November. On the final trading day, the TecDAX outperformed the DAX by only 3 percentage points, closing at 3,213 points.

Development of adesso Shares

After a 14% increase in the share price in the previous year, adesso investors enjoyed a further 81% increase in value in 2020 when compared to the previous year's closing price. The adesso share far outperformed its reference index, achieving an outperformance of 75 percentage points compared to the TecDAX. At the end of 2020, the adesso share closed at EUR 97.00 and had even closed at triple digits for the first time since the adesso share was listed on 4 December 2020, reaching a new all-time high of EUR 100.00. Viewed against the annual low of EUR 35.20 on 18 March 2020, the share had risen by more than 184%.

Given the consistently positive market environment, the adesso share performed strongly in the first weeks of trading. As a result of the company being presented at a capital market conference and a previous positive assessment by an analyst, the share reached a closing price of EUR 62.20 in brisk trading on 9 and 10 January 2020. In the trading days that

followed, the share was unable to maintain a price above EUR 60.00 as trading volumes declined and displayed largely sideways development slightly below that price moving into February. The publication of preliminary figures through an ad-hoc announcement on 17 February 2020 provided new impetus. On 20 February, the share reached its annual high to date, closing at EUR 62.50 for an interim book profit of 17% compared to the closing price for 2019. In the course of the huge declines in the benchmark indices due to concerns about the further spread of the novel coronavirus, the adesso share lost all of its strong gains since the start of the year. The share lost almost 44% of its value, falling to an annual low of just EUR 35.20 on 18 March 2020 before seeing an equally rapid rise in the course of the general recovery. The publication of good quarterly figures that confirmed the guidance for the year as a whole on 14 May 2020 offered additional support and allowed the share to reach the EUR 60.00 mark again on 28 May 2020. Without further impulses, volatile sideways movement followed until the end of July. During this period, the benchmark indices developed positively in response to the hope of progressive economic recovery and the avoidance of renewed COVID-19 restrictions. This reduced adesso's lead over the TecDAX, which had risen as high as 10 percentage points at one point.

Investors took advantage of this price level to enter the market weeks before adesso's semi-annual figures were published at the end of August. Driven by significantly higher trading volumes again, the adesso share price rose by almost EUR 17.00 or around 30% to EUR 73.60 in August alone. By this time, the lead over the TecDAX benchmark index had already grown to 34 percentage points. Upon reaching this new level above EUR 70.00, the share price demonstrated sideways movement until autumn. The adesso share was unable to avoid the impact of the more pessimistic general market outlook at the end of October, resulting in a noticeable consolidation of both the share price and the benchmark indices. Following the increased annual forecast via ad-hoc announcement on 2 November 2020 and the publication of strong business figures for the third quarter on 13 November 2020, the adesso share benefited disproportionately from the more positive mood from November onwards. By far the highest trading

The following table shows the most important share data for 2020 per quarter:

SHARE DATA

	Q1	Q2	Q3	Q4	2020
Price at the end of the period	42.85	55.00	73.00	97.00	97.00
Development (in %)	-20	3	36	81	81
Development of TecDAX (in %)	-14	-2	2	7	7
Highest price in EUR	62.50	60.00	76.40	100.00	100.00
Lowest price in EUR	35.20	42.00	55.60	62.80	35.20
Volatility (90 days at the end of the quarter in %)	64.0	69.2	45.3	47.2	47.2
Trading volumes in shares per trading day	8,448	5,622	6,294	11,981	8,086
Trading volumes in EUR per trading day	436,380	290,227	412,999	1,004,433	536,100
Number of shares	6,176,093	6,176,093	6,185,343	6,185,343	6,185,343
Market capitalisation in EUR million	264.6	339.7	451.5	600.0	600.0

SHARE DATA

			2020	2019
ISIN Code	DE000A0Z23Q5	Number of shares at the end of the year	6,185,343	6,176,093
WKN (national security identification number)	A0Z23Q	Xetra closing price at the end of the year (EUR)	97,00	53,50
Symbol/Code	ADN1	Market capitalisation at the end of the year (EUR million)	600,0	330,4
Reuters Instrument Code	ADNGk.DE	Earnings per share (EUR)	3,39	2,82
Bloomberg Symbol	ADN1:GR	Cash flow per share (EUR)	10,50	3,62
First day of trading	21.06.2000	P/E ratio	28,6	19,0
Trading platforms	Xetra	Price/cash flow ratio	9,2	14,8
Market segment	General Standard	Dividend per share*	0,52	0,47
Number of shares	6,185,343	Return on dividend*	0,5 %	0,9 %
Currency	EUR			
Nominal value	No share with nominal value: EUR 1.00 (mathematically)			
Share capital	6,185,343 €			
Voting rights per share	1			
Paying agent	DZ BANK AG, Frankfurt/Main			
Index	CDAX, DAXsector All Software, DAXsubsector All IT-Services, General All-Share, General Standard Index			
Reporting standard	IFRS			
End of financial year	31.12.			

