

A black and white portrait of a woman with dark, wavy hair and round glasses. Her face is partially obscured by several semi-transparent, pixelated overlays: a circle on her forehead, a square on her left eye, a large square on her right eye, and a square on her chin. The background is a solid blue color with a yellow abstract shape at the bottom. The text 'Hi GenAI!' is written in large, white, bold, sans-serif font across the bottom half of the image.

Hi GenAI!

Welcome to our business



COMPANIES OF ADESSO GROUP

adesso SE – Dortmund

IT-Services

Austria Vienna | 100 %
Bulgaria Sofia | 100 %
Finland Espoo/Helsinki | 100 %
Hungary Budapest | 100 %

India Cochin | 100 %
Italy Milan | 100 %
Netherlands Amsterdam | 100 %

Romania Bucharest | 100 %
Spain Barcelona | 100 %
Sweden Malmö | 100 %

Switzerland Zurich | 100 %
Turkey Istanbul | 100 %
United Kingdom London | 100 %

**adesso as a
service GmbH**
Dortmund | 100 %

adesso orange AG
Hamel | 71 %

**adesso ventures
GmbH**
Berlin | 100 %

**alleato assekuranz-
makler GmbH**
Dortmund | 100 %

**KIWI Consulting
EDV-Beratung GmbH**
Walldorf | 70 %

**percision
services GmbH**
Dortmund | 100 %

WEPEX GmbH
Frankfurt a. M. | 51 %

IT-Solutions

Afida GmbH
Dortmund | 82 %

**adesso banking
solutions GmbH**
Frankfurt a. M. | 50 %

**adesso health
solutions GmbH**
Neumünster | 90 %

**adesso insurance
solutions GmbH**
Dortmund | 100 %

**adesso manufacturing
industry solutions
GmbH**
Dortmund | 100 %

**adesso mobile
solutions GmbH**
Dortmund | 100 %

material.one AG
Augsburg | 53 %

**Reachbird
Solutions GmbH**
Munich | 100 %

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.

Hi GenAI! Welcome to our business

adesso once again significantly expanded its business in 2023. We owe our sustainable growth to bold investments in new business, in the development of new technologies and in regional and international expansion. Roughly seven years ago, adesso was already working intensively on data and analytics. The aggregation and utilisation of data that has become available as part of digitalisation, coupled with new means of analysing this data automatically, has taken the concept of artificial intelligence (AI) to a whole new level. Fuelled by the emergence of ChatGPT, which had attracted enormous public interest, hardly any other topic has moved information technology more in recent times.

Generative artificial intelligence (GenAI) will change our lives, our customers' businesses and ultimately our own – perhaps to an even greater extent than the internet itself did. adesso is ideally positioned today to accompany clients on this exciting journey. In the Annual Report 2023, we give you the lowdown on GenAI and show you what kind of opportunities await for our software development business. We would like to pin down what is possible and makes sense in the current market, address important underlying conditions and assess what changes need to be considered. Read more from page 18 onwards



Content



8	Foreword by the Executive Board	84	Consolidated Notes
11	Report by the Supervisory Board	174	Investor Relations
16	Highlights 2023	182	Management and Directors
18	Hi GenAI! Welcome to our business	186	Glossary
40	Consolidated management report	189	Finance Calendar
76	Consolidated Financial Statement	189	Imprint

Remuneration Report

In accordance with Section 162 of the German Stock Corporation Act, we published the Remuneration Report for fiscal year 2023 as a separate report. It will be also included in the invitation to the Annual General Meeting, scheduled for 4 June 2024.

The publications are available at www.adesso-group.de/corporate-governance/ or from the date of the convocation as well at www.adesso-group.de/hv/.

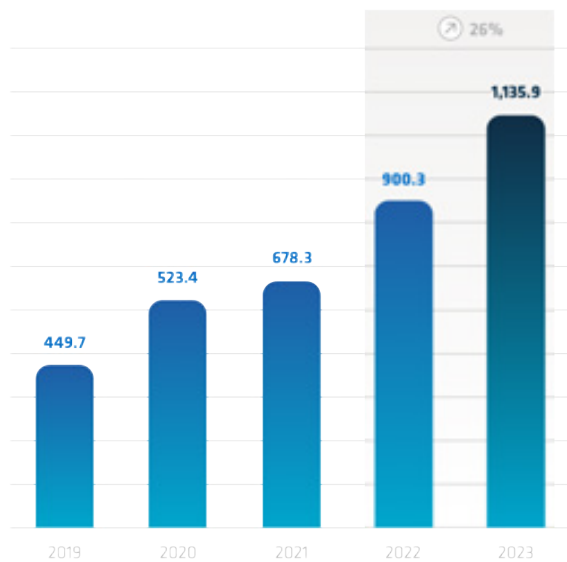
Key Figures

in EUR k	2023	2022	Change	in %
Profit situation				
Sales revenues	1,135,903	900,253	235,650	26
domestic	930,561	729,731	200,830	28
foreign	205,342	170,522	34,820	20
EBITDA	80,030	92,908	-12,878	-14
EBITDA margin (in %)	7.0	10.3	-3.3	-32
Consolidated earnings	3,410	28,793	-25,383	-88
Balance sheet				
Balance sheet total	785,985	655,565	130,420	20
Equity	207,777	215,181	-7,404	-3
Equity ratio (in %)	26.4	32.8	-6.4	-19
Liquid assets	100,772	90,897	9,875	11
Net cash position	-48,369	-15,598	-32,771	210
Employees				
Employees (FTE)	9,512	8,056	1,456	18
domestic	7,759	6,651	1,108	17
foreign	1,753	1,405	348	25
Gross profit/Employees	109	110	-1	-1
Share				
Number	6,520,272	6,512,272	8,000	-
Price at the end of the period (in EUR)	107.40	131.80	-24.40	-19
Market capitalisation at the end of the period (in EUR m)	700.3	858.3	-158.0	-18
Earnings per share (in EUR)	0.49	4.40	-3.91	-89
Dividend per share (in EUR)*	0.70	0.65	0.05	8
P/E ratio	219	30	189	632

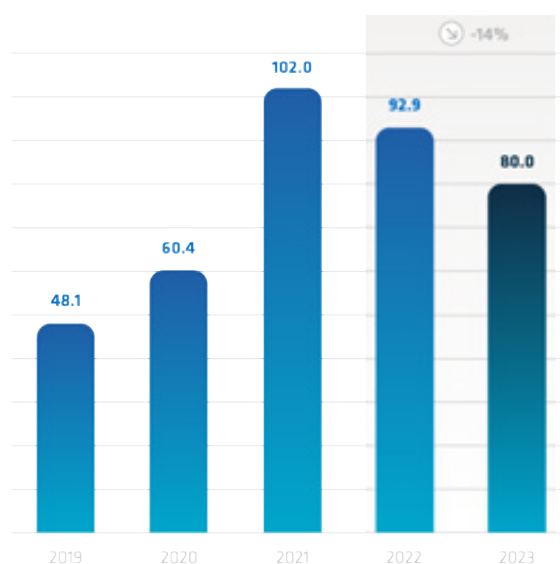
* Subject to the approval of the Annual General Meeting in the year under review.

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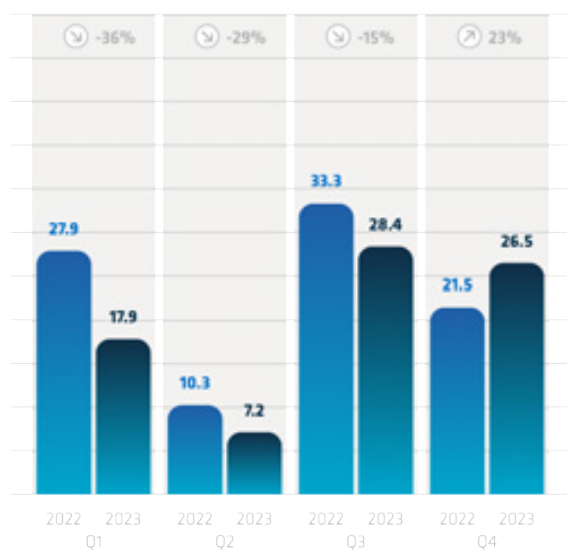
Growth in sales
in EUR m



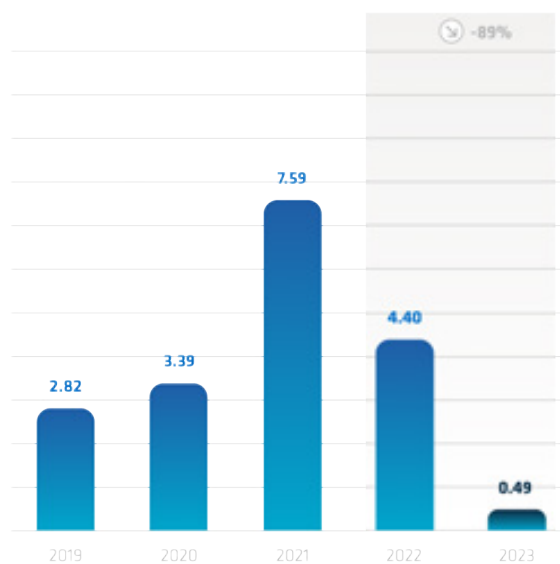
EBITDA Development
in EUR m



EBITDA Development (per quarter)
in EUR m



Earnings per share
in EUR



FOREWORD BY THE EXECUTIVE BOARD

*Dear shareholders, employees
and friends of the company,*

adesso's growth continued to significantly outpace the market in financial year 2023. Sales volume increased by 26 % to EUR 1,136 million, setting another new record.

Of this growth, 24 percentage points was achieved organically, i.e. by recruiting new adessi (employees), acquiring new customers and projects and successfully delivering and implementing them. A further two percentage points of growth stemmed from M&A transactions.

adesso was right on target with its earnings guidance, which had been lowered during the year, with EBITDA of EUR 80 million. Unfortunately, this corresponds to a decrease compared to the previous year (2022: EUR 92.9 million). As a result of proportionately higher depreciation and amortisation and interest expenses, as well as an increased tax rate due to non-deductible items, earnings per share only came to EUR 0.49. There are a variety of reasons for this decline in profitability. First, capacity utilisation fell significantly in the first half of the year due to excessively rapid employee growth. Furthermore, the licensing business did not meet expectations. There were also fixed-price projects that could only be realised with an excessive amount of expense. One-off expenses due to the introduction of a new ERP system had an additional adverse effect. We are not satisfied with this result.

On the upside, however, the net working capital situation had already eased somewhat towards the end of the year thanks to the new ERP system and improved processes. Net working capital increased by only 6 % and at a lower rate than sales, resulting in a positive free cash flow in excess of EUR 14 million. We want to build on this positive development. From 2024, we will report free cash flow figures (FCF), free cash flow per share (FCFps) and return on capital as additional adesso Group performance indicators and also use them to make decisions on capital allocation. We consider this to be a suitable further development of our existing system of key performance indicators, with which the ability of our business model to achieve positive development for shareholders and other stakeholders can be measured and managed well.



Kristina Gerwert, Benedikt Bonnmann, Mark Lohweber, Andreas Prenneis, Jörg Schroeder (from left to right, Executive Board of adesso SE from 1 April 2024)

With a new organizational structure “adesso 3.0”, we have established an additional level of business areas in which we bundle similar business. We have also brought in a new senior management level in order to be able to respond even better to the requirements of further growth. We also developed new strategy elements for the next level of maturity of the adesso Group on the way to EUR 2 billion in sales. The focus is on profitable growth. Here we remain true to our goal of achieving an EBITDA margin of 11 % to 13 % in the medium term. Other elements include the focus on being an attractive employer, growing sales at least twice as fast as the market and continuing to develop into an international company.

The number of employees has risen to over 9,500 (full-time equivalents), more than 1,750 of whom work outside Germany. This means we believe we are well placed to achieve growth both in our home market of Germany and internationally. We have also been consistently successful in recruiting exceptional talent in a market beset by a shortage of skilled workers. At around 8 %, our employee turnover rate is well below the industry average and helps to keep the transaction costs of growth as low as possible.

The outlook for financial year 2024 is generally positive for our company, with market demand remaining solid despite the difficult overall environment. Digitalisation projects remain in high demand across all sectors. We plan to generate sales volume of over EUR 1.25 billion for the adesso Group and EBITDA of EUR 110 to 130 million, which corresponds to double-digit growth rates in both sales and earnings. This should cause profitability to increase significantly again year on year.

We would like to express our heartfelt thanks to all of our stakeholders, customers, employees and partners, without whom our success story would not be possible. We remain committed to our equity story of generating sustainable, profitable growth. Our thanks go out to you, our shareholders, for your continued trust and loyalty.

Dortmund, March 2024

The Executive Board



Mark Lohweber



Kristina Gerwert



Andreas Prenneis



Jörg Schroeder



Torsten Wegener

REPORT BY THE SUPERVISORY BOARD



Prof. Dr. Volker Gruhn

ADVISING AND MONITORING OF MANAGEMENT

The Supervisory Board completed the tasks entrusted to it in financial year 2023 with the greatest of care and in accordance with the law and the Articles of Association. It continuously monitored the Executive Board's activities and provided assistance and advice in all important decisions related to 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.

SUPERVISORY BOARD MEETINGS

Four regular meetings of the Supervisory Board were held in financial year 2023. All of the meetings were held as face-to-face meetings. As described in detail below, some members took part in individual meetings via video conference. All acting members of the Supervisory Board attended all of the meetings. In 2023, the Supervisory Board consisted of six members since Stefanie Kemp's judicial appointment on January 16, 2023.

An 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 its subsidiaries; strategy; risk management and controlling; and 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 Chairperson 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.

FROM THE MEETINGS

As in previous years, the March meeting focused on the financial statements of the individual companies, the Group and their development. With the exception of Rainer Rudolf, who attended this meeting virtually, all other members met in person.

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. Then the Executive Board presented the 2023 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 2023 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 aspects, the protection of human rights and fighting corruption and bribery. The report presented was prepared in accordance with the German Sustainability Code (DNK) and reviewed by the Supervisory Board. The Supervisory Board determined that a non-financial report had been submitted and that the legally required aspects had been adequately covered; it approved the report for publication.

The Supervisory Board acknowledged the audit reports by the auditor on the annual and consolidated financial statements of adesso SE as at 31 December 2022, together with the combined management report of adesso SE and the Group, and approved the annual financial statements and consolidated financial statements for financial year 2022. The annual financial statements were thereby approved.

The Executive Board proposed a dividend of EUR 0.65 per share for 2022, corresponding to a dividend payment of EUR 4,232,976.80. The Supervisory Board agreed with the proposal.

The report by the Supervisory Board for financial year 2022 was approved, and the agenda for the 2023 Annual General Meeting was adopted. One key part of this meeting was the presentation of the new Supervisory Board remuneration system as revised by the Supervisory Board, which the Annual General Meeting was to adopt and approve for 2023. Furthermore, the participants discussed and determined that the Annual General Meeting would be held as a virtual event again in financial year 2023.

Following the cyberattack detected by adesso SE on 11 January 2023, Executive Board member Andreas Prenneis reported in detail on the latest findings from the cybersecurity incident. The findings had already been reported on the website and updated continuously ever since.

The CFO then commented on the development of the adesso Group's margin. The EBIT margin fell to 5.3 % in financial year 2022 due to weak capacity utilisation, an above-average incidence of sick leave and special items in other operating expenses. Appropriate countermeasures were initiated.

The CFO presented the updated Declaration of Conformity including the corporate governance report, which were subsequently adopted by the Executive Board and the Supervisory Board. In addition, planning for 2023 was approved.

At the meeting on 22 June 2023, the CFO presented the concept of the new cost controlling system to the Supervisory Board. Jörg Schroeder also explained the key figures from the Quarterly Statement Q1/2023. He also reported on the substantial increase in liquidity requirements in the meantime due to the significant growth and the introduction of the ERP system, key strategies and the countermeasures that had been introduced. Executive Board member Andreas Prenneis explained the correlation between the order intake pipeline and staffing.

The Supervisory Board meeting in September, which Stefanie Kemp attended via a video link, began with a report on the organisational development of adesso SE. Jörg Schroeder presented the vision for implementation from 1 January 2024. Due to the strong growth in the various industries and internationally, and in order to remain scalable in the future, divisions are to be consolidated and responsibilities reallocated to individual departments. Schroeder also reported on the current status of liquidity management, the development of working capital and the corresponding measures that have been initiated. Following the meeting, all participants visited the new section of the company headquarters in Dortmund that was under construction.

The December meeting, which Dr Friedrich Wöbking attended via a video link, included a report on the status of the ERP system implementation and discussions on the developments after the go-live on 1 April 2023. With working capital having risen sharply due to delayed invoicing in the first half of the year and the net debt ratio threatening to exceed agreed benchmarks in the third quarter, an application for a temporary suspension of the covenants (covenant holiday) was reviewed by the syndicate banks. The application was approved, even though the originally agreed ratios were ultimately not exceeded. The CFO also highlighted the positive development of the new ERP system with regard to overdue receivables.

The participants also addressed the current corporate governance situation, which was a further item on the agenda. An updated statement of compliance with the German Corporate Governance Code was adopted, as previous deviations no longer applied and further deviations will cease to apply in the future. It was unanimously decided to set an age limit for the appointment of Supervisory Board members and to create and publish targets for the composition of the Supervisory Board, as well as a skills profile and qualifications matrix.

All meetings involved the CFO explaining the business situation and the consolidated financial statements for the respective quarter, providing information on the current capital market outlook and giving updates on investor relations. One area of critical discussion and analysis was the development of margins due to weaker capacity utilisation coupled with very strong growth. The CFO reported on the status of measures that had been introduced, such as a dedicated billing initiative to improve liquidity. He reported on a large-scale tax audit for financial years 2019 to 2021, which is being conducted by the Dortmund tax office and the German Federal Central Tax Office.

COMMITTEES

The Audit Committee of adesso SE convened four times during the reporting year. The two members of the Audit Committee attended all of the meetings. All meetings were held in person. In addition, there was a special audit committee at the end of 2023, which took place with all participants attending virtually.

At the beginning of 2023, Heinz-Werner Richter announced that he would be stepping down from his position on 1 June 2023. The Nomination Committee recommended that Michael Zorc be elected as his successor by the Annual General Meeting.

EXECUTIVE BOARD

The Supervisory Board of adesso SE appointed Kristina Gerwert to the Executive Board of adesso SE with effect from 1 July 2023. Her contract was initially concluded until 30 June 2027. As a result, the vacant Executive Board position was filled with an internal appointment. In her new role, Gerwert continues to be responsible for Human Resources – now for the entire Group – and is also in charge of Corporate Buildings, Procurement, Compliance, Corporate Administration and a subsidiary.

The Supervisory Board also decided to appoint Mark Lohweber to the Executive Board with effect from 1 July 2023. His contract was initially concluded until 30 June 2028. Lohweber was subsequently also appointed Chairman of the Executive Board by the Supervisory Board from 1 January 2024. Lohweber has over ten years of experience at adesso. Until the beginning of 2021, he was responsible for banking business as Head of the Line of Business. In his new role as a member of the Executive Board, he will be responsible for Financial Services and the Continental Europe & Nordics and Enterprise Sales business areas, as well as Corporate Marketing & Communications.

Michael Kenfenheuer's Executive Board contract expired at the end of 2023, and he will take on new professional challenges. He will continue to support adesso in his new role as a consultant. Dirk Pothén decided to terminate his contract prematurely for personal reasons, also with effect from 31 December 2023, and will take on new responsibilities. A further change to the Executive Board will take effect on 1 April 2024, when Benedikt Bonnmann succeeds Torsten Wegener as a member of the Executive Board. Bonnmann's appointment to the Executive Board was agreed with a contract until 2028.

On behalf of the entire adesso team, the Supervisory Board would like to thank Michael Kenfenheuer, Dirk Pothén and Torsten Wegener for their work on the Executive Board. It wishes all three of them the best in their future careers. Even though their expertise will be missed, the Supervisory Board sees the new appointments as important impetus in the further development of the Group. As a result, adesso is optimally positioned for the future.

SUPERVISORY BOARD

As described above, Heinz-Werner Richter regrettably stepped down from his position as a member of the company's Supervisory Board with effect from 1 June 2023. Richter joined the Supervisory Board on 4 June 2013. During his term of office, he advised on, reviewed and supported key decisions regarding the development of the business, such as the conversion to a *Societas Europaea* (SE), capital increases to fund growth and numerous strategic acquisitions. He therefore played a major part in the Group's successful expansion into one of the leading IT service providers in Europe. The Supervisory Board and the Executive Board of adesso SE would like to thank Richter for his valuable and trusted contribution to the company over many years, and wish him all the best for the future.

The Supervisory Board consisted of only five members in the fourth quarter of 2022. Subsequently, Stefanie Kemp was appointed to replace the retired Prof. Dr Gottfried Koch effective as at 16 January 2023. At the Annual General Meeting on 1 June 2023, she was elected to the Supervisory Board together with Michael Zorc, who succeeds Heinz-Werner Richter.

2023 ANNUAL REPORT

BDO AG Wirtschaftsprüfungsgesellschaft, Dortmund, the auditor elected by the Annual Shareholders' Meeting, has audited the annual financial statements and the consolidated management report of adesso SE and the Group for financial year 2023 and has issued an unqualified audit opinion.

As the responsible auditor from BDO AG Wirtschaftsprüfungsgesellschaft, Andreas Dirks 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. In addition, the auditor has formally audited the remuneration report, found the content to be complete and also prepared a report on it.

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 at 31 December 2023 along with the proposal by the Executive Board concerning the appropriation of profits. 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 HGB. This 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.

The Supervisory Board has acknowledged the reports on the audit of the financial statements and has taken into account the Audit Committee's assessment of the quality of the audit. The Supervisory Board has agreed with the findings of the audit of the annual financial statements and the consolidated 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 2023.

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 profits.

ACKNOWLEDGEMENTS

The past financial year was undoubtedly a challenging period. adesso had a number of "growing pains" to contend with, particularly in the first half of the year, but ultimately remained resolutely on its successful trajectory. This would not have been possible without the hard work, creativity and dedication of our employees. The visionary leadership and strategic foresight of our Executive Board have kept us on the right course. On behalf of the entire Supervisory Board, I would therefore like to thank all of the individuals mentioned above.

Dortmund, 18 March 2024

On behalf of the Supervisory Board



Prof. Dr. Volker Gruhn, Chairperson

HIGHLIGHTS 2023

JANUARY

[adesso takes over WebScience and strengthens adesso Italy](#)

With the acquisition of the fast-growing and profitable software company from Milan, adesso is strengthening its presence in Italy, which was only established in autumn 2021 with a branch in Milan with the approximately 100 employees of the WebScience team. This will enable synergy effects to be generated for customers and the company's own portfolio.

MARCH

[adesso founds foreign subsidiary in Great Britain](#)

adesso expands its own presence in Europe and announces the foundation of a new foreign subsidiary in London. The UK subsidiary will initially focus on supplying companies in the UK with attractive nearshore and offshore offerings from the adesso Group's global supply network.

[adesso again honoured as best employer](#)

adesso once again wins two awards in the "Great Place to Work" competition. For the fourth time, adesso took first place as "Germany's Best Employer" in the ITC sector. This was followed two weeks later by the repeated cross-industry award as "Germany's Best Employer 2023". For adesso, this renewed "double" is a confirmation of its own efforts to create a strong and attractive employer brand.

APRIL

[adesso acquires a majority stake in Wepex GmbH](#)

With a majority shareholding of 51% in Wepex, which has 30 employees, adesso SE is expanding its own capacities in the capital market and securities business. Together with the adesso Line-of-Business Banking and as part of the internationally active adesso Group, the entire securities value chain is to be significantly expanded in the coming years.

MAY

[adesso opens SmartShore Delivery Centre in India](#)

adesso continues its international expansion with the acquisition of the Indian software company Trieste Digital Solutions Private Ltd. with around 20 employees and announces the new business location in India in May. adesso strengthens its attractiveness as an international digitalisation partner with its first "SmartShore Delivery Centre" outside Europe.

JULY

[Kristina Gerwert and Mark Lohweber join the Executive Board](#)

The Supervisory Board of adesso SE has appointed Kristina Gerwert and Mark Lohweber as new members of the Executive Board with effect from 1 July 2023. Both come with many years of corporate experience at adesso SE. While Kristina Gerwert is responsible for Human Resources, Corporate Buildings, Procurement, Compliance and Corporate Administration, Mark Lohweber heads the core sectors of insurance and banking takes over International Business Enablement, Corporate Marketing & Communications, Internal Audit and Partner Organisation.

AUGUST

Deutsche Bundesbank continues to rely on adesso for IT services

The Deutsche Bundesbank continues to rely on the expertise of the adesso Group in the areas of payment transactions, account management and securities processing. The concluded framework agreement provides for various IT services with a call-off value of up to EUR 24 million and runs for four years.

SEPTEMBER

adesso welcomes its 10,000th employee

At the beginning of September 2023, the adesso Group reaches the 10,000-employee mark for the first time. The number of employees at the adesso Group, who are spread across 15 different countries, has doubled in just three years.

OCTOBER

adesso wins the BigData Insider Award for the third time

adesso once again takes first place in the BigData Insider Award in the Big Data Consulting category. The award gives adesso great pleasure and confirms its continued expertise in the Data and Analytics segment - a business area that plays a key role, particularly with regard to Generative AI.

NOVEMBER

Germany's largest public insurer continues to rely on adesso insurance solutions

In November, adesso announces the expansion of its collaboration with the Versicherungskammer Group, Germany's largest public insurer. During the four-year project, adesso will provide support in achieving an optimum degree of standardisation and automation of the central sales and customer management systems. Further components from the in|sure product family will be licensed for this purpose.

adesso establishes second office in India

adesso expands its own offshore capacities in Asia by establishing a second location in Kochi and thus increases its own international delivery capability and customer attractiveness as an international digitalisation partner.

DECEMBER

adesso enters into cooperation with DLR

As part of the partnership with the German Aerospace Centre, adesso will support upcoming DLR-MAPHEUS rocket launches with research projects. Another goal of the partners is to promote the still young future market of New Space.

When adesso highlighted the topic of artificial intelligence in the Annual Report 2018 and shed some light on the company's AI and machine learning initiative, as well as the successful use of chatbots, as part of the cover story, ChatGPT was still completely unknown. By no means unknown, though, was the enormous potential that would arise from the increasing availability of data as part of the ongoing digitalisation of our world. So it comes as somewhat of a surprise to see the impact that artificial intelligence, or more precisely generative artificial intelligence (GenAI), has had on our lives since the end of 2022. All that was needed to catch the public's eye was the PR-friendly launch of an admittedly very powerful and "well-fed" chatbot. A large language model (LLM) that is free of charge and easily available to everyone – because that's all that ChatGPT is – has impressively demonstrated the maturity of such systems. Above all, however, it offered a taste of what might be in the offing. There was immediate talk of AI "taking over", with practically every job being replaced by AI from one day to the next.

Prompt

Portrait of a 34 year old women who is looking up, white tshirt, beige background, side profile

- Hi GenAI! Welcome to our business

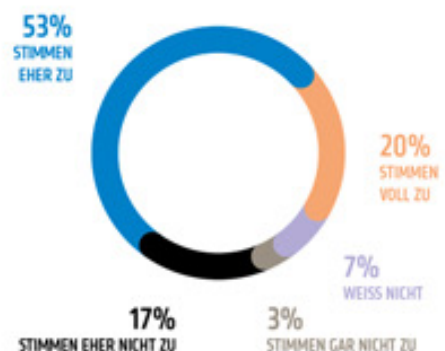
Changing the Game

Businesses are already on the lookout for GenAI partners

Im Auftrag von adesso befragte das Marktforschungsunternehmen „Heute und Morgen“ im November 2023 insgesamt 400 Führungskräfte in Deutschland.

GenAI als Chance für das eigene Geschäftsmodell

GenAI Anwendungen sind eine Chance für unser Geschäftsmodell.



Now over a year has passed, and it is a little sobering to realise that nothing too “revolutionary” has happened. Or hasn’t it? One thing is sure: businesses are already on the lookout for GenAI partners.

There’s barely a business on the planet that is not preparing for the GenAI era and trialling initial initiatives or even more elaborate steps. The renowned research company Gartner predicts that GenAI will change everything, but also emphasises that 2024 will only be the year in which companies actually start planning the use of the technology. Most IT investments are centred on conventional areas. So we can say with certainty that GenAI will be a game-changer. It’s also clear that adesso is well positioned in all the necessary areas to teach clients the rules of the new game.

But let’s go back a step. LLMs are artificial intelligence systems that have been trained on natural language to perform tasks such as text generation, translation, text summarisation and answering questions. They are created by using neural networks and can process very large amounts of text data, making them powerful tools

for many applications. Building on this platform, generative artificial intelligence (GenAI) concerns techniques that learn how to represent artefacts from data and models. These are used to create completely new, original artefacts that are similar to the original data or models. Multimodal models are able to understand, generate or translate content across different modalities. Keywords become text, text becomes images, images become videos. And videos become keywords.

In other words, the use cases are global, universal and relevant to pretty much every area of life, especially software development, an area where language – in this case programming language – is essential. If, in the future, you “only” had to submit a prompt to create a suitable and efficient application, the years of study needed to become a software development or the experience of a good software architect would become obsolete. This is not yet

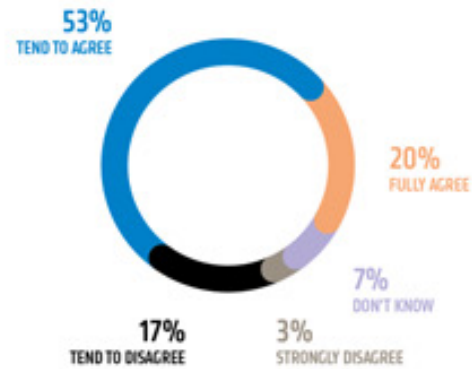
We believe that the opportunities from GenAI outweigh the risks to adesso's business.



the case, and there are a number of reasons for that (see also our nuanced view in an interview on the future of software development on page 28). We believe that the opportunities from GenAI outweigh the risks to adesso's business. This makes adesso's expertise in the domain invaluable for the development of business-critical applications. No-one is likely to hand the controls of a power plant or the development of core IT systems entirely to AI, even in the medium term.

Even if GenAI is suitable as a tool for making software development more efficient, it still requires experienced specialists to understand requirements, moderate the process and prompt the appropriate commands to create software that can offer competitive advantages. This is where the appropriate expertise and creativity is so important. "Garbage in, garbage out", as the saying goes. In other words, how well generative systems perform hinges on the

The market research firm "Heute und Morgen" polled a total of 400 business leaders in Germany about GenAI on behalf of adesso in November 2023.



GenAI as an opportunity for your own business model

GenAI applications are an opportunity for our business model.

material that is fed into them or the data they have access to. The role of IT specialists may change, but there's no question of removing the human influence in the near future. This is all the more true given that digitalisation is far from complete and is still in its infancy in many sectors. New data will require new applications that open the door to new business models. The market is far from saturated.

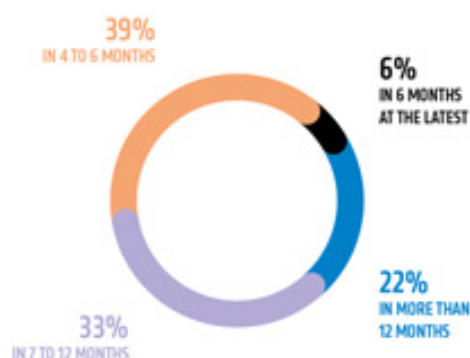
There is another question that requires clarification: who actually owns the output generated by AI? After all, GenAI uses a range of sources to generate "intelligent" products. There is still a widespread lack of uniform ethical standards and regulations when it comes to security, copyright and data protection. In this context, the recent agreement reached by EU member states in February 2024 regarding the regulation of artificial intelligence appears to be a groundbreaking step. The AI Act

is one of the world's first pieces of legislation for artificial intelligence and could come into force as early as 2024, once approved by the Council of Ministers and European Parliament (see also the article on trustworthy AI on page 36).

So what is the real story with GenAI? What is the general consensus on quality? How is GenAI being received in a business environment? The market research firm Heute und Morgen polled a total of 400 business leaders in Germany about ChatGPT on behalf of adesso in November 2023. The responses to the study are being used to determine the current mood in the German economy. Businesses are welcoming GenAI with open arms. A total of 73 % of respondents see the technology as an opportunity for their own business model, while 78 % of respondents stated that their companies already have plans to implement GenAI in the next twelve

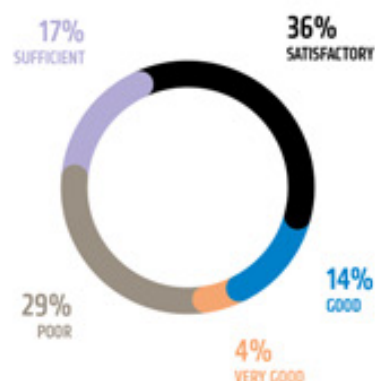
By when GenAI in your own company?

You are planning to implement GenAI applications: by when do you want to have implemented this?



months. Nevertheless, there still appears to be a widespread need for specialist external consulting, with only 18 % of business leaders stated that the German economy was well or very well prepared for GenAI.

Our project blueprints (see the following article, GenAI in practice), which adesso has already put into practice for customers, show that we are not just paying lip service to the topic. adesso maintains partnerships with leading players in the industry (see our partnerships on page 32). With our many years of expertise in the field of data and analytics AI and over 400 experienced experts, together with our industry knowledge and technology-agnostic knowledge of core software



Preparation of the German economy for GenAI

How well prepared is Germany's economy for GenAI?

systems, adesso is ideally positioned to realise GenAI projects. GenAI is a disruptor, and instead of simply going along for the ride, we are helping to decide where the journey is headed. We say "Hi GenAI!" when businesses want to lay the foundations for value creation, no matter their size or which sector they operate in.

GenAI in practice: how companies are already benefiting today

adesso is familiar
with the use of GenAI
in real-life settings

Prompt

Portrait up of a modern 45 year old person wearing a white shirt, looks up, clear fashion frames (glasses), moderate lighting in the room taken on a 80mm camera lens, photographic quality, high skin details

● Hi GenAI! Welcome to our business



Instead of wasting time with the theory, we prefer to get use cases off the ground in partnership with our customers. Only those who approach the topic without reservations will be able to recognise the potential and utilise it for their own benefit in the long term. Baby steps can help; nobody is going to hand over their core applications to artificial intelligence overnight. Nevertheless, using the technology selectively delivers immediate results and benefits, as well as possibilities for new applications. adesso has developed a series of blueprints that customers are already utilising successfully to increase their business efficiency in the real world. Below is a selection of these blueprints:

Digital airport assistant

adesso deploys a chatbot to relieve the burden on an airport information and customer service centre. Passengers can make enquiries around the clock and in whatever language they choose, and receive a response straight away. The interfaces give passengers more quicker and more targeted access to information compared to manual internet searches. Answers are generated using existing information. The information is automatically translated into the language of the enquiry, regardless of the language of the source, minimising the amount of manual effort required for data maintenance.

Benefit: Specific departments only have to become involved in customer service in exceptional cases, and can concentrate on their core business instead.

Municipal trend analysis in the energy industry

An international service provider from the energy industry arranges for the websites, publications, social media channels, news portals of local authorities and much more to be analysed in order to identify trends and relevant topics in the areas it serves. This is done reliably and quickly using large language models, knowledge graphs and Google Maps.

Benefit: The customer service team receives clear and relevant information serving as a valuable basis for their work.

Customer service and sales support for car manufacturers

adesso has developed a chatbot-based virtual customer assistant with combined customer relationship management (CRM) for a company in the automotive industry. The intelligent digital assistant dynamically processes real-world data from a variety of internal systems using interfaces. It runs as a mixed system with chatbots and human operators, offering round-the-clock availability.

Benefit: Workload reduction for service staff across eight markets, with additional lead generation for test drives and potential customers.

Fashion company offers multi-channel support

A German fashion company uses a chatbot to address support enquiries uniformly across all channels, thereby delivering a consistent customer experience. Despite using major messenger apps such as WhatsApp or Facebook Messenger, but the system can also process enquiries submitted via the website. Support tickets are recognised regardless of the language and can be responded to around the clock.

Benefit: Employees have more time for their core business.

Sorting/processing the inbox of a major bank

Artificial intelligence helps a major German bank to sift through its digital inbox, categorise and review messages and refine its processes. The system can process 800 different document types with different logic rules and metadata. The classification of documents and the extraction of essential information increase transparency and save time.

Benefit: Increase in the efficiency of processing incoming mail and reduction in the workload of specialist departments by checking and refining the information it contains.

On the future of software development

Interview with
Pascal Reddig,
Head of Google
Cloud at adesso




• Hi GenAI! Welcome to our business

Pascal Reddig (45) is an IT specialist. He is responsible for business involving Google solutions at adesso, one of the most important Google Cloud Premier Partners in the German-speaking market (DACH). Together with his team, he brings companies to the cloud and helps to implement projects with cloud-native approaches quickly, cost-efficiently, innovatively and at a low level of risk. Under his leadership, adesso set up the first Google AI-certified team in the DACH region and has gathered experience with large language models and GenAI. In cooperation with senior software architects, Reddig leads adesso's LLM in Coding task force, which is driving the introduction of large language models and GenAI into adesso's day-to-day programming. Before joining adesso, he was Managing Director of TWT Business Solutions GmbH, another Google Cloud Premier Partner. In his spare time, Reddig is a keen gravel biker and collects rare Lego sets.

Could you please briefly explain what cloud computing in general and the Google Cloud in particular have to do with GenAI?

Cloud computing provides the scalable and cost-effective infrastructure required to train and utilise GenAI models. The computing power, storage space and bandwidth required to process large volumes of data and generate content can be provided flexibly in the cloud. Google also holds a leading position in the area of GenAI. This is primarily due to its many

years of experience with data science and machine learning, as well as its access to huge amounts of data from things like Google searches, which is an inherent part of the business model. In addition, Google has an enormous computing infrastructure, which is required for the training and utilisation of GenAI models.



It is sometimes said that GenAI will make a large part of human labour superfluous – including, or indeed particularly software development. Will we soon no longer need any consultants and software developers at adesso?

GenAI has the potential to change software development, but it will not completely replace human programmers. Over the next few years, GenAI is likely to increase the efficiency of software development by automating routine tasks. GenAI can create prototypes and generate code drafts. However, it does not create complex, end-to-end applications. Programmers can concentrate on more complex tasks such as design, architecture and problem solving. It is becoming increasingly important to recognise the challenges and risks associated with GenAI.

Will project development become less expensive? Who ultimately benefits from potential efficiency gains?

It is likely that the use of GenAI will become the standard. Companies that fail to make use of it run the risk of being left behind by their competitors. However, if everyone uses it, GenAI will not make software development faster and cheaper overall. The cost of developing software will continue to depend largely on factors such as the complexity of the required solution and the ability of developers to programme software that is truly enterprise-ready. At the same time, however, the way we programme will change. In some areas, prompts will be described in natural language and no longer in code.

The expertise of knowing how to do things right will still be required here, as will complex quality assurance. In the end, it is the developers who will benefit most from the deployment, because the main focus will shift to creativity.

If everyone uses GenAI in their business in the future, will there still be any competitive advantages at all? Or will all providers become interchangeable?

Initially, it is to be expected that the GenAI models will be harmonised in terms of their functional scope. Most providers will rely on similar data sources and technologies, which can lead to a certain degree of homogenisation. The decisive difference will therefore lie in the utilisation of a business's own data and knowledge. Companies that are able to integrate their specific requirements and processes into the GenAI models will be capable of setting themselves apart from their competitors.

In your opinion, what are the next big development steps in the area of GenAI?

