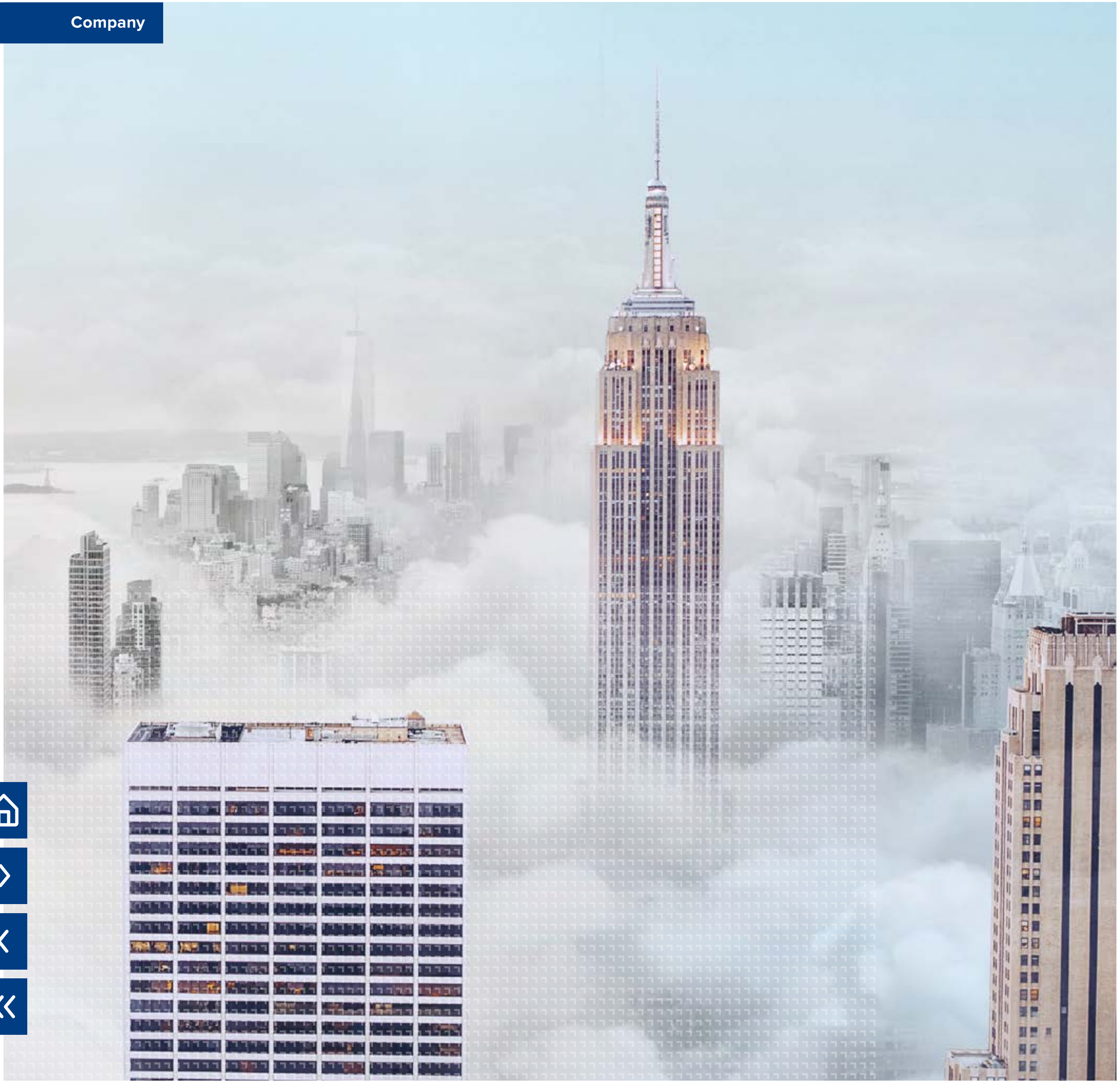
Shaping
the future
of digital
business

GFT

ANNUAL REPORT 2022

Company

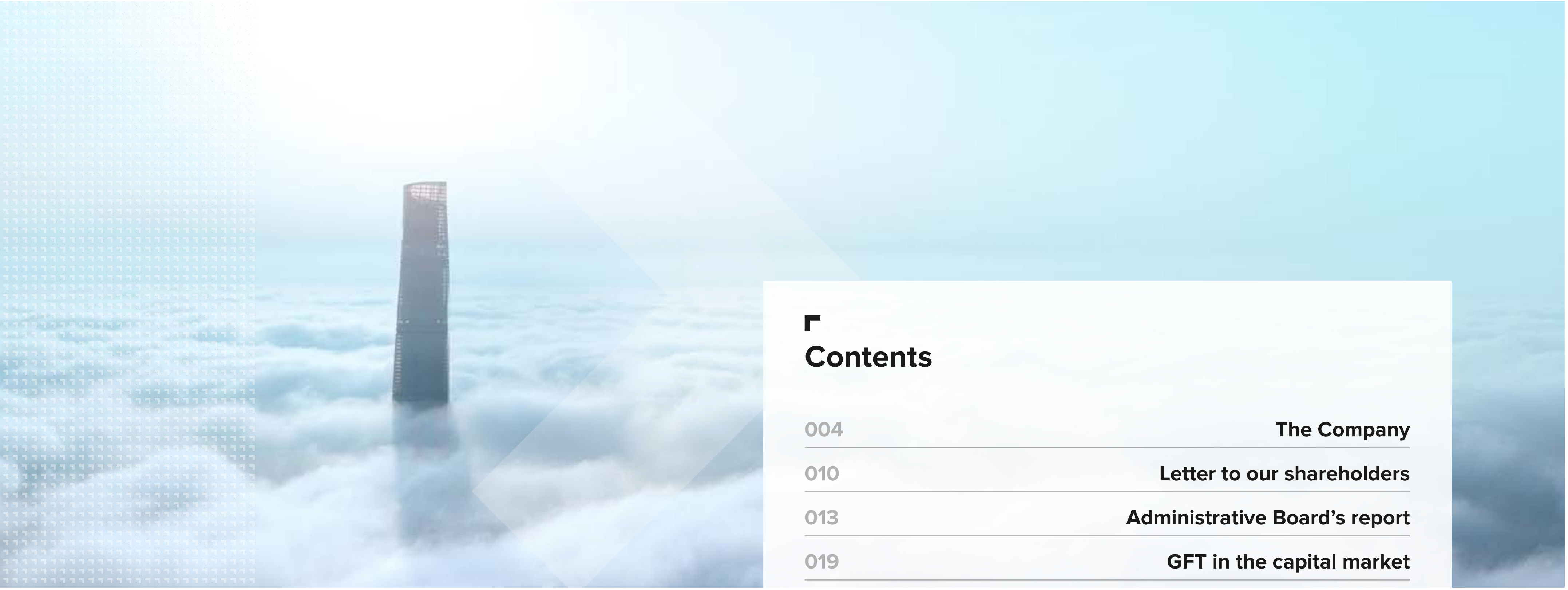


Sustainable growth

Digitalisation is revolutionising more and more sectors. New technologies are fundamentally changing the way we communicate, manufacture and conduct financial transactions. At the same time, the pace of change is increasing and the need for intelligent solutions is growing around the world.

GFT also reached new heights in 2022 and enjoyed a further consecutive year of significant growth. As an IT partner, we help companies securely and competently transform their businesses. And we think digitalisation and sustainability in tandem – and play our part to ensure a responsible pathway to the digital future.

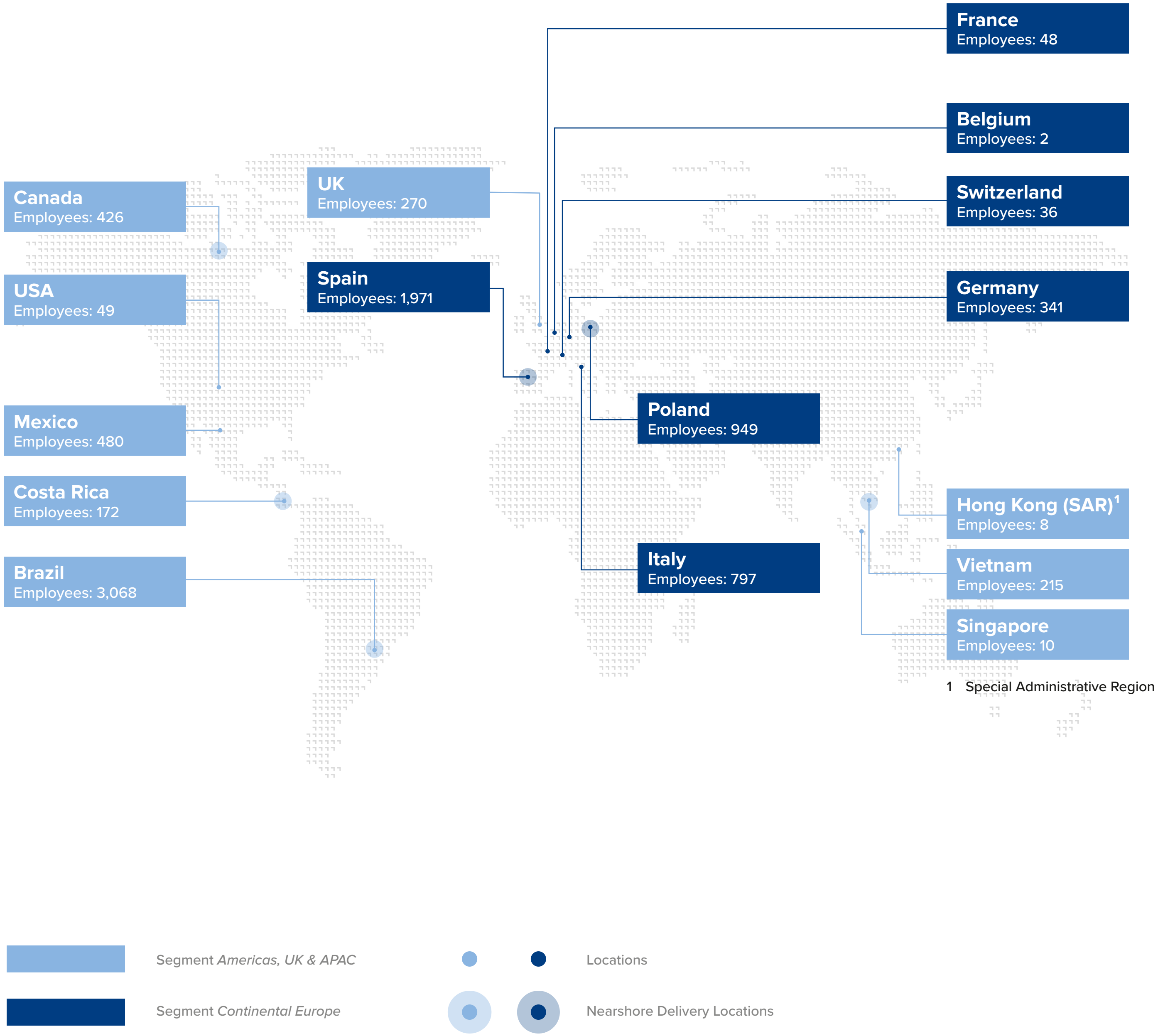
Company



Contents

References to persons are to be understood as gender neutral. For ease of readability, we refrain from using multiple mentions or paraphrases in certain passages – this does not imply any judgement.

Company



1 Special Administrative Region

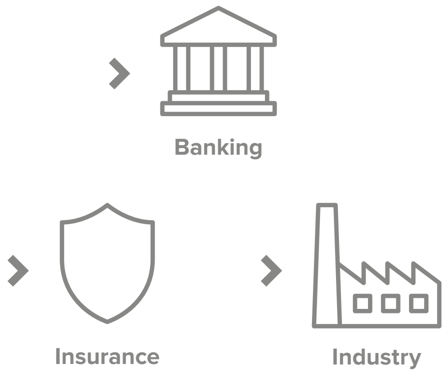
The company

GFT is shaping the digital transformation of the world's leading companies in the financial and insurance sectors, as well as in the manufacturing industry. As an IT service provider and developer of digital solutions, we offer strong consulting, development and implementation skills across all aspects of pioneering technologies – from cloud engineering to artificial intelligence and blockchain/DLT.

Our clients benefit from our technological and sector expertise, our strong network of partners, and our highly skilled and passionate employees.