* Subject to the approval of the Annual General Meeting in the year under review.

volume on a monthly basis drove the adesso share up to initially EUR 94.00 before reaching not only its annual high but also a new all-time high of EUR 100.00 when the high trading volume continued in December. Although this level was not maintained until the end of the year following profit-taking, the adesso share closed the year at an only slightly lower price of EUR 97.00. Therefore, the share price achieved a significant increase of 81% compared to the previous year's closing price, outperforming the TecDAX by 75 percentage points.

As a result, adesso's market capitalisation rose considerably from EUR 330.4 million at the end of 2019 to EUR 600.0 million.

Trading Volume

There was another general increase in share trading compared to the previous year. Overall trading volumes of all shares on the spot market, including Tradegate, increased by 33.1% to EUR 1.8 billion in the year under review. Investors continued to primarily invest in the top-ranking securities. The 160 largest shares with the highest turnover from the DAX, MDAX and SDAX selection indices accounted for around 84% of the total trading volume. The remaining TecDAX stocks as well as second-tier stocks made up EUR 280.0 billion or 16% of the total trading volume. This represents a 7 percentage point increase in the share of the total trading volume in comparison to the previous year.

The adesso share's trading volume in 2020 almost tripled from EUR 45.8 million in the previous year to EUR 136.2 million. November was the best trading month by far at EUR 33.1 million, with EUR 8.4 million on 30 November 2020 alone. Trading in June, on the other hand, was a mere EUR 4.9 million. An average of 8,086 shares changed ownership per trading day in 2020. This represents a rise of more than 127% compared to 2019. On average, 171,155 adesso shares were traded monthly. As in the previous year, around 73% of trading took place on the Xetra trading platform. This was a decrease of 6 percentage points year on year.

Year to Date Development 2021

The positive mood on the stock markets at the end of 2020 continued until mid-February 2021. The

strong start to 2021 was due to the better-than-expected economic data and progress in the fight against the coronavirus through the start of immunisation activities as well as gradually declining infection figures together with the resulting easing of the restrictions. The change in government in the United States along with the expected more moderate attitude had a further stabilising effect. During the first week of trading, the DAX already exceeded its all-time high from the previous month and breached the 14,000-point mark. By 15 February 2021, the benchmark index even achieved a plus of 3% above the all-time high with 14,109 points at the close of trading. As a consequence, the investors' courage failed them at this high level. Profit-taking as a result of fears of inflation as well as rising bond interest caused a downturn in share trading and the DAX fell back below the 14,000-point mark. Furthermore, fear of the third wave of the pandemic also had a negative impact. By the end of February, the DAX lost all of its interim gains, closing only slightly above the previous year's mark with 13,786 points.

The TecDAX still retained 4% of its interim gain of 12% on 16 February 2021 at the end of the month. The adesso share achieved stronger development in the first trading months with an interim plus of 28% since the end of 2020. In response to the presentation of adesso at three capital market conferences as well as recommendations in the financial media, adesso's share rose to EUR 124.50 at the close of trading on 8 February 2021, boosted by the ongoing high trading volumes. During the course of trading, investors paid up to EUR 128.00 for adesso shares. Although this level could not be maintained until the end of the month as a result of a slight downturn in trading volume and the less optimistic general market situation, the adesso share reached a closing price of EUR 113.00 in the final trading day in February. This represents a book profit of 16% compared to the previous year's closing price and an outperformance of 12 percentage points in comparison to the TecDAX to date.

Capital Measures

Share capital increased from EUR 6,176,093 to EUR 6,185,343 in the reporting period after stock options from the company's stock options programme were exercised. The increase by EUR 6,250 was carried out in July and by EUR 3,000 in September of 2020.