I believe that multimodal models, larger context sizes and ground truth models will drive forward development in this area. Multimodal models can understand not only text, but also images, videos and audio, allowing content to be processed without prior conversion to text and ensuring less information distortion. Ground truth models only respond to the knowledge that has been explicitly communicated to them. This reduces the risk of GenAI “hallucinating”, which delivers more accurate and reliable results.

What should companies prepare for now in order to keep pace with development?

Companies should start identifying their first GenAI use cases and carry out proof-of-concepts (PoCs) now. A comprehensive AI framework, such as the one from adesso, can help to speed up the process and avoid pitfalls. However, companies also need to build up their own GenAI expertise by hiring specialised staff or by training existing employees.

Will there be any areas of life that will be able to manage completely without GenAI?

GenAI will not be able to replace creativity and innovation completely, but existing patterns are being recognised and adapted. Programmers, on the other hand, are able to develop new and unforeseen solutions based on a deep understanding of the underlying problems. GenAI can only play a supporting role in complex and specialised tasks.

Do you see more risks or more opportunities for the IT sector through GenAI?

I firmly believe that the opportunities of GenAI outweigh the risks. Companies that actively engage with GenAI and utilise the technology sensibly will reap the rewards.

Successful partnerships, successful projects

One point of contact for all GenAI technologies

Prompt

Portrait up of a modern 60 year old person, glasses, daylight, sitting in a room, taken on a 50mm camera lens, professional photographic quality, high skin details

- Hi GenAI! Welcome to our business



adesso also remains vendor-agnostic when it comes to GenAI and advises customers on the best and most suitable technologies for them. Nevertheless, adesso has a broad enough position and network with the leading companies in the technology field to realise projects quickly and cost-effectively. Our highest certifications in the hyperscaler sector are testament to our GenAI expertise, big data and cloud computing experience. These partnerships are the key to successful projects and reliable, engineered solutions. Depending on the requirements, we can implement cloud-based and on-premises products, as well as solutions operating in German data centres or at adesso directly via application services. The ace up adesso's sleeve is its own specialist start-up offering specialised GenAI solutions.



ALEPH ALPHA

adesso maintains a close partnership with the Heidelberg-based AI specialist Aleph Alpha, with which it realises projects jointly. Through its Luminous language model, the Heidelberg-based start-up offers a multimodal AI language model that can be used to process complex texts in combination with images. As an integration partner, adesso supports companies in implementing this AI solution in their business processes. Aleph Alpha views its Luminous series as a European response to the big AI language models from the United States. Unlike AI systems from US companies such as ChatGPT or Google's Bard, however, the Luminous solution is GDPR-compliant. The two companies are pursuing a common goal: secure, transparent and fair AI that ensures digital sovereignty. With data centres in Germany, Luminous is the first choice for the public sector, companies with high regulatory requirements or for operators of critical infrastructures (KRITIS).



Microsoft

For customers who have already built a large part of their infrastructure on the basis of Microsoft products, creating applications via the Microsoft Azure platform is an attractive proposition. Azure OpenAI Service offers tools for the development of generative applications. Microsoft also offers what it calls copilots in a multitude of areas from programming to productivity and search. These services are based on Microsoft's many years of research and innovation in the field of AI and its close collaboration with the company OpenAI, which became world-famous for its LLM ChatGPT.

Google

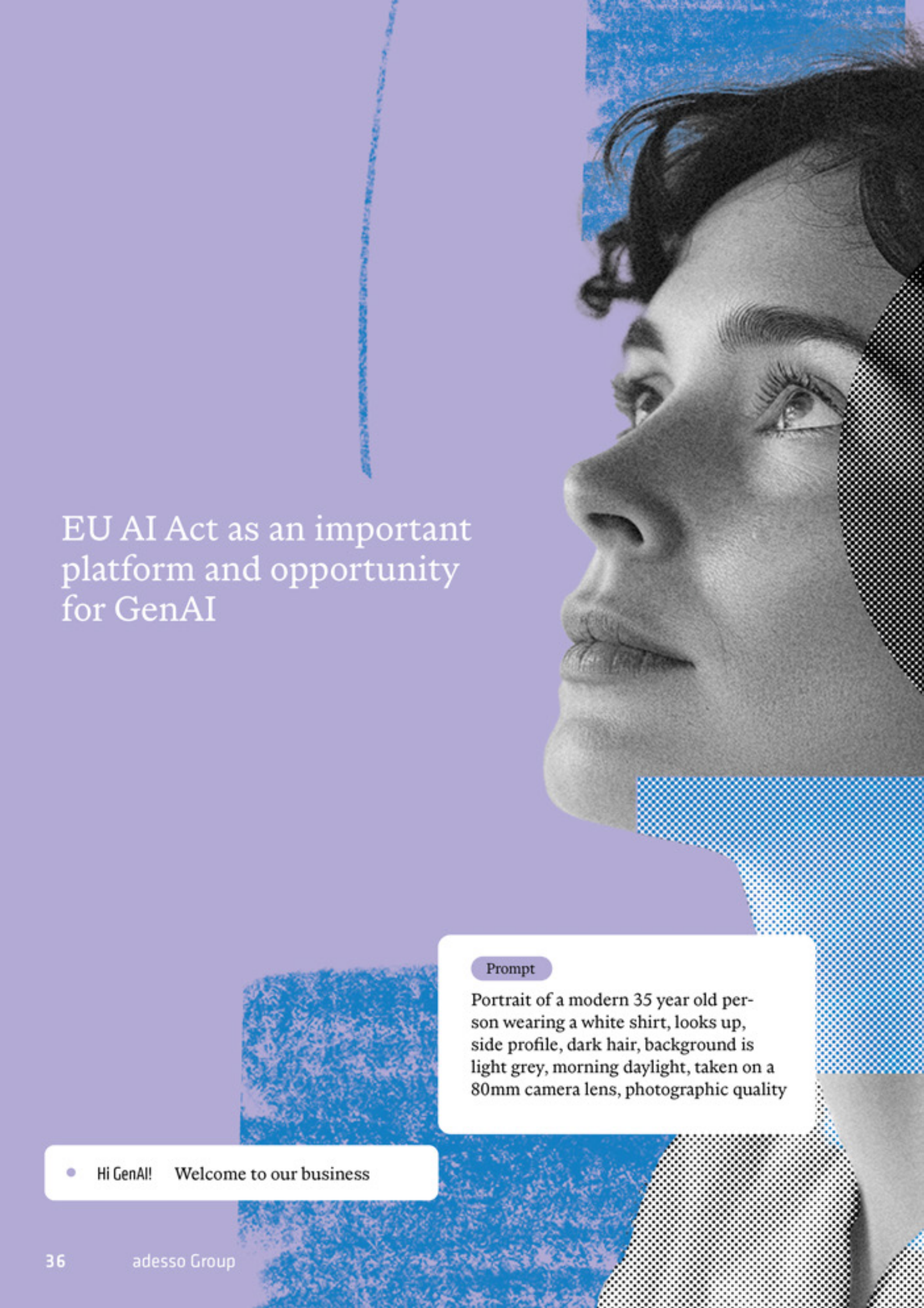
adesso is one of the most important Google Cloud Premier Partners in German-speaking countries and has the first team specialising in machine learning in the DACH market. As a large hyperscaler, Google not only provides a suitable and scalable infrastructure, it also offers open platforms and tools for the development of proprietary GenAI applications. This contributes to the promotion of innovation and dissemination of GenAI technologies.

Tamed AI

The Essen-based start-up Tamed AI, an adesso-affiliated company, offers an innovative approach to GenAI that is new and unique on the market. In a nutshell, Tamed AI can process documents and images like a human. It combines large language models and optical systems to extract and process semantic content from input files. This allows users to request detailed information on individual documents or images as if they were asking fellow human beings.



In SAP environments, customers utilise the potential of generative AI in the context of their own business data and processes to shape innovations. SAP provides the necessary technology together with comprehensive industry-specific data and in-depth process knowledge to seamlessly integrate AI functions into SAP applications. The introduction of the SAP Business Technology Platform (SAP BTP) opens up a completely new way of utilising individual applications and models in the context of business data. Generative AI ensures complete integration and responsible design.



EU AI Act as an important platform and opportunity for GenAI

Prompt

Portrait of a modern 35 year old person wearing a white shirt, looks up, side profile, dark hair, background is light grey, morning daylight, taken on a 80mm camera lens, photographic quality

- Hi GenAI! Welcome to our business



Trustworthy AI: a safe pair of hands

GenAI may open up many exciting opportunities, but there are risks too. As is always the case in new fields of technology, new possibilities are met with a legal framework that is not sufficiently prepared for them. The texts generated by ChatGPT were astonishingly good, and the quality of the images generated by Midjourney was also impressive. However, we have also learnt that the models' creativity is limited – that instead of creating something completely new, they learn from existing materials and imitate the result.

The great opportunities of GenAI are also associated with risks.

This raises unprecedented questions: Who owns the generated material? Which sources were used to train the model? Was this material allowed to be used at all? Might there even be copyright infringements? There is also still a widespread lack of uniform ethical standards and regulations when it comes to security, copyright and data protection. For example, who is liable for damages if a chatbot has been incorrectly trained and makes misleading statements or promises on behalf of a company? How can it be ensured that proprietary or even personal data does not flow into generated material or is not disclosed beyond company boundaries?

In light of the fact that US technology companies in particular have effectively secured sovereignty over personal data in the past, the EU has made sure to act quickly when it comes to the key technology of AI by laying important groundwork for the secure and reliable use of GenAI with new legislation known

as the AI Act. In December 2023, the EU legislative institutions agreed on the main features of the new law. It was then approved unanimously by EU member states in February 2024, with the responsible parliamentary committee in Brussels also giving the green light. It is expected that the EU AI Act will come into force as early as summer 2024 following publication in the Official Journal. Companies and organisations in the EU should already be aware of the framework conditions for the use of GenAI associated with the law and align their existing and planned GenAI solutions accordingly. adesso already offers the necessary assessments for this purpose.

The act includes a system of risk classification and distinguishes between low-risk and high-risk AI systems, as well as prohibited AI systems. While minimal-risk AI systems are only affected to a very limited extent by changes resulting from the regulation – such as the requirement that they are denoted as AI systems – the

rules for the other two categories of risk are extensive. Prohibited AI systems include applications to manipulate human behaviour subconsciously and those utilising real-time remote biometric identification for law enforcement purposes in publicly accessible spaces. A large number of protective measures must be taken for high-risk systems.

Without appropriate regulation, the global distribution of resources and risk appetite are likely to be key factors moving forward. American hyperscalers such as Google, Microsoft and Amazon are investing heavily in GenAI and are also taking on greater risk with more experimental approaches. Regulation is sometimes seen as an obstacle to innovation, with companies aiming to make rapid progress and secure market dominance. In Europe, investment in GenAI is still much more restrained. The public sector and private companies alike are more cautious and favour lower-risk approaches with a focus on specific use

cases and digital sovereignty. The legislation is geared towards ensuring that this technology is developed and utilised within an ethical and responsible framework, something that may even prove to be a competitive advantage in the end. The regulation of AI – an area where the EU is playing a pioneering role, as it did with the General Data Protection Regulation – should therefore also be seen as an opportunity rather than a burden. The Brussels Effect, whereby other jurisdictions around the world follow the EU's lead, is also likely to ring true for GenAI too. Initial developments in this direction are already emerging, particularly in the US.





Consolidated Management Report

42 GROUP PRINCIPLES

- 42 Business model
- 42 Group structure
- 43 Targets and strategies
- 43 Management system
- 43 Research and development

44 ECONOMIC REPORT

- 44 Macroeconomic conditions
- 45 Industry-specific conditions
- 46 Business performance
- 47 Position

**58 FORECAST, OPPORTUNITIES
AND RISK REPORT**

- 58 Forecast report
- 61 Risk report
- 65 Opportunities report

- 67 Takeover-relevant information
- 69 Internal control system and risk management system in terms of the consolidated accounting process
- 70 Declaration of Conformity and statement of compliance with the German Corporate Governance Code and separate non-financial report

**71 SUPPLEMENTARY MANAGEMENT
REPORT TO THE FINANCIAL
STATEMENTS OF ADESSO SE**

- 71 Business activity
- 71 Employees
- 71 Business situation
- 73 Overall statement on business performance by the management

**74 REPORT ON EQUAL OPPORTUNITIES
AND EQUAL REMUNERATION**

GROUP PRINCIPLES

Business model

The adesso Group is a fast-growing IT group which has set its sights on becoming one of the leading consulting and technology groups for industry-specific business processes in 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. In addition, the company's development is bolstered by an acquisition strategy designed to expand the technology portfolio, the product family and international expansion.

adesso SE¹ 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, Turkey and Italy.

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 included 48 subsidiaries, five associated companies and two joint ventures as at the reporting date. The parent company adesso SE is listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange as well as on all German stock exchanges (ISIN: DE000A0Z23Q5, WKN [national security identification number]: A0Z23Q).

adesso SE's largest location is in Dortmund, which is also the city where 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 more than 30 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, Budapest, Istanbul, Jerez de la Frontera, Lausanne, Lugano, Madrid, Milan, Sofia, Vienna and Zurich.

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

At the end of 2023, the adesso Group employed 9,512 full-time equivalents (FTE) in Germany and other European countries (previous year: 8,056). Of these, 1,753 (previous year: 1,405) are FTEs employed abroad, and 7,759 (previous year: 6,651) are FTEs employed in Germany.

¹ Unless otherwise stated, the information on "adesso SE" in this management report refers to the group (adesso Group). Only in the separate section "Supplementary management reporting to the annual financial statements of adesso SE" does the information only refer to the parent company.

Targets and strategies

adesso's aim is the rapid expansion of the company into one of the leading IT 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 its 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 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 the 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 should always be possible to operate from a position of financial strength while achieving an ongoing return on the capital invested by the shareholders through the payment of a dividend. Being able to increase the dividend on a regular basis is the stated aim.

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, EBIT, the EBIT-margin, number and proportion of employees not fully utilised, number of employees and net liquidity. The most important performance indicators are subject to regular comparisons with forecast and actual data. The development of the key figures is analysed and compared with internal and external benchmarks. An updated rolling forecast is prepared per Group company for the entire year so that possible planning deviations can be identified 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.

In addition, the generation of cash flow and the companies' return on capital will be analysed from 2024 onwards. For the adesso Group, the key figures Free Cash Flow (FCF) or Free Cash Flow per share (FCFps) and Return on net working capital (RONWC) are used.

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. A small research department at adesso SE coordinates ongoing research projects.

ECONOMIC REPORT

Macroeconomic conditions

The German economy was marked by stagnating growth for much of 2023. Growth was even negative in the fourth quarter. This is also reflected in gross domestic product (GDP), which declined by 0.3 % compared to 2022 (+ 1.8 %). The macroeconomic situation was influenced in particular by the knock-on effects of the loss of purchasing power in the wake of the energy crisis, which weakened private consumption especially. In addition, the slowdown in global economic growth had an impact on the markets, as did the ongoing difficult situation brought about by current geopolitical tensions and crises. The persistent critical situation on the labour market also constitutes a long-term obstacle to potential growth. The German government initially expected the economy to grow by 0.2 % in its annual projection in January 2023, but was forced to revise this estimate on more than one occasion, especially due to declining private consumption in the current year. While the German government initially raised its forecast to growth of 0.4 % in spring 2023 on the back of stabilising inflation rates, it subsequently revised it downwards by a substantial

margin to a contraction of 0.4 % in its autumn projection on account of the ongoing geopolitical and monetary crises.

The situation on the German labour market remains tense. Although the number of people in employment recovered slightly, particularly towards the end of the year, unemployment figures remained broadly unchanged. On the whole, companies' willingness to hire new staff has declined slightly, and new appointments are now viewed more critically. The situation is not expected to improve until spring 2024, should the economy pick up again.

In its own projections, SECO, Switzerland's State Secretariat for Economic Affairs, anticipated economic growth to be subdued and revised its own forecasts upwards only slightly during the course of the year. In June, SECO still expected GDP to grow by 1.1 %. In September 2023, however, the organisation projected a slight increase of 0.2 % in economic growth to reach 1.3 % for 2023. This means that the Swiss economy grew at a below-average but constant rate overall. As anticipated, a major recession did not materialise. Currently, below-average but steady growth of 1.1 % is expected for 2024.

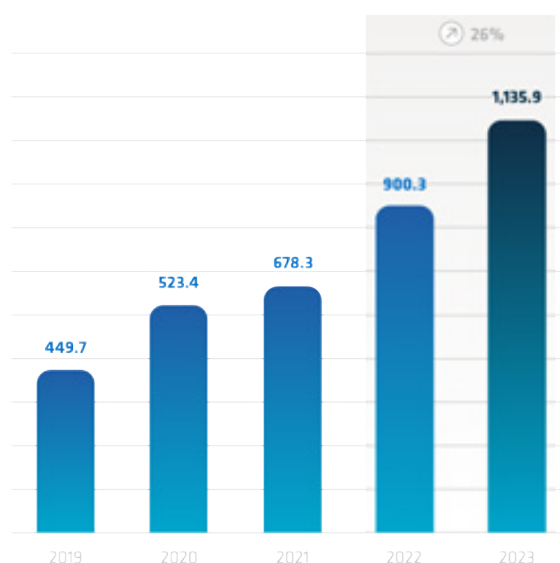
GDP and IT services growth rates (Germany)

in %



Growth in Sales

in EUR m



How the economy fares going forward will depend in particular on dampening effects stemming from international monetary policy. The expert group continues to assume that there will be no power shortages resulting in widespread production outages either this winter or next winter.

In December 2023, the Austrian Institute of Economic Research (WIFO) and the Austrian Institute for Advanced Studies (IHS) forecast the economy to contract by 0.8 % (WIFO) and 0.7 % (IHS) in 2023 overall. Compared to the forecasts presented in adesso's half-year report in July 2023 (WIFO: 0.3 % / IHS: 0.5 %), expectations for the full year have deteriorated significantly. Slight improvement by 0.8 % to 0.9 % is expected in 2024.

The OECD had only expected full-year growth of 3.6 % for the Turkish economy in June 2023, but changed its projection to a more positive 4.5 % as of November 2023. Turkey's GDP growth is expected to drop back to 2.9 % in 2024. According to OECD estimates, inflation will remain high at over 60 % in 2024, exceeding the previous year's 40 %.

With the exception of Turkey, the macroeconomic environment in 2023 deteriorated significantly over the course of the year in the economic regions in which adesso mainly operates and was even marked by a decline in some cases. In this respect, general conditions in financial year 2023 were challenging overall.

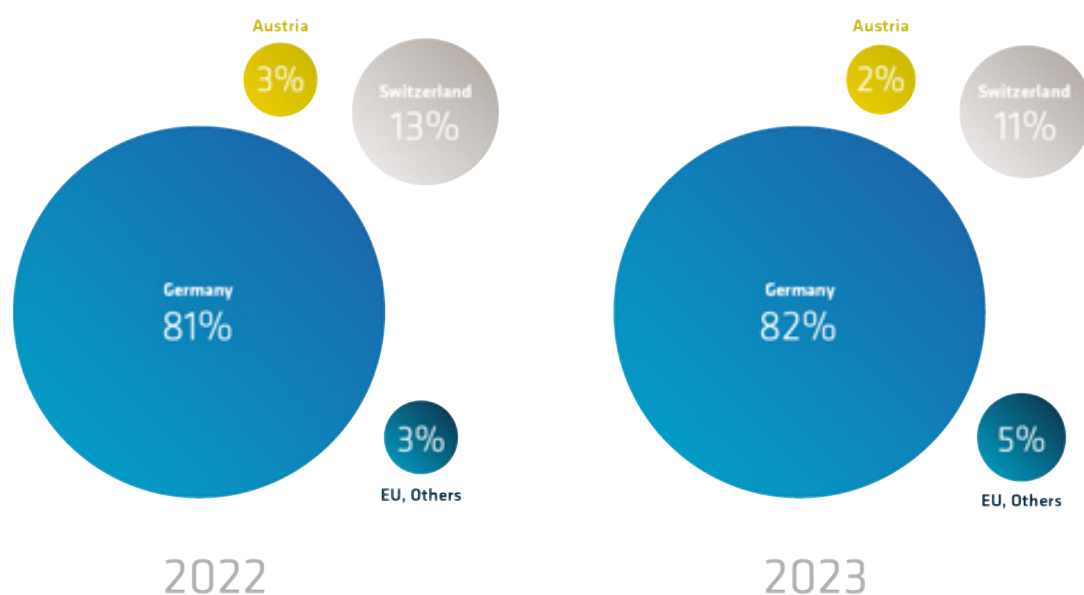
Industry-specific conditions

In its most recent market development forecast for the sector published in January 2024, the German industry association Bitkom expects growth in the German IT market to slow noticeably by 2.2 % to EUR 142.9 billion in 2023. Compared to an increase of 8.7 % in the previous year, growth weakened considerably. This was chiefly due to the decline in growth in the IT hardware segment from 4.8 % in the previous year to -5.4 % in 2023. Growth in the software subsegment was down from 15.0 % in the previous year to 9.6 % in 2023. The IT services segment, which is a key area for adesso, also recorded a slight decline in growth from 8.5 % in 2022 to 5.1 % in the reporting year. According to Bitkom estimates, the software segment achieved a market volume of EUR 41.5 billion in 2023, and the IT Services segment, which is the most important one for the adesso Group in terms of sales, reached EUR 49.4 billion.

This means that although the industry-specific conditions were more challenging than in the previous year, they continued to be favourable for adesso's business development.

Sales by country

in %



Business performance

Strong growth in sales was again recorded in financial year 2023. With sales of EUR 1,135.9 million, the company not only achieved a new record, but also exceeded the EUR 1 billion mark for the first time. A large share of this was accomplished through organic growth. Company acquisitions as part of the M&A strategy (mergers and acquisitions) also made a contribution.

At EUR 80.0 million, the operating result (EBITDA) was down 14 % on the previous year due to a number of factors that had a negative impact on earnings. The EBITDA margin is 7.0 %. Although the previous year had been boosted by positive effects from a series of company acquisitions, the operating result was hit in particular by a low capacity utilisation rate, lower licence revenue, additional expenses arising out of two fixed-price projects and an inflation-related increase in personnel costs.

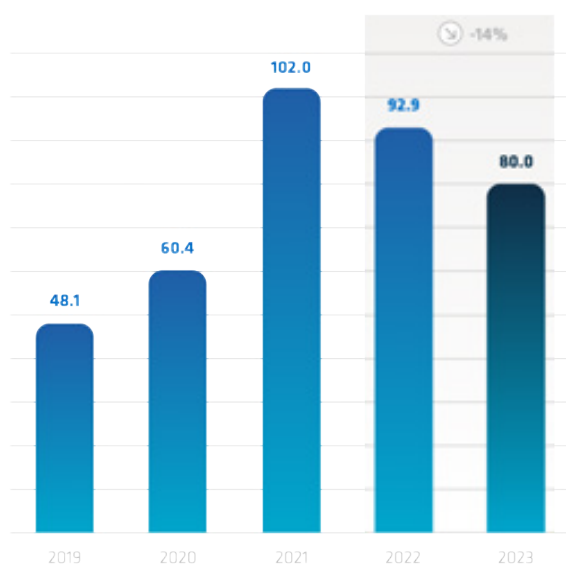
There were also other negative effects on earnings in some quarters. A disproportionately high rate of sick leave had a negative impact on both sales and earnings in the first quarter. Targeted measures were taken to counteract the development in the utilisation rate and inflation-related increase in personnel costs observed at the beginning of the year. Besides price adjustments for customers, a more gradual recruitment process was implemented, which entails a time offset given the usual lead times for employment contracts. These measures

resulted in a growing utilisation rate by the end of the first half of the year. In the third quarter, cost overruns occurred in two larger fixed-price projects, which counteracted the positive earnings trend seen in project workload. Coupled with licence revenue significantly below the previous year's comparable figure and expected value, the annual EBITDA guidance was adjusted from between EUR 100 million and 110 million to between EUR 70 million and 90 million when the business figures for the third quarter were published. With a contribution to earnings of EUR 54.9 million, the second half of the year accounted for a significantly higher contribution to the result for the year than the first half. As anticipated, profitability improved in the second half of the year. However, this did not balance out the weak first half. At EUR 80.0 million, EBITDA is in the middle of the adjusted target corridor.

adesso's business model continues to demonstrate its resilience to the risks arising out of geopolitical conflicts, the energy crisis and supply chain issues. Concomitant economic developments in the form of inflation and interest rate hikes are still having a moderate impact on adesso's business activities. Demand for adesso's IT services relating to the development of new software and consultancy on digitalisation projects and transformation processes remains high. In this regard, adesso's customer structure is also proving to be robust.

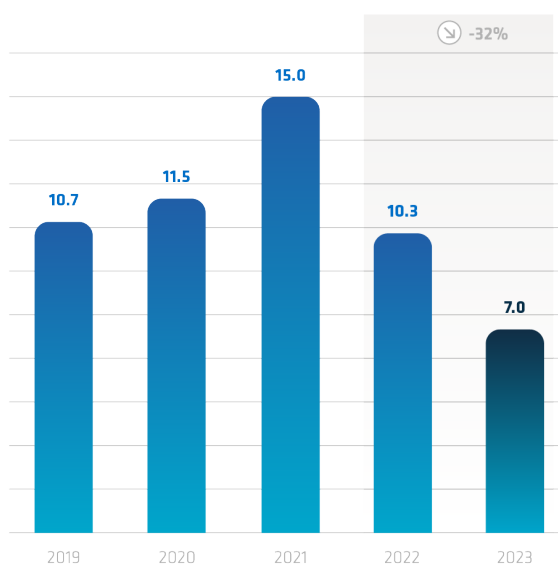
EBITDA

in EUR m



EBITDA margin

in %



Overall statement on business performance by the management

All in all, business performance in 2023 cannot be considered satisfactory. However, growth was very encouraging, and the introduction of measures helped correct the short-term negative trend in earnings in the first half of the year by the second half of the year, enabling adesso to return to its envisioned path of sustainable and profitable growth. Sales growth of 26 % to EUR 1,135.9 million, which was largely generated organically, is further evidence of the high demand for the services adesso provides in the European market.

Position

Earnings situation

Growth in sales

The adesso Group successfully increased its sales by 26 % to EUR 1,135.9 million in financial year 2023. Organic growth (without consideration of the company's acquisitions in 2022 and 2023) amounted to 23.9 %.

With market growth of 5.6 % weighted for the industry, as in previous years, adesso once again succeeded in outstripping the market in terms of organic growth in 2023.

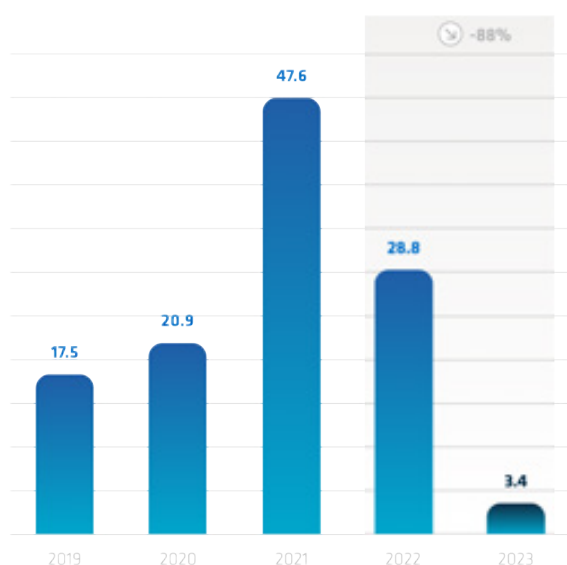
Sales revenues of EUR 589.6 million were generated in the second half of 2023, which was significantly more than in the first half of the year (EUR 546.3 million). As a rule, the number of working days is higher in the second half of the year due to how they are distributed throughout the year, meaning that 2023 essentially follows this trend. The number of working days in 2023 was down by two days on the previous year. As in previous years, the in|sure Ecosphere product family also generated more licence revenue in the second half than in the first half of the year. However, revenue was only about half the record level generated in 2022.

The IT Services segment was able to further expand sales (+28 %). Sales in the IT Solutions segment also increased on the previous year (+7 %). All established product companies, especially adesso insurance solutions and adesso mobile solutions, as well as IT solutions like influencer marketing and the sampling of components, which have not been part of the adesso portfolio for very long, recorded consistently positive growth rates.

In the IT Services segment, the most significant adesso Group subsidiary in terms of size, adesso SE in Germany, was able to significantly expand its sales by 29 %. The second-largest national subsidiary in Switzerland also grew substantially by 27 %. Significant relative sales growth was also achieved at the foreign companies in Austria and Turkey.

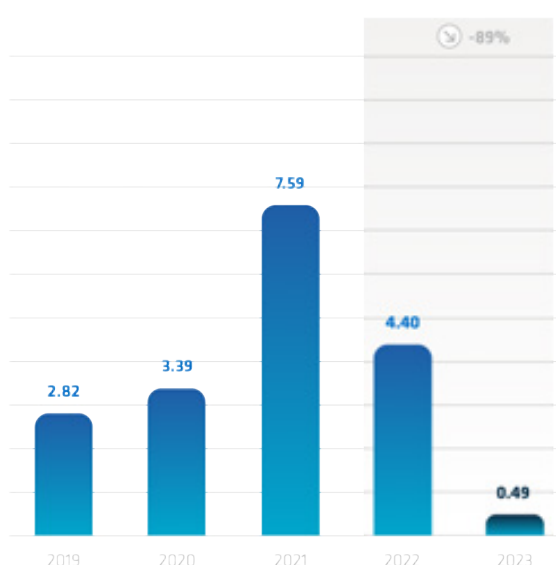
Consolidated earnings

in EUR m



Earnings per share

in EUR



WebScience, which was acquired at the beginning of the year, contributed around EUR 11 million to adesso's international sales. The adesso companies in the Netherlands, Sweden and Spain achieved the same level of sales recorded in the previous year.

In addition to the two established core sectors of insurance and banks/financial service providers, which are important for adesso in terms of sales and recorded growth rates of 21 % and 20 % respectively, the public administration sector is the strongest in terms of sales, as in the previous year. It too recorded growth of 22 % on the previous year. At 61 %, the strongest growth was recorded by the comparatively young retail sector. By contrast, automotive saw modest growth of 4 %. The insurance sector generated sales in excess of EUR 150 million in 2023, alongside the public administration and cross industries sectors. The banks/financial services providers and manufacturing sectors generated sales in excess of EUR 100 million.

Earnings

EBITDA declined from EUR 92.9 million to EUR 80.0 million in 2023, which corresponds to a percentage drop of 14 %. Aside from the previous year, which was partly boosted by accounting effects, the lower operating result is primarily due to a number of negative effects on earnings in the current fiscal year. While other operating income had a positive impact of EUR 7.1 million in the previous year following successive company acquisitions, inflation led to an increase in personnel expenses, which is adesso's largest cost item. In addition, the sharp increase in the number of employees had a negative impact on the capacity utilisation rate, especially in the first half of the year. With a relatively high rate of sick leave in the first quarter, additional expenses for two larger fixed-price projects in the third quarter, licence revenue that fell short of expectations and two fewer working days than in the previous year, there were a number of effects that had a negative impact on earnings. Measures introduced in the first quarter, such as a more gradual recruitment process and price adjustments for customers, have taken effect with a corresponding time lag.

Multi-period overview of earnings situation

(EUR k)	2023	2022	2021	2020	2019
Sales revenues	1,135,903	900,253	678,324	523,375	449,704
Other operating income	11,534	21,742	29,048	6,652	5,715
Changes in inventories	0	0	0	702	637
Own Work capitalised	4,275	1,167	27	173	1,405
OVERALL PERFORMANCE	1,151,712	923,162	707,399	530,902	457,461
Cost of materials	-162,636	-134,425	-93,611	-62,622	-50,487
Personnel costs	-773,159	-587,089	-446,386	-350,069	-293,110
Other operating expenses	-135,887	-108,740	-65,417	-57,805	-65,733
EBITDA	80,030	92,908	101,985	60,406	48,131
Depreciation and amortisation	-57,723	-44,759	-35,998	-26,179	-22,596
EBIT	22,307	48,149	65,987	34,227	25,535
Income from financing and investment activities	-10,114	-6,067	-2,757	-2,588	-2,230
EBT	12,193	42,082	63,230	31,639	23,305
Income taxes	-8,783	-13,289	-15,653	-10,692	-5,810
CONSOLIDATED EARNINGS	3,410	28,793	47,577	20,947	17,495
Cross profit	973,267	765,828	584,713	460,753	399,217
Cross income margin in %	86	85	86	88	89
EBITDA-MARGE in %	7.0	10.3	15.0	11.5	10.7
Growth in Sales in %	26	33	30	16	20
Change in personnel costs in %	32	32	27	19	21
Change in other operating expenses in %	25	66	13	-12	3

Consequently, the effects of a recovery could be seen in the operating result at the end of the first half of the year. At EUR 54.9 million, the second half of the year made a massive contribution to the annual EBITDA figure and was on a par with the second half of the previous year. In spite of a noticeable recovery in earnings in the third quarter, adesso's management no longer felt that the original annual forecast for the operating result was realistic. As a result, the original range of EUR 100 to 110 million was adjusted to EUR 70 to 90 million in November. The year-end figure of EUR 80.0 million was in the middle of the adjusted target corridor. At 7.0 %, the EBITDA margin is well below the level of previous years and below the target corridor.

With growth in sales of 26 %, there was a slightly disproportionate increase in the average number of employees (converted to full-time equivalents/FTEs) by 1,964 to 8,948 in 2023 (28 %), despite the reduced pace in recruitment during the year.

At EUR 11.5 million, other operating income was down significantly on the previous-year level of EUR 21.7 million. The decline is primarily due to income from successive acquisitions in the previous year (material.one AG and com2m GmbH) amounting to EUR 7.1 million. In 2023, earnings of EUR 0.5 million will be recognised in this context (acquisition of urban energy GmbH). Details in this regard can be found in the consolidated notes in Note "3.6 Acquisitions".

With an accelerated improvement in the capacity utilisation rate, the cost of materials (due mainly to external services) rose by 21 % to EUR 162.6 million – a significantly slower pace than sales and average employee growth. In the isolated third quarter, the cost of materials was below the previous year's figure for the first time since 2015. Gross profit rose slightly disproportionately to sales, growing by 27 % to EUR 973.3 million. Theoretically, this results in a slightly lower gross profit per employee of EUR 109 thousand (previous year: EUR 110 thousand). The involvement of external experts was necessary primarily to compensate for workload peaks and to integrate third parties with specific expertise into in-house projects. From a strategic perspective, the aim is to have a high proportion of sales revenues from in-house employees.

Personnel costs increased by 32 % to EUR 773.1 million, while the average number of employees rose by 28 %. This development is partly due to inflation-related salary adjustments. As such, the average personnel expenses per employee increased slightly to EUR 86 thousand (previous year: EUR 84 thousand).

Other operating expenses increased year on year by 25 % to EUR 135.3 million. Following the conclusion of an IT conversion project at the start of the year, it was possible to reduce legal and consulting costs again compared to the previous year. At the same time, expenses for licences and concessions increased in this context. All other significant expense items such as personnel recruitment, travel expenses and office space and motor vehicle expenses increased in line with the growth in the number of employees. In this context, travel expenses represent the largest cost factor (EUR 21.4 million) and the highest rate of growth (+74 %) compared to the previous year. Expenses for personnel recruitment, the second-largest cost factor (EUR 16.3 million), rose by only 5 % due to the reduced pace in recruitment.

Viewed over the course of the year, the largest contribution to earnings at EBITDA level was achieved in the third quarter, at EUR 28.4 million, which is due mainly to slower employee growth and the resulting return to a higher capacity utilisation rate, although additional costs incurred in two major fixed-price projects had a negative impact on earnings.

In the IT Services segment, the parent company adesso SE made the highest contribution to earnings in absolute terms in 2023 due to its size. The subsidiaries in Switzerland, Austria, Turkey and Bulgaria also generated positive earnings contributions. Other companies in Germany such as adesso as a service GmbH, adesso orange AG and KIWI Consulting GmbH make a sustainable contribution to the overall result alongside adesso SE. adesso's foreign subsidiaries in the Netherlands and Spain have not yet been able to make a positive contribution to earnings.

adesso mobile solutions GmbH made the largest contribution to earnings in the IT Solutions segment. The contribution to earnings by adesso health solutions GmbH and material.one AG was negative as a result of investments in new products. Unlike previous years, adesso insurance solutions GmbH, the most important company in the IT Solutions segment in terms of sales, was unable to make a positive contribution to earnings in 2023 because of insufficient licence placements.

Depreciation and amortisation increased by 29 % to EUR 57.7 million in the reporting period. The main factor behind this development is the 26 % increase in amortisation of right-of-use assets from leases. At EUR 9.5 million (previous year: EUR 7.3 million), amortisation of intangible assets recognised in connection with company acquisitions was also up significantly on the previous year at 29 %. As in 2022, goodwill was not subject to unscheduled amortisation.

At EUR -10.1 million, income from financing and investment activities was therefore significantly lower than the previous year's level (previous year: EUR -6.1 million). The main drivers of this development are interest expenses of EUR 3.2 million (previous year: EUR 2.3 million) connected to the representation of leasing relationships and financing costs recorded in the financial year in connection with borrowed capital. The general interest rate trend led to a corresponding increase in borrowed capital at variable interest rates.

Earnings before taxes (EBT) fell by 71 % overall to EUR 12.2 million, and thus more steeply than the operating result (EBITDA). Income tax expense came to EUR 8.8 million (previous year: EUR 13.3 million). The effective tax rate came in at 72 % (previous year: 32 %). The increase in the tax rate is due to non-tax-deductible expenses, and to the fact that deferred tax assets were not recognised for all tax losses that could be carried forward in the financial year, see also Note "29. Income taxes" in the consolidated notes. Both factors have a greater impact on the effective tax rate when the pre-tax profit is lower.

All in all, consolidated earnings were positive in the amount of EUR 3.4 million, down from EUR 28.8 million in the previous year. Earnings per share amounted to EUR 0.49 compared to EUR 4.40 in 2022.

Orders

Generally speaking, there is still a significant need for digitalisation in all of the industries served by adesso, which is why we expect order intake to continue to increase in 2024.

Key employee figures

The leading performance figures for employees developed as follows:

Key employee figures

	2023	2022	2021	2020	2019
Employees at year end	10,408	8,867	6,444	5,471	4,438
Full time equivalents (FTE) at year end	9,512	8,056	5,814	4,975	4,033
Full time equivalents (FTE) average for the year	8,948	6,854	5,430	4,392	3,732
Sales annualised per average FTE" (in EUR k)	127	129	125	119	120
Gross profit annualised per average FTE" (in EUR k)	109	110	108	105	107
Personnel costs annualised per average FTE" (in EUR k)	86	84	82	80	79

Financial position

Financial management principles and objectives

adesso pursues a balanced financial policy. The objective of financial management is to assure liquidity 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.

Variable interest rates on loans were agreed only in connection with the syndicated loan concluded in 2022 and the factoring programme. The company invests existing liquid funds almost exclusively on a daily basis so that it can flexibly take advantage of investment opportunities as they arise.

Central cash management at the level of daily account clearing has not been set up. Bank borrowing has been centralised through the parent company. The account balances and financial situation of all companies form part of the standard monthly reporting system and are known to the Group's Executive Board. All interest-bearing liabilities are denominated in euros, except for the 2015 acquisition in Switzerland, which was denominated in Swiss francs.

The option of selling receivables and obtaining liquidity at short notice (factoring) was established at adesso SE in 2022. The maximum amount that can be sold at any one time is EUR 60 million. In addition, a syndicated loan in the amount of EUR 130 million was concluded in 2022. The loan has a term of five years and features the option to increase the amount by up to EUR 40 million. Within the term, adesso can draw down individual amounts with a term of up to six months at the EURIBOR plus a basic premium. The basic premium is staggered and varies depending on the level of indebtedness of the adesso Group.