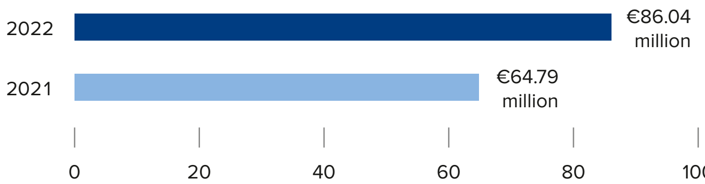
Founded in 1987 and located in more than 15 markets with over 10,000 experts to ensure proximity to its clients, GFT has been at the forefront of technological progress for 35 years now. As a family company, we value continual collaboration with our clients, partners, employees and shareholders.

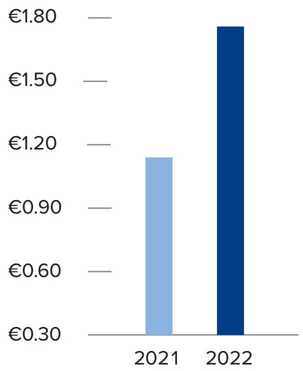
Our sector focus



Company

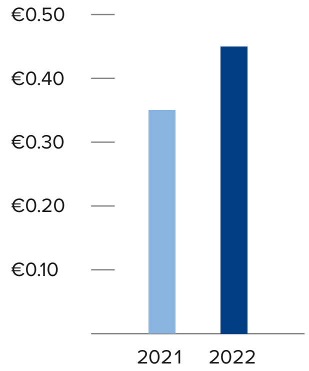
€86.04 million
EBITDA adjusted



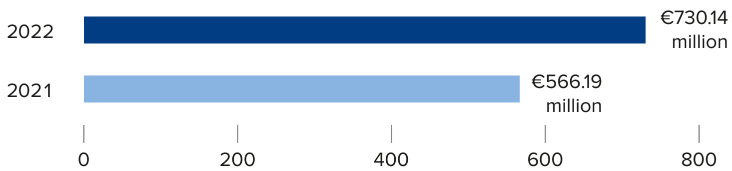


€1.76
Earnings per share

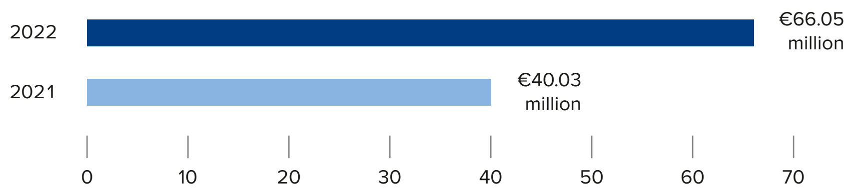
€0.45
Dividend per share



€730.14 million
Revenue



€66.05 million
EBT



Company

+52%
revenue from cloud technologies

+44%
revenue from insurance companies

+15%
employees

+45%
revenue from digital transformation[1]

Americas

+60%
revenue in the Americas region

85
nationalities in GFT team

44
qualified new clients[2]

1 Digital Transformation: Cloud, Agile and DevOps, Customer Centricity and Collaboration Solutions
2 Qualified new customers: annual revenue > €100 thousand and without prior-year revenue

Company

Tokenising green bonds

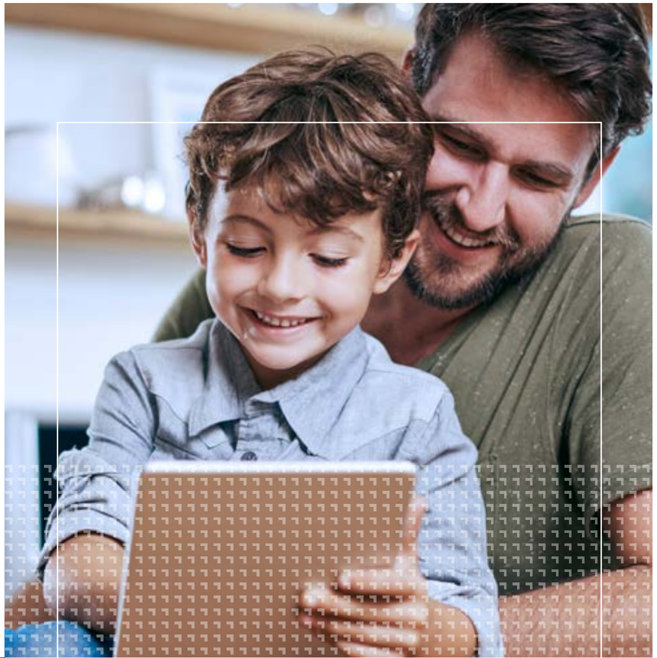
A digital platform that tracks green bond proceeds – ensuring greater transparency and traceability, strengthening corporate responsibility surrounding green financial investments and preventing greenwashing.

More

Secure digital management of collectors' items

Physical assets are integrated directly into the banking portfolio. Blockchain-based transactions are immutable, cost-efficient and seamlessly documented – a solution that opens up new business fields for VP Bank.

More



Playfully learning to handle finances

DB4Kids, a digital banking app designed specifically for children, lets them manage their pocket money while learning how to use their savings responsibly.

More

Company

Fewer costs, more flexibility

French mutual insurer MACIF has migrated its largest business line, Mobility, to Guidewire InsuranceSuite on the cloud – enabling it to offer differentiated digital products and services.

More

20 percent higher productivity

GFT is helping Austrian enclosure manufacturer Schinko GmbH raise the quality and throughput of its manufacturing processes. All production areas are being gradually connected to a fully integrated digital shop floor management system.

More

Awards & recognitions

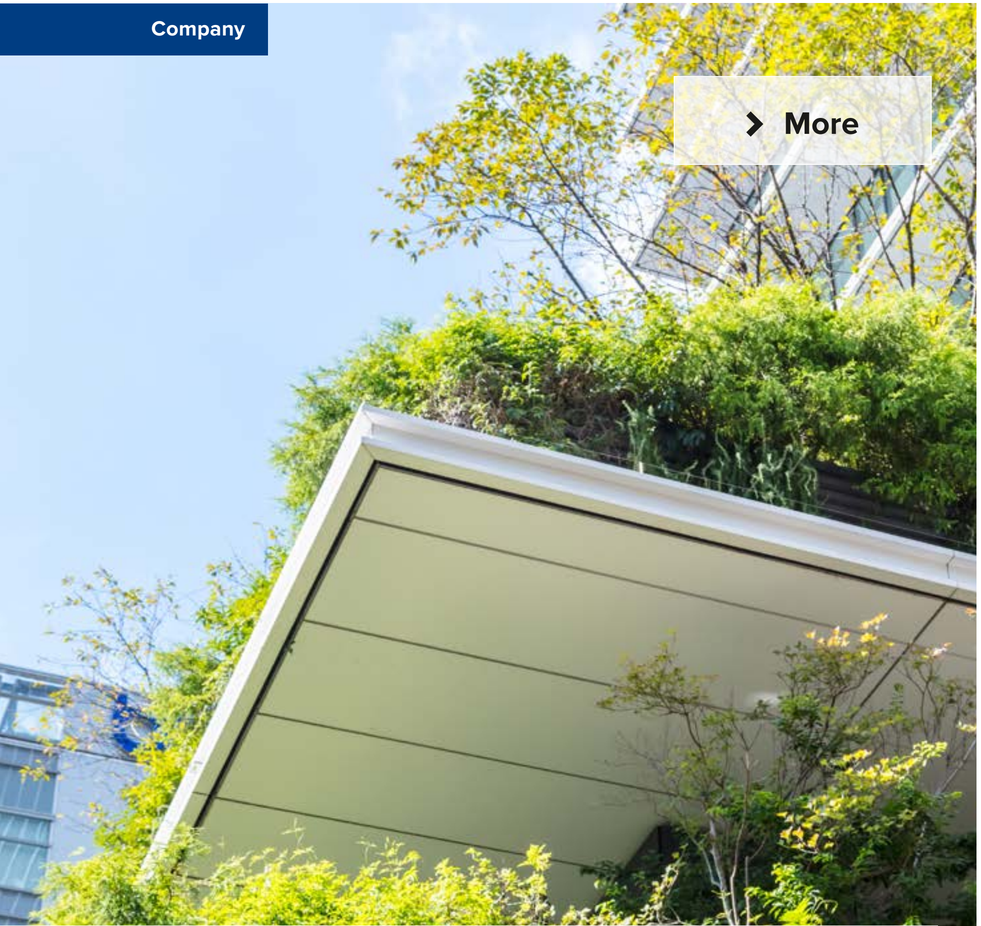
ISG
GFT is Leader in Data Analytics and Machine Learning in the Google Cloud partner ecosystem

Quadrant
We are Leader for Digital Banking Services by Quadrant Knowledge Solutions

More

- A revolutionary app-based bank that puts customers at the heart of everything
- Blockchain pioneer: VP Bank taps into new areas of growth

More



More

Responsibly into the digital future

Sustainability by design

Knowledge leads to responsibility. This is why we are committed to the responsible development and use of technology. Our software solutions are designed to promote the climate-friendly use of technology. Our GreenCoding initiative helps companies to code and run software more sustainably. Our “Privacy by design” approach integrates all data protection requirements into the design process right from the start.

Grow tech talent

People are at the heart of the digital transformation. We promote IT talent and want to inspire and attract more people to the tech sector. As an employer, we are committed to fair, safe and healthy working conditions as well as to equal opportunities at all levels. Beyond the company, we are committed to various target groups within the global tech community. We want to help people enhance their technology skills and improve their future opportunities.

We are awarded

The independent Science Based Target Initiative (SBTi) has validated our science-based 2030 emissions reduction targets. Read more: www.gft.com/int/en/about-us/Sustainability#Climateaction

2022, all GFT national companies have received the globally recognised “Great Place to Work” certification. We are proud of this award and at the same time see it as an incentive to continue on our path.

ESG Ratings

For a holistic picture, we participate in various external ratings:

CDP	**Score: C,** 13/12/2022
EcoVadis	**Score: 52 (Bronze),** 04/12/2022
ISS ESG	**Score: C–,** 31/03/2022
MSCI	**BBB,** 20/12/2022
S&P	**Score: 49/100,** 17/03/2022

Letter to our shareholders

“GFT was also an in-demand technology partner in 2022. We have strengthened our structures and remain on course for growth.”

— Marika Lulay, CEO of GFT Technologies SE

Dear shareholders,

Looking back on 2022, there are two terms in particular that describe GFT’s performance: resilience and growth.

Once again, the past year demonstrated the importance of being able to adapt quickly to change. Rapid technological progress, economic turbulence, geopolitical crises – in the face of all these challenges, GFT proved to be both highly agile and adaptable. A strong corporate culture and our successful diversification strategy of the past few years meant we could weather market volatility while at the same time consolidating our structures for future growth.

2022 was a further consecutive record year for us. We achieved significant growth and improved our standing across all industries and countries. At the beginning of 2023, GFT is a robust company benefiting more than most from the digitalisation megatrend and capable of responding profitably to new developments.

Record revenue and earnings

Our positive development in 2022 is reflected in the Group’s key financials: there was significant year-on-year revenue growth of 29% to €730 million. And the improvement in profitability was even stronger: earnings before taxes reached €66 million and adjusted EBITDA €86 million, corresponding to year-on-year growth of 65% and 33%, respectively.

Growth with new technologies

Our business with new technologies was especially dynamic: revenue from artificial intelligence, cloud, DLT/blockchain, DevOps and data analytics was increased once again and accounted for 48% of total revenue. Demand for cloud-based solutions was particularly strong in 2022 with year-on-year growth of 52%.

Letter to our shareholders

Revenue from cloud projects increased in 2022 by

52%

In 2022 the GFT team grow to more than

10.000

experts[1].

Successful diversification

Digitalisation made further inroads in all sectors and enabled us to continue our diversification strategy. In 2022, we were able to acquire 457 new clients and at the same time expand our business with existing clients. Complex and long-term modernisation and transformation projects proved to be the main growth drivers.

In our core market, the banking sector, revenue was up 27% on the previous year. From digital asset management solutions in Liechtenstein to cloud-based, Islam-compliant digital banking in Malaysia – with GFT at their side, banks are looking to benefit from the opportunities offered by new technologies. There was particularly strong demand for next-generation core banking systems in the Asian market in 2022.

GFT has also established itself as a sought-after technology and innovation partner for insurers. In 2022, we expanded our market position in Canada and Europe. Revenue from insurance companies rose by 44%; its share of total revenue reached 18%. Around half of this revenue now comes from business with composite insurers, and the other half from providers of life and health insurance.

Business with our industrial clients developed according to plan last year, with a 21% increase in revenue. Its share of total revenue amounted to 10%. We succeeded in broadening our customer base and leveraging our technological expertise to attract numerous industrial companies – such as a large US car manufacturer that migrated its production to the cloud.