Dividends

The Annual General Meeting held on 3 June 2020 approved the proposal by the Supervisory Board and Executive Board on the appropriation of net income and distributed a higher dividend of EUR 0.47 per share. The dividend was credited to shareholders' custodian accounts from 8 June 2020.

Shareholder Structure

The largest shareholder of adesso SE, with 27.9 % of the voting rights, is Professor Dr Volker Gruhn, who holds his shares indirectly via the Setanta GmbH investment company. Professor Dr Gruhn is the Chairperson of the Supervisory Board of adesso SE and its co-founder. Rainer Rudolf as co-founder, former Executive Board member and since 2013 also Supervisory Board member holds the second-largest share of voting rights at 17.6 %. adesso SE's Supervisory Board holds 45.8 % of the company's share capital, while its Executive Board holds 0.5 % of the share capital. 67.6 % of the assigned voting rights, and therefore the majority, is held by private investors. The proportion of institutional investors at year end 2020 amounts to 22.6 %. The remaining 9.8 % of the company's shares cannot be clearly assigned to a specific

class of investor. According to the free float definition of Qontigo, a subsidiary of Deutsche Börse Group, the free float is 44.6 %. It has not changed compared to the value stated in the 2019 annual report.

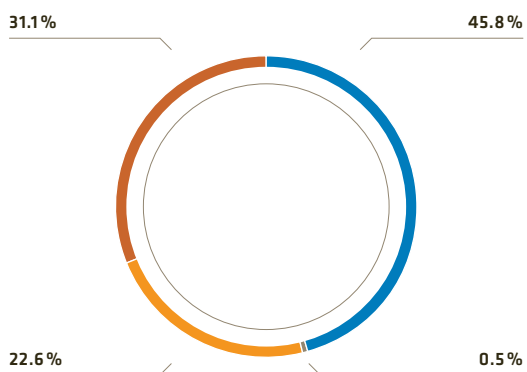
Investor Relations Activities

Our investor relations activities are dedicated to active communication and ensure that our business activities are transparent. We not only strive to offer ultimate transparency and ready access to information, but also actively seek dialogue with institutional and private investors, analysts and financial media. In doing so, we regularly present the development of the company in the course of one-on-one meetings or roadshows. We also take advantage of numerous investor conferences to present adesso SE and enhance our contact to the capital market.

adesso SE was presented at the German Equity Forum Online in 2020, and at Online 1-on-1 Summer Summit (as substitute event of Spring Conference) initiated by the DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.). Furthermore, presentations were made at three other conferences and investor events on site in Lyon and remote in

SHAREHOLDER STRUCTURE

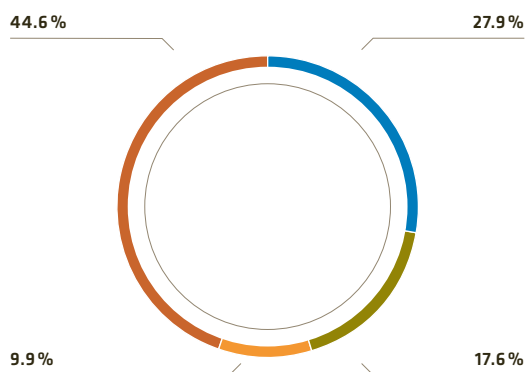
in %



■ Supervisory Board ■ Executive Board ■ Institutional Investors ■ Other

SHAREHOLDERS

in %



■ Prof. Dr. Volker Gruhn (Setanta GmbH)* ■ Rainer Rudolf* ■ Ludwig Fresenius ■ Freefloat * Supervisory Board

Munich and Frankfurt. A roadshow was organised in on site in Frankfurt and a virtual one remote in Paris. Due to the Corona pandemic, most events in 2020 were not held on site, but via video conferencing. The financial calendar for 2021 features plans for a similarly high number of investor conferences.

We also published information relevant to the capital market and presentations on our company regularly during the financial year. Interested capital market participants have access to comprehensive information in the “Investor Relations” section of the company website, which goes far beyond the mandatory disclosures. As a service, the menu item “Questions for the CFO” permits direct dialogue with the responsible Executive Board member. Distribution lists for mailing or electronically distributing company press releases and reports allow us to actively supply interested parties with the latest information on adesso SE. More than 610 individuals and companies have already taken advantage of this service. Especially for analysts, but also for all other interested investors, adesso offers an investor folder for download which, in addition to the regular publications for the past twelve months, includes a multi-period overview of the income statement and the most important performance figures on a quarterly and annual basis, as well as the consolidated and interim financial statements in Excel format. adesso was analysed regularly in 2020 by various analysts. Updates to analyst studies are offered on the adesso website.

adesso SE is a member of the German Investor Relations Association e.V. (DIRK).