Capital structure

The financing of accounts receivable and of not-yet-invoiced services in the amount of EUR 259.5 million (previous year: EUR 226.8 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 176.5 million as at the reporting date (previous year: EUR 166.1 million). The need for advance financing of business operations therefore increased by 6 % on the previous year, which is significantly lower than the trend in sales and therefore corresponds to an improvement in the need for advance financing. In addition to general efforts to reduce the need for advanced financing, this positive trend is partly due to the IT conversion project at the start of the financial year.

Development of cash and cash equivalents and financial liabilities

in EUR k	Cash and cash equivalents	Change in %	Financial liabilities	Change in %
2019	46,352	+1	57,966	+20
2020	55,053	+19	60,689	+3
2021	109,922	+100	78,913	+30
2022	90,897	-17	106,495	+34
2023	100,772	+11	149,141	+40

Development of liquidity

in EUR k	2023	2022	2021	2020	Change 2023
Liquid assets	100,772	90,897	109,922	55,053	9,875
(-) Financial liabilities	149,141	106,495	78,913	60,689	42,646
(=) Net liquidity	-48,369	-15,598	31,009	-5,636	-32,771
Net liquidity to EBITDA	-0.6	-0.2	0.3	-0.1	-0.4
Liquid assets	100,772	90,897	109,922	55,053	9,875
(+) Trade accounts receivable and contract assets	259,495	226,787	162,127	121,314	32,708
(-) Current liabilities	286,876	214,451	179,320	143,679	72,425
(=) Net liquidity 2	73,391	103,233	92,729	32,688	-29,842

Development of the financial position

in EUR k	2023	2022	2021	2020	2019
Cash and cash equivalents	100,772	90,897	109,922	55,053	46,352
Financial liabilities	149,141	106,495	78,913	60,689	57,966
Net liquidity	-48,369	-15,598	31,009	-5,636	-11,614
Cash flow from operating activities	76,860	36,072	47,912	64,956	22,343
Cash flow from investing activities	-50,782	-43,498	-25,503	-28,469	-15,413
Cash flow from financing activities	-15,889	-10,979	32,646	-27,531	-6,522
Changes in value of the cash fund	-314	-620	-186	-255	32
Total change in liquid assets	9,875	-19,025	54,869	8,701	440

At EUR 149.1 million, the entire portfolio of interest-bearing financial liabilities was EUR 42.6 million higher year on year as a result of new intake despite instalment payments carried out. The majority of the financing is provided via a syndicated loan with a variable interest rate. All other forms of financing have fixed interest rates over the agreed term. All interest-bearing liabilities are denominated in euros or Swiss francs. Credit balances are available in the short term. Net liquidity after deducting financial liabilities is EUR -48.4 million, compared with EUR -15.6 million in the previous year. The increase in financial liabilities contributed significantly to the development of net liquidity. With a value of -0.6 (previous year: 0.2), the ratio of net liquidity to EBITDA is clearly above the maximum target of -2.5 that the company set itself.

Equity dropped from EUR 215.2 million to EUR 207.8 million, mainly as a result of the dividend payment and the recognition of liabilities from call/put options in connection with various company acquisitions.

The equity ratio fell by a total of 20 % to stand at 26 % after 33 % in the previous year.

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 2023. There is no investment backlog to report.

adesso acquired a wide variety of shares in companies during the financial year. In terms of the consideration granted, the principal transactions include the acquisitions of WebScience S.r.l (Milan, Italy) and Wepex GmbH (Frankfurt am Main, Germany) in the first half of the year, as well as Palmer AG (Würzburg, Germany) in the second half of the year. With the acquisition of Trieste Digital Solutions Private Limited (Kerala, India), which has since been renamed adesso India Limited, a SmartShore Delivery Centre was established outside of Europe. Please see “3.6 Acquisitions” in the consolidated notes for further details on all of the acquisitions.

Liquidity

Cash and cash equivalents totalled EUR 100.8 million on the reporting date (previous year: EUR 90.9 million). Cash and cash equivalents are offset primarily by financial liabilities which were entered into to finance business combinations and cover working capital requirements during the year totalling EUR 149.1 million (previous year: EUR 106.5 million). Net liquidity after deducting the financial liabilities decreased by EUR 32.8 million to EUR -48.4 million. Cash flow from operating activities stood at EUR 76.9 million (previous year: EUR 36.0 million). This change is chiefly due to the positive development of net operating assets.

Cash flow from investment activities amounted to EUR -50.8 million, following EUR -43.5 million in the previous year. The main drivers of this development are the 40 % increase in investments in property, plant and equipment to EUR -26.4 million. These are predominantly related to the expansion of the adesso SE building complex in Dortmund.

Cash flow from financing activities stood at EUR -15.9 million, compared to EUR 11.0 million in the previous year. While the amount of financial liabilities repayed was down by EUR 10.3 million on the previous year, this lower figure was due to the increase in the repayment of lease liabilities (EUR -6.5 million) and the rise in interest expenses (EUR -6.2 million). Similar to the previous year, dividends totalling EUR 5.3 million (previous year: EUR 5.0 million) were paid out.

Variable salary components will be paid out in the first few months of 2024, as in previous years. As a result, net liquidity is initially expected to develop negatively in the first half of the year 2024, as in previous years. Overall, the liquidity of the adesso Group is adequate to carry on current business operations, for the planned repayment of liabilities and to compensate for ordinary fluctuations in capacity utilisation. Furthermore, adesso has sufficient funds at its disposal to drive future corporate growth and, in particular, to acquire further equity investments. As of the balance sheet date, adesso SE, as the central financing company of the adesso Group, had several available credit lines totalling EUR 179.5 million.

Multi-period overview of assets and liabilities

in EUR k	2023	2022	2021	2020	2019
Balance sheet total	785,985	655,565	555,703	374,093	320,764
Current assets	389,886	339,666	283,760	183,691	161,957
Of which liquid assets	100,772	90,897	109,922	55,053	46,352
Of which trade accounts receivable and contract assets	259,495	226,787	162,127	121,314	108,719
Non-current assets	396,099	315,899	273,443	190,402	158,807
Current borrowed capital	286,876	214,451	179,320	143,679	114,312
Of which loans and other financial liabilities (including leasing)	59,231	37,195	43,095	25,912	26,174
Of which trade accounts payable and contract obligations	82,953	60,682	39,725	27,417	23,637
Non-current borrowed capital	291,332	225,933	192,265	135,497	113,970
Of which loans and other financial liabilities (including leasing)	268,733	206,755	176,221	116,022	105,229
Equity	207,777	215,181	185,618	94,917	92,482

Financial performance indicators

	2023 target	2023 actual	Target
Growth in sales (organic)	> EUR 1 billion thus > 15 % growth	26 % to EUR 1.1 billion, 24 percentage points of which organic	At least double industry growth (industry growth 2023: 5.6 %)
EBITDA	EUR 100 to 110 million (reduced in November to EUR 70 to 90 million)	EUR 80,0 million	Increase on previous year
EBITDA margin (indirect)	10 to 11 %	7.0 %	11 to 13 % (non-current)

Table source: adesso Group figures

Net assets

As of the reporting date, the balance sheet total was EUR 786.0 million. It increased by 20 %, or EUR 130.4 million, compared to the previous year.

On the assets side, the carrying amount of goodwill increased by EUR 12.3 million, mainly due to acquisitions. The increase in other intangible assets and property, plant and equipment by EUR 55.1 million to a total of EUR 263.4 million is attributable to the further growth of the adesso Group. In line with increased sales, trade receivables increased by EUR 9.6 million and contract assets by EUR 23.1 million to a total of EUR 77.6 million. At EUR 100.8 million, cash and cash equivalents were 11 % higher than in 2022.

On the liabilities side, lease liabilities increased by EUR 41.4 million to a total of EUR 178.8 million in parallel with the rights of use from leasing contracts. A large part of the increase is due to the move into the third phase of adesso SE's headquarters in Dortmund. As in the previous year, more financial liabilities were incurred than repaid in 2023. In addition, non-current financial liabilities increased further because of acquisitions, with the result that a total of EUR 149.1 million (previous year: EUR 106.5 million) in financial liabilities are now reported. At EUR 129.1 million, other liabilities (previous year: EUR 104.4 million) represent the third-largest share of liabilities on the liabilities side.

General statement

The Executive Board's targets for 2023 were to achieve sales of more than EUR 1 billion and EBITDA of between EUR 100 million and EUR 110 million (adjusted to between EUR 70 million and EUR 90 million when the figures for the first nine months of the year were published).

The adesso Group's sales in the reporting period stood at EUR 1.135.9 million, with EBITDA of EUR 80.0 million and an EBITDA margin of 7.0 %. While the sales target was achieved successfully, the originally forecast EBITDA was not achieved owing to various effects that had a negative impact on earnings. A lower capacity utilisation rate, inflation-related adjustments to personnel expenses and other effects meant that the EBITDA margin calculated was below the target corridor. The final EBITDA achieved was ultimately in the middle of the target corridor, which was adjusted during the year. The second half of the year was very positive as a result of the countermeasures taken at the end of the first quarter. But, despite all the efforts made, it was not possible to offset the developments in the first half of the year.

The development of assets continues to follow the growth in employees, sales growth and M&A transactions. Above all, there has been an increase in long-term assets in the area of property, plant and equipment and rights of use from leasing, which is in line with the growth in employees. In the area of current assets, trade receivables and contract assets in particular increased and are following the growth in sales, albeit at a lower rate. On the liabilities side, leasing liabilities increased in line with the right of use from leasing. In addition to a positive free cash flow, the increase in financial liabilities explains the solid liquidity situation at the end of the year. The decline in net operating assets in particular contributes to the positive development in free cash flow.

Financial and non-financial performance indicators

The key financial performance indicators used for internal control of the Group are sales growth, EBITDA and the 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 nonfinancial 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 next page.

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:

Performance indicator Inverse utilisation rate

	2023	2022	2021	Target
Annual average	12.7%	11.8 %	12.0 %	9 % bis 13 %
Maximum	14.6%	13.0 %	14.4 %	15 %
Minimum	11.5%	10.6 %	10.3 %	7 %

Table source: adesso SE

Performance indicator Booking intensity

	2023	2022	2021	Target
Annual average	91.2%	92%	93%	93 % bis 99 %
Maximum	94.3%	95%	97%	103%
Minimum	87.7%	89%	89%	83%

Table source: adesso SE

Performance indicator T&M daily rate

	2023	2022	2021	Target corridor
Annual average	+5.3%	+4,5 %	-1%	min. +2 %

Table source: adesso SE

Performance indicator Fixed-price projects

	2023	2022	2021	Target corridor
Proportion of employees in overspend projects	0.4%	0.7%	0.9%	< 1,5 %
Arithmetical daily rates	+1%	+3 %	+16 %	min. +2 %

Table source: adesso SE

Performance indicator Recruitment and turnover

	2023	2022	2021	Target corridor
Development of applications	+83%	+25%	-15%	>= Gross profit increase previous year
New hires (permanent staff)	1,199	1,580	1,004	Increase on previous year
Turnover rate (permanent staff, change and maximum)	-0.3 pp; <10 %	+/- 0.0 pp; < 10 %	+ 1.1 pp; < 10 %	Improvement; < 10 %

Table source: adesso SE

Performance indicator Software product

	2023	2022	2021	Target value
License sales	-56%	+ 15 %	+ 45 %	> 5 %
Maintenance sales	-3%	+ 25 %	+ 12 %	> 5 %

Table source: 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 is the goal, without severely limiting flexibility in staffing new projects. 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 (Inverse utilisation rate).

In 2023, a lower utilisation rate was achieved compared to the previous year due to the high growth in personnel. The value is close to the limit of 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, sick leave, and capacity utilisation. When these effects are neutralised in the analysis of billable customer hours, it is possible to deduce the average billable customer hours per project day for an employee assigned to a project, provided 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 is therefore an indicator of the development of both the quantitative value added per employee assigned to a project and the structural efficiency.

Since additional or fewer hours worked per project day leave costs virtually unchanged, 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 working day.

In 2023, the average booking intensity decreased slightly compared to the previous year. It is therefore still slightly below 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 2023, the average daily rate in projects billed on a time and materials (T&M) basis rose by 5.3 % and was therefore higher than the target corridor of 2 %.

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 other potential working time. Even if they can only be used in combination with projects completed below budget for an overall view of the impact that fixed-price projects have on earnings, the proportion of employees in overspend projects provides an indicator of progress or setbacks in relation to fixed-price projects. This is a qualitative assessment, as the evaluation is based on days and not on euros. The proportion of employees in overspend projects remained below the target corridor in 2023 and slightly below the previous year's level.

As part of project calculation, an imputed daily rate can be determined using the fixed-price budget and the number of person-days planned or actually expended to carry out the project. The average imputed daily rate determined across all fixed-price projects serves as another indicator of how the fixed-price projects are developing. At 0.5 %, the increase in the imputed daily rate in fiscal year 2023 remained below the target value of 2 %.

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

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. The number of applications rose significantly by 83 %, thereby reaching a new peak.

The fast organic growth was continued, and thus the number of new positions filled for permanent employees increased by a further 24 %. The staff turnover rate fell slightly and was within the target corridor of up to 10 %.

Management also examines the development of licence/ SaaS and maintenance revenues involving the in|sure Ecosphere product family for insurance companies from the subsidiary adesso insurance solutions GmbH as internal performance indicators because licence revenues have a major direct impact on earnings, when viewed quarterly in the short term and over the financial year, and because maintenance revenues form the basis for increasing the cost base for developing and marketing products. In 2023, licence revenue was down very significantly by 56 % compared to previous year. Maintenance revenues fell slightly by 3 %. This means that both figures are below the target of > 5 % in each case.

Forecast, opportunities and risk report

Forecast report

Future macroeconomic situation

The marked slowdown in the pace of growth in the German economy that began in 2022 continued into 2023. After growing by 1.8 % in 2022, GDP shrank by 0.3 % in 2023. As a result, economic output declined for the first time since the pandemic. According to initial calculations by the Federal Statistical Office, the decline was particularly noticeable in the final quarter and stood at -0.3 % on the previous quarter, having already stagnated in the third quarter of 2023. As in 2023, high energy prices will continue to weigh on the economy in 2024, with the industrial sector being particularly affected. High costs of borrowing and the associated drop in investment, weak global economic growth and current geopolitical crises are also having a negative impact. While the German government does not currently anticipate a rapid economic recovery in 2024, it does at least expect things to pick up gradually over the course of the year once the domestic economy begins to improve. With the presentation of the Annual Economic Report 2024, the German government has revised its annual projection downwards compared to the last forecast from October 2023 to just 0.2 % GDP growth in 2024 and 1.0 % for 2025. The forecast momentum is therefore significantly lower. Previously, stronger growth of 1.3 % had been forecast for 2024, followed by a further 1.5 % in 2025. The 2024 annual economic report and the annual projection was not published until the end of February 2024, later than in previous years.

SECO, the Swiss State Secretariat for Economic Affairs, also expects the Swiss economy to recover slowly to just 1.1 % in 2024. This will be the second consecutive year featuring below-average growth. The main reason cited by the experts is subdued growth in the eurozone, which is having a weakening effect on Swiss exports, especially in the industrial sector. A decline in investment volume is also forecast due to rising borrowing costs and falling capacity utilisation. A global recession is not currently on the horizon, however. Experts do not expect economic growth to return to a more normal level of 1.7 % until 2025.

The Austrian Federal Ministry of Labour and Economy only expects moderate recovery in economic growth in 2024 based on projections by the Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS), which anticipate growth of 0.9 % and 0.8 % respectively. Although this means that GDP growth will improve on last year (-0.8 % and -0.7 % respectively), it is still well below the figures for 2021 (4.2 %) and 2022 (4.8 %). In 2025, growth is expected to increase further to 2.0 % (WIFO) and 1.5 % (IHS) respectively.

In Turkey, the OECD is forecasting a slowdown in economic growth to 2.9 % in 2024 and 3.2 % in 2025. Both years will therefore fall short of the GDP growth of 4.5 % in 2023. The OECD cites persistently high inflation combined with tighter fiscal policy to stabilise prices as the reason for this weaker rate. As a result, the OECD expects private consumption to fall in 2024.

This means that adesso will face a macroeconomic environment characterised by only slight overall growth in 2024, with greater uncertainty regarding forecasting and the continuation of risk factors as reported. The outlook has generally worsened compared to our assessment last autumn. While adesso has no indication of any such development given its current order situation, the weakening state of the economy could also have an indirect, delayed and isolated impact on adesso's projections, especially for individual customers.

Outlook for the industry

According to the industry association Bitkom, the German market for providers of IT services and products will once again expand more strongly in 2024 following a weaker pace of growth in 2023. The IT industry continues to be a crisis-resistant growth market in spite of the challenging overall economic situation.

Bitkom expects IT market volume to grow by 6.1 % to EUR 151.5 billion in 2024. In the 2023 reporting year, the market recorded an increase of only 2.2 %. According to Bitkom estimates, the pace of growth in the industry will pick up again noticeably in 2024. Market volume in the software and IT services sub-segments, which are particularly relevant to adesso, are set to grow by 4.8 % to EUR 51.7 billion and 9.4 % to EUR 45.4 billion respectively. In terms of growth rates, both sectors are therefore roughly on a par with the previous year. As in the previous year, business involving platforms for artificial intelligence and security software are the key drivers in the software segment. Bitkom also expects the number of people employed in the industry to rise by 2.7 % to 1.4 million. The association also reports that the industry is proving to be very resilient in the face of the current economic situation in Germany. Digitalisation remains the answer to the current crises and continues to create new jobs, economic growth and competitiveness on the international market. Around one in five digital companies are planning to step up their own investments in 2024.

The research institute Gartner expects global IT expenditure to increase by 6.8 % to USD 5.0 trillion in 2024. While generative AI is regarded as the next big thing when it comes to the future of the IT sector, experts do not expect it to have a major impact on investments in 2024. Instead, 2024 will be the year when the potential uses of GenAI are planned, but investments in preparation for it will be channelled into more traditional IT areas. According to Gartner, growth in the IT services industry in particular will be very positive in 2024, expanding by 8.7 % (2023: 5.8 %) to USD 1.5 trillion. The software segment is expected to grow by 12.7 % (2023: 12.4 %) to USD 1.0 trillion.

Future development of the Group

The Executive Board expects the adesso Group to continue to grow at an above-average rate in financial year 2024. This expectation is based on the continuing demand for elements from adesso's service portfolio across all industries. Given that all of the industries that adesso serves are investing in digitalisation initiatives, a good level of orders can be expected in the short to medium term, which should be reflected in corresponding sales growth. There is particularly strong demand for industry-related IT services.

The Executive Board expects to see an improvement in profitability. Financial year 2023 did not go well in this regard, owing to the factors outlined above. 2024 will remain challenging, but a recovery can be expected if business develops normally. In addition, certain non-recurring effects, such as major overspend projects and the launch of the ERP system, are not expected in 2024.

Calendar year 2024 has one more working day than 2023, and the prices that adesso can obtain on the market continue to rise. EBITDA should therefore develop disproportionately to growth in sales.

We continue to receive a good number of applications. The supply of highly qualified specialists on the market is high, in particular due to the recessive economy. The adesso Group's employee turnover rate remains low. In addition, shoring resources are also being expanded, which will offer additional growth and margin potential.

Internationalisation remains a cornerstone of adesso's growth strategy. Due to the initial need to increase profitability, M&A activities will be below average in terms of volume in 2024.

Management's focus on generating increased free cash flow and a good return on capital already began in 2023 and will remain in place in 2024. The growth of the adesso Group requires the Executive Board to focus more on capital allocation issues without losing sight of its operating activities.

The economic situation can be seen as positive in spite of the recessive market environment. Digitalisation is underway in all industries and is essential for businesses and organisations to respond to the current challenges facing them in the 21st century. This megatrend is by no means over.

Anticipated sales and earnings situation

adesso expects to achieve further growth in 2024.

Management is therefore planning as follows for financial year 2024:

- > Sales revenues: more than EUR 1.25 billion
- > EBITDA: EUR 110 to 130 million

If the minimum sales figure is reached, the calculated EBITDA margin is 8.8 % to 10.4 %. The IT Services segment will be primarily responsible for this growth. By contrast, investments in the ongoing development of the product landscape are having a negative impact on earnings potential in the IT Solutions segment. This is more than compensated for by the positive outlook in IT service business.

Financial outlook

Liquidity during the 2024 financial year is expected to follow the typical pattern, with a high liquidity level at the beginning of the year that decreases over the first two quarters due to bonus payments for the previous year and the dividend, and increases again in the second half of the year. An additional liquidity requirement could arise in the course of carrying out M&A transactions. Said requirement is covered in the short to medium term by the syndicated loan concluded in 2022.

The launch of the new ERP system enabled the Group to start making progress in receivables management in 2023. The SAP system is set to be rolled out to other Group companies. Fluctuations in working capital during the year are financed by factoring. Overall, adesso continues to aim for net debt of between zero and 2.5 times EBITDA (adjusted for leasing).

Although the majority of the capital allocation for a growth company such as adesso flows into growth initiatives (organic and inorganic), the dividend policy will continue to be pursued by the Executive Board. A balanced weighting between investments in growth, financial stability and shareholder participation in the company's success is envisaged. A steady, slight increase in the dividend is part of the capital market strategy.

The Executive Board's proposal envisages an increase in the dividend to EUR 0.70 per share for financial year 2023 (previous year: EUR 0.65 per share). This is feasible despite the low consolidated earnings, as cash flow generation was very positive in the fourth quarter. adesso is therefore remaining true to its policy of enabling shareholders to participate in the company's success via a dividend. The dividend will therefore be increased for the eleventh consecutive time.

Risk report

Changes to risk management system

There were no significant changes to the risk management system in financial year 2023. Rather, the focus was on stabilising and monitoring the organisational and procedural changes implemented in the previous year.

Targets and strategies

Risk management is a pivotal component of all decisions and business processes. Within the adesso Group, we understand risks as potential future events or developments that may have negative consequences for adesso. As a result, we see them as the risk of not achieving financial and operating targets as planned. In the worst case, they could endanger the existence of the company by placing too great a burden on the ability to manage the asset, financial and earnings situation. 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.

Risk management system

The Executive Board of adesso SE sets the business strategy and company targets in addition to the risk framework defined for this purpose. In order to manage the risks to the company, management has put a risk management system in place that includes, in particular, the functions and processes outlined below. The risk manager is responsible for implementing the strategic risk policy decisions and specifies the guidelines for the operational processes. They are responsible for implementing and coordinating the risk inventory, aggregation, assessment and maintenance of the risk management guidelines on a regular basis. In so doing, they draw on the assistance of the risk officers in particular. These mainly consist of the managers of the operating divisions and the support divisions, as well as the managing directors of the Group companies. The assessment of the risks identified is conducted by estimating their probability of occurrence and potential severity within the scope of a bottom-up risk inventory.

The expert interviews conducted are supplemented by a top-down inventory. A risk matrix is used to determine the probability of occurrence and the impact on the business or operation. Both of these parameters are assigned a score. The total score of each risk can be calculated by multiplying the probability of occurrence (1 to 5 points) by the extent of damage (1 to 5 points). The potential severity relates to the impact on earnings before tax. Qualitative risks are assessed using the risk matrix according to the degree of expression and degree of significance parameters. Both gross and net assessment is employed for internal risk management. Net risks are presented in the risk report.

Based on the risk assessment, risks are classified according to their significance, and measures to mitigate risks are defined for each risk. The risk owners defined for each risk are responsible for implementing the measures. The defined measures are reviewed at regular intervals as part of the risk inventory and the preparation of the risk report. The risk report is prepared every six months and basically contains a presentation of the company's risk situation including the key changes that have occurred since the previous period. The risk manual is submitted to the Supervisory Board so that the risk management system can be acknowledged and reviewed. The auditor of the consolidated financial statements also takes note of this in accordance with Section 314 (4) HGB. Moreover, the adesso Group possesses a system of processes and data analysis structures to monitor risks posed to the Group. adesso uses a centralised management reporting system to monitor earnings and track key performance indicators. 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 and resources not fully utilised, as well as incoming orders and the order backlog, are registered. All companies included in the scope of consolidation are part of the reporting system. The degree of inclusion in risk management is carried out on a risk-oriented basis as part of a standardised scoping process.

VERY HIGH > 80 %	B-RISK	B-RISK	A-RISK	A-RISK	A-RISK
HIGH > 50 - 80 %	C-RISK	B-RISK	B-RISK	A-RISK	A-RISK
MEDIUM > 20 - 50 %	C-RISK	B-RISK	B-RISK	B-RISK	A-RISK
LOW > 5 - 20 %	D-RISK	C-RISK	B-RISK	B-RISK	B-RISK
VERY LOW < 5 %	D-RISK	D-RISK	C-RISK	C-RISK	B-RISK
INEUR	< 0.1 MILLION (INSIGNIFICANT)	0.1 - 0.5 MILLION (LOW)	> 0.5 - 3.0 MILLION (MODERATE)	> 3.0 - 10.0 MILLION (SEVERE)	> 10 MILLION (SIGNIF- ICANT)

Risks

The A risks are presented in the following. These are the risks that have a scoring value greater than 15. Overall, there were no significant changes compared to the previous year. 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.

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 project controlling and reporting system, which is based on data from the ERP system. Depending on the project structure, sub-projects are defined and modelled in adesso's 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 under way. 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 significantly 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 and discusses possible impairment needs. However, the share of hours worked on 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-scale 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 is displayed as a graph in order to counteract the tendency that project inconsistencies are identified too late. Similar or identical procedures are used in various adesso Group companies.

Risks from a shortfall in planned earnings and planned sales

In the event of a high gross margin and a large proportion of fixed costs, low sales or rising costs can be directly reflected in adesso's earnings. 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. Given that the IT Services business area in particular generates business over specific periods of time, such idle periods are difficult to compensate for.

Given the high general relevance of this risk factor, adesso monitors the following values in the IT Services segment 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 the 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 or new SaaS contracts and related sales pipelines are monitored in detail in terms of structure and development over time.

As part of monthly reporting, the actual figures are compared with both the planning and the previous year, and a revised forecast is prepared on a cyclical basis. This enables emerging shortfalls in planned sales to be highlighted at an early stage; they then form the basis for the monthly discussions on business development and prospects. This applies to all major Group companies.

Financial risks

General liquidity risks: The adesso Group's liquidity situation undergoes annual fluctuations that are typical for the business. For example, higher payments are made in the first half of the year due to the payment of variable salary components for the previous year, the adjustment of advance tax payments due to increasing company results and the dividend payment. The first half of the year also regularly contains fewer working days compared to the second half, which is directly reflected in the sales in the IT Services segment. These effects depress the net cash position of the adesso Group within the first half of the year, which is gradually then built up over the course of the second half of the year. Another seasonal effect is that fixed-price projects tend to be accepted and invoiced more in the second half of the year.

All account balances, credit lines, loans and available cash are reported monthly for the purpose of monitoring liquidity. This makes the change in financial resources over time visible. The net cash position of each significant Group company is calculated and reported monthly. The incoming payments of adesso SE are monitored on a daily basis. Firmly committed bank credit lines are freely available in sufficient amounts to compensate for liquidity bottlenecks and unfavourable or unexpected developments.

Liquidity risks from major projects: Liquidity risks can arise from the payment terms of service agreements for completed projects with significant volumes. 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 of past years, however, the dependence on individual projects has decreased.

Default risks: The open items from trade receivables are a significant asset item in the balance sheet and represent the majority of tied-up capital. A payment default leads directly to corresponding negative effects on results and liquidity. Receivables management at adesso is handled individually at the level of the individual companies. adesso SE continuously monitors the development of receivables and incoming payments. There are also escalation mechanisms that extend to the Executive Board.

Currency risks: The adesso companies are exposed to risks in connection with changes in exchange rates when they enter into transactions that will result in future cash flows in foreign currencies. The foreign currency risk is partly offset 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 affects the business of adesso's national companies in Switzerland and Turkey, which settle the majority of their transaction in Swiss francs and Turkish lira respectively. 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 continuously monitors and analyses a number of key performance indicators such as headcount, number of unproductive employees, number of employees on sick leave, annual leave, costs / sales per employee and capacity utilisation. The top-level management is always informed about every dismissal and new recruit. The Executive Board analyses trends and discussed 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 maintains its position as a leading IT service provider thanks to its exceptionally talented employees, who have a vast amount of experience in their respective fields. In this area in particular, competition for staff is extremely fierce – not only among 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.

Risks from the development of new products and solutions

In 2012, the adesso Group began to significantly increase its investment in the development of new products and solutions and therefore gradually shift the risk profile of its heavily service-oriented business model towards its product business. Extensive development projects are under way for this purpose, and the systems already available are being marketed more widely. 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 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. Disruption can be caused by technical malfunctions, natural hazards or cyberattacks, among other things. 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. There is also the position of Chief Information Security Officer (CISO). Data on the productive servers is backed up incrementally on a daily basis onto suitable media outside the data centres at a third location.

The production systems available on the Internet are protected against unauthorised access via a multilevel firewall system. adesso operates a virtual private network (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 / IEC 27001, 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.

Other risks

The risk inventory has identified further risks that are classified as B risks.

- > Risks from internationalisation
- > Declining or insufficiently increasing daily rates
- > Risks resulting from pandemics (e. g. COVID-19)
- > Risks from falling order backlog
- > Risks from insufficient sales pipeline
- > Risks from change to market and competition structure
- > Risks resulting from using the wrong products or a lack of know-how
- > Risks from falling market volume
- > Risks from acquisitions and post-merger integration
- > Risks from the organisational structure
- > Risks from the customer structure and counterparty default risks
- > Compliance risks
- > Risks from lack of insurance cover
- > Inflation risks

Overall statement concerning the Group's risk situation

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 assumes that the risks identified are limited and manageable. No individual or aggregated risks have been identified that could jeopardise the continued existence of the company.

Opportunities report

In addition to identifying and managing risks, identifying and developing opportunities for the development of the adesso Group is also an important area of management attention. Various formats and working groups exist for the systematic development of new business opportunities, consisting of the Executive Board, Business Development, management of Group companies and business area managers. These formats are used to develop new ideas and business models for existing or new industries, solutions and regions.

The latest specialisations in the retail and utilities sectors are developing positively with above-average growth rates. Once again, this demonstrates that domain expertise is also of key importance in software engineering and IT consulting and that it can generate additional growth potential.

In view of the adesso Group's continuing growth to over 10,000 employees, sales of over EUR 1 billion and operations in 15 countries, the Group has introduced a new organisational structure. This new organisation is centred around the bundling together of various operational activities into business areas. The business area managers form an Extended Board together with the Executive Board. The aim of the new organisation is to be in a position to manage the next stages of growth as an organisation and to operate optimally on the market.

Internationalisation also offers additional opportunities. Although the proportion of adesso's international business within the Group has scarcely changed thanks to the strong growth in Germany and the German-speaking countries, the business is also recording significant double-digit growth in absolute terms. For example, adesso intends to further expand its activities in the sales markets and make greater use of shoring countries like Turkey, Bulgaria, Romania and, since 2023, India to ensure additional cost-optimised capacities.

The portfolio of services is also constantly evolving. As a technology- and manufacturer-neutral company, adesso is well positioned to offer a broad portfolio of services without being tied to a specific technology. The expansion of managed services in particular, i.e. the provision of IT services on a contractual basis that typically generate recurring sales, is an area we are looking to develop so that we can also support customers' larger IT projects.

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, with the consent of the Supervisory Board, to increase the share capital until 4 June 2028 in the amount of up to EUR 1,302,454 by issuing 1,302,454 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 authorisation 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 permitted neither to exceed the opening price on the acquisition date by more than 10 % nor to fall below it by more than 20 %.

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. The Executive Board may use the treasury shares in the context of stock option plans, which are sold to third parties for cash with the consent of the Supervisory Board, offered for non-cash consideration, in particular in the event of a merger with or acquisition of companies, and used with the consent of the Supervisory Board to service convertible bonds or bonds with warrants, profit participation rights or profit participating bonds (or a combination of these instruments), in each case with conversion or option rights or conversion obligations, and which are either offered to employees and executives for purchase, handed over free of charge, or retired as a remuneration component. As of 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. We are 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 2023, founding shareholder and Supervisory Board Chairman Prof. Dr Volker Gruhn held 26.5 % of share capital through a company he controls. Together with his RDF Familienstiftung, founding shareholder and Supervisory Board member Rainer Rudolf held 16.1 % 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.

We are 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 (3) 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 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 shareholders 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.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN TERMS OF THE CONSOLIDATED ACCOUNTING PROCESS

General

The consolidated accounting process comprises all activities that involve accounting and the preparation of financial statements in accordance with IFRS. The objective of the consolidated accounting process is to comply with the statutory requirements for the disclosure of the consolidated financial statements in accordance with statutory requirements and IFRS requirements.

Risk appraisal

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.

Control environment

The structure of the internal control mechanisms and risk management system is primarily the result of how the accounting and reporting processes are organised. In terms of organisational structure, 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 common 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. In addition, the subsidiaries' financial statements are prepared by the individual companies and in accordance with local accounting standards. All individual financial statements are submitted on a quarterly basis 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 reconciliation of values in accordance with local accounting standards to IFRS values and the preparation of a uniform reporting package is carried out by the parent company in accordance with a uniform Group accounts chart. Standard consolidation software is used to prepare the consolidated financial statements. The software is used to import the individual reporting packages, execute the required consolidation steps and compile the consolidated financial statements. 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 entries are documented transparently and comprehensibly.

Control measures

A uniform Group accounts chart has been implemented, to which the local charts of accounts are reconciled in the context of Group reporting, so that deviations from the intended presentation can be transparently traced 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 statements is, depending on the materiality, 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 also exchanges information with the respective local auditor and inspects the documentation of key Group companies.

The core elements of the control and risk management system when it comes to accounting is the monthly reporting of full monthly financial statements, the comparison of actual data with plan data and the repeated updating 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 thereby able to identify abnormal developments and discrepancies in a timely manner. The monthly financial statements of all companies are analysed on a monthly basis 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. For selected individual topics, the auditor of the consolidated financial statements is involved in accordance with Section 317 (4) HGB.

Information and communication

Information and communication ensure an adequate flow of information among the stakeholders in the internal control system. This requires the necessary information to be obtained in a suitable and timely manner and forwarded to the relevant departments within the company. Process specifications and organisational manuals have been prepared in the form of checklists to ensure that stakeholders are kept informed. These outline and document the individual steps, measures and responsibilities.

For further information on the internal control system and risk management system, please refer to the Declaration of Conformity.

DECLARATION OF CONFORMITY (SECTIONS 289F, 315D HGB) AND STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (SECTION 161 AKTG) AND SEPARATE NON-FINANCIAL REPORT (SECTIONS 289B, 315B HGB)

In accordance with principle 23 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 and Section 315d HGB. In addition, as the parent company of the adesso Group, adesso SE issues a special,

non-financial report pursuant to Section 289b (3) and Section 315b (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 MANAGEMENT REPORT TO THE FINANCIAL STATEMENTS OF ADESSO SE

Business activity

As the largest operating company, adesso SE occupies the central position in the adesso Group and is allocated to the IT Services 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. Software development mainly develops IT systems within the context of individual projects, either on its own account or in cooperation with customer teams.

In addition, as the lead 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 2023, adesso SE employed a total workforce of 6,502 (including trainees), compared to 5,784 at the same time in the previous year. The number of employees therefore increased by 718, or 12 % (previous year: growth of 1,538, or 36 %).

The average number of employees converted to full-time equivalents (FTEs) was 5,573 (previous year: 4,460). This corresponds to an increase of 25 %. Of this total, 10 % are allocated to administration (excluding sales) (previous year: 10 %).

The number of employees was increased at all locations in Germany in line with the strategy of strengthening the locations outside the Dortmund headquarters. adesso SE is a leading IT services company that pursues an ambitious recruitment and personnel development policy. adesso has been named several times as one of the top 100 employers in Germany in the nationwide company competition of the renowned Great Place to Work® Institute Germany. Recruitment, employee development and retention are of great importance to adesso.

Business situation

Profitability

In 2023, sales came in at EUR 856.4 million, 29 % above the previous year's level. Sales with customers outside the Group rose by EUR 192.5 million (31 %), while sales with affiliated companies fell by EUR 1.7 million (-5 %). The increase in sales was again disproportionately above market growth in the market segments relevant to adesso. The significant increase in the number of employees in previous years, which was pursued further in 2023, laid the foundation for strong growth. Recruiting efforts continued in 2023. The average number of employees, converted to FTEs, increased by 1,114 or 25 %, to 5,573 in the reporting year (previous year: increase of 1,019, or 30 %). Sales growth was achieved organically by expanding customer relationships and extending the product portfolio. In addition, pursuing the strategy of accelerated, decentralised growth led to additional growth impulses and a deepening of regional customer relationships.

The total output relevant for assessing the economic business activities of the reporting period, including the change in the portfolio of projects in progress, increased by 28 % to EUR 856.7 million.

Other operating income stood at EUR 2.8 million, compared to EUR 6.7 million in the previous year. Please see the information in the notes for a breakdown of other operating income.

Material costs, totalling EUR 212.4 million (previous year: EUR 154.6 million), were mainly attributable to services purchased externally or from affiliated companies as part of customer projects. Only EUR 2.4 million (previous year: EUR 0.7 million) was for merchandise, mainly software licenses. The merchandise was procured for adesso customer projects. At 25 %, the share of material costs in total output was two percentage points higher than in the previous year.

By contrast, the share of personnel costs in total output remained constant at 56 %. Personnel costs rose by a total of 28 % to EUR 479.1 million, due mainly to further organic growth in the number of employees. Gross profit per FTE rose from EUR 115 thousand to EUR 116 thousand. Personnel costs per FTE increased by EUR 2 thousand to EUR 86 thousand. Gross profit totalled EUR 644.3 million, which is equivalent to an increase of 26 % compared to the same period in the previous year. The share of gross profit in total output fell by two percentage points to 75 %.

Other operating expenses increased by 15 % to EUR 127.1 million in 2023 thanks to business growth. However, the share of this cost item in total output fell by two percentage points to 15 %.

The operating result (EBITDA = earnings before interest, taxes, depreciation and amortisation) increased by EUR 7.3 million to EUR 40.9 million. This is due in particular to the growth in business volume.

Depreciation and amortisation increased by 28 % in the reporting period to EUR 19.1 million. Regular depreciation and amortisation of tangible and intangible assets, such as IT equipment and software licences used as well as depreciation and amortisation of low-value assets, increased to a total of 13.0 million (previous year: EUR 9.3 million). Amortisation of goodwill remained more or less constant at an increase of EUR 0.1 million. Depreciation and amortisation in connection with purchase price allocations resulting from mergers and acquisitions likewise increased by a mere EUR 0.3 million.

Income from investments includes the items income from investments, write-ups and write-downs of financial assets, and income from profit transfers, in particular income from the profit transfer agreement with adesso mobile solutions GmbH. It stood at EUR 5.5 million (previous year: EUR 12.2 million). The decrease in the investment result is due to lower dividends and the lower profit transfer from adesso mobile solutions GmbH. Due to higher interest rates and a higher volume of borrowed capital, income from financing activities totalled EUR -3.1 million after EUR -0.5 million in the previous year.

All in all, this led to lower pre-tax profit of EUR 24.2 million compared to EUR 30.3 million in the previous year, and net income for the year of EUR 15.1 million compared to EUR 21.2 million in the previous year.

Assets and liabilities

As at the reporting date, the balance sheet total increased by 21 % to EUR 548.8 million as a result of further growth. On the assets side, fixed assets in particular increased by EUR 60.0 million, or 25 %, while current assets also saw an increase of EUR 32.4 million, or 16 %.