Award-winning expertise

Independent market experts from analysts Quadrant Knowledge Solutions and ISG have identified GFT as an international leader in the fields of digital banking, data analytics and machine learning. In 2022, we were also among the winners of the prestigious Banking Tech Awards. We are proud of these accolades, as they pay tribute to our work and enhance our market visibility.

Successful on the global labour market

All these achievements would not have been possible without our dedicated and highly skilled team, who once again demonstrated their expertise and passion in 2022. My heartfelt gratitude goes to all our employees.

Last year, we passed the 10,000 talent mark for the first time – a huge success in view of the fiercely competitive global market for skilled workers. I am particularly delighted that all GFT national companies achieved the globally recognised “Great Place to Work” certification in 2022. We will continue to work hard to inspire the best minds to join GFT.

Living sustainability

How can information technology help solve the problem of climate change? As the climate crisis continues to escalate, the software industry is also under increasing pressure to reduce its CO_2 emissions. For us as an IT company, it goes without saying that we need to reduce our own carbon footprint and to use our expertise to facilitate the sustainable use of technology.

Our GreenCoding method of energy-efficient software programming helps customers achieve their climate targets. Demand in the past year rose strongly.

In 2022, we set ourselves new and ambitious climate targets and had them reviewed and confirmed by the independent Science Based Targets initiative. This makes GFT one of the first SDAX-listed software companies with climate targets that have been validated by SBTi.

Stable dividend

Dear shareholders, we would like you as owners to share in the success of our company. Our healthy liquidity and stable balance sheet structure enable us to maintain the dividend policy of the past years. For the financial year 2022, we will propose to the Annual General Meeting the distribution of a dividend of €0.45 per share.

1 Employees (8,842) and contractors (1,275)

Letter to our shareholders

16%

increase in revenue expected for 2023

Solid growth

Let us look to the future together. GFT is excellently placed to continue its growth trajectory. Our Global Delivery Model combines outstanding quality, flexibility and attractive prices. Our sector expertise makes us a sought-after IT partner, while our technological know-how has made us a pioneer in the field of future-oriented topics.

In 2023, we expect new technologies in particular to drive the dynamic growth of our business. Modern IT systems have become an important competitive factor for banks, insurers and industrial companies. The pressure for them to reduce costs and modernise their systems is growing.

In the banking environment, we anticipate increased demand for cloud-native core banking systems. Numerous financial institutions, especially in the USA and the UK, plan to launch major projects in the coming years; new digital banks are emerging in Asia.

We expect our business with insurers to generate double-digit growth in 2023. Thanks to strategic partnerships with platform providers, GFT is ideally positioned in this market. Demand for complex, long-term transformation projects will remain strong and lead to revenue growth, especially in America and Europe.

Industrial companies need to invest heavily in digital transformation if they want to maintain the leading positions of their successful business models in the future. We expect growth rates in the double-digit range in 2023, with a focus on Europe.

We will continue to expand our client diversification. With a continued clear focus on the banking business, we assume in the medium term that the turnover of the two other pillars in the insurance and industry sectors will amount to at least 30%. Our goal is to continue to grow twice as fast as the market while steadily improving earnings.

Our excellent order situation enables us to focus on high-margin projects in the current financial year. The aim is to maintain our profitability at the high level of the previous year. For the financial year 2023 we anticipate revenue of €850 million and an increase in adjusted EBIT to €80 million. EBT is expected to reach €72 million.

Dear shareholders, your company, GFT Technologies SE, is on a solid growth trajectory. Our proven business model gives us both flexibility and stability. I would like to thank you for your trust and hope you continue to accompany us on our journey.

Best regards,

Marika Lulay

Marika Lulay
CEO of GFT Technologies SE

Administrative Board Report

“The digital transformation is in full swing. GFT is leading the way with courage and innovative strength. In this way, we are opening up exciting opportunities.”

— Ulrich Dietz, Chairman of the Administrative Board of GFT Technologies SE

In the financial year 2022, the Administrative Board once again performed the duties and exercised the rights assigned to it by law, the Articles of Association and its Rules of Procedure without restriction. It managed the company, determined the parameters of its business activities and supervised their implementation by the Managing Directors.

The following report describes the work of the Administrative Board in the financial year 2022:

The Administrative Board of GFT Technologies SE held a total of 7 meetings in the financial year 2022. During these meetings, the Managing Directors informed the Administrative Board in verbal form – on the basis of written reports provided well in advance – about the current state of business, the earnings trend, major projects and any deviations from planned developments. The Administrative Board discussed these reports in detail. Moreover, all transactions and measures requiring its approval were submitted to the Administrative Board for inspection. These were examined in detail on the basis of the documents and oral explanations provided. Following detailed discussion, the Administrative Board adopted the necessary resolutions.

Between meetings, the Chairman of the Administrative Board was in regular contact with the Managing Directors. He reported these discussions to the Administrative Board no later than at the next meeting.

The aforementioned measures ensured that the Administrative Board was able to fulfil its duties diligently and promptly at all times and to perform the tasks incumbent upon it in accordance with its duties.

The meetings in detail:

At the meeting on **2 March 2022,** the Managing Directors informed the Administrative Board about the preliminary results of the financial year 2021. The Administrative Board also discussed the proposal for the appropriation of profit for the financial year 2021.

Administrative Board Report

The **balance-sheet meeting** was held on **23 March 2022.** The Administrative Board conclusively examined in detail the annual financial statements, the consolidated financial statements and the combined management report of GFT Technologies SE, as well as the proposal for allocating net income, on the basis of the documents provided well in advance – in particular the audit reports of KPMG Wirtschaftsprüfungsgesellschaft AG, Berlin, which each contained an unqualified audit opinion. The documents were discussed thoroughly with the Managing Directors during this meeting, which was also attended by the chief auditor, after the Managing Directors had explained the documents prepared by the company. The chief auditor presented the audit results in detail – especially those in connection with the key audit matters – and went on to explain the audit procedures and answer at length the many questions asked by members of the Administrative Board. As a result, the Administrative Board was able to satisfy itself that the audit process and audit report had been executed in an orderly and proper manner. The Administrative Board had no objections to make and concurred with the audit result on the basis of its own review. It adopted a resolution to approve the annual financial statements 2021 of GFT Technologies SE and the consolidated financial statements 2021 as prepared by the Managing Directors. The annual financial statements 2021 of GFT Technologies SE were thus formally adopted.

Moreover, at the same meeting the Administrative Board discussed the implementation status of the GFT Group's CSR strategy. It examined in detail the separate non-financial group report. There were no objections to the report.

In addition, the Administrative Board approved the Remuneration Report it had prepared.

The Administrative Board also met without the presence of the Managing Directors. In this constellation, it adopted a resolution regarding the target achievement of the Managing Directors for the financial year 2021 in respect of their variable compensation.

At the meeting on **9 May 2022,** the Managing Directors presented the results for the first quarter of 2022. In addition, the Administrative Board dealt with strategic topics. In particular, it was informed about the progress of business in Germany and the development of the GFT Group's delivery locations. The Administrative Board also decided on the target figures for the proportion of women in various positions, which are to be achieved by 30 April 2027.

The results for the first six months of 2022 and the half-year financial report of the GFT Group were the topic of the meeting on **8 August 2022.**

At the two-day strategy meeting held on **7 and 8 November 2022,** the Administrative Board discussed in detail the strategy of the GFT Group and the business performance of the GFT Group and its national subsidiaries. In addition, the Administrative Board discussed the results for the first nine months of the financial year 2022.

The topic of the meeting on **7 December 2022** was the budget proposal for the financial year 2023, including financial, investment and personnel planning. The Administrative Board discussed the budget proposal in detail and subsequently adopted the Budget 2023. The Administrative Board also issued the Declaration of Compliance with the German Corporate Governance Code ('the Code') according to section 22 (6) SEAG in conjunction with section 161 AktG and adopted the sustainability targets of the Managing Directors for the financial year 2023, after previously discussing the CSR strategy in depth. Furthermore, it addressed the skills profile for the Administrative Board and the objectives for its composition, including diversity targets. The Administrative Board and the committees it has established also completed their biennial self-assessments. Finally, the Administrative Board elected Prof Dr Andreas Wiedemann as Chairman of the Audit Committee with effect from 1 January 2023.

At the meeting on **20 December 2022,** the members of the Administrative Board once again discussed the strategy of the GFT Group and adopted the necessary resolutions.

Work in the Committees

The Administrative Board has set up two committees: an audit committee and a committee to decide on matters concerning a consultancy agreement between GFT Technologies SE and RB Capital GmbH.

The **Audit Committee** complies with the legal requirements as well as the recommendations of the Code. It consists of three members: Dr Paul Lerbinger, Maria Dietz and Prof Dr Andreas Wiedemann. In the financial year 2022, the committee was chaired by Dr Paul Lerbinger. As of 1 January 2023, Prof Dr Andreas Wiedemann took over this role.

The Audit Committee held four meetings in the financial year 2022. At its meetings on 14 March 2022, 9 May 2022, 8 August 2022 and 7 November 2022, it discussed the half-year financial report and the quarterly statements. In the reporting period, it also dealt with the internal control system and the risk management system, including the compliance management system, as well as the internal audit system and the key audit matters for the auditing of the annual financial statements 2022. It monitored the independence, qualifications and rotation of the auditors, as well as the services provided by the auditors, and examined the quality of the audit.

The **committee** to decide on matters concerning a **consultancy agreement** between GFT Technologies SE and RB Capital GmbH was set up in view of the fact that the Chairman of the Administrative Board, Ulrich Dietz, is the sole managing director of this company. The exclusive purpose of the committee is to exclude potential conflicts of interest from the outset when deliberating on and adopting resolutions in connection with the execution of the agreement. It consists of three Administrative Board members: Prof Dr Andreas Wiedemann (Chairman), Dr Paul Lerbinger and Dr-Ing Andreas Bereczky. The committee was not convened in the financial year 2022, as GFT Technologies SE did not receive any corresponding consulting services in the financial year 2022.

Type of meeting and individualised disclosure of participation

The overall attendance rate of members for the meetings of the Administrative Board and its committees was 97 percent. Of the seven Administrative Board meetings, three were held in person and four were held via video conference. There were no telephone conferences. Half of the four meetings of the Audit Committee were held in person and the other half were held via video conference.

The table below provides an individualised overview of the participation of Administrative Board members in meetings of the Administrative Board and its committees:

	Meetings of the full Administrative Board	Meetings of the Audit Committee
Ulrich Dietz (Chairman)	7/7 (100%)	
Dr Paul Lerbinger (Deputy Chairman)	7/7 (100%)	4/4(100%)
Dr-Ing Andreas Bereczky	7/7 (100%)	
Maria Dietz	7/7 (100%)	4/4 (100%)
Marika Lulay	7/7 (100%)	
Dr Jochen Ruetz	7/7 (100%)	
Prof Dr Andreas Wiedemann	6/7 (86%)	3/4 (75%)

Corporate Governance and Declaration of Compliance

The Administrative Board regularly discusses the rules of good corporate governance and their application within the GFT Group. This was also the case in the financial year 2022. Detailed information on the corporate governance principles and their implementation within the GFT Group is presented in the Corporate Governance Statement for the GFT Group and GFT Technologies SE. This is contained in the Annual Report 2022 as part of the combined management report.

The Administrative Board issued its scheduled Declaration of Compliance at its meeting on 7 December 2022. The document is published on the company's website www.gft.com/governance.

Conflicts of interest and their treatment

In order to avoid any suspicion of a conflict of interest, Administrative Board members do not participate in discussions or the adoption of resolutions on transactions between themselves and GFT Technologies SE, or companies belonging to the GFT Group. The same procedure applies if the contractual partner is not a member of the Administrative Board but a company for which the Administrative Board member works or in which the member holds a controlling interest.

Members of the Administrative Board who are also appointed as Managing Directors do not participate in deliberations and resolutions in connection with all matters relating to the service agreements of Managing Directors.

The Administrative Board has set up the above mentioned committee to deal with the consultancy agreement with RB Capital GmbH.

Education and training activities

The members of the Administrative Board are responsible themselves for the education and training measures required for the performance of their duties. The company provides appropriate support for the members in this respect, in particular by means of presentations on specialist topics during meetings of the Administrative Board. For example, the chief auditor informed the Administrative Board members about the latest developments with regard to the auditing of annual financial statements at the balance-sheet meeting on 23 March 2022. At its strategy meeting held on 7 and 8 November 2022, the company also provided information about current trends and the latest developments in the field of digital banking.