Analyses / Research

The adesso SE share has been evaluated regularly by Warburg Research with updates and comments since the publication of the baseline study in October of 2016. Furthermore, assessments are published by the independent analysts of SMC Research, who have been tracking adesso’s development since May of 2013. In order to strengthen transparency and further expand capital market relations, adesso has also collaborated with the independent European financial services company Kepler Cheuvreux as of the second quarter of 2019. The basic study was published in September 2019.

The latest updates by current analysts were published in December 2020 and January 2021. Warburg Research advises “buy” with a price target of EUR 110.00 (10 December 2020). The Kepler Cheuvreux analyst classifies the adesso shares as “buy” with a price target of EUR 112.00 (21 January 2021). SMC Research also issues a buy recommendation and rates the fair value at EUR 121.50 (13 January 2021).

Since the beginning of 2011, trading of the adesso share has been supported by the designated sponsoring market leader, Oddo Seydler Bank AG (formerly: Close Brothers Seydler Bank AG).

Contact person:

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RECOMMENDATIONS FROM THE FINANCIAL MEDIA AND ANALYSTS' OPINIONS

Date	Subject/ Recommendation	Evaluation	Source
2021-02-05	adesso continues to pull through	Although the share [...] has performed impressively in recent months, we see further potential. [...] The race for the top positions in digital transformation seems to have finally picked up speed with the Corona crisis. The Dortmund-based company is one of the profiteers. Despite the sharp rise in the share price, the P/E ratio of 28 is a favourable in a sector comparison [...] Accumulate adesso to EUR 120.00. Stop high at EUR 87.50.	Der Platow Brief
2021-01-21	Buy	Target Price: EUR 112,00	Kepler Cheuvreux
2021-01-13	Buy	Target Price: EUR 121,50	SMC Research
2020-12-10	Buy	Target Price: EUR 110,00	Warburg Research
2020-11-20	After 1,600 % in ten years: Der Aktionär Top Tip adesso remains on the fast track – Background and targets!	In the current year, the share, which continues to be favorably valued, has already gained 66 percent. [...] The Adesso share is an enrichment for every portfolio and should continue its upward movement towards three-digit quotations. The shareholder speculates in the Real-Depot on this scenario.	Der Aktionär
2020-10-01	Digitalisation: If not now, then when?	We are able to maintain our previous positive assessment of adesso SE after the first half of 2020, since, as expected in the NJ 05/20, the digital solutions of the Dortmund IT specialist are in demand more than ever. [...] Since 2020 is going better than feared at the beginning of the pandemic, expansion in Germany and abroad should be able to continue once the economy picks up again. However, the stock market has already anticipated some of the associated gains, so that a consolidation would not come as a surprise.	Nebenwerte Journal
2020-09-05	adesso: Traffic lights are on green	Together with the higher number of working days and the return to good capacity utilisation, this gives reason to hope that the positive trend will continue in the further course of the year. This means that adesso should continue its impressive success story in this year of crisis; we are raising the target price to EUR 85. Inclusion in recommendations: 17.12.19 at share price: EUR 53.70, current share price: EUR 72.80, current performance: +36.44 %, target price: EUR 85.00.	Der Anleger Brief
2020-07-22	adesso: IT with a familiar touch	[...] In the past five years, the share price of the company has increased by more than 200 percent, especially in 2016. adesso is currently valued at the stock exchange at around 350 million Euros.	Frankfurter Allgemeine Zeitung
2020-07-03	adesso makes a sensible purchase	With the acquisition of a digital agency adesso expands its market power in the field of holistic customer experience management. [...] The acquisition, which is expected to be in the low single-digit million euro range, is financed from existing liquid funds. With this acquisition the Dortmund company will further boost its growth. [...] These are good prospects, which should also give the share (57.00 Euro; DE000A0Z23Q5), which has recently run out of steam, a tailwind. But we remain skeptical. Liquid assets [...] will be further reduced by the acquisition. Counter-financing with outside capital is [...] also not ideal. Especially in these uncertain times, we prefer companies that build up reserves. Therefore you should not be involved in adesso.	Platow Börse
2020-06-09	adesso: Margin and more	[...] After all, in our opinion adesso is one of the highest quality IT service providers on the domestic stock exchange list. Assessment: Buy.	boersen-gefluester.de
2020-03-13	Top Five: Want some quick wins in march? Five German Stock Ideas	Warburg Research's equity conviction list again outperforms the market as a whole this year. From the list of recommendations with the so-called high conviction stocks Börse Online presents five German stocks for which the analysts expect rapid price gains due to the hoped-for positive news flow. [...] The share price of adesso rose from EUR 5.75 to EUR 66.80 between 2012 and 2018. This is a performance that was worthy of all honours. However, a sideways trend that has been prevailing since the beginning of 2017 can currently be observed. [...] Only if this trend breaks out, new sustainable chart signals and thus new investment signals will emerge.	Börse Online