The financing of accounts receivable from customers outside the Group and work in progress totalling EUR 182.3 million (previous year: EUR 158.8 million) represents the most significant portion of the financing requirements. Against this backdrop, a factoring agreement was concluded, on the basis of which trade receivables of up to a volume of EUR 60.0 million may be sold. As at the balance sheet date, trade receivables in the amount of EUR 55.0 million had been sold, which led to a corresponding reduction in this balance sheet item. 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 29.6 million to EUR 35.8 million. As the difference between trade receivables, as well as inventories and advance payments received and made, working capital increased by 18 % to EUR 195.6 million due to the significantly higher business volume.

At EUR 87.7 million (previous year: EUR 69.3 million), shares in affiliated companies represent the largest financing requirement of fixed assets. The increase is mainly due to the acquisition of the shares in WebScience S.r.l.

Investment analysis

The adesso business model requires relatively low investments in property, plant and equipment for ongoing operations. Investment largely consists of hardware such as laptops and servers, development systems including software, the ERP system and the furniture in the branch offices. The additions to operating and office equipment, including advance payments made, amounted to EUR 23.6 million, compared to EUR 17.3 million in the previous year. This increase is in line with the expansion of the employee base, the additional investments in the interior fittings of new locations and the expansion of capacity at existing locations.

The company acquisitions carried out in 2023 led to the addition of shares in affiliated companies, participations and corresponding advance payments totalling EUR 9.6 million. There were also additions to loans to affiliated companies and participations totalling EUR 25.5 million, which mainly relate to loans granted to the Group's domestic companies.

Financial position

Equity capital totals EUR 220.2 million and increased by EUR 11.3 million, or 5 %, year on year. This development is due in particular to the net profit of EUR 15.1 million. In June 2023, a dividend of EUR 0.65 per share (previous year: EUR 0.60) was distributed, resulting in a corresponding reduction in equity of EUR 4.2 million (previous year: EUR 3.9 million). The equity ratio fell by six percentage points to 40 %. The subscribed capital amounted to EUR 6,520,272 (previous year: EUR 6,512,272) and therefore remained almost constant.

Liquidity and financing analysis

Cash and cash equivalents totalled EUR 64.6 million on the reporting date (previous year: EUR 38.8 million). Cash and cash equivalents are offset by interest-bearing liabilities, mainly from several acquisition loans, totalling EUR 106.4 million (previous year: EUR 81.3 million). In November 2022, an ESG-linked syndicated loan agreement was concluded with a consortium of banks led by LBBW Landesbank Baden-Württemberg. The agreement comprises a total committed volume of EUR 130 million with an option to increase by up to EUR 40 million. The term is five years, which can be extended twice by one year each. With this move, adesso optimised its financing flexibility and enhanced its planning security. Especially in an environment characterised by rising interest rates, adesso secured an attractive interest rate for debt financing in the long term. The funds that can be drawn down will be used for general corporate financing and to support the company's further M&A strategy. By integrating an ESG component that influences conditions, adesso underscores its commitment to the corporate goals defined in its sustainability strategy.

Cash and cash equivalents typically include larger items that will be disbursed in the first months of 2024. The largest items are the variable salary components to be paid out in the first quarter of 2024, as well as profit-sharing for employees and the Executive Board for 2023. Overall, the liquidity is 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 fluctuation range of the variable salary components forms an additional buffer to cushion against possible declines in earnings and the corresponding liquidity outflows.

Overall statement on business performance by the management

Business performance in 2023 can not be considered as satisfactory overall. The sales target of over EUR 800 million was achieved, with sales reaching EUR 856.4 million. The planned earnings target of EUR 35.1 million was missed by EUR 28.4 million (earnings before taxes and amortisation of goodwill and purchase price allocation effects from mergers attributable to the business operations of adesso SE). Profitability was hit in particular by the lags in capacity utilisation associated with the high rate of growth.

On the whole, adesso's business model proved to be resilient enough to withstand the various crises (COVID-19, Ukraine conflict, inflation, interest rate developments, supply chain issues). The demand for IT services remains high.

Outlook

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

We will continue to pursue the employment policy aimed at above-average growth. A further increase in sales to more than EUR 950 million is forecast for 2024. The forecast for earnings before taxes attributable to the business operations of adesso SE, amortisation of goodwill and purchase price allocation effects from mergers in 2024 is EUR 33.7 million. With regard to the non-financial performance indicators, a fluctuation of <10 % is planned for 2024, as well as an increase in daily rates of at least 2 %. Booking intensity of between 83 % and 103 %, and an inverse occupancy rate between 7 % and 15 % are expected.

Appendix

Report on equal opportunities and equal remuneration

adesso SE continues to place great importance on ensuring that its employees are not affected by a gender pay gap. Remuneration is based on employees' personal and professional qualifications, as well as regional differences in remuneration. Transparency remains one of our core values, which is why we have continued to support and educate our employees over the past three years with regard to their individual right to information in accordance with Section 10 of the German Transparency in Wage Structures Act (EntgTranspG). A total of 75 requests for information were made in 2021, 2022 and 2023, 54 of which were by female and 22 by male adesso employees. Sixteen enquiries could not be answered due to the provisions of Section 12 (3) EntgTranspG, as the benchmark group consisted of fewer than six employees.

Thanks to steady organic growth in personnel in recent years, adesso has gained extensive experience in target group-oriented personnel marketing and recruitment. Targeted steps were taken to attract and retain female employees, in line with adesso's focus on women in IT. Despite the large number of initiatives and activities, the proportion of women among both applicants and new hires has not increased significantly.

In 2021, adesso SE received a total of 32,017 applications, 73.6 % of which were from male candidates and 26.4 % from female candidates. Only 0.01 % of participants did not specify a gender. In the subsequent year, there were no significant changes in the percentages of male, female and intersex applicants. In 2022, the percentage of male applicants remained almost unchanged at 73.8 %, while the percentage of female applicants remained constant at 26.2 %. There were no applicants who did not state their gender that year.

To ensure that this trend continues in the future, various projects were launched in recent years. The next steps we will take towards gender and diversity equality will be as follows: (1) Broad establishment of a comprehensive understanding of diversity that goes beyond gender and greater inclusion, as well as (2) networking within the entire adesso Group and developing an overall shared understanding of "Diversity, Equity & Inclusion".

An interdisciplinary project team is working on promoting diversity and equity. As a result, many positions and departments have been intensively engaged with our gender diversity initiative from an early stage. We succeeded in rolling out the initial concepts and programmes quickly. "Persons of Trust" have been elected since summer 2022, and a full-time diversity management position was created in 2023.

As a practically minded company, we quickly realised that we need a structured approach and a measurable goal. As such, the "Women's Employee Journey" initiative and the goal of having 40 additional female managers at adesso within two years were launched in 2021 and 2022. Our strong focus on transparency and personal responsibility made the second step obvious: to gain their own insights and take action, managers need access to their organisational unit's data at all times.

Even if our employees are no longer able to be on site due to parental leave, illness or other personal reasons and circumstances, we nevertheless offer a range of options to ensure that they remain an integral part of the team and company, regardless of distance. We also have "care [4]adessi" in place – a special support programme to help cope with different personal circumstances. We endeavour to provide support, even in the event of personal emergencies. Our relationship with our employees does not end after work or outside the office building.

Family@adesso is a part of the care[4]adessi initiative and is aimed at supporting employees to combine family commitments and a professional career. It offers child- and family-friendly services such as childcare during school holidays, a range of events for and with children, flexible options for returning to work after taking parental leave, partnerships with childcare centres, childcare allowances and child-friendly offices at various locations.

In 2023, we set up child-friendly offices and "Kids Boxes" at 21 different locations. We make child-friendly offices available to our employees for childcare emergencies. At the other locations, we have set up an alternative to these child-friendly offices. Our Kids Boxes contain games and activities for children, so that any office can be converted into a child-friendly office. In the same year, we offered childcare during the school holidays at eleven locations. Throughout Germany, 40 childcare spots were secured through partnerships with daycare centres.

One of the "Family@adesso" initiatives is called "Familysupport(4)adessi", which is a central point of contact when help is needed with such issues as pregnancy and childbirth, childcare, home care and care of senior citizens. The service is available to our employees in need of support and assistance.

As at the end of 2023, 11,425 service units had been utilised by 105 users. Our employees availed themselves of 6,110 sessions as part of the range of counselling services on such topics as dealing with stress and family

counselling. Childcare, with the support of the Familienservice agency, was also availed of 3,665 times. Recently, nursing and elderly care services were availed of 1,650 times.

adesso SE became one of the main sponsors of the Hacker School 2023 with the aim to inspire young female talent for our industry at an early stage. The Hacker School organises courses to introduce children and young people (regardless of gender) to programming languages in schools. In this way, adesso SE actively supports young people's digital education. A total of 19 courses were held in 2023, attended by 136 boys and 40 girls. Forty of our employees were involved in the courses.

Launched in 2021, the MIND initiative aims to highlight the importance of mindfulness as a means of providing employees with valuable soft skills. The resources are designed to help them cope better with specific situations such as staying focussed, managing stress and dealing with emotions. At adesso MIND, we apply approaches drawn from IT, neuroscience and mindfulness-based stress reduction (MBSR). After all, our daily work involves complex systems and solutions. Many tools, such as modularisation and modelling, help us to maintain an overview, stay focused and structure our activities and solutions. More than 500 adesso employees have availed themselves of this initiative since it was first launched.

We applied for the TOTAL E-QUALITY seal at the beginning of 2022 in order to receive feedback from experts on our diversity activities. Our application explained how equal opportunities and diversity are embedded and put into practice at adesso. General

attitudes, strategies, measures and how they are

monitored are assessed. The application itself and questionnaire encourage the organisation to engage in comprehensive self-reflection while also providing inspiration. Receiving the seal proves that adesso is not only committed to reconciling the demands of family and professional life, but also promotes equal opportunities in the context of diversity. It also confirms that we make effective use of the potential and unique skills that each and every individual has to offer. This helps to motivate and retain employees within the organisation and constitutes an advantage in terms of attracting the best talent, because applicants prefer companies that are visibly committed. In its detailed statement, the panel acknowledged that adesso demonstrates a positive organisational culture and a strong commitment to socio-political issues, in addition to a sound structural and strategic anchoring of equal opportunities. Our personnel policy promoting equal opportunities is described as well-established and creative, and our efforts to combine professional and family life are also highlighted.

Great Place to Work® once again named adesso Germany's best employer in 2023 – both across all industries and within the IT sector. The institute confirmed that adesso does an excellent job of ensuring that all employees are treated as equal members of the organisation. adesso provides employees with opportunities to develop their full potential. Accordingly, 96 % of respondents also stated that they are provided with opportunities for further professional development and support. Of the adesso employees surveyed, 98 % consider themselves to be full members of the organisation – irrespective of their position.

	Men	Women
∅ 2021		
Number of employees	3,000	883
Number of full-time employees	2,585	646
Number of part-time employees	415	237
∅ 2022		
Number of employees	3,841	1,219
Number of full-time employees	3,293	915
Number of part-time employees	548	304
∅ 2023		
Number of employees	4,671	1,554
Number of full-time employees	4,097	1,236
Number of part-time employees	575	318



Consolidated Financial Statement

76	Consolidated Financial Statement
78	Consolidated Balance Sheet
80	Consolidated Income Statement
80	Consolidated Statement of Comprehensive Income
81	Consolidated Cash Flow Statement
82	Consolidated Shareholders Equity Statement

84	Consolidated notes
84	General information
84	Summary of significant accounting principles
118	Notes to items in the consolidated balance sheet
136	Notes to the consolidated income statement
141	Information on the consolidated cash flow statement
142	Information on segment reporting
146	Supplementary information

Consolidated Balance Sheet

of adesso Group as of 31 December according to IFRS

Assets

in EUR k	Appendix	31.12.2023	31.12.2022
Non-current assets			
Goodwill	4.	98,098	85,814
Intangible assets	4.	39,589	38,877
Property, plant and equipment	5.	50,509	37,308
Right-of-use from leasing	31.	173,274	132,007
Shareholdings recognized under the equity method	7.	2,224	2,578
Financial assets	6.	20,748	13,525
Other non-current assets	13.	854	718
Deferred tax assets	8.	10,803	5,072
		396,099	315,899
Current assets			
Cash and cash equivalents	9.	100,772	90,897
Trade accounts receivable	10.	181,893	172,250
Contract assets	11.	77,602	54,537
Receivables from income taxes	8.	6,781	3,330
Financial assets	12.	2,284	2,957
Other assets	13.	20,554	15,695
		389,886	339,666
TOTAL ASSETS		785,985	655,565

* See explanation in the notes section "1.2. Accounting standard applied voluntarily for the first time."

Equity and liabilities

in EUR k	Appendix	31.12.2023	31.12.2022
Equity	14.		
Subscribed capital		6,520	6,512
Capital reserve		45,989	49,867
Other retained earnings		152,107	155,614
Accumulated other comprehensive income		-1,616	-1,959
Equity attributable to adesso SE stockholders		203,000	210,034
Non-controlling interests		4,777	5,147
		207,777	215,181
Non-current liabilities			
Financial liabilities*	16.	120,941	92,347
Pensions and similar liabilities	20.	6,348	2,816
Provisions	18.	5,128	4,318
Leasing liabilities	16. / 31.	147,792	114,408
Deferred tax liabilities	8.	11,123	12,044
		291,332	225,933
Current liabilities			
Financial liabilities*	16.	28,200	14,148
Trade accounts payable	17.	46,335	42,333
Contract liabilities	21.	36,618	18,349
Leasing liabilities	16. / 31.	31,031	23,047
Liabilities from income taxes	8.	6,002	4,937
Provisions	18.	9,573	7,260
Other liabilities	19.	129,117	104,377
		286,876	214,451
TOTAL EQUITY AND LIABILITIES		785,985	655,565

Consolidated Income Statement

of adesso Group for the period from 1 January to 31 December according to IFRS

in EUR k	Appendix	2023	2022
Sales revenues	21.	1,135,903	900,253
Other operating income	22.	11,534	21,742
Own work capitalised	23.	4,275	1,167
TOTAL INCOME		1,151,712	923,162
Costs of material	24.	-162,636	-134,425
Personnel costs	25.	-773,159	-587,089
Result from the derecognition of financial assets	33.	-72	-51
Result from the change in impairment on financial assets measured at amortised cost	33.	-519	-182
Other operating expenses	26.	-135,296	-108,507
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)		80,030	92,908
Depreciation on property, plant and equipment	27.	-57,723	-44,759
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		22,307	48,149
Earnings from shares recognized under the equity method	28.	-1,238	-1,964
Interest income and similar income	28.	2,398	410
Interest expenses and similar expenses	28.	-11,274	-4,513
EARNINGS BEFORE TAXES (EBT)		12,193	42,082
Income taxes	29.	-8,783	-13,289
CONSOLIDATED EARNINGS		3,410	28,793
of which attributable to shareholders of adesso SE	30.	3,205	28,603
of which attributable to non-controlling interests	30.	205	190
Number of shares at the end of the period	30.	6,520,272	6,512,272
UNDILUTED EARNINGS PER SHARE (IN EUR)	30.	0.49	4.40
DILUTED EARNINGS PER SHARE (IN EUR)	30.	0.49	4.38

Consolidated Statement of Comprehensive Income

of adesso Group for the period from 1 January to 31 December according to IFRS

in EUR k	Appendix	2023	2022
CONSOLIDATED EARNINGS		3,410	28,793
Other comprehensive income, not subsequently transferred to the income statement			
Actuarial gains (+) and losses (-)	20.	-3,098	5,757
Deferred taxes on actuarial gains and losses		619	-1,130
Gains (+) and losses (-) from financial assets at fair value through other comprehensive income	6.	-203	-285
Deferred tax on gains and losses from financial assets at fair value through other comprehensive income		10	4
Other comprehensive income, subsequently transferred to the income statement			
Currency translation differences		568	-1,393
OTHER COMPREHENSIVE INCOME		-2,104	2,953
TOTAL INCOME		1,306	31,746
of which attributable to shareholders of adesso SE		1,069	31,630
of which attributable to non-controlling interests		237	116

Consolidated Cash Flow Statement

of adesso Group for the period from 1 January to 31 December according to IFRS*

in EUR k	2023	2022
EARNINGS BEFORE TAX	12,193	42,082
Income from financing activities	8,876	4,103
Scheduled depreciation and amortization on property, plant and equipment and intangible assets	57,723	44,759
Result from shares recognized under the equity method	1,238	1,964
Non-cash income (-) / expenses (+)	3,584	-5,668
Change in pension provisions	-622	104
Change in other provisions	2,679	-4,445
Tax payments	-19,784	-15,706
Losses (+) / Gains (-) from the disposal of property, plant and equipment	6	90
Change of net operating assets	10,967	-31,211
CASH FLOW FROM OPERATING ACTIVITIES	76,860	36,072
Divestments of property, plant and equipment	127	321
Divestments of intangible assets	-	19
Divestments of financial assets	4,842	1,179
Divestments of shares recognised at equity	108	128
Investments in shares recognised at equity	-1,145	-990
Investments in property, plant and equipment	-26,376	-18,851
Investments in intangible assets	-7,969	-5,102
Investments in financial assets	-9,389	-6,634
Acquisition/disposal of subsidiaries (less cash and cash equivalents acquired)	-11,633	-13,780
Dividends received	-	171
Interest received	653	41
CASH FLOW FROM INVESTMENT ACTIVITIES	-50,782	-43,498
Dividend payments	-5,283	-4,952
Capital increase	417	499
Payments from non-controlling interests	-	51
New liabilities to banks	77,192	79,505
Repayment of financial liabilities	-50,266	-60,581
Repayment of leasing liabilities	-28,290	-21,819
Payments for the acquisition of additional shares in subsidiaries	-	-250
Interest paid	-9,659	-3,432
CASH FLOW FROM FINANCING ACTIVITIES	-15,889	-10,979
Changes in value or currency difference-related changes in cash and cash equivalents	-314	-620
CHANGE IN CASH AND CASH EQUIVALENTS	9,875	-19,025
Cash and cash equivalents at the beginning of the period	90,897	109,922
Cash and cash equivalents at the end of the period	100,772	90,897

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

Consolidated Shareholders Equity Statement*

of adesso Group for the period from 1 January to 31 December according to IFRS

in EUR k	Share capital	Capital reserves
01.01.2022	6,503	52,728
Share-based compensation	-	827
Effects from change in options on the purchase of additional shares in subsidiaries	-	-3,801
Effects from the purchase of subsidiaries	-	-
Effects from the purchase of additional shares in subsidiaries	-	-438
Payments from non-controlling interests	-	61
Increase in share capital by exercises of stock options	9	490
Other results at the end of the financial year	-	-
Consolidated result	-	-
Total	-	-
Dividends	-	-
31.12.2022	6,512	49,867
01.01.2023	6,512	49,867
Share-based compensation	-	1,434
Effects from change in options on the purchase of additional shares in subsidiaries	-	-5,721
Effects from the purchase of subsidiaries	-	-
Increase in share capital by exercises of stock options	8	409
Other results at the end of the financial year	-	-
Consolidated result	-	-
Total	-	-
Dividends**	-	-
31.12.2023	6,520	45,989

* See notes section "14. Equity"

** Dividend payment of EUR 4.223 thousand corresponds to EUR 0.65 per share.

	Other reserves	Accumulated other comprehensive income	Equity of adesso SE shareholders	Non-controlling shares	Total Equity
	126,286	-359	185,158	460	185,618
	-	-	827	-	827
	-	-	-3,801	137	-3,664
	-	-	-	5,305	5,305
	-	-	-438	189	-249
	-	-	61	-10	51
	-	-	499	-	499
	4,627	-1,600	3,027	-74	2,953
	28,603	-	28,603	190	28,793
	33,230	-1,600	31,630	116	31,746
	-3,902	-	-3,902	-1,050	-4,952
	155,614	-1,959	210,034	5,147	215,181
	155,614	-1,959	210,034	5,147	215,181
	-	-	1,434	-	1,434
	-	-	-5,721	-124	-5,845
	-	-	-	567	567
	-	-	417	-	417
	-2,479	343	-2,136	32	-2,104
	3,205	-	3,205	205	3,410
	726	343	1,069	237	1,306
	-4,233	-	-4,233	-1,050	-5,283
	152,107	1,616	203,000	4,777	207,777

CONSOLIDATED NOTES

OF ADESSO GROUP FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023 ACCORDING TO IFRS

I. GENERAL INFORMATION

The adesso Group (hereinafter referred to as adesso) is an IT service provider independent of manufacturers. It focuses 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 company (Societas Europaea) 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 18 March 2024 and released for publication by the Executive Board.

II. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements were prepared by adesso SE in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), applicable as of 31 December 2023 and adopted by the EU, as well as the supplementary regulations according to Section 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements for the year ended 31 December 2023 have been prepared in euros. The financial statements have been prepared on the historical cost basis except for where IFRS requires the use of different valuation principles. Uniform accounting methods based on 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.

1. Accounting standards applied for the first time

1.1. Accounting standards to be applied mandatory for the first time

- > In December 2021, the IASB adopted amendments to IFRS 17 (Insurance Contracts). The amendments relate to cases in which IFRS 17 and IFRS 9 (Financial Instruments) are applied simultaneously for the first time. In order to prevent inconsistencies in reporting (especially with regard to previous-year figures) between the standards, the IFRS 17 transitional requirements were adjusted such that financial assets related to (insurance) contracts qualifying under IFRS 17 are to be stated in the previous-year figures as if the classification and measurement requirements under IFRS 9 had been applied. The IFRS 9 transitional requirements were not amended. The amendments are applicable to financial years beginning on or after 1 January 2023. The amendments were adopted into European law on 8 September 2022. The amendments do not affect adesso's financial statements.
- > In May 2021, the IASB adopted amendments to IAS 12 (Income Taxes). The amendments require that deferred taxes be recognised for individual transactions that result in taxable and deductible temporary differences in the same amount when they are recognised for the first time. The amendments are applicable to financial years beginning on or after 1 January 2023 and were adopted into European law on 11 August 2022. The amendments do not have any significant effects on adesso's financial statements.
- > In February 2021, the IASB adopted amendments to IAS 1 (Presentation of Financial Statements). These clarify that the application of a materiality criterion is decisive for determining which accounting policies are to be disclosed. Previously, "significant" accounting policies had to be disclosed without having to provide a definition of what was significant. It is explained how an entity can identify material information in relation to accounting policies. The amendments are applicable to financial years beginning on or after 1 January 2023 and were adopted into European law on 2 March 2022. The amendments do not have any significant effects on adesso's financial statements.
- > In February 2021, the IASB adopted amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). These amendments contain clarifications aimed at improving the distinction between changes in accounting policies and changes in accounting estimates. A change in an accounting estimate resulting from new information or developments does not constitute the correction of an error and can therefore only affect the result of current or future periods, whereas the correction of an error is to be accounted for retrospectively. The amendments are applicable to financial years beginning on or after 1 January 2023 and were adopted into European law on 2 March 2022. The amendments do not affect adesso's financial statements.
- > In May 2017, the IASB published IFRS 17 (Insurance Contracts), which governs the accounting and recognition of insurance contracts. Amendments to IFRS 17 were adopted in June 2020, with the date of initial application in particular being postponed from 1 January 2021 to 1 January 2023. IFRS 17 and the amendments were incorporated into European law on 23 November 2021. The initial application of IFRS 17 and the adopted amendments have no impact on adesso's financial statements.
- > In May 2023, the IASB adopted amendments to IAS 12 (Income Taxes). The amendment introduces a temporary exemption from the obligation to recognise deferred taxes resulting from the implementation of OECD pillar two rules and adds specific disclosure requirements to IAS 12. The temporary exemption from the requirement to recognise deferred taxes is to be applied immediately after publication of the amendments to IAS 12. The same applies to the requirement to disclose that the accounting exception has been applied. The remaining new disclosure requirements must be fulfilled for the first time in annual reporting periods beginning on or after 1 January 2023. Recognition by the EU was granted on 8 November 2023. The amendments are not expected to have a material impact on adesso's financial statements. As adesso SE does not yet fall within the scope of minimum taxation (pillar two) due to the size criteria in financial year 2023, the corresponding disclosures are not applicable.

1.2. Accounting standard applied voluntarily for the first time

In October 2022, the IASB adopted amendments to IAS 1 (Presentation of Financial Statements). The amendments contain clarifications as to when there is a right to extend a liability for a period of at least twelve months after the reporting date if loan agreements (covenants) exist on the reporting date. If the terms of the loan agreements must be fulfilled during or at the end of the year, they have an impact on the assessment of the right as at the reporting date. If the conditions are met, the right exists. If the terms of the loan agreements only have to be fulfilled at a later date, they have no effect on the assessment of the right as at the balance sheet date. In this case, additional disclosures are required in the Notes to help addressees of the financial statements understand the risk that the liability may have to be repaid within the next twelve months. The new requirements are applied retrospectively. This means the previous year's figures must be adjusted accordingly. The amendments are applicable to financial years beginning on or after 1 January 2024 and were incorporated into European law on 20 December 2023.

From a syndicated loan with a maximum volume of EUR 130 million, adesso has the option of taking out loans with a maximum term of six months each. adesso has the right to extend these loans as long as the ratio of net debt to a contractually defined EBITDA does not exceed 2.5.

At the end of 2022, financial liabilities of EUR 44,845 thousand from the syndicated loan were recognised as current liabilities. Due to the first-time application of the new standards, this amount is recognised as non-current financial liabilities for 2022. At the end of 2023, EUR 79,845 thousand from the syndicated loan will be recognised as non-current financial liabilities.

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

The IASB has issued standards, amendments to standards and interpretations that are to be applied to financial years beginning on or after 1 January 2023. Application of the following regulations is not yet mandatory, and adesso has not yet adopted them. adesso does not intend early application.

2.1. Endorsed by the EU

- > In September 2022, the IASB adopted amendments to IFRS 16 (Leasing Agreements). The amendments prescribe how a seller-lessee should perform the subsequent valuation of sale and leaseback transactions recognised as a sale under IFRS 15. The amendments are applicable to annual reporting periods beginning on or after 1 January 2024. Recognition by the EU was granted on 20 November 2023. The amendments are not expected to have any impact on adesso's financial statements.

2.2. Provisions not yet endorsed by the EU

- > In August 2023, the IASB adopted amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates) with regard to the lack of exchangeability of currencies. The amendments provide standardised guidance on determining exchangeability and on how to proceed if there is a lack thereof. In this case, additional information must be provided. The amendments are applicable to annual reporting periods beginning on or after 1 January 2025. The amendments have yet to be endorsed by the EU. The amendments will not have any effect on adesso's financial statements.
- > In May 2023, the IASB issued amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures). These relate to disclosure requirements in connection with supplier finance arrangements – also known as supply chain financing, financing of trade payables or reverse factoring arrangements. The new disclosure requirements will ensure that companies are aware of such arrangements and their associated risks in future. The amendments are applicable to annual reporting periods beginning on or after 1 January 2024. The amendments have yet to be endorsed by the EU. The amendments will not have any effect on adesso's financial statements.

3. Financial reporting

3.1. Geopolitical and macroeconomic environment

Presenting facts and circumstances in accounting often requires estimates and assumptions about future events and developments. This is naturally linked to uncertainty. This uncertainty has to be taken into account in order to understand the figures reported in the financial statements.

Recent geopolitical and macroeconomic developments have increased these uncertainties. For adesso, they include the persistently high inflation rates at the present time and further interest rate hikes, as well as the Ukraine conflict and the conflict in the Middle East, in addition to local and global economic developments.

adesso's management is monitoring the effect of uncertainty on the economy and analysing what effects this has, or could have, on adesso. It is also analysing what operational measures need to be taken to combat this uncertainty.

The latest developments may have a variety of impacts on adesso's financial statements. In addition to the amortisation of receivables and contract assets, the recognition of provisions for anticipated losses and the amortisation of goodwill and intangible assets need to be examined. Moreover, adesso must ensure that adesso is able to meet its payment obligations now and at any time in the future.

Management's analysis has shown that, as at 31 December 2023, the aforementioned geopolitical developments will continue to have no material impact on adesso's consolidated financial statements. Inflation means higher expenditure on the use of resources, which, at adesso, primarily includes employees. Higher interest rates are increasing the financing costs of borrowed capital, as well as the risk of goodwill amortisation. Current macroeconomic developments are having a more direct impact on adesso's business model. Despite profitability losses in financial year 2023, there are no concrete signs that adesso's liquidity is at risk. adesso will continue to continuously analyse these effects, including with regard to changes in uncertainties.

For details on the impact on the asset, financial and earnings situation for financial year 2023, the countermeasures taken, and a general assessment of current external social, political and economic factors, please see the economic report, as well as the forecast, opportunities and risk report in the consolidated management report. With regard to environmental factors such as climate protection and climate change, there are currently no recognisable direct material effects on adesso's business model. Further details can be found in adesso's non-financial report.

3.2. First-time application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

In 2023, the financial statements of adesso Turkey, which are included in the consolidated financial statements, will be indexed for the first time in accordance with the provisions of IAS 29 (Financial Reporting in Hyperinflationary Economies) owing to the sharp decline in the purchasing power of the Turkish lira. This indexation takes place in the financial statements prepared in Turkish lira. Non-monetary assets, liabilities and equity are indexed on the basis of the Turkish Domestic Producer Price Index (D PPI). As a result, non-monetary assets and liabilities are recognised on the basis of current purchasing power. Income and expenses must also be indexed. Monetary positions are not to be indexed because they are valued on the basis of the current value of the Turkish lira. The effects of indexing are recognised against an item in the income statement. The net balance shows either what is known as a debtor loss or a debtor gain, which indicates the loss or gain in purchasing power associated with the monetary items. The D PPI stood at 2,021 as at 1 January 2023 and 2,915 as at 31 December 2023.

The financial statements indexed in this way and prepared in Turkish lira are fully translated into euros using the spot rate, in deviation from translation using the modified spot rate method. This applies not only to assets and liabilities, but also to the income and expenses recognised in the consolidated statement of comprehensive income.

The effects of indexation as at 1 January 2023 in the amount of EUR 245 thousand are recognised as current income in other comprehensive income. In the consolidated financial statement, a debtor loss of EUR 945 thousand is recognised in the consolidated income statement arising out of the indexation for 2023.

3.3. Subsidiaries

Subsidiaries are companies that are directly or indirectly controlled by adesso. A company is deemed to be controlled by adesso insofar as adesso has decision-making powers over this associated company, adesso is exposed and/or entitled to variable returns (usually dividends) and it can use its decision-making power to influence the variable returns. adesso has decision-making powers over a company as far 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 e. g. 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, expenses and cash flows 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.

Assets and liabilities from contingent consideration must subsequently be measured at fair value in accordance with IFRS 9, with income and expenses recognized in the consolidated income statement. If the contingent consideration is to be classified as equity, current changes in value are not to be recorded and differences when the contingent consideration is paid are to be recorded in equity. Shares previously held in a subsidiary (gradual acquisition of investments) must be valued at fair value immediately before the business combination. As in the case of an assumed sale of the corresponding shares, a resulting contribution to earnings must be recognized either in the consolidated income statement or in other profit or loss for the period. The incidental acquisition costs of a business combination must be recorded directly in the consolidated income statement. Pre-corporate relationships existing at the time control is achieved must be eliminated before consolidation. The resulting profit contributions must be recorded in the consolidated income statement.

In general, all acquired assets and liabilities must be recognised in a business combination. This applies irrespective of the likelihood of future cash inflows or outflows. However, contingent assets are not recognised. 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. With regard to non-controlling interests, an analysis must be performed to determine whether adesso is the beneficial owner of the shares. This is the case, for example, if 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 statements are presented as if adesso had acquired the non-controlling shares at the end of the respective financial year. As a result, annual profit 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 put and call 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/or 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 statements 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 and/or received and the carrying amount of the pro-rata equity (of the non-controlling interests) 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.

adesso holds the majority of the voting rights in all subsidiaries directly or indirectly. 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 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 “43. Subsidiaries” or “44. Associates and joint ventures”.

3.4. 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, but 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 for the first time. 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 equity-value must include goodwill. 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 comprehensive income; 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 through profit or loss. If losses recognised on a pro rata basis are greater than the net investment in the joint venture or associate (shares plus, e.g. loans for which repayment is neither planned nor expected within the foreseeable future), the losses in excess of the net investment are not recognised. The negative equity value is amortised by means of a separate calculation, and included in the consolidated balance sheet once it is 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 "44. Associates and joint ventures".

3.5. 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 annual profit, 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.

On 31 December 2023, for example, the following applied: EUR 1 equated to CHF 0.93.

Foreign currency at EUR 1	Closing rate		Average rate	
	2023	2022	2023	2022
Swiss franc (CHF)	0.93	0.98	0.97	1.00
British pound (GBP)	0.87	0.89	0.87	0.85
US dollar (USD)	1.11	1.07	1.08	1.05
Turkish lira (TRY)*	32.65	19.96	-	17.41
Bulgarian lev (BGN)	1.96	1.96	1.96	1.96
Danish krone (DKK)	7.45	7.44	7.45	7.53
Romanian leu (RON)	4.98	4.95	4.95	4.93
Swedish krone (SEK)	11.10	11.12	11.47	10.63
Hungarian forint (HUF)	382.80	400.87	381.76	391.29
Indian Rupee (INR)	91.90	-	89.68	-

* Due to IAS 29 (Financial Reporting in Hyperinflationary Economics) Balance Sheet and Consolidated Statement of Comprehensive Income are translated using the closing rate.

3.6. Acquisitions

With the exception of WebScience S.r.l., the presentation of business combinations is provisional because the information required to identify and measure the acquired assets and liabilities has not yet been finalised.

WebScience S.r.l

adesso acquired all shares in WebScience S.r.l., Milan, Italy, as at 1 January 2023. In future, the company will be known as adesso Italy. adesso strengthens its position in the fields of creating bespoke digital solutions, application modernisation and cloud migration, on which WebScience S.r.l. is specialised. With the acquisition of the shares, 100 % of the shares in WebScience Bulgaria (Sofia, Bulgaria) were also acquired. The business operations acquired are assigned to the IT Services segment.

The consideration for the shares acquired amounts to EUR 15,144 thousand. Of this amount, EUR 12,010 thousand is considered a fixed purchase price, which was paid in full. It was also agreed that a further payment that depends on the sales revenues and EBITDA for financial years 2023 and 2024 will fall due. The range of payment is between EUR 0 and EUR 3,134 thousand. adesso expects to pay the maximum amount. The purchase price payment of EUR 12,010 thousand is offset by acquired cash and cash equivalents of EUR 1,661 thousand, meaning that cash and cash equivalents decreased by EUR 10,349 thousand as a result of the merger.

In addition, an amount of EUR 1,567 thousand is expected to be paid in the future. Since the payment depends on future sales revenues and future EBITDA, as well as on the performance of the seller, this amount will be accumulated as personnel costs in profit or loss on a pro rata basis.

The fair value of the acquired trade receivables is EUR 2.976 thousand. This corresponds to the contractual cash flows from receivables.

Ancillary acquisition costs totalled EUR 760 thousand. These are recognised under “Other operating expenses” in the consolidated income statement.

Goodwill resulting from the business combination mainly represents the workforce of the company, expected synergy effects and future economic benefits, all of which cannot be capitalised under IFRS. The goodwill is not tax-deductible.

The following table contains the assets and liabilities of WebScience S.r.l. recognised at the acquisition date and measured in accordance with IFRS 3:

WebScience	in EUR k
ASSETS	21,611
Non-current assets	15,084
Goodwill	8,279
Non current intangible assets	5,319
of which customer contracts	2,198
of which order backlog	974
of which software	2,118
of which other	29
Right of use assets from leases	624
Property, plant and equipment	312
Other non current assets	437
Deferred tax assets	113
Current assets	6,527
Contract assets	1,029
Trade receivables	2,976
Current Financial Assets	674
Other current assets	137
Income tax receivables	50
Cash and cash equivalents	1,661
LIABILITIES	6,467
Non-current liabilities	3,511
Non-current lease liabilities	560
Pensions and similar liabilities	799
Non-current provisions	100
Other non-current liabilities	298
Long-term income tax liabilities	263
Deferred tax liabilities	1,491
Current liabilities	2,956
Current financial liabilities	10
Current lease liabilities	64
Trade payables	1,365
Current Contract Liabilities	314
Current income tax liability	3
Current provisions	7
Other current liabilities	1,193

The consolidated income statement contains sales revenues from the acquired company amounting to EUR 11,621 thousand as well as earnings of EUR -836 thousand.

Urban Energy

On 22 March 2023, adesso increased its stake in Urban Energy GmbH, Berlin, by 25 percentage points to 50 % of the shares plus one vote. Urban Energy GmbH develops an innovative IoT platform for the smart cities of tomorrow. Urban Energy's innovative platform tackles one of the main challenges of electromobility: the rising number of electric vehicles, and related charging stations, will lead to higher peak demand for electricity and overloaded power grids. To address that problem, Urban Energy has developed software that uses artificial intelligence to synchronise energy generation with consumption. The business operations acquired are assigned to the IT Solutions segment.

A combined call/put option that is exercisable in 2026 at the earliest, and in 2029 at the latest, was agreed for the remaining shares (50 % less one vote). As a result, the remaining shares in Urban Energy are also attributable to adesso (present ownership) and Urban Energy is fully consolidated.

The consideration for the shares amounts to EUR 1,716 thousand, including a payment of EUR 10 thousand. The remaining amount corresponds to the fair value of the liability from the call/put option. The purchase price for the remaining shares is capped at EUR 4 million and must be no less than EUR 1,250 thousand. The liability from the call/put option was valued at EUR 1,081 thousand as at the acquisition date.

At the time of the merger, the carrying amount of the shares in urban energy recognised under the equity method amounted to EUR 170 thousand. The fair value of the shares held in Urban Energy prior to the merger amounted to EUR 625 thousand, meaning that income of EUR 455 thousand was recognised from the measurement at fair value. This is recognised under "Other operating income" in the consolidated income statement. The fair value of the old shares is not part of the "consideration given", according to the IFRS.

The payment of EUR 10 thousand is offset by acquired cash and cash equivalents of EUR 83 thousand, meaning that cash and cash equivalents increased by EUR 73 thousand as a result of the merger.

The fair value of the acquired trade receivables is EUR 11 thousand. This corresponds to the contractual cash flows from receivables.

The incidental acquisition costs totalled EUR 5 thousand. These are reported under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the business combination mainly represents the workforce of the company, expected synergy effects and future economic benefits, all of which are not eligible for capitalisation according to IFRS. The goodwill is not tax-deductible.

The following table contains the assets and liabilities of Urban Energy GmbH recognised at the acquisition date and measured in accordance with IFRS 3:

Urban Energy	in EUR k
ASSETS	2,958
Non-current assets	2,833
Goodwill	1,691
Non current intangible assets	984
of which customer contracts	-
of which order backlog	-
of which software	984
Property, plant and equipment	2
Deferred tax assets	156
Current assets	125
Trade receivables	11
Receivables from income tax	31
Cash and cash equivalents	83
LIABILITIES	1,242
Non-current liabilities	297
Deferred tax liabilities	297
Current liabilities	945
Current financial liabilities	800
Trade payables	19
Current contract liabilities	60
Other current liabilities	66

The consolidated income statement contains sales revenues from the acquired company amounting to EUR 433 thousand as well as earnings of EUR -222 thousand.

Trieste Digital Solutions

On 24 March 2023, adesso acquired all shares in Trieste Digital Solutions Private Limited, Kerala, India. The company was subsequently renamed adesso India Limited. It acts as a SmartShore delivery centre for adesso and already locally supports customers from various industries in India. The business operations acquired are assigned to the IT Services segment.

The consideration for the acquired shares amounts to EUR 80 thousand and was paid in full. The payment is offset by acquired cash and cash equivalents of EUR 74 thousand, meaning that cash and cash equivalents decreased by EUR 6 thousand as a result of the merger.