Self-assessment

In the financial year 2022, the Administrative Board and its committees carried out their biennial self-assessment on the basis of comprehensive company-specific questionnaires. In the process, the respective members assessed, among other things, how effectively they fulfilled their tasks.

Annual financial statements and consolidated financial statements 2022

The annual financial statements of GFT Technologies SE as at 31 December 2022, the consolidated financial statements as at 31 December 2022, and the combined management report for the GFT Group and GFT Technologies SE were audited by Deloitte Wirtschaftsprüfungsgesellschaft, Munich, (Deloitte), which awarded an unqualified audit opinion in each case. As part of the audit remit, the auditors also concluded that the Administrative Board had taken appropriate steps to fulfil its tasks pursuant to section 22 (3) sentence 2 SEAG, in particular to establish a monitoring system, and concluded that this monitoring system was suitable for the early detection of developments which might jeopardise the continued existence of the company.

Deloitte has been the auditing company elected for the auditing of GFT Technologies SE and the GFT Group since the financial year 2022. Marco Koch is primarily responsible for the audit. Anja Lustig is the second signatory. Both signed the independent auditor's report for the annual financial statements and the consolidated financial statements for the first time.

The annual financial statements of GFT Technologies SE and the combined management report for GFT Technologies SE and the GFT Group were prepared in accordance with German legal requirements. The consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (HGB). The independent auditors conducted their audit in accordance with section 317 HGB and the EU Audit Regulation in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW) and additional observance of the International Standards on Auditing (ISA).

The annual financial statements, the consolidated financial statements and the combined management report, as well as the dividend proposal, were discussed in detail at the Audit Committee's meeting on 6 March 2023, which was attended by representatives of the auditor. In particular, the Audit Committee dealt with the key audit matters described in the respective audit opinion, including the audit procedures performed. The Audit Committee's review also included the separate non-financial report for the Group.

Each member of the Administrative Board received in good time: the annual financial statements, the consolidated financial statements and the combined management report as at 31 December 2022, the audit reports of the auditors, the other documents to be examined – including the separate non-financial group report – and the proposal of the Managing Directors for the allocation of net income. All of the documents prepared by the company were explained in detail by the Managing Directors at the Administrative Board meeting of 22 March 2023. In particular, the Administrative Board discussed the key audit matters described in the audit certificates, as well as the audit procedures performed. The meeting was attended by representatives of the chief auditor. They reported on the priorities and the results of the audit and explained the audit reports. Moreover, they answered in detail all questions relating to the key audit matters and the audit procedures performed. They also stated that the chief auditor was convinced that there were no material weaknesses in the internal control system and risk management system in relation to the financial reporting process.

Both the Administrative Board and the Audit Committee examined all documents submitted on the annual and consolidated financial statements, including the audit reports of the auditors, and discussed any issues – especially with regard to the key audit matters – at length with the Managing Directors and the chief auditor. The chair of the Audit Committee reported in detail on the results of the preliminary audit at the Administrative Board meeting. It is the firm belief of the Administrative Board that the documents presented were prepared in an orderly manner and comply with statutory requirements. The

Administrative Board Report

Administrative Board has no objections and, on the basis of its own review, concurs with the findings of the audit. With a corresponding resolution at its meeting on 22 March 2023, the Administrative Board approved the annual financial statements for 2022 of GFT Technologies SE and the consolidated financial statements of the GFT Group for 2022, as prepared by the Managing Directors. The annual financial statements of GFT Technologies SE for 2022 were thus adopted. On the basis of its own review of the company's economic situation, the Administrative Board believes that the proposal of the Managing Directors regarding the allocation of net income and the payment of a dividend of € 0.45 per ordinary share entitled to dividends is reasonable and appropriate and therefore concurs with this proposal.

The Administrative Board also reviewed the separate non-financial group report and raised no objections.

Thank you

The Administrative Board would like to thank all shareholders for their continued trust. It is also indebted to the Managing Directors and to all employees of the GFT Group in Germany and abroad. Their high level of personal commitment made a decisive contribution to the good results of the financial year 2022.

Stuttgart, 22 March 2023

For the Administrative Board

Ulrich Dietz
Chairman

Members of the Administrative Board

Name	Profession	Year of birth	Member since	Appointed until[2]	Seats held on mandatory supervisory boards or comparable committees in Germany and abroad (as of: 31 December 2022)
Ulrich Dietz (Chairman)	Chairman of the Administrative Board of GFT Technologies SE	1958	18/08/2015	2027	Festo SE & Co.KG, Esslingen, Germany (Member of the Supervisory Board)
Dr Paul Lerbinger (Deputy Chairman)	Deputy Chairman of the Administrative Board of GFT Technologies SE Former CEO of HSH Nordbank AG	1955	14/01/2011[1]	2027	Minimax GmbH, Bad Oldesloe, Germany (Chairman of the Supervisory Board)
Dr Andreas Bereczky	Former Production Director ZDF	1953	31/05/2011[1]	2027	none
Maria Dietz	Member of the Administrative Board of GFT Technologies SE Former Head of Purchasing for the GFT Group	1962	18/08/2015	2027	Drägerwerk AG & Co. KGaA, Lübeck, Germany (Member of the Supervisory Board)[3] Drägerwerk Verwaltungs AG, Lübeck, Germany (Member of the Supervisory Board) Dräger Safety AG & Co. KGaA, Lübeck, Germany (Member of the Supervisory Board) Ernst Klett Aktiengesellschaft, Stuttgart, Germany (Member of the Supervisory Board) LBBW Asset Management Investmentgesellschaft mbh, Stuttgart, Deutschland (Member of the Supervisory Board)
Marika Lulay	Chairwoman of the Managing Directors of GFT Technologies SE, CEO Responsible for Strategy and Business Development, Markets, Communication, Marketing, Technology and Innovation	1962	18/08/2015	2027	EnBW Energie Baden-Württemberg AG, Karlsruhe, Germany (Member of the Supervisory Board)[3] Aareal Bank AG, Wiesbaden, Deutschland (Member of the Supervisory Board)[3]
Dr Jochen Ruetz	Managing Director of GFT Technologies SE Responsible for IT Infrastructures, Human Resources, Finance, Investor Relations, Legal Affairs, Internal Audit and Mergers & Acquisitions	1968	18/08/2015	2027	G. Elsinghorst Handelsgesellschaft mbH, Bocholt, Germany (Member of the Supervisory Board) Progress-Werk Oberkirch AG, Oberkirch, Germany (Member of the Supervisory Board)[3]
Prof Dr Andreas Wiedemann	Lawyer and partner of the law firm Hennerkes, Kirchdörfer & Lorz	1968	18/08/2015	2027	Georg Nordmann Holding AG, Hamburg, Germany (Chairman of the Supervisory Board) Jowat SE, Detmold, Germany (Chairman of the Supervisory Board) Mack & Schühle AG, Owen/Teck, Deutschland (Chairman of the Supervisory Board)

1 Member of the Supervisory Board of GFT Technologies SE until 18/08/2015; Member of the Administrative Board of GFT Technologies SE since 18/08/2015.
2 The term of office ends on expiry of the Annual General Meeting of the year stated.
3 Publicly listed company

Investor Relations

GFT in the capital market

The stock market year 2022

The stock market year 2022 was dominated by numerous challenges – for both equities and bonds. There have only been seven comparable years since the Great Depression in 1929. The main burden for the financial markets was initially rising inflation. Contrary to central bank expectations in early 2022, this did not prove to be a temporary phenomenon. The war in Ukraine weighed heavily on market sentiment and the accompanying energy crisis accelerated inflation significantly. The consequence was double-digit inflation rates.

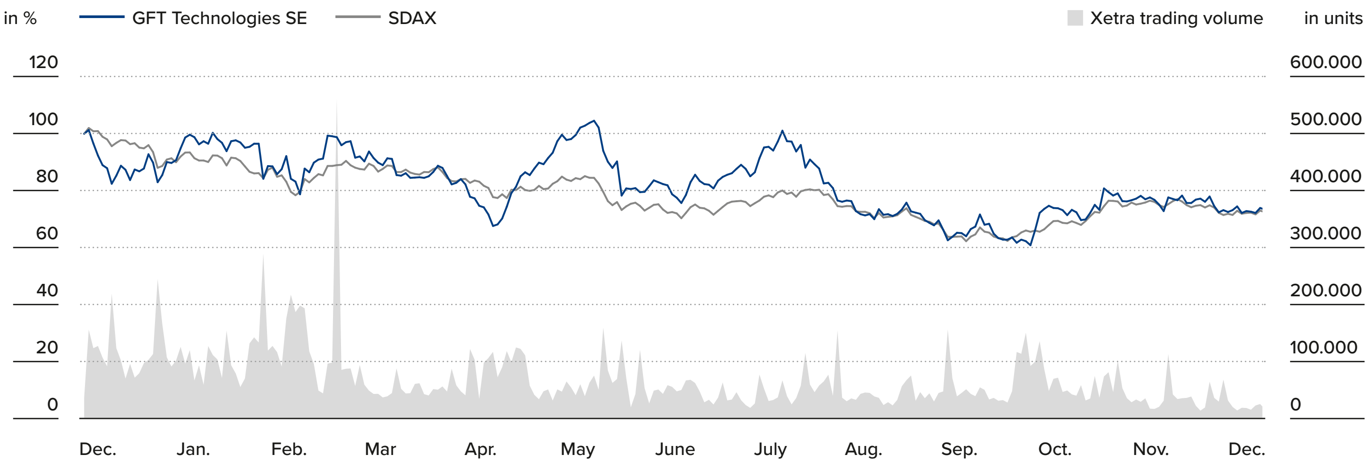
In March, the US Federal Reserve decided to take corrective action and launched an aggressive cycle of interest rate hikes, raising rates from almost zero at the time to 4.5% by the end of the year. The ECB belatedly followed suit in the summer. High inflation and a deteriorating economic outlook fuelled fears of stagflation as well as concerns about high inflation rates coupled with an economic downturn. Wall Street recorded its weakest performance since 2008, with the Nasdaq Composite technology index losing over 33%, while Dow Jones blue chips suffered smaller losses of 8.8%. The yield on ten-year German government bonds (Bunds) rose from –0.12% at the beginning of the year to just over 2.56%, while the DAX was down by more than 12% over the year. The TecDAX fell by 25.5% and the SDAX lost 27.3%. Interest rate-sensitive sectors were hit particularly hard by the development, above all real estate and technology stocks, which lost more than 40% and almost 30% respectively over the year.

GFT share performance in 2022

The GFT share was unable to escape the negative general market trend in 2022. After a weak start to the year, the share managed to recoup its losses by the end of the first quarter. Against a backdrop of widespread market pessimism, even the publication of evenue and earnings figures for the full year 2021 – the best in the company's history – failed to lift GFT's share price. In the period up to summer, the share moved sideways with a high degree of volatility, reaching a low of €31.55 and a high of €49.00. Despite excellent figures for the first six months of 2022 and the renewed upgrading of revenue and earnings guidance in August, the share lost ground as the market environment continued to deteriorate significantly. It reached its year-low of €28.20 on 19 October 2022.

In the run-up to the publication of financial figures for the first nine months, the share price recovered once more and peaked at €37.35. A further upgrade of full-year earnings guidance was unable to spark any momentum by this stage. The downward pressure exerted by a combination of inflation and the war in Ukraine – and its impact on energy supplies in particular – was simply too strong. Following a moderate sideways movement, the GFT share closed the stock market year 2022 at €33.95–26.43% down on the prior-year closing price and in line with the general SDAX trend.

Share performance and Xetra trading volume in 2022



Start: 31 December 2021 (GFT closing rate Xetra €46.15)

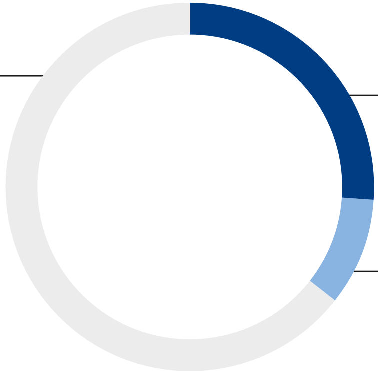
End: 31 December 2022 (GFT closing rate Xetra €33.95)

Investor Relations

Shareholder structure

The free float portion (according to the Deutsche Börse definition) amounted to 64.2% at the end of 2022. With stakes of 26.3% and 9.5%, respectively, company founder Ulrich Dietz and Maria Dietz are long-standing shareholders of GFT Technologies SE.