Management and Directors

Executive Board



MICHAEL KENFENHEUER | CEO

Michael Kenfenheuer (born in 1958) is a member of the Executive Board and responsible for the department Banking. He is also responsible for the areas of Sales Support, Inside Sales, Corporate Account Management and for the adesso subsidiaries alleato assekuranzmakler GmbH and adesso banking solutions GmbH. He was appointed as a member of the adesso SE Executive Board for these responsibilities in 2000. With his many years of business management and project management experience, Michael Kenfenheuer is having a major impact on the development and expansion of the company's network of technical and industry experts. From 2011 to mid-2015 Michael Kenfenheuer was the Co-Chairman of adesso SE. Since 1 July 2015 he assumes the Chairmanship.



DIRK POTHEN | MEMBER OF THE EXECUTIVE BOARD

Dirk Pothén (born 1967) is a member of the Executive Board and responsible for the business divisions Automotive and Transportation, Manufacturing Industry, Digital Experience and Microsoft as well as for the foreign subsidiaries adesso Austria GmbH, adesso Bulgaria EOOD, adesso Schweiz AG, adesso Turkey Bilgi Teknolojileri Ltd. Şti, adesso Spain Consultoría y Soluciones Tecnológicas, S.L and adesso Netherlands B.V. He is also responsible for the adesso investment com2m GmbH. Furthermore, he is responsible for the Human Resources department on the Executive Board. Before his appointment to the Executive Board of adesso SE in 2018, Dirk Pothén most recently served as Managing Director DACH at SQS Software Quality Systems AG in Cologne. Prior to this, the adesso Executive Board member held various management positions at Atos and T-Systems for fifteen years.



ANDREAS PRENNEIS | MEMBER OF THE EXECUTIVE BOARD

Andreas Prenneis (born 1965) is a member of the Executive Board and responsible for the business divisions Health, Public Administration, Data and Analytics, IT Management Consulting and Cross Industries. He is also responsible for the adesso holdings adesso as a service GmbH, adesso mobile solutions GmbH, adesso Transformer Deutschland GmbH, medgi-neering GmbH, percision services GmbH, adesso health solutions GmbH, inQventures GmbH, Rogon Technologies GmbH and Quanto AG. He is also responsible for the areas of administration, legal affairs, IT, project management office and proposal management. Before he was appointed to the Executive Board of adesso SE in 2015, he was employed at CompuGroup Medical Deutschland, where he most recently headed various business divisions as Area Vice President Telematics & AddOn.

**STEFAN RIEDEL | MEMBER OF THE EXECUTIVE BOARD**

Stefan Riedel (born in 1967) heads the Insurance division as a board member and is also responsible for the adesso subsidiaries adesso insurance solutions GmbH and adesso experience GmbH. Before he was appointed to the board of adesso SE in 2020, Stefan Riedel was the general representative of IBM Deutschland GmbH for the insurance sector – first as vice president in German-speaking countries (DACH) and then as vice president for Europe.

**JÖRG SCHROEDER | MEMBER OF THE EXECUTIVE BOARD**

Jörg Schroeder (born 1977) is a member of the Executive Board and responsible for the areas of Finance and Controlling, Investor Relations as well as Mergers & Acquisitions. Before he was appointed to the Executive Board of adesso SE, the graduate in business informatics, LL.M. and executive MBA was responsible for the strategy development for the implementation of the BITMARCK group of companies as Chief Strategy Officer and member of the Executive Board since 2015. Most recently, as Chief Financial Officer of BITMARCK Holding GmbH, he was responsible for the areas of finance, controlling and purchasing of the group and all subsidiaries.