The incidental acquisition costs totalled EUR 23 thousand. These are reported under “Other operating expenses” in the consolidated income statement.

The following table contains the assets and liabilities of Trieste Digital Solutions Private Limited recognised at the acquisition date and measured in accordance with IFRS 3:

Trieste Digital Solutions	in EUR k
ASSETS	125
Non-current assets	20
Property, plant and equipment	16
Deferred tax assets	4
Current assets	105
Other current assets	8
Income tax receivables	23
Cash and cash equivalents	74
LIABILITIES	45
Non-current liabilities	11
Non-current provisions	11
Current liabilities	34
Trade payables	2
Current Contract Liabilities	25
Other current liabilities	7

The consolidated income statement contains sales revenues from the acquired company amounting to EUR 456 thousand as well as earnings of EUR -18 thousand.

Wepex

On 20 April 2023, adesso acquired 51 % of the shares in Wepex GmbH, Frankfurt am Main, Germany. Wepex is a management consultancy specialising in the capital markets and securities business. The business operations acquired are assigned to the IT Services segment.

The consideration amounts to EUR 2,160 thousand, which includes a payment of EUR 1,785 thousand. adesso is required to pay a further amount depending on the EBITDA in the period 2023 to 2027. adesso estimates the range of the future payments, which is unrestricted, at EUR 200 thousand to EUR 500 thousand. The liability resulting from the agreement is valued at EUR 375 thousand. The payment of EUR 1,785 thousand is offset by acquired cash and cash equivalents of EUR 483 thousand, meaning that cash and cash equivalents decreased by EUR 1,302 thousand as a result of the merger.

A combined call/put option was agreed for the remaining 49 % of the shares. adesso is permitted to exercise the call option between 2030 and 2034, whereas the sellers may exercise the put option between 2028 and 2032. In each case, the option price is dependent on future EBITDA. Since the structure of the combined call/put option does not mean adesso is to be regarded as the economic owner of the 49 % stake, the combined call/put option was not taken into account in the reporting of the company acquisition. As at 31 December 2023, however, the financial statements were presented as if adesso had acquired the shares at this time. As a result, other financial liabilities of EUR 1,777 thousand were recognised, while the non-controlling interests and the capital reserve were reduced by EUR 201 thousand and EUR 1,576 thousand respectively.

The fair value of the acquired trade receivables is EUR 416 thousand. This corresponds to the contractual cash flows from receivables.

The ancillary acquisition costs totalled EUR 52 thousand. These are reported under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the business combination mainly represents the workforce of the company, expected synergy effects and future economic benefits, all of which are not eligible for capitalisation according to IFRS. The goodwill is not tax-deductible.

The following table contains the assets and liabilities of Wepex GmbH recognised at the acquisition date and measured in accordance with IFRS 3:

Wepex	in EUR k
ASSETS	4,356
Non-current assets	2,980
Goodwill	1,569
Non-current intangible assets	1,140
of which customer contracts	745
of which order backlog	395
Right-of-use assets from leases	228
Property, plant and equipment	23
Non-current financial assets	20
Current assets	1,376
Trade receivables	751
Current Financial Assets	69
Other current assets	73
Cash and cash equivalents	483
LIABILITIES	1,629
Non-current liabilities	1,059
Non-current financial liabilities	500
Non-current lease liabilities	193
Other non-current liabilities	2
Deferred tax liabilities	364
Current liabilities	570
Current lease liabilities	35
Trade payables	149
Current income tax liability	135
Current provisions	137
Other current liabilities	114

The consolidated income statement includes sales of the acquired company totalling EUR 3,332 thousand and a result of EUR -748 thousand.

Palmer

On 16 August 2023, adesso acquired all shares in Palmer AG, Würzburg, Germany, thereby expanding its growth in the SAP business. Palmer AG specialises in SAP implementation, IT consulting and process optimisation in the energy and housing industries. The company was merged with adesso orange AG, Hameln, in the third quarter.

The consideration for the shares acquired amounts to EUR 1,150 thousand. Of this fixed purchase price, EUR 1,100 was paid in cash. The remaining portion is due in the first quarter of 2024. The purchase price payment of EUR 1,100 thousand is offset by acquired cash and cash equivalents of EUR 1,052 thousand, meaning that cash and cash equivalents decreased by EUR 48 thousand as a result of the merger. Earnings of EUR 359 thousand were reported under “Other operating income” in connection with the acquisition.

The fair value of the acquired trade receivables is EUR 751 thousand. This corresponds to the contractual cash flows from receivables.

The ancillary acquisition costs totalled EUR 25 thousand. These are reported under “Other operating expenses” in the consolidated income statement.

The following table contains the assets and liabilities of Palmer AG recognised at the acquisition date and measured in accordance with IFRS 3:

Palmer	in EUR k
ASSETS	2,685
Non-current assets	830
Goodwill	-
Non-current intangible assets	410
of which customer contracts	187
of which order backlog	223
Right-of-use assets from leases	402
Property, plant and equipment	18
Non-current financial assets	-
Current assets	1,855
Contract assets	70
Trade receivables	433
Other current assets	300
Income tax receivables	-
Cash and cash equivalents	1,052
LIABILITIES	1,176
Non-current liabilities	478
Non-current leasing liabilities	349
Deferred tax liabilities	129
Current liabilities	698
Current leasing liabilities	53
Trade payables	21
Current contract liabilities	93
Current income tax liability	61
Current provisions	190
Other current liabilities	280

The sales revenues included in the consolidated income statement and the contribution to earnings by the acquired company cannot be calculated separately due to the merger with adesso orange AG.

If the companies had already been included in the consolidated financial statements as at 1 January 2023, consolidated sales revenues would have amounted to EUR 1,139,915 thousand and consolidated earnings to EUR 3,556 thousand.

Acquisitions in the previous year

material.one AG

On 7 February 2022, adesso increased its stake in material.one AG (formerly: logsolut AG), Augsburg, by 18.4 percentage points from 35.0 % to 53.4 % as part of a disproportionate capital increase. material.one supports digitalization in the manufacturing industry along a global supply chain management. The acquired business operations are allocated to the "IT Solutions" segment.

The consideration for the acquired shares amounted to EUR 3,057 thousand. This included a payment of EUR 2,575 thousand, a receivable from material.one of EUR 128 thousand, which adesso waived as part of the business combination, and an obligation to provide services of EUR 368 thousand.

At the time of the business combination, the carrying amount of the shares in material.one accounted for using the equity method amounted to EUR 939 thousand. The fair value of these shares in material.one AG amounted to EUR 4,869 thousand, meaning that income of EUR 3,929 thousand was recognised from the measurement at fair value. This is recognised under "Other operating income" in the consolidated income statement. The fair value of the old shares is not part of the "consideration given", according to the IFRS.

Non-controlling interests recognised at the date of acquisition were measured at the proportionate share of net assets, amounting to EUR 5,135 thousand. The fair value of the acquired trade receivables amounted to EUR 329 thousand. This corresponds to the contractual cash flows from receivables.

The payment of EUR 2,575 thousand is offset by acquired cash and cash equivalents of EUR 2,888 thousand, meaning that cash and cash equivalents increased by EUR 313 thousand as a result of the merger.

The goodwill resulting from the business combination primarily represents the non-capitalizable workforce of the company as well as expected synergy effects. The goodwill is not tax-deductible.

The consolidated income statement for the year 2022 includes the acquired company's sales revenue of EUR 2,153 thousand and a result of EUR -1,123 thousand.

com2m GmbH

On 19.05.2022, adesso acquired the remaining 41.29 % of the shares in com2m GmbH, Dortmund. As adesso previously held 58.71 % of the shares in the company, which was classified as a joint venture until the business combination, adesso now holds 100 % of the shares in com2m GmbH. com2m GmbH develops and operates software solutions in the areas of client/server technology, machine-to-machine communication, automation and telecontrol technology and networked industrial and production technology. com2m was merged into adesso SE in the 2022 financial year. The acquired business operations are allocated to the "IT Services" segment.

The cash consideration paid for the acquired shares amounted to EUR 2,643 thousand. The sellers will receive a further amount of EUR 661 thousand if they remain employed by the company for at least two more years. As the payment of this amount is linked to the future work performance of the sellers, it was not part of the consideration within the meaning of IFRS. It must be recognized in profit or loss in the future.

At the time of the business combination, the shares in com2m GmbH accounted for using the equity method were valued at EUR 1,428 thousand. The fair value of the shares in com2m GmbH amounted to EUR 4,697 thousand at this time, meaning that income of EUR 3,269 thousand was to be recognized from the measurement at fair value. This is reported in the consolidated income statement under "Other operating income".

At the time of acquisition by adesso, com2m GmbH held 5% of Urban Energy GmbH. As a result, adesso's shareholding in Urban Energy increased from 20 % to 25 %. Urban Energy GmbH continues to be classified as an associated company.

The fair value of the acquired trade receivables amounted to EUR 1,063 thousand. This amount corresponds to the contractual cash flows from the receivables.

The payment of EUR 2,643 thousand is offset by acquired cash and cash equivalents of EUR 779 thousand, meaning that cash and cash equivalents decreased by EUR 1,864 thousand as a result of the merger.

The ancillary acquisition costs amounted to EUR 18 thousand. These are recognised under “Other operating expenses” in the consolidated income statement.

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

Due to the merger with adesso SE, it was not possible to determine the sales revenues or results of the acquired company recorded in the consolidated income statement.

Purple Scout

On April 5, 2022, adesso acquired all shares in Purple Scout AB, Malmö, Sweden. Purple Scout AB offers complete cloud solutions including services such as cloud migration. It is also active in computing, e-commerce, DevOps, UI / UX and full stack development.

In addition to Purple Scout AB, the acquisition also included its subsidiaries Purple Friends AB and Transfer Window AB (both Malmö, Sweden), as well as Purple Scout ApS (Copenhagen, Denmark). Purple Scout AB and Purple Scout ApS were renamed adesso Sweden and adesso Denmark respectively.

The acquired business operations are allocated to the "IT Services" segment.

The consideration paid in cash amounted to EUR 4,737 thousand. The sellers will receive a further amount of EUR 631 thousand if they remain employed by the company for at least two more years. As the payment of this amount is linked to the future work performance of the sellers, it is not part of the consideration within the meaning of IFRS. It must be recognized in profit or loss in the future.

The fair value of the acquired trade receivables amounted to EUR 1,479 thousand. This corresponds to the contractual cash flows from receivables. The payment of EUR 4,737 thousand is offset by acquired cash and cash equivalents of EUR 440 thousand, meaning that cash and cash equivalents decreased by EUR 4,297 thousand as a result of the merger.

The ancillary acquisition costs amounted to EUR 47 thousand. These are recognised under “Other operating expenses” in the consolidated income statement.

The consolidated income statement for the financial year 2022 includes revenue from the acquired companies amounting to EUR 4,994 thousand and a result of EUR -950 thousand.

Quadox AG

On July 25, 2022, adesso acquired 100% of the shares in Quadox AG, Walldorf. Quadox AG specializes in innovative data management and SAP analytics and business intelligence solutions. With the expansion of this economically significant cross-segment, adesso had become one of the top 5 largest SAP analytics experts in Germany. Quadox AG was merged into adesso SE in the 2022 financial year. The acquired business operations are therefore allocated to the "IT Services" segment.

adesso paid EUR 6,580 thousand in cash for the shares. The remaining amount of EUR 820 thousand is due with interest in 24 months. adesso may have to pay a further amount of EUR 800 thousand in nine months. As this payment is linked to the future work performance of the seller and other Quadox AG employees, this amount will be recognized in profit or loss on a pro rata basis.

The fair value of the acquired trade receivables amounted to EUR 901 thousand. This amount corresponds to the contractual cash flows from the receivables. The payment of EUR 6,580 thousand was offset by acquired cash and cash equivalents of EUR 3,052 thousand, meaning that cash and cash equivalents decreased by EUR 3,528 thousand as a result of the business combination.

The goodwill resulting from the business combination primarily represents the non-capitalizable workforce of the company, expected synergy effects and future economic benefits that cannot be capitalized under IFRS. Goodwill is not deductible for tax purposes.

The acquired company's revenue and earnings recognized in the consolidated income statement cannot be determined due to the merger onto adesso SE.

Gravity & Vitec

On October 20, 2022, adesso acquired 100% of the shares in Gravity consulting GmbH (Gravity) and Vitec Vienna Information Technology Consulting GmbH (Vitec), both based in Vienna, from the same sellers in a single transaction. The services offered by Gravity and Vitec primarily include SAP consulting, project management and business process optimization. Gravity and Vitec were merged into adesso Orange AG in the 2023 financial year.

The purchase price paid in cash amounted to EUR 4,883 thousand. There is also an earn-out agreement for a maximum of EUR 1,640 thousand. The payment is dependent on the future performance of the beneficiaries and the achievement of certain sales targets. In accordance with IFRS 3, the amount is therefore not part of the consideration paid for the shares acquired. The liability resulting from the earn-out is to be recognized in profit or loss on a pro rata basis, taking into account the probability of achieving the sales targets.

The acquired business operations are allocated to the "IT Services" segment.

The fair value of the acquired trade receivables amounted to EUR 692 thousand. This amount corresponded to the contractual cash flows from the receivables. The payment of EUR 4,883 thousand was offset by acquired cash and cash equivalents of EUR 1,242 thousand, meaning that cash and cash equivalents decreased by EUR 3,641 thousand as a result of the business combination.

The incidental acquisition costs amounted to EUR 158 thousand. They are recognized in the consolidated income statement under "Other operating expenses".

The goodwill resulting from the business combination primarily represents the non-capitalizable workforce of the company and expected synergy effects. Goodwill is not deductible for tax purposes.

The consolidated income statement for the financial year 2022 includes revenue from the acquired companies amounting to EUR 1,173 thousand and a result of EUR -338 thousand.

Gorbit GmbH (Others)

On January 10, 2022, adesso acquired 100% of the shares in Gorbit GmbH, Overath. Gorbit GmbH is an IT consulting and development company specializing in SAP technology. The purchase price paid in cash for the shares amounted to EUR 550 thousand. Gorbit GmbH was merged into adesso orange AG in the 2022 financial year.

The acquired business operations are allocated to the "IT Services" segment.

The fair value of the acquired trade receivables amounted to EUR 684 thousand. This amount corresponded to the contractual cash flows from the receivables. The payment of EUR 550 thousand is offset by acquired cash and cash equivalents of EUR 321 thousand, meaning that cash and cash equivalents decreased by EUR 229 thousand as a result of the business combination.

The incidental acquisition costs amounted to EUR 3 thousand. They are recognized in the consolidated income statement in 2022 under "Other operating expenses".

No goodwill was recognized in the course of the business combination.

The acquired company's revenue and earnings recognized in the consolidated income statement in 2022 cannot be determined due to the merger onto adesso orange AG.

Ries Corporate Solutions GmbH (Others)

On February 24, 2022, adesso acquired 80% of the shares in Ries Corporate Solutions GmbH (Ries) and all shares in Pension Partner Trust GmbH (PPT), Hamburg. Ries specializes in company pension schemes, working time accounts and partial retirement, thus expanding the range of services around the existing software solution "in|sure CollPhir". As a contractual trust arrangement (CTA), PPT is a trust structure with which customers can back their pension obligations with assets and these assets are invested in an insolvency-proof manner. The companies were renamed adesso benefit solutions GmbH (Ries) and adesso partner trust GmbH (PPT) in the reporting period.

The acquired business operations are allocated to the "IT Solutions" segment.

The consideration paid in cash for the acquired shares amounted to EUR 25 thousand. The sellers will receive a further amount of EUR 500 thousand if they remain employed by the company for at least another three years. As the payment of this amount is linked to the future work performance of the sellers, it is not part of the consideration within the meaning of IFRS. It must be recognized in profit or loss. The non-controlling interests recognized at the time of the company acquisition were measured at the proportionate share of net assets. They amounted to EUR 170 thousand.

The fair value of the acquired trade receivables amounted to EUR 164 thousand. This amount corresponded to the contractual cash flows from the receivables. The payment of EUR 25 thousand was offset by acquired cash and cash equivalents of EUR 241 thousand, meaning that cash and cash equivalents increased by EUR 216 thousand as a result of the business combination.

The incidental acquisition costs amounted to EUR 56 thousand. They were recognized in the consolidated income statement 2022 under "Other operating expenses".

The acquisition of the companies resulted in a negative difference of EUR 656 thousand, which is reported in the consolidated income statement 2022 under "Other operating income". This is mainly due to the fact that, in accordance with IFRS, the EUR 500 thousand associated with the future work performance of the sellers is not included in the consideration paid for the shares.

The consolidated income statement for the financial year 2022 includes revenue from the acquired company amounting to EUR 1,022 thousand and a result of EUR -302 thousand.

OrgaTech (Others)

On November 17, 2022, adesso acquired 100% of the shares in OrgaTech Solution Engineering Consulting GmbH, Lünen. OrgaTech advises companies on the optimization of organizational, process and financial structures. In particular, the company provides services in the area of software maintenance as well as consulting and process development in connection with the Calatena and ISP software solutions based on the SaaS (software as a service) business model. The company was merged into adesso SE in the 2023 financial year. The acquired business operations are therefore allocated to the "IT Services" segment.

The consideration amounted to EUR 850 thousand. Of this amount, EUR 750 thousand was paid immediately, and an amount of EUR 100 thousand retained as collateral was paid on 30 June 2023.

The fair value of the acquired trade receivables amounted to EUR 256 thousand. This amount corresponded to the contractual cash flows from the receivables. The payment of EUR 750 thousand was offset by acquired cash and cash equivalents of EUR 0 thousand, meaning that cash and cash equivalents decreased by EUR 750 thousand as a result of the business combination.

The goodwill of EUR 167 thousand resulting from the business combination primarily represents the non-capitalizable workforce of the company and expected synergy effects. The goodwill is not deductible for tax purposes.

The following table contains the assets and liabilities of Gorbit, Ries and Orgatech recognized at the respective acquisition date and measured at fair value.

If the companies acquired in 2022 had already been included in the consolidated financial statements as at January 1, 2022, consolidated revenue would have amounted to EUR 914,517 thousand and consolidated net income to EUR 27,031 thousand in the financial year 2022.

	material.one	com2m	Purple Scout
in EUR k			
ASSETS	17,217	9,713	7,351
Non-current assets	13,977	7,859	5,266
Goodwill	2,052	4,123	3,116
Non-current intangible assets	11,538	3,561	1,690
of which customer contracts	264	838	832
of which order backlog	93	421	479
of which software	11,168	2,302	379
of which other	13	-	-
Right-of-use assets from leases	-	45	371
Property, plant and equipment	14	6	59
Non-current financial assets	373	124	-
Other non-current assets	-	-	30
Current assets	3,240	1,854	2,085
Contract assets	-	-	578
Trade receivables	329	1,063	901
Current tax receivables	-	12	-
Other current assets	23	-	166
Cash and cash equivalents	2,888	779	440
LIABILITIES	4,138	2,374	2,614
Non-current liabilities	2,897	1,189	421
Non-current financial liabilities	-	-	-
Non-current leasing liabilities	-	21	151
Deferred tax liabilities	2,897	1,168	270
Current liabilities	1,241	1,185	2,193
Current financial liabilities	442	-	488
Current leasing liabilities	-	24	220
Trade payables	400	326	480
Current contract liabilities	-	198	-
Current income tax liability	-	179	56
Current provisions	11	64	-
Other current liabilities	388	394	949

	Quadox	Gravity & Vitec	Others
in EUR k			
ASSETS	12,321	6,548	4,774
Non-current assets	7,904	4,568	2,965
Goodwill	4,849	2,780	167
Non-current intangible assets	2,644	1,197	2,486
of which customer contracts	2,349	690	1,284
of which order backlog	295	507	485
of which software	-	-	676
of which other	-	-	41
Right-of-use assets from leases	255	295	74
Property, plant and equipment	155	95	41
Non-current financial assets	1	-	5
Other non-current assets	-	201	142
Deferred tax assets	-	-	50
Current assets	4,417	1,980	1,809
Contract assets	229	0	35
Trade receivables	1,133	692	1,112
Current financial assets	-	-	1
Current tax receivables	-	41	-
Other current assets	3	5	99
Cash and cash equivalents	3,052	1,242	562
LIABILITIES	4,921	1,665	2,523
Non-current liabilities	1,032	537	1,369
Non-current financial liabilities	-	-	483
Non-current leasing liabilities	165	238	38
Pensions and similar liabilities to employees	-	-	142
Non-current provisions	-	-	20
Other non-current liabilities	-	-	50
Deferred tax liabilities	867	299	636
Current liabilities	3,889	1,128	1,154
Current financial liabilities	1,900	0	231
Current leasing liabilities	90	57	36
Trade payables	168	160	273
Current contract liabilities	633	9	28
Current income tax liability	299	118	88
Current provisions	30	98	118
Other current liabilities	769	686	380

3.7. Sales revenue

Sales revenue is recognised pursuant to the provisions of IFRS 15. Prerequisites for revenue recognition are as follows: A valid contract, identifiable contract 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, revenue is 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 an 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, revenue from performance obligations is recognised as follows:

- > Licence sale, no further obligation on the part of adesso: At the time 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 licence. Invoices are always issued after delivery of the licence. 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 generally recognised over a time period on the basis of the progress made in terms of the percentage of completion or the expected duration 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. Revenue 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, revenue is 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 no longer than 30 days.
- > Maintenance and hosting services are generally time-based: Revenue is 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. Revenue 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. adesso typically negotiates the individual performance-based components separately. 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

3.8. 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 significant borrowing costs had to be capitalised.

3.9. 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 of the impairment test, see “3.11. Impairment of non-financial assets”.

3.10. Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognised at cost of acquisition or production. Where applicable, they are stated at amortised cost if they have a limited useful life. Assets are depreciated or amortised on a straight-line basis over their expected useful life. Residual values – where available – are taken into account in determining depreciation on property, plant and equipment. 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 may not be capitalised according to IAS 38. 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 to six years. 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 five to six years.

The total development expense recognised in the financial year is the amortisation of internally generated intangible assets. This amounts to EUR 3,273 thousand (previous year: EUR 2,898 thousand).

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.

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

3.11. Impairment of non-financial assets

Under IAS 36, goodwill, non-current intangible assets and property, plant and equipment must be subjected to an impairment test. 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.

In principle, an individual asset is tested for impairment. If this is not possible under IAS 36 because, for example, cash flows cannot be allocated to the asset, the impairment test must be carried out 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 of the 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.

3.12. 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. Costs of obtaining a contract are recognised under intangible assets. adesso generally amortises costs of obtaining a contract on a straight-line basis over the term 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 1,132 thousand (previous year: EUR 668 thousand). The amortisation for the financial year amounted to EUR 1,198 thousand (previous year: EUR 717 thousand).

3.13. Leasing

IFRS 16 is generally applicable to all leasing contracts. However, the lessee's rights of use under a licence agreement 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 a right-of-use (RoU) asset for the right to use the leased asset in the future and a lease liability for the obligation to make lease payments 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 is no more than 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.

An 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 expenditures 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 of the lessee. 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. In this context, 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 over the expected lease term and, if necessary, written down. 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. If the scope of the lease is reduced when it is modified, the RoU asset and the lease liability must be reduced accordingly. The difference between the two amounts is recognised in the consolidated income statement.

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 finance leases or operating leases based on the economic nature of the transaction. The transaction is classified as a finance lease insofar as all material risks and opportunities 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. The carrying amount of the receivable is increased by interest income to be recognised and reduced by repayments.

When a lease 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 lease transactions

3.14. Financial assets

Financial assets include debt instruments (e.g. loans and receivables), equity instruments and cash and cash equivalents (e.g. shares). They are recognised as soon as adesso becomes a contractual partner for a corresponding financial instrument.

3.15. Debt instruments, classification

Debt instruments are allocated to one of the following categories depending on the classification of the cash flows they generate and the business model applicable to them:

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

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 or two shareholdings (EUR 1,900 thousand; previous year: EUR 500 thousand). An embedded derivative is not recognised separately. As in the previous year, cash equivalents (see Note “3.18. Cash and cash equivalents”) are not held by adesso.

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 model:

- > “Hold to collect”: The objective is to collect contractual cash flows (interest and repayment). Typically classified under the AC category
- > “Hold and sell”: The objective is 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. 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 measurement

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. Therefore, the earnings and expenses recognised in the consolidated income statement are identical for these categories. In the case of debt instruments classified under FVOCI, changes in value that go beyond the above changes are recognised in other comprehensive income (OCI). The debt instrument amounts recognised in OCI classified as FVOCI must be recognised in the consolidated income statement upon derecognition of the debt instrument (so-called recycling). By using of 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 recognition of interest

Impairment losses 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 future payment defaults or delays in payment, which result from loss events that 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 mgross 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.

A provision to aid simplification exists 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 rebuttable 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 on the basis of past defaults and forward-looking industry-related, macroeconomic and country-specific information. At adesso SE level, they are also measured on the basis of a rating of the receivables portfolio.

Equity instruments

Under IFRS, equity instruments are measured at fair value: If the equity instruments are held for trading purposes, they are to be allocated to the FVPL category. If they are not held for trading, there is a freely exercisable option to allocate them to the FVPL category or the FVOCI category. adesso allocates the equity instruments to the FVOCI category. In contrast to debt instruments, amounts recognised in other comprehensive income may not be reclassified to the consolidated income statement for equity instruments.

Derecognition/write-offs

Financial assets are to be derecognised if the right to future cash flows no longer exists. Furthermore, financial assets are to be derecognised if a) the rights to receive cash flows from the asset have been transferred to a third party or an obligation has been entered into to pass on the cash flows in a timely manner, in which case adesso is simultaneously prohibited from selling or pledging the asset, and b) essentially all risks and opportunities associated with the financial asset have been transferred.

If adesso has essentially retained all the risks and rewards associated with the financial asset, the financial asset shall continue to be recognised.

If adesso has neither essentially retained nor transferred all the risks and rewards associated with the financial asset, the financial asset is to be derecognised insofar as adesso no longer has any power of disposal over the financial asset. adesso has no power of disposal over the financial asset insofar as the other party is entitled and in a position to sell the financial asset to a third party. If adesso has retained control of the financial asset, it is to be recognised on the basis of continuing involvement. In this context, an asset and a liability is recognised in the amount of adesso's maximum utilisation with no effect on profit or loss. In addition, an expense and a liability is recognised in the amount of the expected future default.

A debt instrument is written off and derecognised on a pro rata basis 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

adesso has concluded a contract under which trade receivables with a volume of up to EUR 60,000 thousand can be sold. On the reporting date, trade receivables in the amount of EUR 54,959 thousand had been sold. These were derecognised. The receivables recognised on 31 December that are potentially sold under the factoring agreement are assigned to the FVOCI measurement category. This does not present a deviation from the balance sheet in the current financial year, according to the AC measurement category.

3.16. Other assets and other liabilities

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

3.17. 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 result out of payments that will lead to revenue from maintenance or hosting only in subsequent periods.

3.18. Cash and cash equivalents

This item includes cash on hand and demand deposits (e.g. bank balances), as well as short-term, highly liquid assets with a residual term of no more than three months at the acquisition date. A further prerequisite for allocation to cash equivalents is that these assets can be converted into a specific amount of cash at any time and are subject to immaterial valuation risk only. Assets categorised as cash equivalents are measured at fair value through profit or loss (FVPL).

3.19. 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 generally 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. The fair value of the liability is determined depending on the expected future development of these variables. If economic ownership of the non-controlling shares can be assigned to adesso, changes in the value of the liability 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 “3.3. Subsidiaries” and “3.27. 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.

3.20. 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. In this context, direct costs and appropriate indirect costs attributable 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.

3.21. Benefits after termination of employment

Post-employment benefits are divided into defined contribution plans and defined benefit plans. In the case of defined contribution plans, adesso pays certain specified amounts to state or private pension insurance providers and subsequently has no further obligation to pay further amounts. All pension plans not classified as defined contribution plans are to be classified as defined benefit plans. The liability for defined benefit plans is measured according to the so-called actuarial projected unit credit method. Future salary and pension increases are to be taken into account when measuring the liability. The interest rate to be applied when calculating the present value corresponds to the interest rate in the respective currency area for corporate bonds with the best credit rating and a term corresponding to the obligation for pensions. In Germany, the calculations are based on the biometric parameters of the Heubeck 2018 G mortality tables, and in Switzerland on the BVG 2020 generation tables.

Partly those plans are partly financed through reinsurance pledges or contractual trust arrangements (CTAs). Such plan assets are to be measured at fair value and offset against the corresponding liability. If a net asset position remains after offsetting, an asset may only be recognised to the extent that it can be realised in the future through premium reductions or premium refunds. Income from plan assets and interest expenses from the accrual of interest on the obligation are reported in the financial result; the service cost is recognised as an operating expense as part of personnel expenses. The expense to be recognised from defined benefit obligations and the income from plan assets are generally determined at the beginning of the year.

Any changes in plan assets or liabilities that deviate from this, such as changes in actuarial assumptions, are recognised directly in other comprehensive income. Where a defined benefit commitment for past periods is changed, the resulting past service cost is to be recognised directly through the consolidated income statement. The expense to be recognised corresponds to the change in the benefit obligation at the time of the change in the commitment.

3.22. Share-based payment transactions

In the past, adesso has issued employee options to buy shares in adesso SE ("equity-settled share-based payment transactions"). 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. The personnel costs to be recognised in a period are determined using the cumulative method. The total costs to be recognised at the end of the period is determined on the basis of current estimates using the straight-line method. The personnel costs to be recognised are calculated by deducting the personnel costs recognised in the past from the value determined in this way. Personnel costs are recognised against the capital reserve. 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 to be measured at the present value on each reporting date. Changes in the value of this liability are recognised in the consolidated income statement. 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.

3.23. 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.

3.24. Dividends

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

3.25. Income tax

Income tax includes both actual income taxes and deferred taxes. The actual tax liabilities and tax receivables encompass all obligations and claims for domestic and foreign income tax. They are calculated based on the tax laws applicable in each case.

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.

Where items are recognised directly in equity, the related income taxes are also recognised directly in equity. This applies to changes in temporary differences recognised in other comprehensive income as well as, for example, to expenses recognised in equity relating to capital transactions.

3.26. 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 measurement hierarchy for determining fair value, which comprises three levels. Allocation to level depends on the measurement 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 measurement date.
- > Level 2: Input parameters other than the quoted prices on Level 1 which are either directly or indirectly observable for the asset or liability.
- > Level 3: Non-observable 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 predominantly determined by adesso. The fair values for plan assets and reimbursement claims required in connection with post-employment benefits were determined by actuaries.

The significant liabilities to be measured at fair value as at the reporting date are the liability from the put/call options in connection with the acquisition of the shares in adesso orange AG and KIWI Consulting EDV-Beratung GmbH. See the disclosures on estimates and assumptions below, in addition to the information on financial liabilities, adesso holds a number of shares in companies that are to be measured at fair value. Overall, these do not qualify as material. See “6. Non-current other financial assets”.

3.27. Estimates and assumptions

The application of accounting regulations requires numerous assumptions and estimates, which have an impact on the presentation of the net assets, financial position and results of operations. Actual amounts, results etc. may naturally deviate from the assumed or estimated amounts, results and so on. Understanding the effects of these assumptions and estimates is important for interpreting the information reported in these consolidated financial statements. Significant estimates and assumptions are outlined below:

- > Business combinations: In general, the identifiable assets and liabilities acquired in a business combination are 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. These include, for example, 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 measurement of contingent payment obligations related to business combinations, assumptions have to be made regarding the values of parameters underlying the measurement.
- > Non-current assets with limited useful lives: 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. Based on 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 have economic 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 preset 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. It is only permissible to take the period after the option into account if it is reasonable to assume that the corresponding option will be exercised. The same applies to open-ended leases. The management of adesso SE is of the opinion that a period that is dependent on an option being exercised in more than ten years is not sufficiently likely to be utilised and that the period therefore does not count towards the lease term.
- > Impairment test: According to IAS 36, numerous assumptions and estimates have to be made or carried out regarding certain parameters for the impairment test as part of the review of the recoverability of adesso's assets. These primarily include assumptions and estimates concerning future cash flows and growth rates as well as the interest rate applicable for the future cash flows. Here, 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 assets has yet been recognised are taken into account when determining the value in use. Information on the impairment tests includes "4. Goodwill and intangible assets".

- > Receivables: Assessment of the recoverability of trade receivables and 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.
- > When measuring assets and liabilities, the risks resulting from climate change are taken into account. These risks include physical risks (occurrence of actual damage, e.g. from storms, heavy rainfall and high temperatures) and transitory risks (those resulting from the transition to a more environmentally friendly economy). adesso considers the risks arising from climate change to be low when measuring assets and liabilities.
- > The liability based on a put/call option from the acquisition of KIWI Consulting EDV-Beratung GmbH amounting to EUR 8,447 thousand (previous year: EUR 7,218 thousand) is measured on the basis of the average EBIT for financial years 2021 to 2023 plus 30 % of the company's net financial status as at 31 December 2024. In this context, assumptions must be made about the future net financial status of the company. If the measurement of the liability were based on a 10 % higher net financial status, the fair value of the liability would amount to EUR 8,503 thousand. Based on a 10 % lower net financial status, the fair value of the liability would amount to EUR 8,391 thousand. The minimum and maximum amount payable from this put/call option is EUR 6,300 thousand and EUR 10,000 thousand, respectively. Changes in the value of this liability are ultimately recognised against the capital reserve and the non-controlling interests (see Notes "3.3 Subsidiaries" and "3.19 Financial liabilities"). adesso can exercise the call option between 23 June and 31 October 2024; the sellers can exercise the put option between 1 November and 31 December 2024. The purchase of the shares from the put/call option would take economic effect on 1 January 2025.
- > The liability based on a put/call option agreed in 2022 for shares in Afida GmbH amounting to EUR 2,064 thousand (previous year: EUR 2,146 thousand) is measured on the basis of the company's future EBITDA and revenue. In this context, assumptions must be made about the company's future EBITDA and sales revenues. If the basis for the measurement of the liability were 10 % higher, the fair value of the liability would amount to EUR 2,270 thousand. If the basis for the measurement were 10 % lower, the fair value of the liability would amount to EUR 1,857 thousand. The changes in the value of this liability are ultimately recognised against the capital reserve and the non-controlling interests (see Note "3.3 Subsidiaries" and "3.19 Financial liabilities"). The options can be exercised in 2032 at the earliest.
- > The liability based on a put/call option agreed in 2022 for shares in Wepex GmbH amounting to EUR 1,777 thousand is measured on the basis of the company's future EBITDA. In this context, assumptions must be made about the company's future EBITDA. If the basis for the valuation of the liability were 10 % higher, the fair value of the liability would amount to EUR 1,954 thousand. If the basis for the valuation were 10 % lower, the fair value of the liability would amount to EUR 1,599 thousand. The changes in the value of this liability are ultimately recognised against the capital reserve and the non-controlling interests (see Note "3.3. Subsidiaries" and "3.19. Financial liabilities"). The options can be exercised in 2028 at the earliest.
- > Provisions for pensions and the related income/expenses are determined on the basis of actuarial calculations. The calculation of provisions for pensions (EUR 6,348 thousand; previous year: EUR 2,816 thousand) is based on actuarial assumptions (probability of death and disability, interest rate and other biometric assumptions).

- > **Income tax:** The calculation of current taxes requires estimates and assumptions about how the respective tax authorities assess certain circumstances. Any changes in current taxes for previous periods resulting from these assumptions and estimates are recognised as soon as sufficient evidence of such a change is available.
- > **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 offset within a maximum of five years. Further benefits are not capitalised.
- > **Revenue:** adesso provides services to its customers. The resulting revenue is recognised based on the progress made. This means that revenue is 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. adesso is also required to make assumptions, particularly relating to the sale of licences, as to whether adesso is acting as principal and recognises gross revenue and expenses for the purchase of licences, or whether adesso is acting as agent and only recognises a net agency commission in revenue.
- > **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. In determining the fair value of options at the vesting date, adesso has to make assumptions about future fluctuation rates and future exercise behaviour.
- > **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 customer.

III. NOTES TO ITEMS IN THE CONSOLIDATED BALANCE SHEET

4. Goodwill and intangible assets

Goodwill and intangible assets developed as follows:

2023 in EUR k	Goodwill	Customer contracts	Order backlog	Internally generated intangible assets	Other intangible assets	Total
Gross value 1 January	88,209	28,294	6,184	19,702	22,497	164,886
Accumulated amortisation 1 January	2,395	12,074	5,241	6,057	14,428	40,195
CARRYING AMOUNT 1 January	85,814	16,220	943	13,645	8,069	124,692
Currency differences	744	13	1	-	5	763
Company acquisitions	11,539	3,130	1,592	-	3,131	19,392
Additions	-	-	-	4,645	3,324	7,969
Amortisation	-	5,120	2,204	3,273	4,428	15,026
Disposals	-	-	-	-	-103	-103
Gross value	100,493	31,626	7,779	24,167	28,512	192,577
Accumulated amortisation 31 December	2,395	17,384	7,448	9,149	18,514	54,890
CARRYING AMOUNT 31 December	98,098	14,242	331	13,793	11,223	137,687

2022 in EUR k	Goodwill	Customer contracts	Order backlog	Internally generated intangible assets	Other intangible assets	Total
Gross value 1 January	70,841	25,733	4,776	8,626	25,588	135,563
Accumulated amortisation 1 January	2,395	11,307	4,431	5,407	20,901	44,441
CARRYING AMOUNT 1 January	68,446	14,425	345	3,219	4,687	91,122
Currency differences	280	-86	-15	-	-13	166
Company acquisitions	17,088	6,255	2,280	11,168	3,414	40,205
Additions	-	-	-	2,157	2,945	5,103
Amortisation	-	4,375	1,666	2,898	2,946	11,886
Disposals	-	-	-	-	-19	-19
Gross value 31 December	88,209	28,294	6,184	19,702	22,497	164,886
Accumulated amortisation 31 December	2,395	12,074	5,241	6,057	14,428	40,195
CARRYING AMOUNT 31 December	85,814	16,220	943	13,645	8,069	124,691

Intangible assets mainly comprise the PSLife software acquired in 2015 (EUR 710 thousand; previous year: EUR 1,225 thousand), in particular a platform developed in-house that is used in the automotive and manufacturing industry that digitalises the sampling of components along the entire supply chain (EUR 5,603 thousand; previous year: EUR 3,847 thousand), a contract management software developed in-house that is used in the insurance sector (EUR 2,737 thousand; previous year EUR 660 thousand) and customer relations acquired through business combinations (EUR 14,242 thousand, previous year: EUR 16,220 thousand). The average remaining useful life of customer relations is 2.77 years (previous year: 3.57 years).

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:

in EUR k	2023			2022		
IT-SERVICES SEGMENT	Carrying amount	Interest before taxes in %	Gross margin in %	Carrying amount	Interest before taxes in %	Gross margin in %
adesso SE	40,199	12.39	5.30	39,041	14.11	6.8
adesso Schweiz AG	12,087	8.00	11.20	11,367	11.70	11.7
adesso orange	10,949	13.41	12.30	10,949	14.12	12.60
KIWI	8,281	13.23	63.00	8,281	12.28	13.0
WebScience	8,279	15.16	5,86 bis 12,82	-	-	-
adesso Austria	3,552	13.07	12.10	3,552	12.73	14.50
Other	5,536	-	-	5,098	-	-
Total IT Services segment	88,883	-	-	78,288	-	-
IT SOLUTIONS SEGMENT	Carrying amount	Interest before taxes in %	Gross margin in %	Carrying amount	Interest before taxes in %	Gross margin in %
adesso insurance solutions GmbH	3,034	12.28	3.38	3,034	13.16	3.2
Other	6,183	-	-	4,492	-	-
Total IT Solutions segment	9,215	-	-	7,526	-	-
TOTAL AMOUNT	98,098	-	-	85,814	-	-

The change in the carrying amount of goodwill in adesso SE is due to the mergers of adesso experience GmbH and Orgatech Solutions GmbH with adesso SE. The change in the carrying amount of goodwill in adesso Schweiz AG is due to the effects of changes in the exchange rate.