Shareholder structure on 31 December 2022
in %



Dividend

Sustainability and continuity are the guiding principles of GFT's dividend policy. The company aims to distribute between 20% and 50% of its annual net income. The Annual General Meeting approved a dividend of €0.35 per share for the financial year 2021. For the financial year 2022, the Administrative Board plans to propose a dividend of €0.45 at the Annual General Meeting. This corresponds to a dividend ratio of 26% (2021: 31%) and a total dividend payout of €11.8 million (2021: €9.21 million).

Annual General Meeting

In view of the ongoing Covid-19 pandemic, GFT once again held a virtual Annual General Meeting on 1 June 2022. Shareholders made good use of the opportunity to submit questions in advance and to follow the Annual General Meeting live as a webcast. A total of 68.43% of the share capital with voting rights was represented, corresponding to a further strong increase over the previous year (2021: 60.05%) and indicating growing support for the virtual format. All resolutions proposed by the company's management were adopted with large majorities.

Capital market communication

Providing comprehensive, timely and transparent information about the Group's strategy and current development is the primary objective of GFT's capital market communication. At the same time, GFT strives to ensure that all stakeholders receive equally open and up-to-date information. The CEO, CFO and Investor Relations team are in constant dialogue with national and international investors, as well as with private shareholders, to explain the GFT Group's business model and current performance – in 2022, for example, GFT spoke with well over 200 national and international investors and analysts. A comprehensive range of information on GFT is available on the Investor Relations website www.gft.com/ir. This provides analytical tools, quarterly and annual reports, presentations, conference call recordings and analyst reports to aid investment decisions.

Information on the GFT share

	2022	2021
Prior year-closing quotation (Xetra closing price on the last trading day)	€46.15	€11.94
Year-closing quotation (Xetra closing price on the last trading day)	€33.95	€46.15
Percentage change	–26%	287%
Year-high (daily closing prices Xetra)	€48.25 08/06/2022	€46.15 30/12/2021
Year-low (daily closing prices Xetra)	€28.20 19/10/2022	€11.94 05/01/2021
Number of shares on 31 December	26,325,946	26,325,946
Market capitalisation on 31 December	€894 million	€1,215 million
Average daily trading volume in shares (Xetra)	68,662	75,539
Earnings per share	€1.88	€1.14
Operative cash flow per share	€2.18	€2.01
Dividend per share	€0.45	€0.35

Source: Nasdaq
Initial stock market quotation: 28/06/1999
ISIN: DE0005800601
Deutsche Börse segment: Prime Standard
Index listings: SDAX, MSCI Global Small Cap indices

Your contact to GFT

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Germany

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ir@gft.com

Investor Relations

GFT share as an attractive investment

Investing in GFT Technologies SE is an investment in unique technology and sector expertise coupled with attractive potential in the megatrend digitalisation.

Strong demand for digital transformation

- Digital transformation is a megatrend
- Dynamic growth of cloud business
- Rising IT budgets for innovation in banking
- Ongoing industrial automation

Unique technology and sector expertise

- Long-standing expertise in digital transformation for financial institutions
- Strong focus on growth-potential technologies: AI, Cloud, DLT/Block-chain, Data Analytics, DevOps
- Partnerships with market leaders: AWS, Google, Microsoft, Guidewire, Thought Machine, Mambu, Vodeno
- Technology-driven diversification into IoT
- Proven client-focused onshore/nearshore staffing model

Highly attractive sales and earnings potential

- Accelerated growth due to strong demand for digitalisation solutions
- Rising profit margins
- Attractive free cash flow generation with low capex (approx. 2% of sales)
- Shareholder-friendly dividend policy: 20–50% of net income

Sustainability and commitment

- CEO and CFO more than 10 years with GFT
- Reduce our operational greenhouse gas emissions (Scopes 1 and 2) by 50% by 2030 compared to the 2020 baseline
- Commitment to grow IT talent worldwide
- Greencoding initiatives to reduce energy consumption and the emission of greenhouse gases

Combined management report

"GFT was able to increase the record results of the previous year again in 2022. For 2023 we expect further growth in revenue and earnings, in line with a solid capital and balance sheet structure."

— Dr Jochen Ruetz, CFO of GFT Technologies SE

Combined management report

1 Basic principles of the Group

1.1 Basis of presentation

This combined management report for the GFT Group and GFT Technologies SE was prepared in accordance with section 315 (5) of the German Commercial Code (Handelsgesetzbuch – HGB), in conjunction with section 289 HGB, and in compliance with section 315a HGB. Unless stated otherwise, the following information applies to the GFT Group and to GFT Technologies SE. All amounts are rounded in accordance with standard commercial practice.

In accordance with its internal management system, the **business activities** of the GFT Group are divided into two segments.

1.2 Business model

Business operations

The GFT Group (GFT) is a globally aligned technology provider and pioneer of the digital transformation. Its portfolio of services ranges from the modernisation of core systems to the migration to open cloud platforms to energy-efficient programming (GreenCoding). The main focus is on future technologies such as distributed ledger technology (DLT), artificial intelligence (AI), DevOps, data analytics, the Internet of Things (IoT) and, in particular, cloud applications. GFT has deep technological expertise, comprehensive market know-how and strong partnerships as one of the largest implementation partners for cloud solutions from Amazon Web Services (AWS), Google Cloud, Salesforce, Thought Machine and Guidewire. Its clients include leading banks and insurance companies in Europe, the Americas and the Asia-Pacific region, as well as industrial companies, especially in Germany and the USA.

Further information on our innovative IT solutions can be found in the **non-financial report** on page 16.

In the field of banking, growth is being driven by the need to optimise business processes, reduce operating costs and offer innovative client solutions in order to counter rising competitive pressure. GFT Technologies SE not only has expertise in these future technologies, but also many years of experience and extensive sector-specific knowledge. This applies in particular to application development for major banks with legacy IT infrastructures. GFT supports the digitalisation process of banks with technologies and solutions, as well as extensive expertise along the entire value chain. This expertise comprises both the transformation of the application landscape for institutes with legacy IT infrastructures and the implementation of standardised solutions, such as the latest generation of cloud-based core banking systems.

The digital transformation of value chains in the insurance sector is a further growth market for GFT. The targeted insurance companies, for example in the fields of property, accident, life and health insurance, display a high demand for flexible and efficient processes in order to improve their cost structures, client experience and ultimately their competitive position. In addition to the development of bespoke IT solutions, GFT also offers the implementation of standard software, especially Guidewire in the field of composite insurers. The portfolio is rounded off by strategy development and consulting on all aspects of the digital transformation.

GFT's range of services for industrial clients includes digital transformation consulting, the implementation of bespoke IT solutions and proprietary software-based solutions such as a cloud-capable IoT platform and a real-time project management solution. With custom-fit consulting and its own solutions, for example for process and project management, GFT enables industrial companies to produce more sustainably and efficiently. GFT also helps companies integrate sustainability into their corporate strategy by adopting intelligent energy management and its GreenCoding approach. The cloud-capable IoT platform is being successfully used in the field of shop floor transparency, process integration and sustainable energy management.

Segment overview

In accordance with its internal management system, the business activities of the GFT Group are divided into two segments. The *Americas, UK & APAC* segment predominantly targets clients in the field of investment banking and retail banking. Its insurance activities focus in particular on the Canadian market and its industrial activities are mainly in the USA. The *Continental Europe* segment is shaped above all by its business with clients in the retail banking sector. Moreover, the Group's industrial business is driven by software solutions from Germany. Activities in the insurance sector mainly focus on the French, Spanish and Italian markets.

Global Delivery Model

With the aid of its long-standing Global Delivery Model, the GFT Group can supply its range of solutions to the core markets of Europe, the Americas and the Asia-Pacific region. The company's consultants and sales staff are generally in direct contact with clients (onshore) to provide advice on the digital transformation and the coordination of complex projects. Development services can then be provided flexibly and cost-effectively together with our development centres in other countries (nearshore). This model successfully combines customer proximity and quality with cost benefits and global access to IT experts – a huge benefit especially in markets with a lack of skilled workers. Depending on the preferences, cost sensitivity and experience of the client, GFT can flexibly adapt the onshore/nearshore model. The main nearshore development centres for the banking sector are located in Brazil, Costa Rica, Mexico, Poland, Spain and Vietnam. For the insurance sector, Basic principles of the Group

nearshore services are mainly provided from Costa Rica, Poland and Spain.

Group structure

As the strategic management holding company, GFT Technologies SE, domiciled in Stuttgart, Germany, is responsible for the management and control of all legally independent companies of the GFT Group. In addition to defining the corporate targets and strategy, its key responsibilities include steering the Group's risk and financial management system. Moreover, GFT Technologies SE provides Group-wide administrative services and manages global corporate communications. In addition, GFT Technologies SE acts as a separate legal entity for operating business in Germany. In accordance with its one-tier management and supervision structure, the Administrative Board of GFT Technologies SE is responsible for the management and control of the Group: it sets the Group-wide strategic alignment and supervises its operational implementation by the Managing Directors.

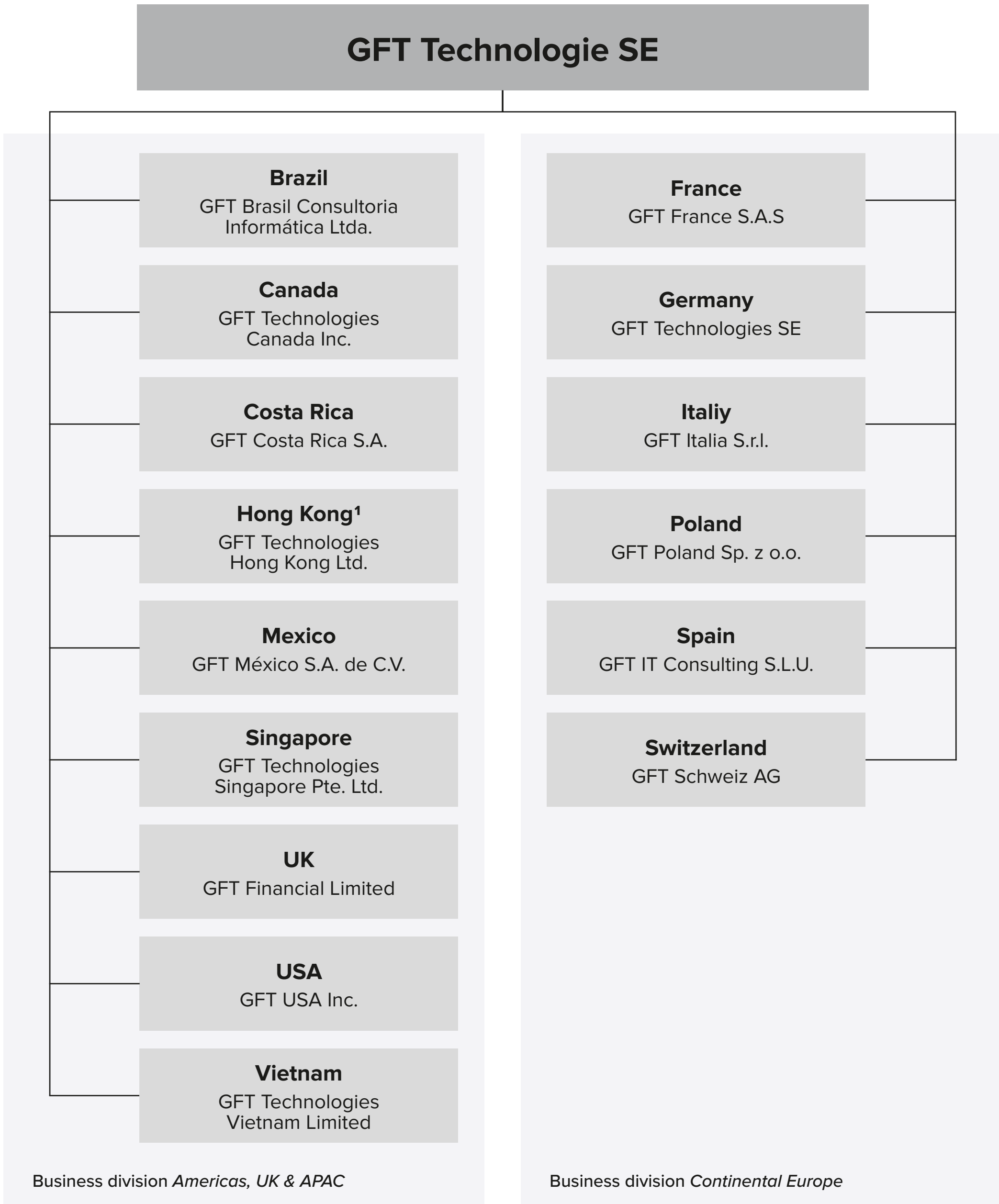
More information about our worldwide locations you will find on page 4

The Administrative Board comprises seven members: Ulrich Dietz (Chairman), Dr Paul Lerbinger (Deputy Chairman), Dr-Ing Andreas Bereczky, Maria Dietz, Marika Lulay (CEO), Dr Jochen Ruetz (CFO), and Prof Dr Andreas Wiedemann. The Administrative Board appointed Marika Lulay, Dr Jochen Ruetz and Jens-Thorsten Rauer as Managing Directors.