Management and Directors

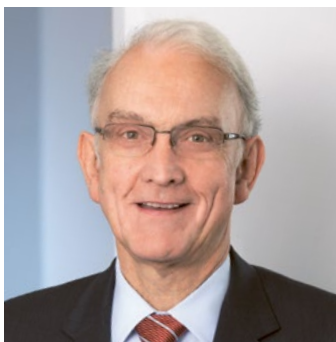
Supervisory Board



PROF. DR. VOLKER GRUHN | CHAIRPERSON OF THE SUPERVISORY BOARD

Prof. Dr. Volker Gruhn (born in 1963) was a co-founder of adesso SE in 1997 and is now the Chairperson of the Supervisory Board. He is Head of the Software Engineering Department at University of Duisburg-Essen. His research focuses on software processes for the development of data-driven and mobile applications as well as cyber-physical systems. Prof. Dr. Gruhn is the author and co-author of more than 450 national and international publications and conference contributions. He is member of the University Council of Leipzig University and member of the board of trustees of the Fraunhofer Institute for Software and System Technology. Furthermore he is member of the advisory council of the BIPRO initiative. The BIPRO initiative is an association of finance companies that aim to optimize cross-company processes by developing functional and technical standards.

Further mandates in Supervisory Boards: Besides being the chairperson of the Supervisory Board of adesso SE, Prof. Dr. Gruhn is a member of the Supervisory Board of e-Spirit AG, Dortmund, and Chairman of the Supervisory Board of AISportsWatch GmbH, Essen.



DR. FRIEDRICH WÖBKING | MEMBER OF THE SUPERVISORY BOARD (DEPUTY CHAIRPERSON)

Dr. Friedrich Wöbking (born in 1950) is a declared expert on information technology and the banks and insurance industries. He was member of the Executive Board at Dresdner Bank AG between 2003 and 2009 and took responsibility for the IT Services and Operations department. Previously, during the 1990s, he was member of the Executive Board at Allianz Versicherungs-AG/Allianz Lebensversicherungs-AG and Deutsche Versicherungs-AG where he was head of the Private Customer Business department as well as head of the departments IT and e-Business. From 1995 to 2009, he was also Global CIO of Allianz SE and Chairman of the Global IT Committee of Allianz SE. Wöbking owns a doctor's degree in Information Technology and Mathematics and currently runs FW ADVISORY Management Beratung.



PROF. DR. GOTTFRIED KOCH | MEMBER OF THE SUPERVISORY BOARD

Prof. Dr. Gottfried Koch (born in 1951) is a professor of insurance IT and member of the management board of the IT institute at Leipzig University. Before he took up the professorship in 1998, he worked at Helvetia insurance group in St. Gallen and Frankfurt, and was also active as a freelance consultant. In addition, he was managing director of FJA AG in Austria and Switzerland until 2000. He studied at the German Insurance Academy in Cologne, at Goethe University in Frankfurt, and at the University of St. Gallen, where he also received his doctorate. Having initially trained as an insurance clerk, he started his career at Frankfurter-Allianz Versicherungs AG.

Further mandates in Supervisory Boards: Besides being a member of the Supervisory Board of adesso SE, Prof. Dr. Koch is chairperson of the Board of Directors of automobilität AG and of Pfefferbeere AG, both in Bühler, Switzerland.



HERMANN KÖGLER | MEMBER OF THE SUPERVISORY BOARD

Hermann Kögler (Born 1955) was for over 12 years Director of Finance/Controlling and Spokesman of the Board at COGNOS AG, one of the biggest privately-owned, independent education groups in Germany. After his departure from the Board of Executive Directors at his own request, he was elected Member of the Supervisory Board at COGNOS AG in 2016. After studying Business Administration at the University of Cologne, he began his career as a self-employed wholesaler. He later held a number of senior management positions, including those at the Otto Wolff Group and Rhenus AG. In early 1996 he moved to the international steel distributor Klöckner & Co., where he was an executive until 2001, most recently as Director of Finance/Controlling. Before he joined COGNOS AG in 2004 the graduate business administrator worked as a consultant and interim manager.

Further mandates in Supervisory Boards: Besides being a member of the Supervisory Board of adesso SE, Hermann Kögler is Chairman of the Supervisory Board of COGNOS AG, Hamburg.