Impairment testing of goodwill must 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 performed on 30 June for the companies acquired during the first half of the financial year.

The table shows the carrying amounts, interest before taxes and the gross margin underlying the respective planning for all significant goodwill in terms of total goodwill. As the level of planning detail for the Web Science segment is not yet enough to indicate the planned gross margin, the EBT margin (EBT/sales revenues) on which the planning is based is shown in the table.

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 sales revenues 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. Planning period covers one to five 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 15 % (previous year: 0 % and 20 %). 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. Long-term growth of 3 % is only assumed for WebScience, which was acquired in the current financial year. These growth rates do not exceed the expected long-term growth rates of the markets in which adesso operates. The company bases its estimates for future cash flows, where possible, on estimates by external analysts. The gross margin (EBT/sales revenue 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. In a few cases, particularly in the case of recent business combinations, such as WebScience as at 30 June, the impairment test is carried out on the basis of planned EBT.

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. Key parameters for this calculation are the risk-free interest rate (2.50 %, previous year: 1.35 %), a beta factor derived separately for the IT Services and IT Solutions segments from a representative peer group (constituting systematic risk), a market risk premium (6.5 %, previous year: 7.3 %; as the difference between the expected yield of a reference market and the risk-free interest rate), the tax rate and the borrowing cost rate. 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 after taxes by 1 percentage point, 10 % lower cash flows and a 1 percentage point lower gross margin (EBT/(sales less cost of materials)) were assumed as potential changes. This analysis revealed that a goodwill impairment should be recognised for WebScience in the event of corresponding changes. As at 30 June 2023, the carrying amount of the WebScience cash-generating unit determined in accordance with IAS 36 corresponds to the recoverable amount. Any negative change in the underlying parameters for adesso would therefore lead to an impairment loss to be recognised.

As at 31 December 2023, there were no indicators for an impairment of goodwill.

5. Property, plant and equipment

Property, plant and equipment developed as follows:

in EUR k	2023	2022
Gross value 1 January	66,920	61,252
Accumulated amortisation 1 January	29,612	32,857
Carrying amount 1 January	37,308	28,395
Currency differences	163	-96
Additions	26,375	18,849
Company acquisitions	371	368
Disposals	-47	-296
Amortisation	13,659	9,912
Gross value 31 December	94,240	66,920
Accumulated amortisation 31 December	43,731	29,612
Carrying amount 31 December	50,509	37,308

Property, plant and equipment mainly comprises operating and office equipment as well as IT hardware, leasehold improvements and other properties.

6. Non-current other financial assets

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

in EUR k	2023	2022
Company shares	11,350	4,909
Deposits	1,557	1,250
Convertible loans	1,900	500
Loans	5,386	6,588
Other	555	278
Carrying amount	20,748	13,525

The increase in all company shares allocated to the “Measured at fair value with change in value in other comprehensive income (FVOCI)” category is primarily due to additions amounting to EUR 7,221 EUR (previous year: EUR 2,542 thousand).

The convertible loans are assigned to the “Measured at fair value with change in value in the consolidated income statement (FVPL)” category. Additions of EUR 1,950 thousand (previous year: EUR 1,483 thousand) are offset by a decrease of EUR 550 thousand from the repayment of such a loan (previous year: EUR 2,108 thousand from the conversion of such a loan).

7. Shareholdings recognised at equity

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:

in EUR k	2023		2022	
	Joint ventures	Associates	Joint ventures	Associates
Carrying amount 31 December	8	2,216	-	2,578
Share in the comprehensive income for the period	-4	-1,234	123	-2,087
Share in the other comprehensive income for the period	-	-	-	-
Share in the total	-4	-1,234	123	-2,087

The change in the carrying amount of shareholdings recognised at equity is due to the recognised contribution to earnings and Urban Energy GmbH, which was acquired as part of a successive share purchase, and primarily to a further investment in Staige One AG (formerly: Staige GmbH, which was incorporated into Staige One AG in the financial year).

8. Receivables and liabilities from income taxes as well as deferred taxes

Deferred tax assets and liabilities were comprised as follows (next page) as at the balance sheet date.

Deferred taxes are measured on the basis of the future tax rates applicable to the respective companies. The applicable overall tax rate is 32.19 % (previous year: 32.19 %). It is comprised of the corporate tax rate of 15 % (previous year: 15 %), the solidarity surcharge of 5.5 % (previous year: 5.5 %) and the average trade income tax rate of 16.37 % (previous year: 16.37 %). Deferred tax assets and liabilities are offset in accordance with IAS 12.74.

Deferred tax assets on tax loss carryforwards are capitalised on the basis of detailed five-year plans. 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 3,326 thousand, previous year: EUR 629 thousand), adesso health solutions (EUR 2,834 thousand; previous year: EUR 1,809 thousand) and material.one (EUR 2,301 thousand; previous year: EUR 1,545 thousand) is based on the respective detailed tax planning of the companies.

No deferred taxes were recognised for corporate tax loss carryforwards for companies domiciled in Germany of EUR 4.471 thousand (previous year: EUR 240 thousand), trade tax loss carryforwards for companies domiciled in Germany amounting to EUR 7,617 thousand (previous year: EUR 240 thousand) and on tax loss carryforwards of companies domiciled outside Germany amounting to EUR 11,926 thousand (previous year: EUR 7,244 thousand). The tax loss carryforwards can be carried forward perpetually. Tax loss carryforwards at adesso Spain (EUR 6.9 million; previous year: EUR 5.9 million) can be carried forward over 15 years, tax loss carryforwards in Finland (EUR 1.7 million; previous year: EUR 1.1 million) generally over ten years.

in EUR k	2023	2022
DEFERRED TAX ASSETS		
Intangible assets and property, plant and equipment	4,525	3,044
Financial assets	20	67
Receivables and other assets	74	73
Provisions for pensions	1,020	519
Other provisions	1,763	1,197
Lease liabilities	56,312	43,444
Other debts	157	393
Loss carryforwards	8,747	4,222
Subtotal (of which non-current: EUR 59,003 thousand; previous year: EUR 43,002 thousand)	72,618	52,959
Offsetting	-61,815	-47,887
Carrying amount	10,803	5,072
DEFERRED TAX LIABILITIES		
Intangible assets and property, plant and equipment	14,790	13,425
Goodwill	687	487
Rights of use assets	54,552	41,707
Financial assets	280	241
Contract assets	2,240	3,825
Provisions	337	202
Other	51	44
Subtotal (of which non-current: EUR 57,026 thousand; previous year: EUR 45,703 thousand)	72,938	59,931
Offsetting	-61,815	-47,887
Carrying amount	11,123	12,044

The deferred tax assets on loss carryforwards changed as follows:

in EUR k	2023	2022
01.01.	4,222	2,366
Additions arising from business combinations	-	879
Use	-71	-707
Addition for current tax losses	4,685	1,905
Impairment	-89	-221
31.12.	8,747	4,222

On 31 December 2023, a deferred tax liability of EUR 787 thousand was recognised in accordance with IAS 12.39 (previous year: EUR 555 thousand) for temporary differences of EUR 36,429 thousand (previous year: EUR 25,837 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. In the case of these temporary differences, only positive differences between the carrying amount of the assets and liabilities of the corresponding subsidiary in the consolidated financial statements and the tax base of the shares in the subsidiary are recognised. Negative differences are not tax-deductible. For example, they have no effect on taxation in the event of a sale and are therefore do not have to be taken into account in this context.

The receivables from income taxes (EUR 6,781 thousand; previous year: EUR 3,330 thousand) and liabilities from income taxes (EUR 6,002 thousand; previous year: EUR 4,938 thousand) are due in full within twelve months.

9. Cash and cash equivalents

Cash in hand and at bank amounts to EUR 100,772 thousand (previous year: EUR 90,897 thousand). As in the previous year, there are no cash equivalents.

10. Trade receivables

Trade receivables in the amount of EUR 181,893 thousand (previous year: EUR 172,250 thousand) are all due within one year. Information on impairment losses on trade receivables and other financial assets is contained in “33. Financial instrument disclosures”.

11. Contract assets

Contract assets amounted to EUR 77,602 thousand (previous year: EUR 54,537 thousand). This increase is chiefly due to the increase in sales revenue. Information on impairment losses on trade receivables and other financial assets is contained in “33. Financial instrument disclosures”.

12. Current financial assets

Current financial assets include:

in EUR k	2023	2022
Deposits	47	61
Factoring - continuous involvement	1,259	-
Other	978	2,896
Carrying amount	2,284	2,957

The “Factoring – continuing involvement” item shows the maximum amount payable in respect of the receivables sold, which is equivalent to interest. This item is offset by a financial liability in the same amount. In the previous year, other financial assets mainly included the security retention of EUR 2,813 thousand recognised from the sale of the e-Spirit subgroup, which was paid in 2023.

13. Other current and non-current assets

Other current assets and non-current assets comprise:

in EUR k	2023	2022
Accruals	12,043	10,233
Receivables from input tax surpluses	2,263	1,134
Payments made on account	2,965	629
Receivables from personnel	294	108
Other	2,989	4,309
Carrying amount	20,554	16,413

Accruals include payments for software licences that can only be used for a limited period of time and are not eligible for capitalisation as intangible assets, which are to only be recognised as expenses following the reporting date.

14. Equity

14.1. Subscribed capital

The subscribed capital of adesso SE, Dortmund, Germany, amounted to EUR 6,520,272 (previous year: EUR 6,512,272). It is divided into 6,520,272 (previous year: 6,512,272) ordinary bearer shares (no-par shares). The nominal value per share is EUR 1.

The increase in subscribed capital by EUR 8,000 is due to the conversion of 8,000 (previous year: 9,000) stock options from the employee option programme. The shares issued from the option conversion are fully paid-in.

14.2. Authorised capital

The authorised capital 2023 resolved at the Annual Shareholders' Meeting on 1 June 2023 amounts to EUR 1,302,454. The authorised capital 2018 expired on 4 June 2023 and amounted to EUR 2,160,002 as at 31 December 2022.

Per resolution of the Annual Shareholders' Meeting of 1 June 2023, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital up to the amount of EUR 1,302,454 by issuing 1,302,454 new no-par bearer shares, on one or more occasions, in exchange for cash contributions and/or contributions in kind (authorised capital 2023) by 31 May 2028. 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.

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 31 May 2028, after the end of the authorisation period.

14.3. Conditional capital

As at 31 December 2023, conditional capital amounted to EUR 515,500 (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 stock option plans.

In the reporting year, 8,000 (previous year: 9,000) options were exercised from the conditional capital 2015.

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.

14.4. 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 interests 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. Lastly, proceeds from the issue of options, including expenses from the option programme, are also recognised against the capital reserves.

The retained annual results as well as post-tax effects from the remeasurement of defined benefit 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. For information on the possibility of a future distribution as well as any existing restrictions on distribution, please refer to the financial statements of adesso SE.

Accumulated other comprehensive income for the financial period includes differences from currency translation arising from the translation into euros of financial statements prepared by subsidiaries whose functional currency is not the same as the functional currency of adesso SE. In addition, accumulated other comprehensive income for the financial period also includes the changes in value of equity instruments. Non-controlling interests include the shares of the adesso Group's net assets attributable to the non-controlling shareholders.

15. Share-based payment

Equity-settled share-based payment – Share option plans

The first set of 74,565 options were issued from conditional capital 2020 in the reporting year (previous year: 79,809 options). The average fair value of the issued options at the point of commitment amounted to EUR 30.24 (previous year: EUR 37.25). A further 281,322 options can still be issued from conditional capital 2020 in the future (previous year: 355,887 options).

8,000 options were converted from conditional capital 2015 in the reporting year (previous year: 9,000 options). The average fair value of the converted options at the point of commitment amounted to EUR 9.76 (previous year: EUR 10.68). No further options can be issued from conditional capital 2015 in the future.

The vesting period of the options issued as at 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 if adesso SE's share price is 10 % above the exercise price at the time the option is exercised. The exercise price corresponds to the average price of the adesso share in the ten trading days prior to the commitment of the option.

	Conditional capital 2015	Conditional capital 2020	Total
Outstanding options	9,948 (previous year: 17,948)	206,000 (previous year: 139,938)	215,948 (previous year: 157,886)
Issue prices in EUR	49.91 bis 52.41 (previous year: 49.91 to 53.01)	96.46 bis 191.88 (previous year: 101.47 to 191.88)	49.91 bis 191.88 (previous year: 49.91 to 191.88)
Average remaining contractual term of the options in years	2.6 (previous Year: 3.2)	5.8 (previous year: 6.2)	5.6 (previous year: 5.9)

The number of outstanding options developed as follows:

	2023		2022	
	Number	Average exercise price per option in EUR	Number	Average exercise price per option in EUR
As at 1 January	157,886	133.34	89,989	127.26
Granted	74,565	114.60	79,809	132.35
Exercised	8,000	52.08	9,000	55.48
Expired	8,503	154.37	2,912	159.00
As at 31 December	215,948	129.05	157,886	133.34
Vested and exercisable on 31 December	9,948	51.11	3,000	53.01

The above options have expired as employees have left the company.

The options issued in 2023 were valued using the trinomial model. The valuation was based on the following factors:

	2023	2022
Average share price (in EUR)	112.72	130.75
Average base price (in EUR)	114.60	132.35
Average expected volatility (in %)	40.27	45.35
Maximum term of the options (in years)	7	7
Expected dividend yields (in %)	0.59	0.50
Average risk-free interest rate over the contractual option term (in %)	2.47	1.19

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 base price, or the options are “in the money” at the end of the term.

An expense of EUR 1,434 thousand for the share option programme was recognised in the reporting year (previous year: EUR 827 thousand). The weighted average market price of the adesso share was EUR 113.80 when the options were exercised (previous year: EUR 177.20).

Cash-settled share-based payment – phantom shares programme

The measurement of liabilities from the phantom shares programme resolved in 2009 is based on the market value of adesso SE shares as at 31 December 2023. The remaining phantom shares are valued taking into account price increases above EUR 50 at 25 % and a price decrease below EUR 40 also at 25 %.

The 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 date. adesso SE has the right to pay the due amount in three annual tranches. The amount expected to be paid is accumulated during this period in profit or loss over the vesting period. The phantom shares are used to make payments, which are consistent with the approved dividends per share, to the holders of the phantom shares to secure their value. These payments are expensed (EUR 33 thousand; previous year: EUR 23 thousand). No phantom shares were returned in the financial year. In the previous year, 65,145 phantom shares were returned against payment of EUR 5,171 thousand; 5,751 (previous year: 5,542) new phantom shares were issued. In the reporting year, expenses from the phantom share programme in the amount of EUR 42 thousand (previous year: EUR 170 thousand) were recognised in the item “Personnel costs”. Provisions totalling EUR 2,544 thousand (previous year: EUR 2,535 thousand) were recognised for 54,079 (previous year: 48,328) phantom shares. Vested rights amounting to EUR 1,848 thousand are reported (previous year: EUR 1,707 thousand).

Payments under the phantom share programme are due as follows:

in EUR k	2023				2022			
	Carrying amount	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term > 5 years	Carrying amount	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Provision for phantom shares	2,544	1,485	833	226	2,535	996	1,324	215

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

Summary notes on share-based payment

In the reporting year, the total expenses arising from share-based payments amounted to EUR 1,450 thousand (previous year: EUR 997 thousand).

16. Financial liabilities

Financial liabilities include the following items with the indicated maturities:

in EUR k	2023				2022			
	Carrying amount	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term > 5 years	Carrying amount	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Loans	106,700	8,367	98,333	-	82,162	55,530	26,578	54
Lease liabilities	178,822	31,031	87,488	60,303	137,455	23,047	65,748	48,660
Other financial liabilities	42,442	19,834	20,544	2,064	24,333	3,463	20,870	-
TOTAL	327,964	59,232	206,365	62,367	243,950	82,040	113,196	48,714

The effective interest rate depends on the type of agreement as well as the term, and ranges between 0.7 % and 5.55 % (previous year: 0.7 % and 3.55 %). In the reporting year, EUR 46,858 thousand (previous year: EUR 56,733 thousand) in loans were repaid as scheduled. For further details on financial liabilities please see Note “33. Financial instrument disclosures”.

Liabilities from financing activities can be reconciled as follows:

in EUR k	Loans	Leasing	Other	Total
1 January 2022	57,170	140,403	21,743	219,316
Repayment	-56,733	-21,819	-3,848	-82,400
Borrowings	79,469	-	36	79,505
Additions from leases	-	19,705	-	19,705
From business combinations	1,500	1,040	2,963	5,503
Other additions	-	-	3,823	3,823
Disposal from company sale	-	-	-	-
Other disposals	-	-1,996	-2,320	-4,316
Change recognised in profit or loss	-	-	1,938	1,938
Currency differences	756	122	-2	876
31 December 2022	82,162	137,455	24,333	243,950
Repayment	-46,858	-28,290	-3,406	-78,554
Borrowings	71,965	-	61	72,026
Additions from leases	-	71,550	-	71,550
From business combinations	11	1,254	5,494	6,759
Other additions	-	-	12,273	12,273
Other disposals	-	-3,329	-2	-3,331
Change recognised in profit or loss	-	-	3,695	3,695
Currency differences	-580	182	-6	-404
31 December 2023	106,700	178,822	42,442	327,964

The repayments and borrowings are both cash-effective. Other additions in the reporting year primarily include the first-time recognition of the liability from the put/call option on the acquisition of the non-controlling interests in Wepex (EUR 1,777 thousand) and the increase in liability from the put/call option on the acquisition of other non-controlling interests (EUR 4,071 thousand). Both changes are recognised directly against the capital reserve. The other disposals of leasing liabilities are the result of leasing contracts terminated before the end of the originally estimated leasing term. The other disposals under other liabilities in the previous year primarily include the disposal of a liability to material.one (EUR 1,648 thousand), which was acquired in the previous financial year. The liability was derecognised as part of business combination accounting. The changes recognised in profit or loss are primarily the result of the addition to liabilities to be accrued in instalments and dependent on the work performance of the beneficiaries (EUR 3,120 thousand; previous year: EUR 1.729 thousand).

Other additions in the previous year mainly included the first-time recognition of the liability from the put/call option on the acquisition of non-controlling interests in Afida in the amount of EUR 2,146 thousand.

17. Trade payables

Trade payables are all due within twelve months.

18. Provisions

Provisions developed as follows:

in EUR k	1 January 2023	Addition	Company acquisitions	Utilisation	Re- classification	Currency difference	Reversal	31 December 2023
Warranty	1,990	1,240	-	-357	-224	3	-181	2,471
Other provisions	5,270	4,191	334	-2,707	621	12	-619	7,103
Carrying amount of current provisions	7,260	5,431	334	-3,064	396	16	-799	9,573
Warranty	2,566	1,166	-	-	224	2	-171	3,787
Other provisions	1,752	180	111	-	-621	-	-80	1,341
Carrying amount of non-current	4,318	1,346	111	-	-396	1	-251	5,128

Other current provisions primarily include provisions from the phantom share programme (EUR 1.485 thousand; previous year: EUR 997 thousand) and provisions for contingent losses (EUR 1.286 thousand; previous year: EUR 532 thousand). The remaining provisions primarily comprise outstanding obligations such as the compensatory levy for the non-employment of severely disabled persons of EUR 889 thousand (previous year: EUR 701 thousand), Employer's Liability Insurance Association premiums of EUR 371 thousand (previous year: EUR 305 thousand) and ancillary building costs (EUR 554 thousand; previous year: EUR 300 thousand).

Other non-current provisions include provisions for the phantom share programme (EUR 1,059 thousand; previous year: EUR 1,538 thousand). The amount ultimately payable, and hence 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 "15. Share-based payment". The warranty provisions have a maximum term of two years. No significant effect was recorded from the amendment of the applicable discount rates.

19. 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 73,606 thousand (previous year: EUR 60,565 thousand), liabilities from value added taxes amounting to EUR 23,678 thousand (previous year: EUR 15,969 thousand), liabilities from payroll taxes amounting to EUR 10,896 thousand (previous year: EUR 14,681 thousand) and accrued liabilities for bonuses amounting to EUR 9,356 thousand (previous year: EUR 6,396 thousand).

20. Pensions and similar liabilities

As at 31 December 2023, adesso has provisions for pensions for 638 active employees (previous year: 454) and 18 (previous year: 5) employees who are no longer active. 499 (previous year: 454) of the active employees work at adesso Switzerland. The Swiss pension plan is the only significant pension plan. The benefits covered include pensions and disability pensions, old-age pensions and disability benefits for children of disabled persons, life partner's pensions, orphans' pensions and lump-sum death benefits. Future medical care is not covered. adesso bears 50 % to 60 % of the contributions, while the remaining amounts are paid by the employees.

The defined benefit obligation (DBO) is measured using the projected unit credit method. Plan assets are measured at fair value. In the balance sheet, the DBO are offset against the plan assets. If the fair value of the plan assets is lower than the DBO, there is a shortfall, while in the opposite case, there is a surplus. In the event of a surplus, an asset is to be valued at the present value of future premium reimbursements or premium reductions (asset value limitation). Provisions for pensions as at 31 December are shown as follows.

Two pension commitments in Germany have a surplus. Under IAS 19, a benefit from the surplus may not be fully recognised in the balance sheet when the benefit cannot be fully realised in the future through premium reimbursements or premium repayments. The effect of this asset ceiling has developed as follows:

in EUR k	2023	2022
Effect of asset ceiling at the start	27	-
Change in scope of consolidation	-	15
Interest expenses	1	-
Change in effect of asset ceiling excluding interest expenses (recognised in other comprehensive income)	77	12
Effect of asset ceiling at the end	105	27

The measurement of the defined benefit obligation is based on certain assumptions. These include, for example, the actuarial interest rate, salary progression rate and pension progression rate. In Germany the calculation of the pension provision is based on the Heubeck 2018 G mortality tables, and in Switzerland on the BVG 2020 generation tables.:

in EUR k	2023	2022
Present value of the obligation that is fully or partially financed via a plan asset	83,450	69,379
of which in Switzerland	83,153	69,111
Plan assets	78,592	-66,815
of which in Switzerland	78,190	-66,520
Surplus or shortage	4,858	2,564
Present value of the obligation that is not fully or partially financed via a plan asset	1,385	225
Adjustment due to asset ceiling (IAS 19.64)	105	27
Provisions for pensions (carrying amount)	6,348	2,816
of which in Switzerland	4,962	2,592

in EUR k	2023	2022
Provisions for pensions at start of period	2,816	7,881
of which in Switzerland	2,592	7,734
Current service cost	3,792	3,197
Past service cost	-668	-
Net interest income	18	19
Effects of revaluation (recognised in other comprehensive income)	3,069	-5,794
Employer contributions to plan assets	-3,714	-3,071
Benefits paid by employer	-33	-21
Effect of changes in exchange rates	268	463
Change in scope of consolidation	799	142
Provisions for pensions at end of period	6,348	2,816
of which in Switzerland	4,962	2,592

The following table contains the main actuarial assumptions underlying the calculation, weighted on the basis of the defined benefit obligation:

in %		2023	2022
Actuarial interest rate	Switzerland	1.9	2.3
	Rest of Europe	3.3	3.8
Rate of pension progression	Switzerland	–	–
	Rest of Europe	2.0	2.0
Rate of salary progression	Switzerland	1.5	1.5
	Rest of Europe	0.6	–
Adjustment of the AHV pension	Switzerland	1.5	1.5
Long-term interest on retirement assets	Switzerland	1.3	1.0

The defined benefit obligation developed as follows:

in EUR k	2023	2022
DBO at start of period	69,604	61,060
of which in Switzerland	69,111	60,913
Company acquisition	799	481
Current service cost	3,792	3,197
Interest expense	1,615	197
Revaluations of the net defined benefit liability (recognised in other comprehensive income)	3,497	-10,953
A Actuarial gains and losses, demographic assumptions	-	-
B Actuarial gains and losses, demographic assumptions	3,550	-15,075
C Actuarial gains and losses, experience adjustments	-53	4,122
Past service cost	-668	-
Employee contributions to pension plan	3,911	3,320
Payments made	-646	-532
Changes due to staff turnover	-1,905	8,194
Effect of changes in exchange rates	4,835	4,639
DBO at end of period	84,835	69,604
of which in Switzerland	83,153	69,111

The following table shows the duration of pension obligations in years:

Shown in years	2023		2022	
	Switzerland	Rest of Europe	Switzerland	Rest of Europe
Duration of pension obligations	9.8	11.5	9.4	8

The present value of pension obligations depends on the parameters underlying the calculation. The following sensitivity analysis shows how the DBO is affected by single parameter changes. The calculation method is the same as the one used for calculating the carrying amount of provisions for pensions. It should be noted that if the stated change factor of a parameter doubles in size, for example, the stated effect on the carrying amount of the provisions for pensions does not necessarily double as well. If several parameters change, the actual change in provisions for pensions does not necessarily correspond to the total of the changes stated.

in EUR k		2023		2022	
		Rest of Europe	Switzerland	Rest of Europe	Switzerland
Actuarial interest rate	+ 0,5 % points	-72	-3,819	-18	-3,044
	- 0,5 % points	78	4,217	19	3,338
Increase in wages	+ 0,5 % points	12	703	-	563
	- 0,5 % points	-11	-744	-	-599
Rate of pension progression	+ 0,5 % points	5	1,119	2	845
	- 0,5 % points	-5	-1,065	-2	-805
Life expectancy	+ 1 year	42	598	34	404
	- 1 year	-43	-609	-35	-411

The plan assets developed as follows:

in EUR k	2023	2022
Plan assets at start of period	66,815	53,178
of which in Switzerland	66,520	53,178
Company acquisition	-	354
Interest income	1,598	178
Employer contributions to pension plan	3,714	3,071
Employee contributions to pension plan	3,911	3,320
Effect of revaluation (recognised in other comprehensive income)	506	-5,147
Payments made from the plan	-613	-510
Changes due to staff turnover	-1,905	8,194
Effect of changes in exchange rates	4,567	4,176
Plan assets at end of period	78,592	66,815
of which in Switzerland	78,190	66,520

Plan assets are as follows:

in EUR k	2023	2022
Shares	25,326	23,215
Bonds	21,385	18,958
Property*	19,125	15,965
Mortgages	7,154	5,388
Investment funds	129	75
Reinsurance policy*	272	220
Other	1,923	1,264
Liquid assets*	3,276	1,730
TOTAL	78,592	66,815
of which in Switzerland	78,190	66,520

*) Not traded on an active market.

If a reinsurance policy is pledged to the beneficiary, it is to be qualified as a plan asset and offset against the pension provision. A reinsurance policy not pledged to the beneficiary was taken out for the payments for a pension provision in Germany. Under IAS 19, this is to be qualified as a so-called claim for reimbursement, which is carried forward and valued like plan assets; however, it is not offset against the provision, but reported as an asset. The claim for reimbursement has developed as follows:

in EUR k	2023	2022
Carrying amount at start of period	101	-
Company acquisition	-	142
Interest income	4	1
Effect of revaluation (recognised in other comprehensive income)	5	-36
Payments made from insurance	-6	-6
Carrying amount at end of period	103	101

The following amounts were recognised in the consolidated income statement. The effects of the claim for reimbursement are shown separately.

in EUR thousand (expense = -)	2023	2022
Current service cost	-3,792	-3,198
Past service cost	668	-
Interest expense on the defined benefit obligation	-1,615	-197
Interest income from plan assets calculated using the actuarial interest rate	1,598	178
Interest expense on effect of asset ceiling	-1	-
TOTAL	-3,143	-3,217
of which in Switzerland	-2,934	-3,206
Interest income from the claim for reimbursement calculated using the actuarial interest rate	4	1

The following amounts were recognised in other comprehensive income. The effects of the claim for reimbursement are shown separately.

in EUR thousand (expense = -)	2023	2022
Revaluation of defined benefit obligation	-3,497	10,952
Revaluation of plan assets	506	-5,147
Effect from revaluation of asset ceiling	-77	-12
TOTAL	-3,069	5,794
of which in Switzerland	-2,864	5,756
Revaluation of claim for reimbursement	5	-36

The following table shows expected future payments from the defined benefit obligation for each of the next five years::

	2023		2022	
	Rest of Europe	Switzerland	Rest of Europe	Switzerland
2023	-	-	42	549
2024	206	628	78	556
2025	211	636	43	563
2026	178	644	44	570
2027	184	652	44	577
2028	188	660	-	-

In 2024, contributions of EUR 3,950 thousand (previous year: EUR 3,495 thousand) are expected to be paid into the plan assets, of which EUR 3,930 thousand (previous year: EUR 3,477 thousand) in Switzerland.

For amounts recognised from statutory pension schemes under defined contribution plans, see Note "25. Personnel costs".

IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

21. Sales revenue

Sales revenue comprises service revenues and licence sales.

in EUR k	2023	2022
Services	1,082,071	834,000
Licence sales	9,286	16,011
Maintenance	41,757	33,944
Hosting	2,205	4,880
SAAS/subscription	583	11,418
TOTAL	1,135,903	900,253

For a geographical breakdown of sales, see "VI. Information on segment reporting".

Sales revenues recognised in 2023 include amounts totalling EUR 18,349 thousand (previous year: EUR 11,516 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 at 31 December and indicates when this is expected to be recognised as revenue. In accordance with the simplified approach set out in IFRS 15, contracts with an original term of up to one year and time & material projects billable monthly are not included:

in EUR k	2023	2022
Order backlog as at 31 December from contracts with an original term of more than one year	75,163	88,137
Expected to be recognised in the following year	42,127	53,381
Expected to be recognised in the second subsequent year	12,308	9,070
Expected to be recognised after the second subsequent	20,728	25,686

22. Other operating income

Other operating income is as follows:

in EUR k	2023	2022
Income from currency differences	3,330	3,190
Income attributable to other periods	1,725	926
Income from the reversal of provisions	895	609
Expense subsidies	808	1,281
Income from gradual business combination	455	7,198
Income from the charging of costs	56	706
Other	4,265	7,832
TOTAL	11,534	21,742

The reversal of provisions results largely from a number of individual items in the course of ordinary business activities. The income from the gradual business combinations results from the fair value measurement of the shares valued at equity prior to the business combination, as required by IFRS in this instance.

23. Changes in inventories and own work capitalised

Own work capitalised includes the cost of self-produced software (EUR 4,275 thousand: previous year: EUR 1.167 thousand). As in the previous year, changes in inventories amount to zero.

24. Cost of materials

in EUR k	2023	2022
Cost of purchased merchandise	893	225
Cost of purchased services	161,743	134,200
TOTAL	162,636	134,425

25. Personnel costs

Personnel costs are as follows:

in EUR k	2023	2022
Wages and salaries	653,407	497,481
Social security contributions	119,752	89,608
of which pension insurance or pension scheme (defined contribution)	53,919	38,190
TOTAL	773,159	587,089

On average, the adesso Group had 9,868 employees in 2023 (previous year: 7,827), of which 8,547 were salaried employees (previous year: 6,690 salaried employees).

26. Other operating expenses

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

in EUR k	2023	2022
Travel expenses	21,435	12,251
Personnel recruitment	16,306	15,590
Expenses for licences and concessions	15,370	9,166
Expenses for vehicles	10,740	8,305
Marketing	10,039	7,942
Business premises expenses	10,102	7,745
Legal, consulting and audit costs	7,043	11,301
Further training	6,280	9,099
IT equipment and maintenance	5,293	3,982
Duties, fees and contributions	3,621	2,547
Telephone/Internet costs	3,165	4,499
Insurance policies	1,158	948
Other	24,744	15,132
TOTAL	135,296	108,507

The expenses listed in the table under “Other” include various expenses. Expenses from currency differences amounting to EUR 3,233 thousand (previous year: EUR 1,821 thousand) are also included in these expenses.

Other operating expenses reported include expenses for short-term leases amounting to EUR 123 thousand (previous year: EUR 321 thousand) as well as expenses amounting to EUR 1 thousand (previous year: EUR 7 thousand) for leasing contracts for low-value assets.

27. Depreciation and amortisation

In the reporting year, depreciation and amortisation of non-current assets amounted to EUR 57,723 thousand (previous year: EUR 44,759 thousand). Of the scheduled depreciation and amortisation, EUR 9,465 thousand (previous year: EUR 7,340 thousand) are attributable to the amortisation of intangible assets capitalised in the course of business combinations. Amortisation of right-of-use assets amounted to EUR 29,038 thousand (previous year: EUR 22,961 thousand).

28. Result from investments measured using the equity method and financial result

Income from investments includes pro-rata profits from shares recognised using the equity method (see Note “7 Shareholdings recognised at equity”). Of the interest income of EUR 2,398 thousand (previous year: EUR 410 thousand), EUR 652 thousand (previous year: EUR 41 thousand) was cash-effective in the reporting year. Of the total interest expenses of EUR 11,274 thousand (previous year: EUR 4,513 thousand), EUR 9,659 thousand (previous year: EUR 3,432 thousand) was cash-effective. These amounts include interest expenses for lease liabilities of EUR 3,194 thousand (previous year: EUR 2,258 thousand). The remaining interest expenses are almost exclusively attributable to financial liabilities recognised according to the effective interest method. Financial income includes changes in value relating to the measurement of convertible loans of EUR 0 thousand (previous year: EUR -678 thousand).

29. Income taxes

Income taxes are as follows:

in EUR k	2023	2022
Current tax expense	16,637	14,767
Deferred tax income	-7,854	-1,478
TOTAL	8,783	13,289

Current taxes include tax expenses from adjustments in previous years of EUR 660 thousand (previous year: tax income in the amount of EUR 676 thousand). The benefit from utilising the tax loss carryforwards, for which no deferred taxes were recognised at the end of the previous financial year, is EUR 88 thousand (previous year: EUR 0 thousand). The deferred tax income from the change in the temporary difference amounts to EUR 2,871 thousand (previous year: EUR 500 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):

in EUR k	2023	2022
Consolidated earnings before income taxes	12,193	42,082
Expected tax expense based on adesso SE's tax rate of 32.19 % (previous year: 32.19 %)	3,925	13,547
Effect of different tax rates	-498	-848
Effect of changes in tax rates	290	5
Non-deductible tax expenses	3,990	2,569
Expenses only recognised for tax purposes and tax-free income	-1,782	-3,351
Capitalisation of deferred taxes not recognised in previous years	-	-
Utilisation of loss carryforwards for which no deferred taxes were recognised in the previous year	-88	-
Non-capitalised deferred taxes on tax losses in the reporting year	2,314	1,611
Valuation allowance on deferred tax assets on loss carryforwards	89	361
Taxes for previous years	660	-676
Other	-116	70
Tax expense reported	8,783	13,289

Total deferred tax expenses of EUR 629 thousand were included in other comprehensive income in the financial year (previous year: tax income of EUR 1,126 thousand).

30. Earnings per share

	2023	2022
Proportion of consolidated earnings allocated to adesso SE shareholders (in EUR k)	3,205	28,603
Average number of shares outstanding in the reporting year	6,515,102	6,507,846
Effect of dilutive options	6,546	16,873
Average number of shares outstanding, including the effect of dilutive options	6,521,648	6,524,719
Undiluted earnings per share (in EUR k)	0.49	4.40
Diluted earnings per share (in EUR k)	0.49	4.38

215,948 options were not taken into account when calculating diluted earnings per share as their inclusion would be anti-dilutive.

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 comprise cash in hand and cash at bank. adesso does not hold cash equivalents. Cash and cash equivalents are consistent with those reported in the balance sheet.

According to IAS 7 (Statement of Cash Flows), the cash flows are classified into operating, investment and financing activities.

Income tax payments are generally allocated to operating activities. To the extent that they can be clearly attributed to an item that is to be allocated to investment or financing activities, they are allocated to the cash flow from the corresponding business activity. Payments for equity made available to adesso and borrowed capital (dividends and interest paid) are always allocated to cash flow from financing activities. Both interest and dividends received are generally allocated to cash flow from investment activities. If the underlying circumstances are of an operational rather than an investment nature, these cash flows are allocated to cash flow from operating activities.

The change in cash flow from operating activities (increase of EUR 40,788 thousand) in financial year 2023 is mainly due to the fact that net operating assets fell by EUR 10,967 thousand (previous year: increase of EUR 31,211 thousand) with higher sales revenue. Tax payments were EUR 4,078 thousand higher in 2023 than in the previous year (EUR 19,784 thousand; previous year: EUR 15,706 thousand).

The EUR 7,284 thousand decrease in cash flow from investing activities is due primarily to higher payments for investments in property, plant and equipment, intangible assets and financial assets (EUR 43,734 thousand; previous year: EUR 30,587 thousand). This is offset by higher proceeds from the divestment of financial assets (EUR 4,842 thousand; previous year: EUR 1,179 thousand) and lower payments for the acquisition of subsidiaries (EUR 11,633 thousand; previous year: EUR 13,780).

In 2023, cash and cash equivalents increased by EUR 26,926 thousand on balance due to the assumption and repayment of financial liabilities (previous year EUR 18,924 thousand). This increase in cash flow from financing activities on the previous year is offset by higher repayments of lease liabilities (EUR 28,290 thousand; previous year: EUR 21,819 thousand and higher interest paid (EUR 9,659 thousand; previous year: EUR 3,432 thousand).

Significant non-cash transactions in 2023 included the conclusion of new lease agreements (see Note “31 Information on leasing contracts”). Further significant non-cash transactions include the acquisition of the remaining shares in subsidiaries and the addition to profit or loss for liabilities to be amalgamated on a pro rata basis and conditional upon the beneficiaries’ future performance in connection with business combinations (EUR 1,695 thousand; previous year: EUR 1,729 thousand) (see Note “3.6. Acquisitions” and for the corresponding liabilities Note “33. Financial instrument disclosures”).

VI. INFORMATION 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 are 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, if the earnings are monitored regularly by a person in charge and decisions are made on investment on the basis of this monitoring and if separate financial information is available.

These criteria are met by adesso SE and its subsidiaries. For the purposes of segment reporting and in accordance with IFRS 8, operating segments of a similar nature are then combined into two reporting segments, IT Services and IT Solutions. Segments are considered similar insofar as adesso assumes that the segments have similar economic characteristics (e.g. similar gross margins over the long term) and the performed services, the customers and the type of service provision are also similar. adesso ventures GmbH, which supports start-ups operating in adesso's core industries, and adesso partner trust, a contractual trust arrangement (CTA), are non-separate, non-reportable operating segments.

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.

IFRS 8 requires that companies implement a "management approach" to segment reporting, which 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 revenue 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. Goodwill impairment reported in individual financial statements resulting from mergers is eliminated for internal reporting purposes. The same applies to segment reporting.

Non-consolidated figures are reported for each operating segment. This means, for example, that intercompany revenues 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 reported in individual financial statements is amortised according to local law. Under IFRS, goodwill is not subject to scheduled amortisation. Instead, goodwill is tested for impairment at least once per year. If an impairment is determined, an impairment loss is recognised.
- > Production costs according to IFRS encompass the full production-related costs. Other expenses such as general and administrative costs may be included in the 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. No expenses are recognised under local law.
- > Costs of leases recognised under local law are generally eliminated under IFRS. Given that, under IFRS, rights of use and lease liabilities are to be recognised from leases, amortisation of rights of use and interest expenses are to also be recognised under IFRS.
- > The classification of pension commitments can lead to different results under local law and IFRS.

The total figures reported for the segments differ from the figures reported for 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 “Consolidation/other” column lists almost all effects of consolidation.

Transactions between the operating segments are settled at market prices.

In the reconciliation of the segment figures to the Group figures, adjustments relating to mergers were previously shown in the column “Consolidation/other”. From this financial year onwards, these adjustments are reported in the column “Reconciliation local law/IFRS”.