More information on the members of the Board of Directors can be found on page 18

As of 31 December 2022, the GFT Group was represented in over 15 countries and controlled 27 companies either directly or indirectly via the parent company. Please refer to section 3 of the notes to the consolidated financial statements for a full list of subsidiaries and other investments.

Structure of the GFT Group with the most important Group companies



1 Special Administrative Region Hong Kong of the People's Republic of China (hereinafter for short: "Hong Kong")

For further information please go to www.gft.com/key-performance-measures

1.3 Management system

The primary strategic objective of the GFT Group is to achieve a sustainable increase in enterprise value by continuously expanding competitive advantages. As part of its strategic planning, measures to achieve this objective in the respective countries and market segments are discussed and implemented. The internal management system comprises regulations and measures for the organisational implementation of management decisions and the permanent monitoring of their effectiveness. All Group executives are involved in this management process. This includes the Administrative Board, the Managing Directors, the managing directors of the Group's subsidiaries, and the managers responsible for Group-wide administrative functions. The Managing Directors are also supported by the other members of the Group Executive Board, whose tasks include providing advice and preparing decisions.

The country organisations provide the Group Executive Board with regular reports on the course of business and the implementation of management decisions, while analysing the opportunities and risks for future development. The development of key performance indicators compared to the respective budgets is monitored via monthly reports provided by the country organisations.

Key performance measures for the GFT Group
The key performance indicators (KPIs) used to measure the success of strategy implementation in the GFT Group are **revenue, adjusted EBITDA** (earnings before interest, taxes, depreciation and amortisation, as well as before effects from business combinations such as acquisition-related reductions in current assets, acquisition-related compensation for employees or selling shareholders, transaction and integration expenses with an effect on earnings as well as gains/losses from the disposal of company shares) and **EBT** (earnings before taxes). Other performance measures are also used for the internal management process: these include revenue by country, market segment and sector, as well as contribution margins and account collection targets. The success of the two segments is measured using the segment performance indicators revenue and EBT, amongst others. Segment revenue and segment earnings also include transactions between the business segments. As of the financial year 2023, adjusted EBITDA will be replaced by adjusted EBIT as a management and forecasting KPI.

A non-financial performance indicator for the GFT Group is the **productive utilisation rate**. It is based solely on the use of staff in client projects and does not include any sales activities or involvement in internal projects. An explanation of further key non-financial performance indicators which play an important role for the company's successful development but are not used to steer all areas of the company is provided in chapters 1.5 and 1.6. These include measures for attracting and retaining skilled employees, as well as quality management during the processing of client projects.

A key component of the internal management process is the Group's systematic opportunity and risk management. This enables management to identify, assess and steer the opportunities and risks which may lead to positive or negative deviations from targets. For further information, please refer to the chapters 4 'Risk Report' and 5 'Opportunity Report'.

Key performance measures for GFT Technologies SE
The KPIs used to measure the business success of GFT Technologies SE are revenue and EBT. The financial performance measure adjusted EBITDA used by the GFT Group is not among the internal KPIs used by GFT Technologies SE.

Further information
Further information on the key performance measures used in the annual report (unaudited) can be found on the GFT website at www.gft.com/key-performance-measures.

1.4 Research and development

Research and development expenses rose to a total of €16.46 million in the reporting period (2021: €9.01 million). This increase was mainly due to intensified activities in Brazil, Germany and Poland. Personnel expenses accounted for the major share, amounting to €11.53 million or 70% of total expenses (2021: €7.08 million or 79%). In the reporting period, expenses for external services accounted for 10.7% (2021: 8.0%). Research and development activities continue to focus on the application possibilities of high-growth technologies, such as artificial intelligence, DLT/blockchain, central bank digital currency (CBDC), automation (RPA), data analytics and especially cloud.

1.5 Personnel

The performance, skills and motivation of our employees are vital for the success of GFT as a technology partner for digital transformation. HR strategy and the HR division therefore focus on attracting, developing and retaining highly skilled and motivated experts.

Basic principles of the Group

At the end of the year, the GFT Group employed

8,842

people.

The HR organisation is globally aligned. The Group defines common standards for HR activities and adopts cross-company measures (such as the possibility to work from home). These measures are then implemented by the HR departments of the respective countries.

Development of employees

As of 31 December 2022, the GFT Group employed a total of 8,842 people, and thus 15% more than in the previous year (31 December 2021: 7,718). In the *Americas, UK & APAC* segment, headcount rose by 21% to 4,698 (31 December 2021: 3,893). As a result of the dynamic business trend in Latin America with local banks and financial institutions, there was particularly strong headcount growth in Mexico and the nearshore location Costa Rica of 51% and 31%, respectively. There was also strong growth in Canada, due in particular to the positive trend in insurance business. Further significant growth was also registered in the USA with an increase of 36%. The recently founded nearshore location Vietnam – which is successfully supporting our expansion in the Asia-Pacific market – achieved the strongest growth with an increase of 84%. In the *Continental Europe* segment, year-end headcount rose by 9% to 4,041 (31 December 2021: 3,715).

Employees by segment

	31/12/2022	31/12/2021	Δ	Δ %
Americas, UK & APAC	4,698	3,893	805	21%
Continental Europe	4,041	3,715	326	9%
Others	103	110	–7	–6%
GFT Group	**8,842**	**7,718**	**1,124**	**15%**

Employees by country

	31/12/2022	31/12/2021	Δ	Δ %
Brazil	3,068	2,714	354	13%
Spain	1,971	1,806	165	9%
Poland	949	863	86	10%
Italy	797	730	67	9%
Mexico	480	317	163	51%
Canada	426	334	92	28%
Germany	341	340	1	0%
UK	270	232	38	16%
Vietnam	215	117	98	84%
Costa Rica	172	131	41	31%
USA	49	36	13	36%
France	48	46	2	4%
Switzerland	36	38	–2	–5%
Singapore	10	6	4	67%
Hong Kong	8	6	2	33%
Belgium	2	2	0	0%
GFT Group	**8,842**	**7,718**	**1,124**	**15%**

Economic report

The productive utilisation rate in the reporting period was

90%

For further information please go to www.gft.com/sustainability

The holding company of the GFT Group employed 103 people at the end of the reporting period, 6% fewer than in the previous year (31 December 2021: 110).

Following a decrease in 2021, headcount in Germany rose to 341 employees as of 31 December 2022 (31 December 2021: 340).

The productive utilisation rate of 90% for the reporting period – based on the use of production staff in client projects – was on a par with the previous year (2021: 90%).

The figures displayed here are calculated on the basis of full-time employees; part-time staff are included on a prorated basis.

1.6 Quality management, data protection and IT security

GFT continuously develops its quality management system and applies strict standards to the services it offers. The company has been using the CMMI® (Capability Maturity Model Integration) reference model since 2005. Following a scheduled audit, Level 3 certification was once again confirmed in 2020. This certification level is awarded as GFT projects are conducted according to an adapted standard process with constant Group-wide process optimisation in order to guarantee top-quality and efficient implementation.

GFT's Chief Privacy Officer (CPO) heads a Group Data Protection Network, comprising contact partners for data privacy in the individual national subsidiaries and relevant Group functions. The aim of this data privacy organisation is to guarantee standard data privacy practices throughout the Group, as well as at the interfaces with clients, partners and suppliers. GFT has a Group-wide data privacy framework, based on a global data privacy policy. The local contact partners for data privacy are responsible for its implementation in accordance with the country-specific requirements.

The global Information Security Management System (ISMS) of the GFT Group complies with the ISO/IEC 27001 standard.

1.7 Separate non-financial report for the Group

The separate non-financial report for the Group (unaudited) pursuant to section 315b (3) number 2b HGB will be available online as of the end of March 2023 at www.gft.com/sustainability.

2 Economic report

2.1 General conditions

Macroeconomic conditions

According to the International Monetary Fund (IMF), the global economy grew by 3.4% in the past financial year – 0.2 percentage points more than forecast in October 2022. The IMF had downgraded its outlook several times during the year from 4.4% in January, to 3.6% in April and again to 3.2% in July and October. High inflation rates, the war in Ukraine, more restrictive financing conditions, supply chain disruptions and a slowdown in Chinese growth all weighed heavily on the global economy in 2022. Global inflation reached 8.8%, according to the IMF.

The European Central Bank (ECB) reported a 3.4% increase in real gross domestic product (GDP) for the eurozone in 2022 – a slight improvement on its September 2022 forecast of 3.1%. Stronger economic growth over the summer, mainly driven by increased activity in the services sector, was offset somewhat by a slowdown in GDP growth during the third quarter of 2022. Inflation averaged 8.4% in 2022 and was thus higher than the forecasts in September.

Economic report

2022

the GFT Group was once again able to increase the record results of the previous year.

Unchanged

digitisation pressure

in our core markets

According to estimations of Germany's central bank (Deutsche Bundesbank), the German economy slightly exceeded its pre-pandemic level in 2022. The Federal Statistical Office (Statistische Bundesamt) calculated an increase in GDP of 1.9%. Economic development was slowed by the energy crisis and supply chain problems. By contrast, there were strong catch-up effects after the lifting of Covid-19 protection measures as well as stronger exports and capital expenditure on equipment. The inflation rate in Germany reached 8.6%.

Sector-specific conditions

According to the US market research institute Gartner, the global IT market declined slightly by 0.2% in 2022. Whereas inflation adversely impacted spending on devices, global spending on software and IT services increased. Software revenues increased by 7.1% and sales of IT services by 3.0%. Demand for cloud solutions remained strong in 2022. According to Gartner, companies spent around USD 490 billion on cloud services. This corresponds to year-on-year growth of 18.8%.

Financial institutions increased their IT spending by 8.7% in the past financial year. Investment banks raised their IT budgets by 9.5%, while retail banks invested 8.1% more. There was also significant progress in the digitalisation of the insurance sector in 2022, with an increase in IT spending of 9.1%. According to Gartner, the increase in the industrial sector was 6.0%.

Against a background of numerous macroeconomic challenges, the German market for information technology and telecommunications (ICT) continued its positive development in 2022. According to the German digital association Bitkom, sales of ICT products and services rose by 4.0% to €196.1 billion in the past year. The market for information technology achieved above-average growth of 6.6% in 2022. IT services grew by 5.5% and software by 9.4%. The Bitkom-ifo Digital Index outperformed the ifo Business Climate Index for Germany throughout the year.

Impact on the GFT Group

In GFT's main target markets – the banking, insurance and industrial sectors – digitalisation continues to make progress. In fact, the pandemic-related crisis continued to intensify the digital transformation process in many areas in 2022. The technologies, partnerships and benchmark projects focused on by GFT play an important role in this trend and are proving to be growth drivers. As an industry specialist and technology partner, GFT integrates new technologies into the business models of its clients and has thus established itself as a cross-industry partner for the digital transformation.

2.2 Development of business

Overview of business development

In 2022, the GFT Group once again succeeded in surpassing its record results of the previous year. Accompanied by strong revenue growth, there was a disproportionate increase in earnings and a significant improvement in margins. The latter benefited not only from economies of scale, but also from currency effects and share price-based effects from a virtual stock option programme.

The first months of the past financial year already indicated that the positive development of the previous year was set to continue in 2022. Further increases in company spending on digitalisation projects and strategies confirmed that the pressure to digitalise in the core markets remained high. Against this backdrop, the GFT Group announced a positive outlook for 2022 in March. Higher-than-expected demand for extensive and complex digitalisation projects across all client groups and regions subsequently prompted the Group to upgrade its revenue and earnings guidance as early as May. In the second quarter, the order situation continued to exceed expectations. In light of the extremely positive performance up to that point, GFT upgraded the revenue guidance slightly again in August. In the course of the third quarter, earnings were buoyed in particular by positive currency effects. Together with positive share price-based effects from the measurement of management remuneration components, this led to a further upgrade of earnings guidance for the financial year 2022 in October.