HEINZ-WERNER RICHTER | MEMBER OF THE SUPERVISORY BOARD

Heinz-Werner Richter (born in 1951) has been a member of the management board of Barmenia Versicherungen from 1996 to 2013 and was responsible for the IT and mathematics divisions in the health and life insurance sectors. Additionally, he was a member of the management board of the German actuarial association for many years as well as a member of numerous bodies within the German Insurance Association, and the association of private health insurers. Today, Mr. Richter works as an actuarial trustee for private health insurers and works as an expert. Before starting his career at Barmenia in 1977, Heinz-Werner Richter studied mathematics and informatics at the University of Bonn where he graduated with a degree in mathematics.



RAINER RUDOLF | MEMBER OF THE SUPERVISORY BOARD

Rainer Rudolf (born in 1962) holds a degree in computer science from the University of Dortmund, co-founded adesso SE in 1997 and determined the company's early, solid economic development in the role of CEO until 2011. His area of responsibility included the entire administration with the commercial and administrative activities of the company as well as the areas of human resources and legal affairs. After leaving the board in September 2011, Rainer Rudolf headed Stock Informatik GmbH & Co. KG, a leading software company in the field of occupational medicine and occupational safety, which was acquired by Compu-Group Medical Deutschland AG in 2015. From December 2016 onwards, Rainer Rudolf was responsible for the Dortmund-based software company W3L AG as a member of the Executive Board and moves to the Executive Board of SMF GmbH in May 2021 following the sale of the company and its merger with the parent company SMF GmbH.

Glossary

Commercial terminology

Account clearing

The accumulation of the balances of various bank accounts in a target account, taking account of defined minimum levels. This produces a balance of available liquidity in the target account, which is used for various forms of investment.

Benchmark

Benchmarking describes comparative analysis on the basis of set reference values (benchmarks).

Cash flow

Cash flow is an economic measure that represents the net flow of liquidity resulting from sales and other continuing activities in a certain period.

Cash management

Cash management and liquidity management are terms used in commercial finance management. Cash management includes all measures relating to the current financial planning of a company

Cost of materials ratio

The cost of materials ratio represents the relationship between expenditure on materials and services and turnover. It is expressed as a percentage.

The DACH region

DACH is an acronym comprised of abbreviations of the German names of the countries in the region: Germany (D), Austria (A), and Switzerland (CH). The term is usually used to refer to the German speaking economic area.

Discounted cash flow method

The DCF method is used to determine the value of companies. Future cash flow is discounted by taking into account the cost of capital on a reporting date.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin

The ratio of EBITDA to sales. The EBITDA margin is a measure of a company's productivity and is independent of its income from financial assets, extraordinary items, and taxes.

Factoring

Factoring is a financial service used to finance current sales. The factor purchases the accounts receivable of its factoring client vis-à-vis a debtor. In exchange for the accounts receivable the factor pays the factoring client the value of the receivable immediately.

Forecast

A forecast is a projection used in budget planning. During the progress of a period, forecasts are used to update expectations for the period compared the original budget.

Free float definition (according to "Guide to the DAX Equity Indices")

Definition according to "Guide to the DAX Equity Indices" by Qontigo, a subsidiary of Deutsche Börse Group, to divide a company's shares into free float and fixed ownership.

FTE

Abbreviation of Full Time Equivalent. The FTE value is used to compare the relative staffing levels of a company and as a basis for calculations; the FTE value is used to convert figures regarding absolute staffing levels to their equivalent in terms of full-time positions. For example, two 50 % contracts would be counted as one employee, even if two different individuals are employed.

German Corporate Governance Code

The German Corporate Governance Code (often shortened to DCGK) is a system of regulations established by a commission of the German Federal Government. It is primarily composed of guidelines regarding good corporate governance, including ethical employee behaviour and the leadership of companies and organisations.

Goodwill

Goodwill is the amount a purchaser is prepared to pay for a business or company with regard to its expected future earnings (= earnings value) above the value of individual assets after the deduction of debts (= net asset value).

Gross domestic product (GDP)

The value of all goods and services produced by an economy, as defined by its territorial border, within a given year. GDP includes the services of foreigners working in a country, whereas the services of natives working abroad are not included.

Gross profit

Gross profit is the difference between a company's revenue and its expenditure on goods and services.

IAS International Accounting Standards

See IFRS

IASB

The International Accounting Standards Board (IASB) is an independent international committee of legal experts which is responsible for the development, and where required, the revision of the International Financial Reporting Standards (IFRS).