2023 (in EUR k)	IT Services	IT Solutions	Reconciliation local laws/IFRS	Consolidation/ other	Group
Revenues with external customers					
Services	1,052,114	78,063	-3,672	111	1,126,617
Licences	6,809	8,056	-5,579	-	9,286
Revenues with other operating segments	199,390	29,038	2	-228,430	-
TOTAL REVENUES	1,258,313	115,157	-9,249	-228,319	1,135,903
Change in inventory	-2,307	3,222	-916	-	-
Own work capitalised	304	2,128	-	1,842	4,275
Other operating income	24,109	3,661	-191	-16,043	11,535
Cost of materials	-362,606	-29,910	5,208	224,671	-162,636
Personnel costs	-679,611	-86,941	-7,052	445	-773,159
Other operating expenses	-166,064	-16,998	30,497	16,679	-135,887
EBITDA	72,138	-9,681	18,297	-725	80,030
Depreciation and amortisation	-19,000	-2,077	-35,962	-684	-57,723
Amortisation of goodwill	-5,230	-323	5,553	-	-
EBIT	47,908	-12,081	-12,112	-1,409	22,307
Amortisation of goodwill	5,230	323	-5,553	-	-
EBIT before amortisation of goodwill	53,138	-11,758	-17,665	-1,409	22,307

2022 (in EUR k)	IT Services	IT Solutions	Reconciliation local laws/IFRS	Consolidation/ other	Group
Revenues with external customers					
Services	809,048	66,260	8,753	180	884,241
Licences	7,974	17,433	-9,395	-	16,012
Revenues with other operating segments	146,233	30,301	6	-176,540	-
TOTAL REVENUES	963,255	113,994	-636	-176,360	900,253
Change in inventory	2,900	958	-3,858	-	-
Own work capitalised	-	577	-	590	1,167
Other operating income	29,989	2,881	-572	-10,556	21,742
Cost of materials	-277,537	-31,062	7,602	166,572	-134,425
Personnel costs	-524,664	-67,036	4,316	296	-587,089
Other operating expenses	-133,967	-14,251	25,347	14,131	-108,740
EBITDA	59,976	6,061	32,199	-5,327	92,908
Depreciation and amortisation	-14,212	-1,882	-27,684	-980	-44,759
Amortisation of goodwill	-5,075	-323	5,398	-	-
EBIT	40,689	3,856	9,911	-6,307	48,149
Impairment of goodwill	5,075	323	-5,398	-	-
EBIT before amortisation of goodwill	45,764	4,179	4,513	-6,307	48,149

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.

	External sales by customer domicile		Non-current assets	
	2023	2022	2023	2022
Germany	930,561	729,731	310,946	259,180
of which goodwill			67,434	64,173
Austria	25,790	23,980	8,385	8,493
of which goodwill			6,332	6,332
Switzerland	122,546	112,342	18,999	16,351
of which goodwill			12,087	11,367
Other	57,006	34,200	23,140	9,982
of which goodwill			12,245	3,941
TOTAL	1,135,903	900,253	361,471	294,006

More than 10 % of revenues generated by adesso were not applicable to any one customer in the financial years 2023 and 2022.

VII. SUPPLEMENTARY INFORMATION

31. Information on leasing contracts

Significant rental and leasing agreements exist at adesso for business premises and motor vehicles. The Remaining terms of the contracts for business premises are up to 14 years, and up to 4 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:

in EUR k	Land and buildings	Company vehicles	Other operating and office equipment	Total
Carrying amount 31 December 2023	150,708	19,243	3,323	173,274
Additions 2023	51,028	19,216	3,164	73,408
Depreciation 2023	20,484	6,926	1,629	29,038
Carrying amount 31 December 2022	122,653	7,441	1,914	132,008
Additions 2022	13,648	5,876	1,384	20,908
Depreciation 2022	17,174	4,947	839	22,960

Disposals of RoU assets amounting to EUR 3,227 thousand were recognised in 2023 (previous year: EUR 1,992 thousand). Expenses for variable lease payments not included in the measurement of the lease liability amounted to EUR 433 thousand (previous year: EUR 10 thousand). Income of EUR 108 thousand was generated from subleases of rights of use to third parties (previous year: EUR 120 thousand). The total cash outflow for leases stood at EUR 31,638 thousand (previous year: EUR 24,413 thousand). Potential payments from extension options not taken into account came to EUR 113,586 thousand (previous year: EUR 74,708 thousand) of which EUR 95,271 thousand (previous year: EUR 60,397 thousand) would be due from 2030.

Further information on leasing is provided in Note “26. Other operating expenses”, “28. Results from investments measured using the equity method and financial result” and “33. Financial instrument disclosures”. The expected payments from leasing agreements already concluded are shown in the following note “32. Other financial obligations”.

32. Other financial obligations

Other financial obligations are as follows:

2023 in EUR k	Total amount	of which due in year 1	in year 2 to 5	after 5 years
Business premises and equipment rental	9,070	926	3,702	4,443
Other leasing contracts	5,779	2,533	3,246	-
Other long-term contracts	50,369	10,258	24,846	15,264
Insurance policies	1,173	1,173	-	-
TOTAL	66,391	14,890	31,794	19,707

2022 in EUR k	Total amount	of which due in year 1	in year 2 to 5	after 5 years
Business premises and equipment rental	40,353	2,181	12,623	25,549
Other leasing contracts	6,480	1,385	5,095	-
Other long-term contracts	43,952	7,105	21,181	15,666
Insurance policies	948	948	-	-
TOTAL	91,733	11,619	38,899	41,215

The liabilities from rents for premises and equipment and other lease transactions include liabilities from leasing contracts that begin after 31 December 2023 and will then lead to an addition to assets and liabilities in the balance sheet. There are no significant further financial liabilities as at the balance sheet date.

33. Financial instrument disclosures

33.1. Carrying amounts, fair values and effect on profit or loss

In accordance with IFRS 7.25, the following table below shows the carrying amounts and fair values of the financial assets and liabilities. As the carrying amounts of cash and cash equivalents, trade receivables and trade payables essentially correspond to the fair values, the fair values are not disclosed separately under IFRS 7.29. The fair value of the loan, which differs from the carrying amount, is calculated by discounting future cash flows from the loans by adesso's current borrowing rate.

		2023			2022		
in EUR k	Evaluation	Carrying amount	Fair value	Fair value level*	Carrying amount	Fair value	Fair value level*
ASSETS							
Cash and cash equivalents		100,772			90,897		
of which cash in hand and demand deposits	AC	100,772			90,897		
of which cash equivalents	FVPL	-			-		
Trade receivables		181,893			172,250		
of which measured at amortised cost	AC	97,700			136,088		
of which measured at fair value through other comprehensive income	FVOCI	84,193			36,162		
Financial assets		23,032	23,032		16,482	16,482	
of which measured at amortised cost	AC	9,087	9,087		7,987	7,987	
of which measured at fair value through OCI	FVOCI	11,350	11,350	3	5,010	5,010	3
of which measured at fair value through profit or loss	FVPL	2,595	2,595	3	3,486	3,486	3
LIABILITIES							
Trade payables	AC	46,335			42,333		
Loans	AC	106,700	105,662	3	82,162	80,611	3
Other financial liabilities		42,442			24,333	-	
of which measured at fair value	FV	34,544	34,544	3	22,906	22,906	3
of which other	AC	7,898			1,427	-	

* See information in "3.26 Fair values".

AC: Measured at amortised cost

FV: Liabilities measured at fair value

FVPL: Measured at fair value through profit and loss

FVOCI: Measured at fair value through other comprehensive income.

Depending on the categorisation under IFRS 9, financial assets are to be measured either at amortised cost or at fair value. Changes in the value of shares in companies are recognised in other comprehensive income for the period (fair value through other comprehensive income; FVOCI) and reported there separately. Valuation of shares in companies is carried out by adesso and is based on the discounted future earnings of the company that are attributable to adesso.

The change of value of convertible loans measured at fair value is recognised in the consolidated income statement (fair value through profit or loss; FVPL). The value of the convertible bonds is the higher of the value of the payment claim (future cash flows discounted at a risk-adjusted rate) and the value of the shares adesso would receive in the event of conversion.

Shares in companies are measured at fair value through other comprehensive income (EUR 11,350 thousand; previous year: EUR 4,909 thousand). Financial assets measured at fair value through profit or loss (EUR 2,595 thousand; previous year: EUR 3,486 thousand) primarily comprise convertible bonds. The previous year also included a receivable from a security retention in connection with the sale of the e-Spirit subgroup in 2021 in the amount of EUR 2,813 thousand.

Financial assets measured at fair value developed as follows:

in EUR k	2023		2022	
	FVOCI	FVPL	FVOCI	FVPL
01.01.	5,010	3,486	2,804	3,328
Addition	7,221	2,472	2,406	1,424
Addition arising from company acquisition	-	-	142	201
Change from valuation recognised in profit or loss	-	-	-	782
Change recognised in other comprehensive income	-200	-	-321	-
Conversion of a convertible loan	-	-	-	-2,108
Disposals	-681	-3,363	-22	-141
31.12.	11,350	2,595	5,010	3,486

Financial liabilities are generally measured at amortised cost. This excludes liabilities from combined call/put options concerning the sale or purchase of non-controlling interests amounting to EUR 28,263 thousand (previous year: EUR 21,469 thousand), conditional purchase price obligations amounting to EUR 3.873 thousand (previous year: EUR 448 thousand) and liabilities to be accrued pro rata from business combinations amounting to EUR 2.407 thousand (previous year: EUR 989 thousand), which are measured at fair value.

The carrying amount of liabilities from put/call options on non-controlling shares, whereby adesso is not the beneficial owner of the non-controlling shares and the change in value of the shares is therefore reported in the capital reserve, is EUR 26,799 thousand (previous year: EUR 20,951 thousand). The carrying amount of liabilities from put/call options on non-controlling shares, whereby adesso is the beneficial owner of the non-controlling shares and the change in value of the shares is therefore reported in the consolidated income statement, is EUR 1.464 thousand (previous year: EUR 518 thousand).

Other financial liabilities measured at fair value developed as follows:

in EUR k	2023	2022
01.01.	22,906	18,374
Addition from business combination	4,590	-
Repayment	-2,535	-856
Changes recognised in profit or loss	3,741	1,726
Changes recognised in the capital reserve	5,848	3,663
Currency translation	-5	-1
31.12.	34,545	22,906

Changes recognised in the capital reserve in the current year mainly include the first-time recognition of the liability from the put/call option on the acquisition of the non-controlling interests in Wepex (EUR 1,777 thousand) and changes in the other liabilities from existing put/call options on the acquisition of non-controlling interests of EUR 4,071 thousand (previous year: EUR 1,517 thousand). The above changes are recognised directly against the capital reserve. The changes in the previous year primarily include the addition of the liability from the put/call option relating to the acquisition of Afida in the amount of EUR 2,146 thousand, which was also recognised against the capital reserve. The changes recognised in profit or loss are primarily the result of the addition recognised in profit or loss for liabilities to be accrued pro rata and dependent on the future work performance of the beneficiaries relating to company mergers (EUR 3,120 thousand; previous year: EUR 1,729 thousand).

The net results are as follows:

2023 in EUR k	From interest	Value adjustment/ reversal of value adjustment	Derecognition	Total
Financial assets measured at amortised cost	2,398	-520	-72	1,806
Financial liabilities measured at amortised cost	-11,123	-	-	-11,123

2022 in EUR k	From interest	Value adjustment/ reversal of value adjustment	Derecognition	Total
Financial assets measured at amortised cost	408	-182	-52	174
Financial liabilities measured at amortised cost	-3,654	-	-	-3,654

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 change in value adjustments recognised in profit or loss and the derecognition of defaulted financial assets. The last two contributions to earnings are almost exclusively the result of contract assets and receivables from contracts with customers. The net result of the category “Financial liabilities measured at amortised cost” is based on interest expenses.

The net result before taxes from equity instruments measured at fair value reported in other comprehensive income was EUR -203 thousand (previous year: EUR -285 thousand).

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

33.2. 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 reporting year.

The following table shows the change in impairment of debt instruments. Deposits, loans and other financial assets reported in other financial assets are allocated to stage 1. Stage 2 contains only trade receivables and contract assets, which were directly assigned to this stage using the simplified approach in accordance with IFRS 9. Stage 3 includes trade receivables where there is an objective evidence of an impairment.

in EUR k	Impairment based on 12 months (stage 1)	Impairment based on total duration (stage 2)	Credit impairment (stage 3)	Total
As at 1 January 2023	54	2,062	2,308	4,424
Changes from recognised or derecognised receivables	2	579	-1,537	-956
Reclassification		-289	289	-
Currency differences		1	-47	-46
As at 31 December 2023	56	2,353	1,013	3,422

in EUR k	Impairment based on 12 months (stage 1)	Impairment based on total duration (stage 2)	Credit impairment (stage 3)	Total
As at 1 January 2022	46	1,558	2,782	4,386
Changes from recognised or derecognised receivables	8	1,028	-944	93
Reclassification	-	-525	525	-
Currency differences	-	1	-56	-56
As at 31 December 2022	54	2,062	2,308	4,424

The following tables show the development of the gross carrying amounts (without value adjustment) of the financial assets and the maturity structure of the gross carrying amounts of financial assets.

Other financial assets do not include equity instruments, as the equity instruments have no due dates. adesso has not identified any noteworthy concentrations of risk associated with its financial assets.

Figures in EUR k	Gross amount (stage 1)	Gross amount (stage 2)	Gross amount (stage 3)	Total
As at 1 January 2023	8,213	225,306	5,850	239,369
Changes from recognised or derecognised receivables/ contractual assets	321	33,724	-1,996	32,049
Reclassification		-470	470	0
Changes due to derecognition of financial assets through profit or loss		-72		-72
Other amendments		3,852	-142	3,710
from business combination		4,241		4,241
Currency differences		-389	-142	-531
As at 31 December 2023	8,534	262,340	4,182	275,055

Figures in EUR k	Gross amount (stage 1)	Gross amount (stage 2)	Gross amount (stage 3)	Total
As at 1 January 2022	5,884	159,656	6,810	172,350
Changes from recognised or derecognised receivables/ contractual assets	2,329	60,538	-1,465	61,402
Reclassification	-	-639	639	0
Changes due to derecognition of financial assets through profit or loss	-	-52	-	-52
Other amendments	-	5,803	-134	5,669
from business combination	-	6,072	-	6,072
Currency differences	-	-269	-134	-403
As at 31 December 2022	8,213	225,306	5,850	239,369

2023 in EUR k	Total amount	Not overdue	Not more than 3 months	More than 3 months and not more than 6 months	More than 6 months and not more than 1 year	More than 1 year
Trade receivables	181,893	149,656	24,155	1,084	3,963	3,035
Contract assets	77,602	77,602	-	-	-	-
Other financial assets	11,682	11,682	-	-	-	-
TOTAL	271,177	238,940	24,155	1,084	3,963	3,035

2022 in EUR k	Total amount	Not overdue	Not more than 3 months	More than 3 months and not more than 6 months	More than 6 months and not more than 1 year	More than 1 year
Trade receivables	172,250	139,994	26,206	4,047	1,157	846
Contract assets	54,537	54,537	-	-	-	-
Other financial assets	11,573	11,573	-	-	-	-
TOTAL	238,360	206,104	26,206	4,047	1,157	846

33.3. 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:

2023 in EUR k	Carrying amount	Maturity up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	46,335	46,335	-	-
Loans	106,700	9,523	98,598	-
interest thereon		1,156	265	-
Lease liabilities	178,822	34,236	96,006	64,362
interest thereon		3,205	8,518	4,059
Other financial liabilities	42,442	19,834	20,544	2,064
TOTAL	374,299	109,928	215,148	66,426

2022 in EUR k	Carrying amount	Maturity up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	42,333	42,333	-	-
Loans	82,162	11,760	72,031	54
interest thereon		1,075	608	-
Lease liabilities	137,455	25,345	70,973	50,547
interest thereon		2,298	5,225	1,887
Other financial liabilities	24,333	3,464	20,870	-
TOTAL	286,284	82,902	163,874	50,601

33.4. 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 predominantly subject to fixed interest rates. adesso has the option of taking out loans with a maximum term of 6 months each from a syndicated loan with a maximum volume of EUR 130 million. The respective loans are subject to interest at the EURIBOR rate corresponding to the term, plus a current margin of 1.45 percentage points (previous year: +/- 0.85 percentage point). In future, the margin will depend primarily on adesso's net debt and EBITDA, and up to 2.5 basis points p.a. on future ESG ratings. As at 31 December 2023, the liability from this loan amounted to EUR 79,845 thousand (previous year: EUR 44,845 thousand). Besides this syndicated loan, adesso SE has another open credit line of EUR 49.5 million (previous year: EUR 1.5 million).

33.5. 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 "14. Equity" have currently been approved.

34. Executive Board

34.1. Composition of the Executive Board

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

- > Michael Kenfenheuer, Frechen, Germany, Chairman of the Executive Board (resigned 31 December 2023)
- > Kristina Gerwert, Dipl.-Kffr., Dortmund, Germany member of the Executive Board (since 1 July 2023)
(Human Resources, Corporate Buildings and Procurement)
- > Mark Lohweber, Dipl.-Jur., Banker, Leverkusen, Germany, member of the Executive Board (since 1 July 2023)
(Banking, Insurance and Corporate Account Management)
- > Dirk Pothen, Dipl.-Betriebsw., Düsseldorf, Germany, Member of the Executive Board (resigned 31 December 2023)
(Automotive & Transportation, Manufacturing Industry, Corporate Communications and Proposal Management)
- > Andreas Prenneis, Dipl.-Stat., Dortmund, Germany, member of the Executive Board
(Public, Cross Industries, IT Management Consulting, Utilities, Sports, Internal IT, Project Management Office, and Legal and Compliance)
- > Jörg Schroeder, Dipl.-Wirtschaftsinf., LL.M., Executive MBA, Münster, Germany, member of the Executive Board
(Health, Life Sciences, Finance and Controlling, Investor Relations, Administration and Mergers & Acquisitions)
- > Torsten Wegener, information scientist, Hamburg, Germany, member of the Executive Board
(Data & Analytics, Digital Experience, Microsoft, Retail and Salesforce)

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).

34.2. Remuneration of members of the Executive Board

The remuneration of members of the Executive Board comprises a fixed basic salary and short-term (STI) and long-term (LTI) variable remuneration aligned with recognised market standards and, above all, the success of the company. Remuneration is based on the remuneration system for the Executive Board approved by the annual shareholders' meeting and the terms agreed contractually with the Supervisory Board. adesso grants further benefits to all members of the Executive Board under their respective contracts, some of which are regarded as non-cash benefits and taxed accordingly. These primarily include the provision of a company car and payments to social insurance.

Executive Board remuneration is presented in detail in the Remuneration Report pursuant to Section 162 AktG.

Total remuneration pursuant to Section 314 (1) No. 6a HGB amounted to EUR 2,803 thousand (previous year: EUR 3,973 thousand). Besides short-term and other long-term remuneration, total remuneration also included share-based payments with a fair value of EUR 336 thousand (previous year: EUR 224 thousand) at the point of granting.

The total remuneration of members of the Executive Board reported pursuant to IAS 24 amounted to EUR 2,803 thousand (previous year: EUR 3,973 thousand) in the reporting year, as detailed below:

in EUR k	2023	2022
Current remuneration	2,091	3,314
Other long-term remuneration	712	659
TOTAL	2,803	3,973

Liabilities to members of the Supervisory Board on the reporting date were EUR 752 thousand (previous year: EUR 2,005 thousand) which were paid out in the following year.

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

Former members of the Executive Board do not receive any remuneration and were not granted any pension commitments. Two former members of the Executive Board continued to work in the company holding in different positions and receive 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
Member of the Supervisory Board of adesso orange AG, Hameln, Germany
Member of the Supervisory Board of adesso banking solutions GmbH, Frankfurt am Main, Germany
- > Dirk Pothen, Dusseldorf, Germany
Member of the Supervisory Board of material.one AG, Augsburg, Germany
Member of the Administrative Board of adesso Schweiz AG, Zurich, Switzerland
Member of the Administrative Board of adesso Finland Oy (formerly adesso Nordics Oy), Helsinki, Finland
Member of the Administrative Board of adesso Sweden AB (formerly Purple Scout AB), Malmö, Sweden
- > Andreas Prenneis, Dortmund, Germany
Chairman of the Supervisory Board of adesso orange AG, Hamelin, Germany
- > Jörg Schroeder, Münster, Germany
Member of the Supervisory Board of adesso banking solutions GmbH, Frankfurt am Main, Germany (until 31 December 2023).
Member of the Supervisory Board of Fabri AG, Nuremberg, Germany (since 12 June 2023)
- > Torsten Wegener, Hamburg, Germany
Member of the Supervisory Board of Exasol AG

35. Supervisory Board

35.1. Composition of the Supervisory Board

The following persons were members of the Supervisory Board in 2023:

- > Prof. Dr Volker Gruhn, Dortmund, Germany, Chairman of the Supervisory Board
Head of the Software Engineering Department at University of Duisburg-Essen
- > Dr. Friedrich Wöbking, Pullach, Germany, Deputy Chairman of the Supervisory Board
Management consultant
- > Stefanie Kemp, Düsseldorf, Germany (since 16 January 2023)
Member of the management board of Sana Kliniken AG (Chief Transformation Officer/CTO)
- > Hermann Kögler, Dipl.-Kfm., Bonn, Germany
Management consultant
- > Heinz-Werner Richter, Dipl.-Math., Dortmund, Germany (until 1 June 2023)
Actuarial trustee, independent appraiser
- > Rainer Rudolf, Dipl.-Inform., Dortmund, Germany
Member of the Executive Board of SMF GmbH, Dortmund, Germany
- > Michael Zorc, Dortmund, Germany (since 1 June 2023)
Private citizen, sports official

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) sentence 5 AktG:

- > Prof. Dr. Volker Gruhn, Dortmund, Germany
Chairman of the Supervisory Board of Staige One AG, Essen, Germany
Member of the Business Council of Borussia Dortmund
Member of the University Council of the University of Leipzig, Leipzig, Germany
- > Hermann Kögler, Dipl.-Kfm., Bonn, Germany
Member of the Supervisory Board of Carl Remigius Fresenius Education AG, Hamburg, Germany

35.2. Remuneration of members of the Supervisory Board

Total remuneration in financial year 2023 for all members of the adesso SE Supervisory Board appointed in this period was EUR 205 thousand (previous year: EUR 140 thousand). The remuneration is exclusively short-term in nature.

Supervisory Board remuneration is presented in detail in the Remuneration Report pursuant to Section 162 AktG.

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 58 thousand (previous year: none). Liabilities for Supervisory Board remuneration of EUR 205 thousand were created in the reporting year (previous year: EUR 32 thousand). Expenses of EUR 376 thousand (previous year: EUR 419 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 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 to them.

The Supervisory Board members (excluding Setanta GmbH) received dividends of EUR 694 thousand (previous year: EUR 638 thousand).

36. Information on related parties

Related parties are legal or natural persons that can exert influence on the adesso Group or who are under the control or joint management of the adesso Group or subject to a significant level of influence by the adesso Group. Related parties are predominantly joint ventures and associates, but also include members of the Executive Board and of the Supervisory Board.

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

Joint ventures/associates:

- > adesso banking solutions GmbH, Frankfurt, Germany
- > Funds On Chain GmbH, Saarbrücken, Germany
- > HEALAY – digital health solutions GmbH, Frankfurt, Germany
- > Staige One AG, Essen, Germany
- > ROGON Technologies GmbH, Frankenthal, Germany
- > p2a GmbH, Frankfurt, Germany
- > iSecNG GmbH, Dortmund, Germany

Other:

- > Interaction Room GmbH, Essen, Germany
- > it factum GmbH, Munich, Germany
- > Ottanta GbR, Dortmund, Germany
- > Setanta GmbH, Dortmund, Germany (wholly owned by Prof. Volker Gruhn)
- > Softwareforen Leipzig GmbH, Leipzig, Germany
- > Tamed AI GmbH, Essen, Germany
- > LOUCON Beteiligungsgesellschaft mbH, Hamburg, Germany

Receivables from and liabilities to related parties were as follows as at 31 December: As in the previous year, no significant value adjustments were recorded on receivables from related parties. We held no security for receivables or liabilities in the previous year.

in EUR k	2023		2022	
	Receivables	Liabilities	Receivables	Liabilities
Joint ventures	150	-	150	-
Associates	5,022	-	4,987	-
Other	-	-	-	28
TOTAL	5,172	-	5,137	28

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

in EUR k	2023		2022	
	Income	Expenses	Income	Expenses
Joint ventures	12	-	10	-
Associates	2,282	-	2,530	100
Other	-	112	-	318
TOTAL	2,294	112	2,540	418

For transactions with members of the Executive Board and Supervisory Board, see Note “34 Executive Board” and Note “35 Supervisory Board”. Dividend payments from companies accounted for using the equity method were not received in the financial year (previous year: EUR 141 thousand). Setanta GmbH received dividends from adesso SE of EUR 1,121 thousand (previous year: EUR 1.034 thousand), which were paid in full. No other transactions took place with Setanta GmbH in the reporting year, as was the case the previous year.

37. Contingent liabilities

adesso has issued a directly enforceable guarantee for the associated company Staige GmbH for an amount of up to EUR 3.4 million (previous year: EUR 2.5 million). adesso does not currently expect any payments from this guarantee.

38. 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 chose the company BDO AG Wirtschaftsprüfungsgesellschaft, Dortmund, nominated by the Supervisory Board, as the auditor for 2023.

The activities of BDO AG Wirtschaftsprüfungsgesellschaft, Dortmund, are subject to reporting and are disclosed in the table below.

in EUR k	2023	2022
Audit of the financial statements	230	205
Other assurance services	41	-
Other services	4	-
TOTAL	275	205

EUR 30 thousand of the expenses for audit services in 2023 relate to services from the previous year (previous year: EUR 0 thousand).

In addition to auditing the financial statements, BDO AG Wirtschaftsprüfungsgesellschaft was also commissioned by adesso SE to review the sustainability report.

39. Events occurring after the balance sheet date

39.1. Company acquisitions

After the reporting date, adesso signed an agreement to acquire all shares in Arteno Bilgi Teknolojileri ve Danışmanlık Hizmetleri A.S. (Istanbul, Turkey). arteno is one of the leading SAP consultancy service providers in Turkey. The acquisition allows adesso to supplement its technological portfolio in Turkey with the addition of highly sought-after SAP services while also expanding SmartShore capacities for international customers.

Subject to the approval of the Turkish authorities, which is still pending, the transaction is expected to be completed shortly. arteno will be merged with the adesso national subsidiary in Turkey shortly after the transaction is completed.

The consideration for the shares acquired is EUR 2,833 thousand. A fixed purchase price of EUR 1,728 thousand was agreed. In addition, a further payment is due at the beginning of 2025, which is dependent on sales revenues and consultant days invoiced in the 2024 financial year. The range of potential payment is between EUR 0 and EUR 1,160 thousand. adesso expects to pay the maximum amount. This amount is recognised at fair value when determining the consideration.

In addition, a maximum amount of EUR 576 thousand is to be paid at a future date. This payment is dependent on the seller's future performance and is therefore accumulated on a pro rata basis as personnel costs in profit or loss.

No further information is available.

39.2. Executive Board

The Supervisory Board of adesso SE appointed Benedikt Bonnmann to the Executive Board of adesso SE with effect from 1 April 2024. His contract will run until 2028. Benedikt Bonnmann joined adesso in 2017. Most recently, he headed up the Digital Horizontals business area as Executive Director and was personally responsible for the Data & Analytics division. By making this appointment, the Supervisory Board continues to help set up the adesso Group to take advantage of the considerable business opportunities offered by artificial intelligence. Bonnmann will also take over Executive Board responsibility for the Automotive, Life Science, Manufacturing and Retail industries from Torsten Wegener, who is set to step down from the Executive Board when his contract ends on 31 March 2024. Torsten Wegener, who is keen to take on new challenges, has signed a consulting agreement and will maintain close ties to the company. He will also continue to hold key Advisory Board positions for adesso, including on the executive boards of material.one and adesso Turkey.

40. Appropriation of net income

On 1 June 2023, the Annual General Meeting of adesso SE resolved to pay a dividend for the financial year 2022 of EUR 0.65 per share, totalling EUR 4,233 thousand, from the unappropriated surplus for the financial year 2022 of EUR 106,777 thousand and to carry forward the remaining amount to new account.

For financial year 2023, the Executive Board and Supervisory Board will propose to the Annual General Meeting of adesso SE a dividend payment of EUR 0.70 per share, totalling EUR 4,564 thousand. The distribution of dividends has no income tax consequences for adesso.

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

Pursuant to Section 161 AktG, the Executive Board and Supervisory Board of adesso SE hereby declare that it 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.

42. Shareholder structure

The following shareholder structure applied as at the balance sheet date:

Shareholder	Threshold value above or below	Share in %
Prof. Volker Gruhn (Setanta GmbH)	13.08.2007	26.5
Rainer Rudolf / RDF Familienstiftung	10.05.2022	16.1
Ludwig Fresenius	18.04.2017	5.5

According to the definition of free float as determined in the Guide to the DAX Equity Indices from Qontigo, a Deutsche Börse Group subsidiary, the free float is 51.9 %.

The disclosures are based on the information received by adesso SE as part of statutory reporting obligations or voluntary notifications submitted to the company. All shareholdings greater than 3 % of total voting rights are listed. The precise share of voting rights may deviate from these figures as a result of interim trading, trading that is not subject to mandatory reporting and non-reported trading.

In financial year 2023, adesso SE did not receive any notification in accordance with Section 33 (1) of the German Securities Trading Act (WpHG).

43. Scope of consolidation

The following table contains information pursuant to Section 313 (2) German Commercial Code (HGB):

Company name	Registered office	Equity ²⁾	Annual profit ²⁾	Share- holding
adesso as a service GmbH	Dortmund, Germany	5,788 T€	1,500 T€	100%
adesso Austria GmbH	Vienna, Austria	1,057 T€	953 T€	100%
adesso benefit solutions GmbH	Dortmund, Germany	-381 T€	-607 T€	80%
adesso Blue Consulting B.V. (formerly: Software Consulting B.V.)	Amsterdam, Netherlands	-491 T€	-538 T€	94%
adesso Bulgaria EOOD	Sofia, Bulgaria	3.243 T BGN	1.361 T BGN	100%
adesso Data & Analytics B.V.	Amsterdam, Netherlands	-121 T€	92 T€	63%
adesso Denmark	Copenhagen, Denmark	-10 M DKK	-7 M DKK	100%
adesso Finland Oy (formerly: adesso Nordics Oy)	Helsinki, Finland	-1,707 T€	-661 T€	100%
adesso health solutions GmbH	Neumünster, Germany	-7,647 T€	-3,396 T€	90%
adesso Hungary Software Kft.	Budapest, Hungary	332 M HUF	-12 M HUF	100%
adesso India Private Limited	Kerala, India	8.269 T INR	1.637 T INR	100%
adesso insurance solutions GmbH	Dortmund, Germany	-2,812 T€	-8,898 T€	100%
adesso insurance solutions Schweiz	Basle, Switzerland	-302 T CHF	-470 T CHF	100%
adesso Lakes GmbH	Dortmund, Germany	-139 T€	-113 T€	75%
adesso manufacturing industry solutions GmbH	Dortmund, Germany	77 T€	-141 T€	100%
adesso mobile solutions GmbH ¹⁾	Dortmund, Germany	343 T€	0 T€	100%
adesso Netherlands B.V.	Amsterdam, Netherlands	-2,551 T€	-903 T€	100%
adesso orange AG ³⁾	Hamel, Germany	11,226 T€	3,091 T€	71%
adesso orange Austria GmbH ⁴⁾	Vienna, Austria	2,175 T€	760 T€	100%
adesso orange Kft.	Győr, Hungary	781 M HUF	189 M HUF	70%
adesso partner trust GmbH	Dortmund, Germany	-119 T€	-46 T€	100%
adesso retail solutions GmbH	Dortmund, Germany	46 T€	-2 T€	100%
adesso Romania IT Services & Consulting	Bucharest, Romania	-1.339 T RON	-1.181 T RON	100%
adesso Schweiz AG	Zurich, Switzerland	13.029 T CHF	3.406 T CHF	100%
adesso Spain Consultoria y Soluciones Tecnologicas S. L.	Barcelona, Spain	-845 T€	-870 T€	100%
adesso Sweden	Malmö, Sweden	-428 T SEK	-5.374 T SEK	100%
adesso Transformer Deutschland GmbH	Dortmund, Germany	121 T€	269 T€	100%
adesso Turkey Bilgi Teknolojileri Ltd. Şti.	Istanbul, Turkey	349 M TRY	160 M TRY	100%
adesso U.K. Limited	Birmingham, United Kingdom	-188 T GBP	-193 T GBP	100%
adesso ventures GmbH	Berlin, Germany	178 T€	-268 T€	100%
Afida GmbH	Dortmund, Germany	-1,294 T€	-986 T€	82%
alleato assekuranzmakler GmbH	Dortmund, Germany	877 T€	369 T€	100%
Blue4IT Professionals B.V.	Hendrik Ido Ambracht, Netherlands	1,190 T€	80 T€	100%
Bluefront B.V.	Schiedam, Netherlands	258 T€	-2 T€	100%

Codesquad B.V.	Nieuwegein, Netherlands	1,191 T€	247 T€	100%
Key Asset GmbH	Weinsberg, Germany	761 T€	4 T€	100%
KIWI Consulting EDV-Beratung GmbH	Walldorf, Germany	4,340 T€	3,194 T€	70%
LeanNetworking Kft.	Budapest, Hungary	104 M HUF	33 M HUF	100%
material.one AG	Augsburg, Germany	6,174 T€	-86 T€	53%
medgineering GmbH	Dortmund, Germany	208 T€	98 T€	100%
percision services GmbH	Dortmund, Germany	6,773 T€	2,206 T€	100%
Purple Friends	Malmö, Sweden	290 T SEK	-509 T SEK	100%
Purple Scout AB (formerly: Transfer Window)	Malmö, Sweden	25 T SEK	-3 T SEK	100%
Reachbird solutions GmbH	Munich, Germany	588 T€	-219 T€	100%
Urban Energy GmbH	Berlin, Germany	-1,359 T€	-541 T€	50%
Webscience Bulgaria Srlu. Eood	Sofia, Bulgaria	117 T BGN	59 T BGN	100%
Webscience S.r.l.	Milan, Italy	4,088 T€	1,002 T€	100%
WEPEX GmbH	Frankfurt am Main, Germany	334 T€	-47 T€	51%

1) Annual profit is EUR 0 thousand due to a profit and loss transfer agreement with adesso SE.

2) Equity and the annual profit are stated in accordance with the respective national laws.

3) IoT Deutschland GmbH and Palmer AG were merged into adesso orange AG in the fiscal year.

4) gravity consulting GmbH and VITEC Vienna Information Technology Consulting GmbH were merged into adesso orange Austria GmbH in the fiscal year.

44. Associates and joint ventures

The following table contains information pursuant to Section 313 (2) German Commercial Code (HGB):

Company name	Registered office	AC/JV	Pro-rata equity	Pro-rata annual profit	Shareholding
adesso banking solutions GmbH	Frankfurt am Main, Germany	Joint venture	EUR -26 k	EUR -15 k	50.0%
Funds On Chain GmbH	Saarbrücken, Germany	Associated company	EUR 34 k	EUR 4 k	27.3%
HEALAY – digital health solutions GmbH	Frankfurt, Germany	Associated company	EUR -327 k	EUR -53 k	35.0%
iSecNG GmbH	Frankfurt, Germany	Associated company	EUR 62 k	EUR 46 k	33.3%
p2a GmbH	Dortmund, Germany	Joint venture	EUR 8 k	EUR -5 k	50.1%
ROGON Technologies GmbH	Frankenthal, Germany	Associated company	EUR 604 k	EUR -1,211 k	18.5%
Staige One AG (formerly: Staige GmbH)	Essen, Germany	Associated company	EUR 1,845 k	EUR -1,479 k	39.1%

45. Use of exemption provisions

adesso mobile solutions GmbH in the legal form of a joint-stock company satisfied the necessary conditions to make use of the exemption provisions pursuant to Article 264 (3) HGB and will therefore not be preparing a management report and notes to the financial statements, nor will the annual financial statements be audited by an auditor or be disclosed for the financial year 2023.

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, 18. March 2024

adesso SE, the Executive Board



Mark Lohweber



Kristina Gerwert



Andreas Prenneis



Jörg Schroeder



Torsten Wegener

INDEPENDENT AUDITOR'S REPORT

To adesso SE, Dortmund

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 adesso SE, Dortmund, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of 31 December 2023, 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 1 January 2023 to 31 December 2023, as well as the consolidated notes including a summary of significant accounting methods.

In addition, we have audited the consolidated management report (report on the position of the company and the Group) of adesso SE, for the financial year from 1 January 2023 to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the parts of the consolidated management report set out under “Other information”.

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 315e (1) HGB and give a true and fair view of the asset and financial situation of the Group as of 31 December 2023, as well as its results for the financial year from 1 January 2023 to 31 December 2023, in accordance with these regulations, and
- > the consolidated management report attached 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 parts of the consolidated management report set out under “Other information”.

In accordance with Section 322 (3) clause 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 Regulation (EU) No. 537/2014 (hereinafter referred to as “EU Audit Regulation”) 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 pursuant to 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 1 January 2023 to 31 December 2023. 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.

We have identified the following as the key audit matters to be reported in our audit opinion:

1. Impairment of goodwill and customer relations
2. Recognition of sales revenue

Impairment of goodwill and customer relations

Matter

In the consolidated financial statements, adesso reports goodwill of EUR 98.1 million (12 % of total assets or 47 % of equity). In addition, customer relations acquired through business combinations are reported at EUR 14.2 million (i.e. 2 % of the balance sheet total or 7 % of equity).

Goodwill is subjected to an impairment test by the company at least once a year or more frequently if there are indications of impairment (impairment test in accordance with IAS 36). At adesso, the annual impairment test is generally performed on 30 June of each financial year at the level of the cash-generating units to which the respective goodwill was allocated. No further impairment test was performed in the financial year based on the assessment of the relevant impairment parameters as of 31 December. The recoverable amount is the higher of the value in use and the fair value less disposal costs. The basis of the assessment is the present value of future cash flows of the respective cash-generating unit after taxes and interest. The starting point of the detailed planning period is the expected cash surpluses for the following year. The values in use are determined using the discounted cash flow method. If the carrying amount of a cash-generating unit exceeds the recoverable amount, the difference is recognised as an impairment loss.

The customer relations reported under non-current intangible assets are acquired through business combinations and are amortised over their individual useful lives. The average remaining useful life of customer relations is 2.77 years (previous year: 3.57 years). As of each balance sheet date, the legal representatives use selected internal and external qualitative factors to determine if there are any indications of impairment. An impairment test is carried out if there are indications of an impairment based on this assessment. The initial recognition, the estimation of individual useful lives of customer relations and the analysis of internal and external impairment indicators are subject to several discretionary decisions by the legal representatives. In light of the complexity and scope for discretion, the goodwill impairment test and the valuation of customer relations were of particular importance within the context of our audit.

The information provided by the company on the impairment test as well as on goodwill and customer relations is contained in Section II, 3.9 and 3.10 and in Section III, 4 of the consolidated notes, and the information on the discretionary decisions by the Executive Board and predictive uncertainties in the impairment test are included in Section II, 3.26 of the consolidated notes.

Audit response and findings

During our audit, we have gained an understanding of the process used to perform the impairment test, assessed its appropriateness in determining the need for impairment and understood the methodology applied in performing the test. In this context, we have assessed the systematic approach to the planning and the preparation process. In so doing, we have also dealt with the individual planning and how it is derived from the Group planning. In addition, we have discussed Group planning and assumed long-term growth rates with the legal representatives, reviewed them

with the assistance of a valuation expert and compared them to general and industry-related market expectations. We have reviewed planning loyalty by analysing past differences between planned and actual figures.