As a result of the strong demand for extensive and complex digitalisation projects described above, the GFT Group's revenue rose by 29% in the past financial year 2022 and significantly exceeded the original guidance published in last year's management report. The earnings forecast issued at the beginning of the year was also significantly exceeded. The diversification of business also made good progress with significant growth across all sectors: business with banks increased by 27%, insurance activities grew even faster by 44% and the Industry & Other segment achieved growth of 21%. Client diversification also continued to improve: our largest client accounted for just 14% of total revenue (2021: 16%).

The GFT Group achieved even stronger earnings growth in 2022 and thus significantly exceeded the guidance communicated in last year's management report. This was due to profitable revenue growth, currency effects and share price-based effects from a virtual stock option programme. Adjusted EBITDA increased by 33% to €86.04 million in the financial year 2022 (2021: €64.79 million) and EBITDA improved by 42% to €86.04 million (2021: €60.75 million). There were no adjustments to EBITDA in the past financial year. EBT and net income increased by 65% and 55% to €66.05 million (2021: €40.03 million) and €46.25 million (2021: €29.89 million), respectively.

Economic report

Cash flow from operating activities in 2022 resulted in a net cash inflow of €57.49 million (2021: €52.99 million). This was mainly influenced by the increase in earnings before taxes (EBT). The funds generated were used in particular for the repayment of financial liabilities. Overall, net liquidity increased to €35.70 million at the end of the year (31 December 2021: €1.93 million). The GFT Group's solid capital and balance sheet structure was thus further enhanced; at 40%, the equity ratio as of 31 December 2022 was significantly above the prior-year level (31 December 2021: 36%).

Turnover and earnings significantly exceeded the expectations communicated in the previous year's forecast report.

Performance compared to guidance

in € million	Guidance FY 2022 (03/03/2022)	Guidance FY 2022 (12/05/2022)	Guidance FY 2022 (11/08/2022)	Guidance FY 2022 (20/10/2022)	Results FY 2022	Δ % (03/03/2022)	Δ % (12/05/2022)	Δ % (11/08/2022)	Δ % (20/10/2022)
Revenue	680.0	720	730	730	730.14	7%	1%	0%	0%
Adjusted EBITDA	75.5	79	81	87	86.04	14%	9%	6%	−1%
EBITDA	75.5	79	81	87	86.04	14%	9%	6%	−1%
EBT	54.5	58	60	66	66.05	21%	14%	10%	0%

Key figures by quarter

in € million	Q1 2022[1]	Q2 2022[1]	Q3 2022[1]	Q4 2022[1]	FY 2022
Revenue	173.35	183.90	184.66	188.23	730.14
Adjusted EBITDA	18.52	20.86	23.84	22.82	86.04
EBITDA	18.52	20.86	23.84	22.82	86.04
EBT	13.42	15.74	18.75	18.14	66.05

1 unaudited

Economic report

2.3 Development of revenue

Growth in all sectors continues

The GFT Group successfully continued its growth strategy during the reporting period and achieved significant revenue growth in all sectors. The banking sector grew by 27% due to persistently high demand for digitalisation solutions from almost all client groups and regions. Insurance activities continued to make good progress, especially in Canada, resulting in a disproportionately strong increase of 44%. The Group's relatively new business with industrial clients, summarised here under Industry & Other, continued its growth in the reporting period with an increase of 21%. The order backlog as at 31 December 2022 increased by 18% to €361.45 million (2021: €305.36 million) due to the persistently high demand for digitalisation solutions.

Further improvement in client diversification

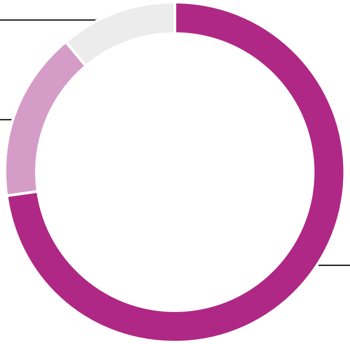
In the past financial year, the GFT Group continued to improve its client diversification and thus significantly reduced its dependence on individual clients. Overall, the share of total revenue attributable to the largest client fell from 46% in 2015 to 14% in 2022. At the same time, revenue with this customer increased again for the first time, starting from a stable level in the previous year.

Revenue by segment

In terms of the individual segments, the strongest growth was achieved in the *Americas, UK & APAC* segment with an increase of 44% to €459.52 million (2021: €318.09 million). This was driven in particular by business with cloud-enabled solutions for financial institutions in Brazil, the USA and the UK, as well as our insurance business in Canada. There was also very dynamic revenue growth in the innovative Asia-Pacific banking market.

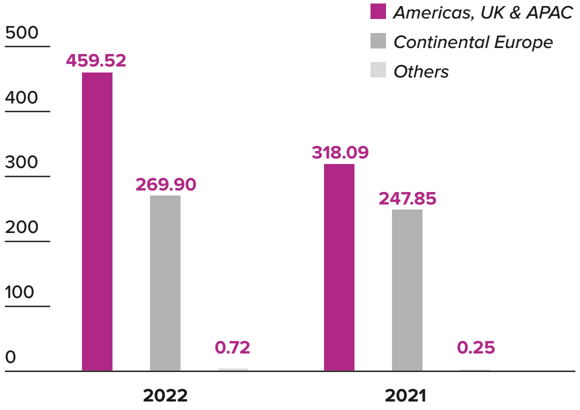
Revenue in the *Continental Europe* segment grew by 9% to €269.90 million (2021: €247.85 million). A decline in insurance business in France was offset by increased demand for digitalisation solutions in the banking sector, particularly in Germany and Switzerland, with a simultaneous positive trend across all other European national companies.

Revenue by sector



	2022		2021		
	€ million	share in %	€ million	share in %	Δ%
Banking	522.43	72%	412.22	73%	27%
Insurance	131.90	18%	91.31	16%	44%
Industry & Others	75.81	10%	62.66	11%	21%
GFT Group	**730.14**	**100%**	**566.19**	**100%**	**29%**

Revenue by segment
in € million

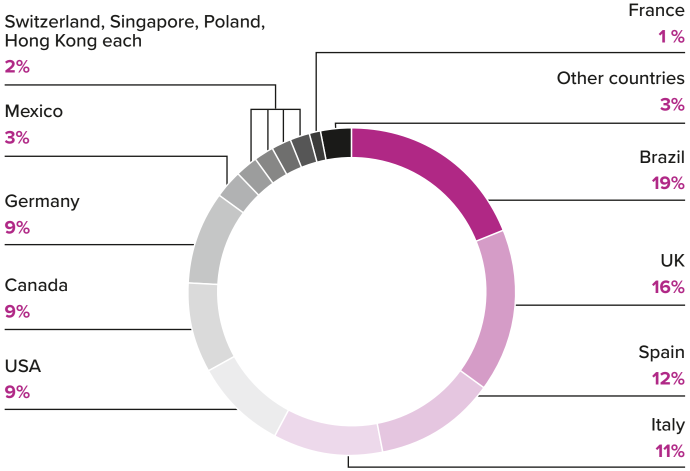


	2022		2021		
	€ million	share in %	€ million	share in %	Δ %
Americas, UK & APAC	459.52	63%	318.09	56%	44%
Continental Europe	269.90	37%	247.85	44%	9%
Others	0.72	0%	0.25	0%	>100%
GFT Group	**730.14**	**100%**	**566.19**	**100%**	**29%**

Economic report

Disproportionate increase of the key earnings figures

Revenue by country



	2022		2021		
	€ million	share in %	€ million	share in %	Δ%
Brazil	137.78	19%	81.30	14%	69%
UK	116.17	16%	103.50	18%	12%
Spain	85.09	12%	83.51	15%	2%
Italy	76.55	11%	73.49	13%	4%
USA	68.85	9%	42.93	8%	60%
Canada	67.59	9%	45.86	8%	47%
Germany	63.78	9%	55.71	10%	14%
Mexico	20.81	3%	14.40	2%	45%
Switzerland	17.95	2%	13.31	2%	35%
Singapore	17.84	2%	8.96	2%	99%
Poland	16.16	2%	6.71	1%	>100%
Hong Kong	12.28	2%	10.89	2%	13%
France	9.92	1%	15.75	3%	−37%
Other countries	19.37	3%	9.87	2%	96%
GFT Group	**730.14**	**100%**	**566.19**	**100%**	**29%**

2.4 Earnings position

The GFT Group closed the financial year 2022 with record figures once again. At €730.14 million (2021: €566.19 million), revenue was up 29% on the previous year and thus in line with the guidance published in our capital market reporting of August 2022. Even adjusted for positive currency translation effects, there was significant year-on-year revenue growth of 22%. As explained above, this increase in revenue is due in particular to persistently high demand for long-term and complex digitalisation solutions.

Due to this dynamic revenue trend, positive economies of scale and high capacity utilisation in our operating business, as well as favourable exchange rate developments, the GFT Group once again achieved a disproportionately increase in its key earnings figures. **EBITDA** rose by €25.29 million or 42% to €86.04 million (2021: €60.75 million). In addition to profitable revenue growth and favourable exchange rate developments, EBITDA in the reporting year was influenced by positive share price-related effects from the measurement of management remuneration amounting to €2.24 million (2021: €−4.11 million). Moreover, (net) currency gains of €2.07 million (2021: €−1.73 million) had a positive impact on earnings.

EBITDA was not affected by any special items from M&A activities in the financial year 2022 (2021: €4.04 million). As a result, **adjusted EBITDA** amounted to €86.04 million (2021: €64.79 million) and was thus slightly below the earnings guidance of €87.00 million issued in October 2022. Special items from M&A activities in the previous year mainly related to the acquisition of GFT Technologies Canada Inc (formerly V-NEO Inc) from 2018.

EBIT amounted to €65.55 million and rose year on year by €24.67 million or 60% (2021: €40.88 million) – whereby the depreciation and amortisation volume was slightly higher.

Due primarily to the positive effects described above, **EBT** increased by €26.02 million or 65% to €66.05 million (2021: €40.03 million) and thus met the guidance figure communicated to the capital markets in October 2022. The **EBT margin** improved to 9.0% in the financial year 2022, compared to 7.1% in the previous year.

Net income of €46.25 million for the financial year 2022 was thus once again significantly up on the previous year by €16.36 million (2021: €29.89 million). The **tax expense** of €19.80 million (2021: €10.14 million) corresponds to an imputed tax ratio of 30% (2021: 25%).

As a consequence of the increase in net income, **earnings per share** rose to €1.76 (2021: €1.14), based on an unchanged volume of 26,325,946 outstanding shares.

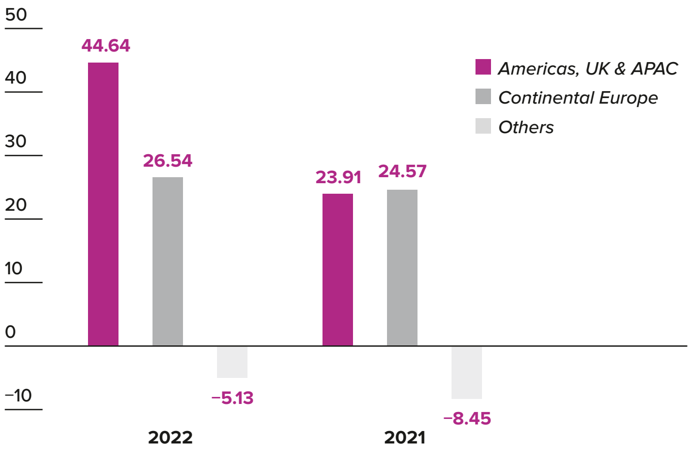
Earnings (EBT) by segments

In the *Americas, UK & APAC* segment, EBT improved strongly year on year by €20.73 million to €44.64 million (2021: €23.91 million). This improvement in earnings was primarily attributable to the extremely dynamic revenue performance with a simultaneous focus on high-margin projects, as well as economies of scale. The improvement in profitability was also due in particular to currency gains. Group companies in Brazil, the UK, the USA and Canada generated the largest contributions to earnings. The EBT margin, based on external revenue, increased strongly to 9.7% (2021: 7.5%).

EBT in the *Continental Europe* segment amounted to €26.54 million in the financial year 2022 and was thus slightly up on the prior-year figure by €1.97 million (2021: €24.57 million). This rise in segment earnings

Economic report

Earnings (EBT) by segment
in € million



	2022		2021			
	€ million	margin in %	€ million	margin in %	Δ% € million	Δ%
Americas, UK & APAC	44.64	9.7%	23.91	7.5%	20.73	87%
Continental Europe	26.54	9.8%	24.57	9.9%	1.97	8%
Others	–5.13	0%	–8.45	0%	3.32	39%
GFT Group	**66.05**	**9.0%**	**40.03**	**7.1%**	**26.02**	**65%**

was mainly due to revenue growth from the strong demand for complex digitalisation projects. The largest contributions to earnings were generated by the Group's subsidiaries in Spain, Italy and Germany. The EBT margin of 9.8%, based on external revenue, was slightly below the prior-year figure (2021: 9.9%).