IFRS

The International Financial Reporting Standards (IFRS) is a set of international standards used by organisations when reporting their financial results. They include the standards of the International Accounting Standards Board (IASB), International Accounting Standards (IAS), the International Accounting Standards Committee (IASC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Impairment Test

An impairment test is a mandatory test used to evaluate fixed assets. The accounting regulations US-GAAP and IFRS call for the periodic evaluation of possible indicators of sustained loss of value.

Working capital

Working capital refers to the difference between current realisable assets (those that can be liquidated within a year) held by a company and its current liabilities. It is the portion of current assets which are not tied up in covering current liabilities, and can therefore be "put to work" in purchasing, production, and working processes.

Xetra trading

Xetra is an electronic trading system operated by Deutsche Börse AG for the spot market. Its central servers are located in Frankfurt.

IT terminology

Bitkom

The Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. (the German Federal Association for Information Technology, Telecommunications and New Media) is Germany's digital association. Founded in 1999, it represents more than 2,700 companies in the digital economy.

Content solutions

In the context of its expansion strategy, adesso is developing a portfolio of solutions. The focus is on functions that are of interest to a large number of clients in the same or similar form, and can therefore be marketed as a solution. adesso's Content Solutions include solutions for the generation and management of content.

(Enterprise) Content Management

Enterprise Content Management (ECM) includes the methods and technologies and tools used to collect, manage, save, protect, and provide content and documentation for the support of organisational processes in a company.

FirstSpirit

The name of content management system produced by e-Spirit AG.

Internet of Things

The term Internet of Things or in brief IoT describes that conventional personal computers (PC) are increasingly disappearing as a device and replaced with "smart objects". The "Internet of things" is meant to support people unnoticeably in their everyday activities. For this purpose, computers/sensors become smaller and smaller to be embedded in objects. Hence, they neither distract the users nor being noticed at all. They serve to collect and to process data, can be networked to communicate or initiate useful processes.

Mobile solutions

In the context of its expansion strategy, adesso is developing a portfolio of solutions. The focus is on functions that are of interest to a large number of clients in the same or similar form, and can therefore be marketed as a solution. adesso classes all solutions that help make information, content and applications remotely accessible as mobile solutions.

Financial Calendar

<i>Date</i>	<i>Event</i>
2021-01-11	24th ODDO BHF Forum, Lyon (virtual)
2021-01-19	20. German Corporate Conference (GCC) of UniCredit/Kepler Cheuvreux (virtual)
2021-02-25	ODDO SEYDLER Digital Small & Mid Cap Conference 2021, Frankfurt/Main (virtual)
2021-03-31	Publication of the 2020 annual report, financial press/analyst conference, Dortmund (virtual)
2021-04-20	German TechITServices Conference of Pareto Securities (virtual)
2021-05-12	Interim announcement of the group within the 1st half-year
2020-05-17/18	Spring Conference 2021, Frankfurt/Main (virtual)
2021-05-27	Regular ASM, Dortmund (virtual)
2021-06-10	Quirin Champions 2021 (virtual)
2021-08-30	Publication of the 2021 half-year report
2021-09-20 to 22	Berenberg and Goldman Sachs Tenth German Corporate Conference, Unterschleißheim
2021-11-15	Interim announcement of the group within the 2nd half-year
2021-11-22 to 24	German Equity Forum, Frankfurt/Main

Imprint

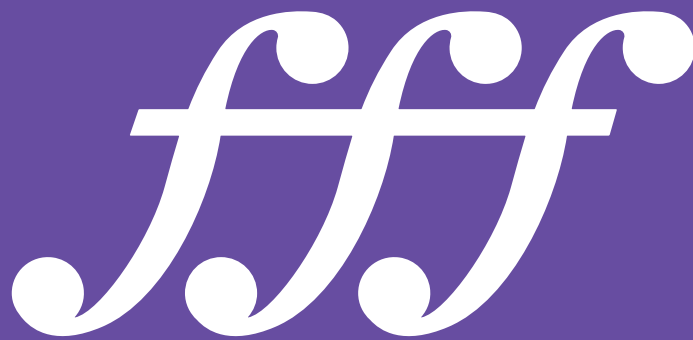
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Die musikalische Vortragsbezeichnung „fortefortissimo“, notiert (fff), ist als Steigerung abgeleitet aus dem italienischen Wort „forte“ für stark. In der Notation wird hierdurch äußerst starke Dynamik erzeugt.