Furthermore, we critically reviewed the discount rates used against the average cost of capital of a peer group. We have also conducted our own sensitivity analyses of the effects of potential changes in the cost of capital and the assumed growth rates in order to test the sensitivity analyses conducted by adesso.

During the further course of the audit, we reviewed the individual assessment of client relations made by the legal representatives. To this end, we compared the customer-specific sales and earnings projections at the date of initial consolidation with actual amounts in order to test the legal representatives' qualitative estimates with regard to the occurrence of impairment indicators. In addition, we assessed the estimated individual useful lives by comparing the budgets at the date of initial consolidation with the actual values.

All in all, we were able to ascertain that the assumptions made by the legal representatives when performing the impairment test and the assessment of the customer relations and the valuation parameters applied are comprehensible and fall within an appropriate range.

Recognition of sales revenue

Matter

adesso recognises sales revenue from customer contracts in accordance with IFRS 15 – Revenues from Contracts with Customers. In adesso's consolidated financial statements, sales revenues are mainly generated from services (EUR 1,082 million, 95 % of sales revenue). The Group's services mainly comprise consulting services in conjunction with the installation of software within the scope of projects, some of which run for longer periods of time. Sales revenue from service contracts, maintenance and hosting are recognised on a period-related basis, while sales revenue from the sale of licences are recognised on a period-related basis if the licence constitutes a separate performance obligation. Otherwise, the licence is recognised as part of the sales revenue generated from the consulting project.

As well as contracts with fixed price clauses ("fixed price contracts"), service contracts with other payment terms ("time and materials contracts") and different terms are also agreed. The recognition of these contracts in the financial statements requires an assessment by the company as to which individual or combination of performance obligations exist and can be settled on the balance sheet date.

Recognition of sales revenue for fixed-price contracts is based on the progress made or level of completion of the project over its estimated duration. The level of completion is determined on the basis of the costs incurred up to the balance sheet date as a proportion of the expected total costs for the project. In the case of time and materials contracts, sales revenue is recognised on the basis of accumulated hours and materials consumed. Determining performance obligations and performance progress for longer-term consulting projects under the fixed-price model requires a great deal of discretion. The discretionary decisions may have a material impact on the consolidated financial statements because of the scope of individual contracts.

Given the major significance of sales revenue in the assessment of the Group's earnings situation and the complexity involved in recognising sales revenue as well as the degree of discretion involved, this is a particularly important audit matter.

The information on the company's sales revenue is contained in Section II, 3.7 and 3.12 and in Section IV, 21 of the consolidated notes.

Audit response and findings

We have read adesso's uniform Group accounting policy on the recognition of sales revenue and acknowledged the compliance of the requirements with IFRS 15, Revenue from Contracts with Customers.

During the further course of the audit, we gained an understanding of the processes and controls for recognising and accruing sales revenue and estimating total project hours and acknowledged their adequacy. With the assistance of our IT experts, we also evaluated the relevant systems used to recognise sales revenue. In particular, we tested the functioning of the related process-based controls in connection with the proper identification of individual performance obligations, the timing of the recognition of sales revenue and the recognition of costs according to their origin in connection with estimating the progress made in projects. We ascertained the effectiveness of the controls within the scope of the functional tests.

In order to assess whether the criteria set out in IFRS 15 for the recognition of sales revenue had been met, we performed spot checks on the underlying contractual agreements in random customer contracts and examined whether the recognition and accounting of sales revenue with corresponding contract assets and contract liabilities had been performed correctly. To this end, we inspected, among other things, the contract documents as well as the communications with the customer, project calculations and timesheets, and held discussions with the project management organisation. In addition, we performed spot checks to verify that the sales revenue recognised corresponded to the invoice, the basis for the billing and the proof of performance.

We have calculated our expected sales revenue for the current year on the basis of industry and market-related data. We have used data analysis methods to analyse the data stock of transactions recorded in material revenue accounts in the financial year for abnormal developments and discrepancies over time in comparison with our expectations.

We reviewed the progress made in the fixed-price projects based on the project budgets, the costs incurred and the project documents, assessed the assumptions applied when estimating the costs as yet to be incurred and verified that they were included in the client's calculations. Moreover, we have performed spot checks to compare historical estimates of project expenditure with the values actually incurred. We subsequently performed spot checks on the actual costs included in the calculation of the progress made and reviewed the mathematical accuracy of the calculations.

Our audit procedures enabled us to understand the assumptions and discretionary decisions made by the legal representatives on which the recognition of revenue is based.

Other information

The legal representatives and Supervisory Board are responsible for the other information, which includes:

- > the combined separate non-financial report within the meaning of Sections 289b (3) and 315b HGB, which is expected to be made available to us after the date of this auditor's report and published on the parent company's website and to which reference is made in the section Declaration of Conformity (Sections 289f and 315d HGB) and the Statement of Compliance with the German Corporate Governance Code (Section 161 AktG) as well as the separate non-financial report (Sections 289b and 315b HGB) forming part of the combined management report
- > the separately published Declaration of Conformity pursuant to Sections 289f and 315d HGB, which is referred to in the section of the combined management report entitled "Declaration of Conformity (Sections 289f, 315d HGB) and Statement of Compliance with the German Corporate Governance Code (Section 161 AktG) and Separate Non-financial Report (Sections 289b, 315b HGB)"
- > the disclosures in the combined management report that are not part of the management report. These include the report on equal opportunities and equal remuneration included in the notes to the combined management report
- > the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report as well as our auditor's report.

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 of the consolidated financial statements, 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 appears 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 315a (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 due to fraudulent acts (i.e. manipulation of the accounting system or misstatement of assets) or error.

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 joint 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 due to fraudulent acts or errors, 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.

Reasonable assurance refers to a high degree of security, but no guarantee that an audit 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 fraudulent acts or errors 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 based on fraudulent acts or errors 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 audit opinion. The risk that material misstatements may not be detected is higher for fraudulent acts than for errors, as fraudulent acts may include collusion, 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 pose 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, monitoring 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 compliance with the law 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, where relevant, the actions taken or safeguards implemented to eliminate risks to independence. 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 (3a) HGB

Audit opinions

In accordance with Section 317 (3a) HGB, we have performed an audit with adequate certainty as to whether the reproductions of the consolidated financial statements and the consolidated management report (hereinafter also referred to as the “ESEF documents”), which are contained in the attached file “adessose-2023-12-31-de.zip” 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 legal 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 file.

We believe the reproductions of the consolidated financial statement and the consolidated management report, which are contained in the aforementioned 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 2023 to 31 December 2023, which is contained in the preceding “Note on auditing the consolidated financial statements and the consolidated management report”.

Basis of the audit opinion

We have performed our audit of the reproductions of the consolidated financial statements and the consolidated management report contained in the aforementioned file in accordance with Section 317 (3a) HGB and in compliance with the IDW auditing standard: Auditing electronic reproductions of financial statements and management reports in accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility in this respect is described further in the section “Responsibility of the auditor of the consolidated financial statements for auditing the ESEF documents”. Our auditing practice has applied the requirements of the IDW quality assurance standards, which transpose the IAASB’s International Standards on Quality Management.

Responsibility of the legal representatives and Supervisory Board for the ESEF documents

The company's legal representatives are responsible for preparing the ESEF documents with the electronic reproductions of the consolidated financial statements and the consolidated management report in accordance with Section 328 (1) clause 4 no. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) clause 4 no. 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) of the requirements set out in Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as a part of the accounting process.

Responsibility of the auditor of the consolidated financial statements for auditing the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material infringements (whether intentional or unintentional) of the requirements set out in 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) of the requirements set out in Section 328 (1) HGB, design 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 systems 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 file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version applicable on the balance sheet date, on technical specifications for this file;
- > we evaluate whether the ESEF documents enable an XHTML reproduction, with the same content, of the audited consolidated financial statements and the audited consolidated management report;
- > we evaluate whether the marking up of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as applicable on the reporting date, enables an adequate and complete machinereadable XBRL copy of the XHTML reproduction.

Other information pursuant to article 10 of the EU audit regulation

We were elected as auditors of the annual financial statements by the Annual Shareholders' Meeting on 1 June 2023. We were commissioned by the Supervisory Board on 1 December 2023. We have acted as the auditors of adesso SE without interruption since financial year 2022. 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).

Other matters – use of the auditor’s report

Our auditor’s report should always be read in conjunction with the audited consolidated financial statements, the audited consolidated management report, and the audited ESEF documents. The consolidated financial statements and the consolidated management report converted into the ESEF format – including the versions to be published in the Federal Gazette (Bundesanzeiger) – are merely electronic reproductions of the audited consolidated financial statements and the audited joint management report, and do not replace them. In particular, the ESEF note and our audit opinion contained therein may only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Andreas Dirks.

Dortmund, 18 March 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Falk

Wirtschaftsprüfer
[German public auditor]

Dirks

Wirtschaftsprüfer
[German public auditor]

THE SHARE

Investor Relations

THE TRADING YEAR 2023 – GENERAL CONDITIONS

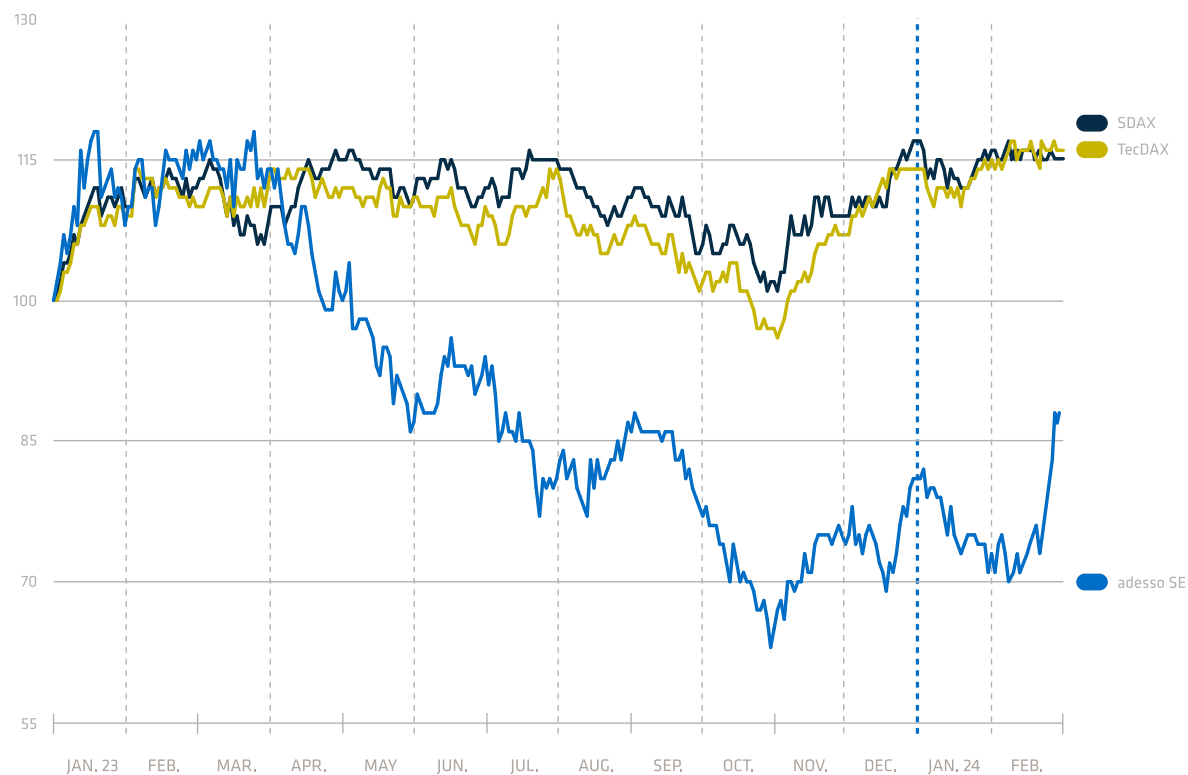
Germany's benchmark index, the DAX, ended 2023 with a strong gain of 20 % to 16,752 points, after falling by 12 % in the previous year. As a result, the index closed what had been a good year for many investors only a small margin away from its new all-time high closing price of 16,794 points, which had been reached a short time before on 11 December 2023. Despite a significant setback in the first half of March due to troubles in the US banking sector – triggering memories of the 2008 financial crisis – the DAX's fundamental upward trend continued from the start of the year until the end of July. In the following two months, the DAX lost a full 13 percentage points from its interim gain of 18 % to 14,687 points and fell to its low for the year on 27 October 2023. The remarkable year-end rally that followed ensured that 2023 ended on the aforementioned high note. Positive investor sentiment was fuelled in particular by hopes of interest rate cuts in the near future as inflation began to fall. On the other hand, the weakening economy in Germany and Europe proved a cause for concern. Further adverse effects emerged from the reignited conflict in the Middle East in October and the ongoing war in Ukraine. With interest rates remaining high, equity investments were no longer the only option, as bonds also started promising decent returns again. Uncertainty about future interest rate trends mainly affected less well-capitalised stocks. The DAX outperformed all of the small-cap indices, in some cases significantly. The MDAX, with its second-tier stocks, only gained 8 % compared to the end of the previous year. Meanwhile, the SDAX also underperformed slightly against the DAX, with an increase of 18 %. From the start of the year until April, the TecDAX initially developed largely in line with the DAX, at times even outperforming its counterpart due to a global recovery in tech stocks. After that, however, the technology index increasingly lost ground on the DAX, before largely closing the gap to 4 percentage points at the end of July – only to then underperform against the benchmark index by a full 10 percentage points by the end of October. The TecDAX was not able to make good some of these losses against the DAX until the second half of December. As at the reporting date, the index had risen by 14 % to 3,337 points, therefore falling 6 % short of the DAX's performance over the year as a whole.

DEVELOPMENT OF THE ADESSO SHARE

The adesso share closed 2023 at a price of EUR 107.40 and a book loss of 19 % compared to the previous year's closing price. It was outpaced by the TecDAX for the second year in a row after significantly outperforming its benchmark index in 2020 and 2021. The adesso share also made a very good start to the year on the back of the generally positive sentiment on the markets. Amid higher trading volumes, the share price recovered to a level of over EUR 150 and closed at its high for the year to date of EUR 155.80 on 18 January 2023. The share had therefore gained 18 % on the previous year's closing price. It initially consolidated at this level before dropping back to EUR 142.80 by the end of January. The subsequent rebound could not be sustained, with the result that the recovered level of EUR 150 had to be surrendered repeatedly. It was not until the preliminary full-year figures published in an ad hoc announcement on 14 February 2023 that new impetus was provided thanks to sales exceeding expectations and a growth-oriented outlook. The share price saw further gains and moved sideways at the new price of EUR 150 until the publication of the annual financial statement figures at the end of March. The adesso share price fell significantly over the two months that followed. While tech stocks were generally in less demand, the delays in capacity utilisation on account of the very strong growth also had a negative effect, despite the sustained positive market outlook. The preliminary business figures for the first quarter, which were published as an ad hoc announcement on 5 May 2023, were weak on the earnings side, even though sales grew markedly. The share lost almost 7 % over the course of the next trading day and fell to 3 % below the previous year's closing price to stand at EUR 127.60. The share fell further to EUR 113.60 by the end of May. The subsequent rally in June was substantial. Over the course of just a few days, the price gained 11 % to stand at EUR 126.00 on 16 June 2023. The markets suffered a setback in the first few days of July in anticipation of new interest rate hikes and weak economic data for Germany. This renewed uncertainty had a markedly negative impact on the adesso share. By 11 July 2023, its price had fallen by a disproportionate 8 percentage points, before losing an additional 9 percentage points between then and 24 July 2023.

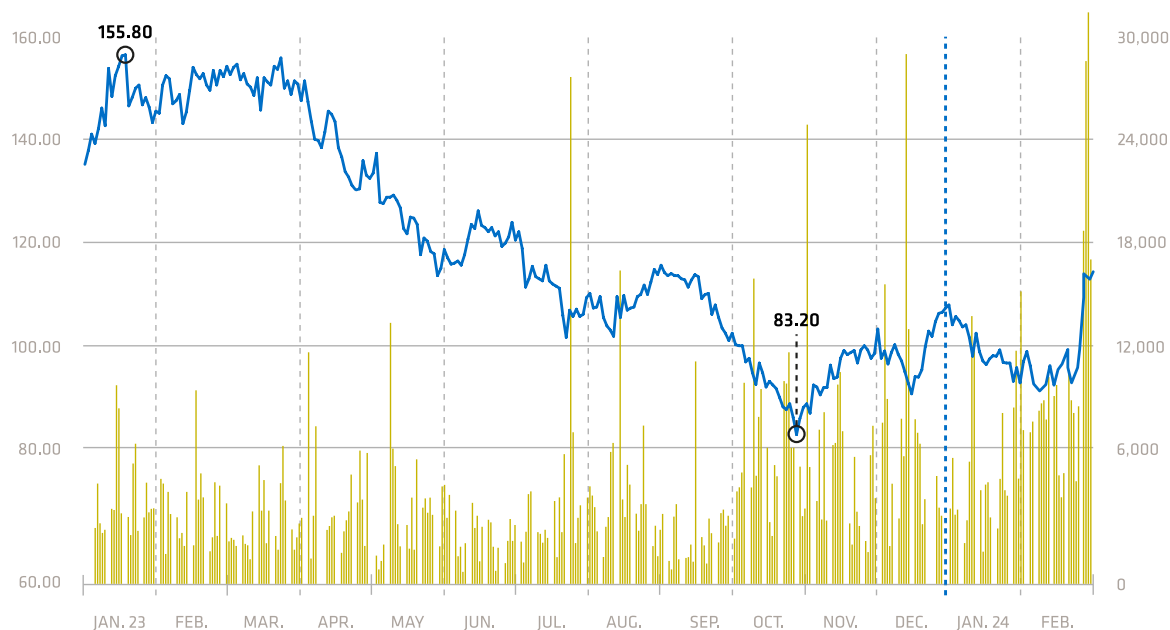
Development of the adesso Share Compared to the Indices

indexed



Development of the adesso Share and Trading Volumes (Xetra)

in EUR / trading volumes in shares



The publication of the half-year report with a positive outlook for the second half of the year and ongoing high demand kicked off a substantial share price recovery of 11 percentage points over just a few days of trading in mid-August. The weak market performance in the autumn once again had a disproportionate impact on the share price, with the share plummeting to its low for the year of EUR 83.20 on 26 October 2023. Investors used this strong correction to trigger the subsequent end-of-year rally. With high trading volumes in some cases, the share price had already recovered to around the EUR 100 mark by the end of November. News of improved capacity utilisation along with the figures for the first nine months of the year, as well as the increase in profitability already forecast for 2024, was well received among investors. With tech stocks performing strongly as the year came to a close, the adesso share also continued its recovery to reach a year-end closing price of EUR 107.40. adesso's market capitalisation therefore decreased in 2023 by 18 % to EUR 700.3 million from EUR 858.3 million at the end of 2022.

TRADING VOLUME

While sales of shares have generally declined in recent years, the decline in 2023 was significant, totalling 20 % compared to the previous year. Hence, overall trading volumes of all shares on the spot market Xetra and the Frankfurt stock exchange¹ fell to EUR 1.0 trillion in the year under review. Investors continued to primarily invest in the top-ranking securities. Around 76 % of the total volume was traded in DAX 40 stocks. MDAX and SDAX-traded shares accounted for 16 %. Trading volumes of stocks listed on the SDAX fell by 36 % to EUR 32.2 billion from EUR 50.4 billion in the previous year, with the share of the total volume decreasing by 0.8 percentage points.

The adesso share's trading volume decreased significantly for the first time in 2023 by 54 % on the back of very strong growth in the previous years. Trading of EUR 183.4 million was recorded, compared to EUR 401.6 million in 2022. At EUR 21.7 million, January was the best trading month. Trading in September, on the other hand, was a mere EUR 8.5 million. An average of 6,163 shares changed ownership per trading day in 2023. On average, 130,973 adesso shares were traded monthly. Around 78 % of trading took place on the Xetra trading platform. This was an decrease of 9 percentage points on 2022.

YEAR TO DATE DEVELOPMENT 2024

The positive mood on the stock markets at the end of the year had lost momentum at the beginning of 2024 without further stimulus. Many capital market participants now considered the fantasies of interest rate cuts that had fueled them to be priced in and the weak economic outlook was also a burden. In anticipation of falling inflation data, the DAX nevertheless climbed 6 % compared to the previous year's close, especially in the last trading days up to the end of February, and closed at a new all-time high of 17,678 points on 29 February 2024. It had previously maintained the mark of over 17,000 points for the first time on 6 February 2024 at the close of trading. The TecDAX has largely moved sideways since the start of the year and closed at the end of February with an increase of 2 % at 3,388 points.

While the indices were only able to improve slightly from their high level in the first two months of the year, the adesso share fell below the EUR 100 mark again by mid-January. Despite good order intake news and many investor discussions, the price continued to fall to EUR 91.70 by 7 February 2024. This means that the shares had lost 15 % compared to the end of the previous year. In the subsequent countermovement, the price exceeded the EUR 100 mark several times during ongoing trading, but was unable to maintain this level by the end of trading. Only the preliminary full-year figures, which were largely in line with market expectations and published on 23 February 2024, provided a new impetus. As if unleashed, the price rose by 20 % within three trading days and closed at EUR 114.20 on 27 February 2024. With an increase of 6 % compared to the end of the previous year, the adesso share closed the performance gap to the selected indices. At the end of February, the adesso share claimed a book profit of 7 % compared to the previous year's closing price and closed at EUR 114.60. To date, it has outperformed the DAX and TecDAX by 1 % and 5 % points, respectively.

¹ Due to adjustments to Tradegate Exchange's ownership structure, their trading volumes are no longer included in the cash market statistics of Deutsche Börse Group.

The following table shows the most important share data for 2023 per quarter:

Share Data

	Q1	Q2	Q3	Q4	2023
Price at the end of the period	147.00	123.80	102.60	107.40	107.40
Development (in %)	12	-6	-22	-19	-19
Development of TecDAX (in %)	14	10	3	14	14
Highest price in EUR	155.80	150.80	122.00	107.40	155.80
Lowest price in EUR	134.80	113.60	101.20	83.20	83.20
Volatility (90 days at the end of the quarter in %)	36.6	34.0	37.4	42.1	42.1
Trading volumes in shares per trading day	5,474	4,902	5,322	8,984	6,163
Trading volumes in EUR per trading day	813,639	629,378	579,844	854,382	719,309
Number of shares	6,512,272	6,514,272	6,520,272	6,520,272	6,520,272
Market capitalisation (in EUR million)	957.3	806.5	669.0	700.3	700.3

Basic share data

			2023	2022
ISIN Code	DE000A0Z23Q5			
WKN (national security identification number)	A0Z23Q	Number of shares at the end of the year	6,520,272	6,512,272
Symbol / Code	ADN1	Xetra closing price at the end of the year (EUR)	107.40	131.80
		Market capitalisation at the end of the year (EUR million)	700.3	858.3
Reuters Instrument Code	ADNGk.DE	Earnings per share (EUR)	0.49	4.40
Bloomberg Symbol	ADN1:GR	Cash flow per share (EUR)	11.79	5.54
First day of trading	21 June 2000	P/E Ratio	219.2	30.0
Trading platforms	Xetra	Price-To-Cash-Flow Ratio	9.1	23.8
Exchange segment	Prime Standard	Dividend per share (in EUR)*	0.70	0.65
Number of shares	6,520,272	Return on dividend	0.7 %	0.5 %
Currency	EUR			
Nominal value	No-par value shares: EUR 1.00 (mathematically)	* Subject to the approval of the Annual General Meeting for the year under review.		
Share capital	EUR 6,520,272			
Voting rights per share	1			
Paying agent	DZ BANK AG, Frankfurt am Main			
	SDAX, CDAX, DAX International Mid 100, DAXplus Family, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT Services, Prime All Share, Technology All Share			
Index				
Reporting standard	IFRS			
End of financial year	31 / 12			

CAPITAL MEASURES

In the reporting period, share capital increased from EUR 6,512,272 to EUR 6,520,272 after stock options from the company's stock options programme were exercised. Increase occurred in June by EUR 2,000 and in September by EUR 6,000.

DIVIDENDS

The (virtual) Annual General Meeting on 01 June 2023 approved the proposal of the Executive Board and Supervisory Board regarding the appropriation of net income and resolved to increase the dividend by 8 % to EUR 0.65 per share. The dividend was paid to the eligible shareholders from 6 June 2023 onwards.

SHAREHOLDER STRUCTURE

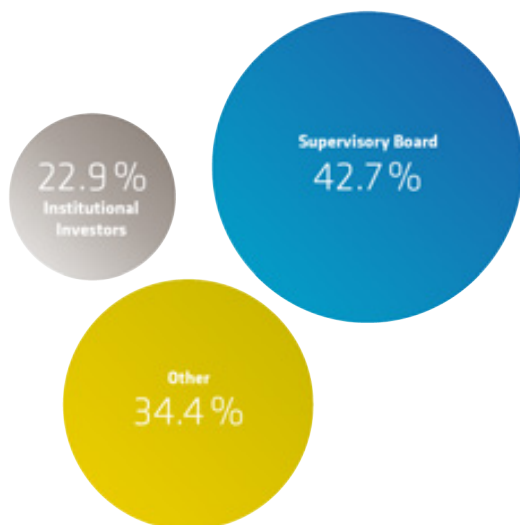
The largest shareholder of adesso SE, with 26.5 % of the voting rights, is Prof. Dr Volker Gruhn, who holds his shares indirectly via the Group company Setanta GmbH. Prof. Dr Volker Gruhn is the Chairman of the Supervisory Board of adesso SE and its co-founder. At 16.1 %, Rainer Rudolf – co-founder, former Executive Board member and a member of the Supervisory Board since 2013 – commands the second-largest share of voting rights, which are predominantly held by the RDF Familienstiftung. adesso SE's Supervisory Board holds 42.7 % of the company's share capital. The majority of the assigned voting rights, 59.6 %, continue to be held by private investors.

The share of institutional investors stood at 22.9% at the end of the year. The remaining 17.5 % of the company's shares cannot be clearly assigned to a specific class of investor.

According to the definition promulgated by Qontigo, a subsidiary of Deutsche Börse Group, the free float is 51.9 %. It has increased by 3.9 percentage points compared to the value stated in the 2022 annual report. In addition to the exercise of options from the company's stock option program, this results from a lower fixed ownership ratio.

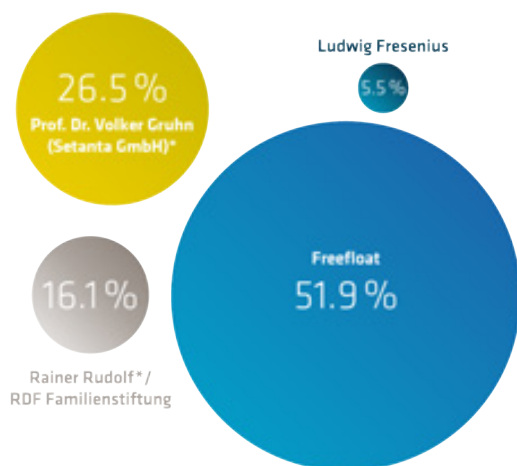
Shareholder Structure

in %



Shareholders

in %



* Supervisory Board

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 the financial media. To this end, we regularly present the development of adesso SE in the course of conferences, one-on-one meetings or roadshows to maintain and intensify contacts with the capital market. We organise corresponding earnings calls as webcasts to coincide with our quarterly financial reporting.

In 2023, adesso SE and its equity story were presented at the German Equity Forum, a leading European capital market conference for corporate financing. Presentations were also given at a further five conferences and investor events in Germany and abroad, two of which were held online. In addition, three roadshows were organised by banks and brokers, with visits also being paid to investors in Luxembourg and London. Another roadshow with American and European investors was held virtually. Relations with analysts and professional investors were also strengthened in numerous one-to-one meetings. The financial calendar for 2024 contains a similarly large number of investor events.

In financial year 2023, adesso continued to publish regular announcements and presentations on the company of relevance for the capital market. Interested capital market participants have access to comprehensive information in the “Investor Relations” section of the company website, which extends far beyond mandatory disclosures. As a service, the menu item “Questions for the CFO” enables 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. About 640 registered individuals and companies have used this service. For analysts, in particular, but also for all other interested investors, adesso provides an investor folder for download which, in addition to the regular publications over the past twelve months, includes a multi-period overview of the income statement and key performance figures on a quarterly and annual basis, as well as the consolidated and interim financial statements in Excel format. adesso was evaluated regularly by various analysts in 2023. Updates to analyst studies are provided on the adesso website.

adesso SE was included in the SDAX, a selection index of the DAX family, on 21 March 2022. Since then, adesso has been one of the 70 largest companies in terms of free-float market capitalisation of shares outside the DAX and MDAX.

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 2016. Furthermore, valuations are published by the independent analysts of SMC Research, who have been tracking adesso’s development since May 2013. In order to strengthen transparency and further expand capital market relations, adesso has also been collaborating with the independent European financial services company Kepler Cheuvreux since the second quarter of 2019. The baseline study was published in September 2019. After a period of familiarisation by its analysts, Berenberg began covering adesso SE in 2021, with the first publication of a baseline study in July 2021. April 2022 saw the publication of a baseline study by Jefferies, which the American investment bank used to begin coverage, and analysts used to continue to evaluate adesso’s performance.

The latest updates from analysts were published in February 2024. All analysts issue a buy recommendation, with SMC Research issuing a “strong buy”. SMC Research sees a fair value for the share at EUR 200.00 (27 February 2024), Warburg Research at EUR 180.00, Berenberg at EUR 160.00, Kepler Cheuvreux at EUR 143.00 (all 26 February 2024) and Jefferies at EUR 145.00 (23 February 2024).

Since the beginning of 2011, trading of the adesso share has been managed by the market leader in designated sponsoring, ODDO BHF Corporates & Markets AG. Since 1 July 2022, ICF BANK AG Wertpapierhandelsbank has supported the liquidity of the share as a further designated sponsor.

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Recommendations from the financial media and analysts' opinions

Date	Subject / recommendation	Evaluation	Source
29.02.24	IT specialist Adesso ticks off 2023 and looks to the future with optimism	Adesso remains a buy recommendation for us, especially as the share has not yet reacted to the positive outlook for 2024.	Aktienwelt 360
27.02.24	Strong Buy	Target price: EUR 200.00	SMC Research
26.02.24	Top winner Adesso: Was that the liberating blow?	There is therefore every indication that Adesso will succeed in returning to a profitable growth path as planned [...]. However, this should dispel concerns about a persistently weak operating performance and pave the way for rising share prices. [...] DER AKTIONÄR speculates on rising share prices in the Real portfolio.	Der Aktionär Online
26.02.24	Buy	Target price: EUR 180.00	Warburg Research
26.02.24	Buy	Target price: EUR 160.00	Berenberg
26.02.24	Buy	Target price: EUR 143.00	Kepler Cheuvreux
23.02.24	Buy	Target price: EUR 145.00	Jefferies
13.02.24	adesso must improve profitability	The company attributes the deterioration in margins primarily to delays in capacity utilisation. [...] Initial efficiency measures were taken by management in H1, which is why the usual level of profitability is expected for 2024. The first sequential success became apparent in Q3. [...] A Buy recommendation requires at least a continuation of the trend in Q4. We are watching Adesso.	Platow Brief
01.02.24	Growth trend continues	The lower result in 2023 is due to the strong growth in staff numbers. Better capacity utilisation should be achieved again in 2024, which will have a positive impact on margins. However, the temporary dip in earnings does not change the growth story. [...] Accordingly, analysts remain positive about the share and see price targets of between € 145 and € 191.	Nebenwerte Journal
19.01.24	Back on track	Over the past ten years, adesso has been a guarantor of sales and profit growth. [...] Customer demand is high thanks to the cross-industry wave of digitalisation. Any signs of a slowdown? Not a chance! Growth-related delays in capacity utilisation [...] have nevertheless slowed down the IT service provider's operations in 2023. [...] If the return to the growth path succeeds as planned, the Adesso share should resume a sustained upward trend [...]. Target: € 150.00; stop: € 80.00	Der Aktionär
18.01.24	Margin as a price driver	The company has recognised the weak margins [...]. At the same time, the order backlog is high and the company's services are in demand. This creates a double lever: double-digit sales growth on the one hand and an increase in the margin on the other. The share will follow the margin.	Börse Online
17.08.23	adesso feels the impact of high personnel costs	In the first 6 months, sales increased by 33% to a half-year record of € 546.3 million. In contrast, EBITDA fell [...] adesso remains optimistic with regard to its annual targets due to the still full order books. [...] Adesso (see also 9/20: price 59.60, currently 107.40; +80%) is one of the classic long-term investments; (B+).	Effekten-Spiegel
15.08.23	Ticker	The demand for IT services remains high. [...] After the first half of the year (EUR 546.3 million), the company is also well on track for this. However, the Dortmund-based company will have to stretch its EBITDA (H1: 25.2 million). Adesso is on the watch list.	Platow Börse

MANAGEMENT AND DIRECTORS



Mark Lohweber | CEO

Mark Lohweber (born 1969) is a member of the Management Board and is responsible for the operational business in the Banking and Insurance sectors as well as international business, including nearshoring and offshoring. As a member of the Management Board, he is also in charge of the central areas of Corporate Account Management and Marketing. On the Executive Board, he is furthermore responsible for the adesso subsidiaries adesso insurance solutions GmbH, adesso banking solutions GmbH, Afida GmbH and Wepex GmbH. Lohweber has been Chairman of the Executive Board of adesso SE since the beginning of 2024. Before being appointed to the Executive Board in 2023, the trained banker and law graduate was CEO of CoCoNet AG, a leading European FinTech company. Mark Lohweber previously worked for adesso SE from 2007 to 2021, where he was responsible for various management positions.



Benedikt Bonnmann | Member of the Executive Board

Benedikt Bonnmann (born 1985) is a member of the Executive Board (from 1 April 2024) and is responsible for the operating business of the Automotive, Manufacturing Industry, Retail and Life Science sectors as well as for the Data, Analytics & AI, Digital Experience, Microsoft and Salesforce technology areas. On the Executive Board, he is as well responsible for the subsidiaries adesso manufacturing industry solutions GmbH, material.one GmbH and Reachbird Solutions GmbH. Before the business informatics graduate and MBA was appointed to the Executive Board in 2024, Benedikt Bonnmann had already been working for adesso since 2017 and had been responsible for building up the Data, Analytics & AI division since 2019. Before joining adesso, he was active in the field of business intelligence, data and AI consulting with a focus on SAP and founded his own consulting firm in 2010, which became part of the adesso Group in 2017.



Kristina Gerwert | Member of the Executive Board

Kristina Gerwert (born 1976) is a member of the Executive Board and is responsible for the central areas of Human Resources, Compliance, Corporate Administration, Corporate Buildings and Procurement. She is also in charge of the adesso subsidiary alleato assekuranzmakler GmbH. Before being appointed to the Executive Board in 2023, the economics graduate had been Head of Human Resources at adesso since 2011.

Executive Board



Andreas Prenneis | Member of the Executive Board

Andreas Prenneis (born 1965) is a member of the Management Board and is responsible for the operating business in the Cross Industries, Lottery and Sports sectors as well as for SAP and Cloud & Operations. As a member of the Executive Board, he is also in charge of the central Legal and Group IT divisions. He is moreover responsible for the adesso subsidiaries adesso as a service GmbH, adesso mobile solutions GmbH, adesso orange AG and percision services GmbH. Before being appointed to the Executive Board of adesso SE in 2015, he worked at CompuGroup Medical Deutschland, where he most recently headed various business areas as Area Vice President Telematics & AddOn.



Jörg Schroeder | Member of the Executive Board

Jörg Schroeder (born 1977) is a member of the Executive Board of adesso SE and is responsible for the central areas of Finance, Investor Relations and Mergers & Acquisitions. He is also the Executive Board member responsible for operations in the public administration, healthcare and energy sectors. Furthermore, he is responsible for the investments adesso health solutions GmbH, adesso ventures GmbH, KIWI Consulting EDV-Beratung GmbH and medgeneering GmbH. Before being appointed to the Executive Board of adesso SE in 2019, the graduate in business informatics, LL.M. and Executive MBA was initially responsible for strategy development and implementation at the BITMARCK Group as Chief Strategy Officer and member of the Executive Board from 2015. Most recently, as Chief Financial Officer of BITMARCK Holding GmbH, he was responsible for finance, controlling and purchasing for the Group and all subsidiaries.

MANAGEMENT AND DIRECTORS



Prof. Dr. Volker Gruhn | Chairperson of the Supervisory Board and Chairperson of the Nomination Committee

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 the Chairman of the Supervisory Board of Staige GmbH, Essen, as well as Member of the Business Council of Borussia Dortmund, Dortmund, and member of the University Council of the University of Leipzig, Leipzig.



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.



Stefanie Kemp | Member of the Supervisory Board

Stefanie Kemp (born 1963) started out in the healthcare and pharmaceutical industries, where she specialised in information technology at an early stage of her career. Her main areas of expertise are the transformation, innovation and digitalisation of companies. Ms Kemp, who lives in Düsseldorf, has been Chief Transformation Officer and a member of the management board of Sana Kliniken AG since September 2022. Previously, Ms Kemp was head of the German operations at the US software company Oracle and Chief IT Officer at several financial service providers and international family-run companies, as well as Chief Digital Officer (CDO) at the energy company RWE / innogy SE.

Further mandates in Supervisory Boards: Besides being a member of the Supervisory Board of adesso SE, Stefanie Kemp also sits on the supervisory board of FinBot AG, Meerbusch, and on the family advisory council of BJB GmbH & Co. KG, Arnsberg.

Supervisory Board



Hermann Kögler | Member of the Supervisory Board, Chairman of the Audit Committee

Hermann Kögler (Born 1955) was for over twelve years Director of Finance / Controlling and Spokesman of the Board at COGNOS AG (now: Carl Remigius Fresenius Education 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 Member of the Supervisory Board of Carl Remigius Fresenius Education AG (previously: COGNOS AG), Hamburg.



Rainer Rudolf | Member of the Supervisory Board, Member of the Audit and Nomination Committee

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 areas of finance, accounting and controlling as well as the areas of human resources, administration 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 CompuGroup 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 moved to the Management of SMF GmbH in May 2021 following the sale of the company and its merger with the parent company SMF GmbH.



Michael Zorc | Member of the Supervisory Board

Michael Zorc (born 1962) was Sports Director of Borussia 09 e.V. Dortmund (BVB) from 1998 to 2022, where he was responsible at the highest management level for the entire football division of the Bundesliga club, right down to the youth teams. He therefore has an excellent network in the industry as well as proven expertise in the field of sports management. Prior to his work as an official, Michael Zorc was an active professional footballer at Borussia Dortmund from 1981 to 1998. At the beginning of his professional career, Michael Zorc studied economics at the University of Dortmund.

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.

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 2,200 member companies of the digital economy.

FirstSpirit

The name of content management system produced by Crownpeak Technology GmbH (previously: 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

Date	Event
2024-01-16	27th ODDO BHF Forum, Lyon (virtual)
2024-03-25	Publication of the Annual / Consolidated Financial Statements 2023, Annual Press / Analyst Conference, Dortmund
2024-04-23	Roadshow (Berenberg), London
2024-05-13	Publication of the Quarterly Statement Q1 2024
2024-05-14	Spring Conference 2024, Frankfurt / Main
2024-06-04	Annual General Meeting, Dortmund
2024-08-14	Publication of the Half-Year Report 2024
2024-11-14	Publication of Quarterly Statement Q3 2024
2024-11-25 to 27	German Equity Forum 2024, Frankfurt / Main

Imprint

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