Earnings of the *Others* category improved by €3.32 million to €–5.13 million in the financial year 2022 (2021: €–8.45 million), primarily as a result of increased cost allocations to the Group at the expense of the two operating segments, as well as positive share price-based effects from the measurement of management remuneration. In addition, earnings were improved by currency gains in connection with central finance management. The *Others* category – presented as a reconciliation column in segment reporting – comprises items which by definition are not included in the segments. It also includes costs of the Group headquarters which are not allocated, e.g. items relating to corporate activities, or revenue which is only generated occasionally for company activities.

Earnings position by income and expense items
Other operating income of €16.34 million was well above the prior-year level (2021: €12.06 million). The increase in the financial year 2022 is mainly due to increased currency gains of €6.30 million (2021: €2.05 million). In addition, government grants (especially for R&D activities in the UK, Canada and Italy) rose to €8.38 million (2021: €7.85 million).

The cost of purchased services amounted to €105.08 million and was thus €22.37 million or 27% above the prior-year figure (2021: €82.71 million), mainly as a result of the increase in business volume. This item includes the purchase of external services in connection with the core operating business. The ratio of cost of purchased services to revenue decreased slightly to 14% in the financial year 2022 (2021: 15%).

Personnel expenses rose by 26% to €478.97 million in the financial year 2022 (2021: €380.39 million). This trend was mainly attributable to the increase in average headcount, especially in Brazil, as well as to the dynamic business trend. In the reporting period, personnel expenses were burdened by capacity adjustments of €2.72 million (2021: €2.62 million). By contrast, there were positive effects from the measurement of the share-based component of management remuneration of €2.24 million (2021: €–4.11 million). The ratio of personnel expenses to revenue (the personnel cost ratio) was reduced to 66% (2021: 67%). There was also a slight improvement in the personnel cost ratio without capacity adjustments and plus the purchase of external services to 80% (2021: 81%).

Depreciation and amortisation of non-current intangible assets and property, plant and equipment amounted to €20.49 million (2021: €19.87 million). Of this total, right-of-use assets in connection with leases accounted for €9.45 million (2021: €8.89 million). Impairment expenses in the financial year 2022 amounted to €0.19 million (2021: €0.00 million).

Other operating expenses amounted to €76.39 million and were thus 41% above the prior-year figure (2021: €54.36 million). The main cost elements were still operating, administrative and selling expenses, which totalled €57.17 million (2021: €40.71 million). The year-on-year increase in other operating expenses is mainly due to increased expenses for IT licences, business field development measures and personnel-related expenditure, especially for recruiting and business travel. Other operating expenses include currency losses of €4.23 million (2021: €3.78 million).

0,45 €

per share Dividend proposed by the Board of Directors to the Annual General Meeting.

There was a significant year-on-year improvement in the **financial result** (including earnings contributions of financial investments valued at equity) to €0.50 million (2021: €–0.89 million), due mainly to increased interest income from bank balances.

Mainly as a result of the significant increase in pre-tax earnings, the **tax expense** disclosed under income taxes rose to €19.80 million (2021: €10.14 million). The tax rate amounted to 30% (2021: 25%) and in the financial year 2022 was influenced in particular by the changed distribution of earnings among the individual national companies compared to the previous year. The increase in non-deductible operating expenses also had a negative impact. In the previous year, the tax rate was also positively influenced by the recognition of deferred tax assets on loss carryforwards as a result of the positive business development.

Dividend

The GFT Group's dividend policy aims to ensure a regular payout to shareholders so that they can participate directly in the company's success. The dividend amount is based on a payout ratio of between 20% and 50% of the Group's net income attributable to shareholders.

The Administrative Board will recommend to the Annual General Meeting on 22 June 2023 the distribution of a dividend of €0.45 per no-par share for the financial year 2022 (2021: €0.35). This corresponds to a payout of €11.85 million to shareholders (2021: €9.21 million) and a payout ratio of 26% (2021: 31%) based on net income.

More information
on the cash flow statement can be found on page 74

2.5 Financial position

The GFT Group's central financial management aims to ensure the permanent liquidity of all Group companies. The Treasury division implements financial policy and risk management on the basis of the agreed guidelines and permanently monitors both existing and potential financial risks. The GFT Group uses derivative financial instruments to hedge against currency and interest rate risks as required. The GFT Group pursues a prudent financial policy with short-term investment horizons. A detailed presentation on the assessment of liquidity risks and risks from fluctuations in currencies and interest rates, including the countermeasures taken, is provided in chapter 4 'Risk report'.

The GFT Group has concluded a syndicated loan agreement and two promissory note agreements to secure its long-term funding. Originally concluded in the financial year 2015, the syndicated loan agreement was adjusted and extended in December 2021. The syndicated loan agreement has a basic term of three years with the option to extend it each time by a further year. The loan amount of now €60.00 million (31 December 2021: €60.00 million) comprises two tranches, a Facility A credit line of up to €20.00 million and a Facility B revolving credit line of up to €40.00 million. At the end of the reporting period, Facility A had been drawn in full while Facility B had not been drawn. The interest rate of the syndicated loan is variable: for both facilities it is set per calendar year depending on the GFT Group's level of debt with a fixed premium on the respective chosen Euribor rate – one, three or six months.

The promissory note agreements have a remaining term of two years. At the end of the reporting period, promissory note agreements totalling €17.00 million (31 December 2021: €22.00 million) were drawn in full. Of this amount, €13.00 million are fixed-interest and the remaining €4.00 million variable-interest loans.

During the term of the loan agreements, the GFT Group is subject to specific financial covenants, mainly ancillary loans conditions. These mostly refer to specific financial covenants which must be met. Moreover, the assumption of financial liabilities and the provision of collateral is also restricted. If specific financial covenants and other rules of conduct are not met, this may lead to the immediate termination of the loan agreements.

The GFT Group's financial structure is extremely sound and continued to improve in the financial year 2022. As of 31 December 2022, the GFT Group had unused credit lines of €51.31 million (31 December 2021: €35.08 million). The **net liquidity** of the GFT Group – calculated as the balance of disclosed cash and cash equivalents less financial liabilities – improved strongly once again from €1.93 million in the previous year to €35.70 million as of 31 December 2022.

Including currency effects, **cash and cash equivalents** increased to €78.22 million as of 31 December 2022 (31 December 2021: €70.77 million). The positive development in the financial year 2022 is primarily attributable to the further reduction of financial debt from free cash flow, which in turn results from the net cash flows from operating and investing activities.

In the financial year 2022, the GFT Group's **cash flow from operating activities** resulted in a net cash inflow of €57.49 million (2021: €52.99 million). The year-on-year change is primarily attributable to the increase in EBT of €66.05 million (2021: €40.03 million) and significantly enhanced by reporting date-related effects from the receipt of subsidies for third-party account in connection with EU projects in Italy. This was offset in particular by income tax payments less refunds of €14.45 million (2021: €7.34 million) resulting from the significant improvement in operating business during the reporting period. There were also negative effects from the cash-related change in other provisions of €−0.96 million (2021: €17.24 million). Effects from the development of working capital, however, were largely on a par with the previous year. Within working capital, trade receivables in particular increased by €21.06 million (2021: €38.40 million) as a result of the positive business trend. By contrast, cash outflows mainly resulted from the decrease in contract liabilities of €6.52 million in connection with fixed-price projects (2021: €−8.88 million).

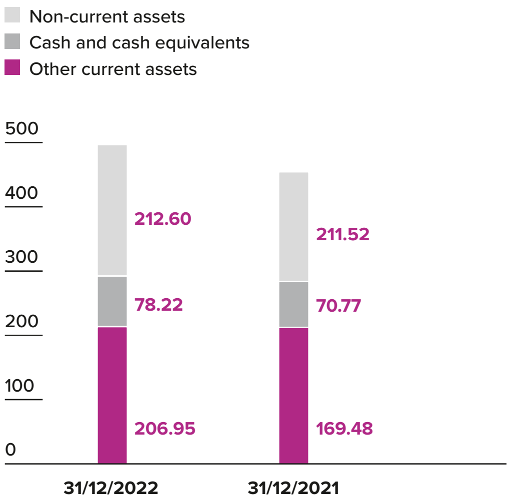
More information
can be found in the consolidated financial statements from page 70

With a cash outflow of €7.68 million, **cash flow from investing activities** was slightly above the prior-year level (2021: €7.57 million). The slight increase is due to a higher level of investment in property, plant and equipment of €7.83 million (2021: €6.91 million), especially for business premises and IT equipment. In contrast, there were no investments in financial assets in the financial year 2022 (2021: €0.73 million).

Cash flow from financing activities in the reporting period led to a net outflow of €44.94 million (2021: €47.86 million). The slight year-on-year decline of €2.92 million is mainly due to a lower net redemption of bank loans of €26.32 million (2021: €33.31 million). By contrast, the dividend payment to shareholders of €9.21 million (2021: €5.27 million) resulted in an increased cash outflow.

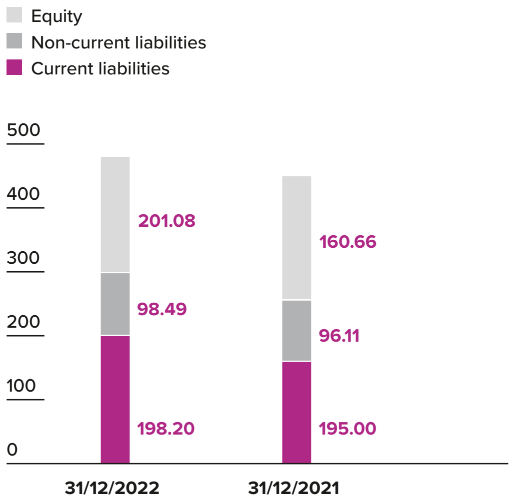
2.6 Asset position

Balance sheet structure – Assets
in € million



Assets in € million	**31/12/ 2022**	**31/12/ 2021**	**Δ**	**Δ %**
Non-current assets	212.60	211.52	1.08	1%
Cash and cash equivalents	78.22	70.77	7.45	11%
Other current assets	206.95	169.48	37.47	22%
	497.77	**451.77**	**46.00**	**10%**

Balance sheet structure – Equity and liabilities
in € million



Equity and liabilities in € million	**31/12/ 2022**	**31/12/ 2021**	**Δ**	**Δ %**
Equity	201.08	160.66	40.42	25%
Non-current liabilities	98.49	96.11	2.38	2%
Current liabilities	198.20	195.00	3.20	2%
	497.77	**451.77**	**46.00**	**10%**

Compared to the previous year, the **balance sheet total** of the GFT Group rose from €451.77 million to €497.77 million; this corresponds to an increase of €46.00 million or 10%. This growth is mainly due to a rise in funds tied up in receivables from client contracts as a result of the positive development of business, as well as follow-up investments in real estate leasing and an increase in cash and cash equivalents. The increase in cash and cash equivalents is strongly influenced by reporting date-related effects from the receipt of subsidies for third-party account in connection with EU projects in Italy.

At €212.60 million, **non-current assets** were slightly above the prior-year figure (31 December 2021: €211.52 million). The ratio of non-current assets to the balance sheet total decreased to 43%, compared to 47% at the end of the previous year. Non-current assets mainly comprise **goodwill** of €123.97 million (31 December 2021: €124.42 million), **other intangible assets** of €5.91 million (31 December 2021: €10.65 million) and **property, plant and equipment** of €63.58 million (31 December 2021: €56.34 million).

The decrease in **other intangible assets** of €4.73 million to €5.91 million relates to scheduled amortisation of purchase price allocations from company acquisitions in previous years.

In accordance with IFRS 16 *Leases*, right-of-use assets for land and buildings, as well as car parks and vehicles, amounting to €37.75 million (31 December 2021: €31.87 million) were disclosed in **property, plant and equipment.** The increase in right-of-use assets results from the conclusion of new property leases at locations in Spain, Germany and the UK. Capital expenditure (without right-of-use assets) amounted to €7.83 million in the financial year 2022 (2021: €6.91 million) and relates mainly to investments in business premises and IT equipment.

Economic report

The equity of the GFT Group increased by

25%

over the course of the year to € 201.08 million.

As of 31 December 2022, **other current assets** increased by €37.47 million to €206.95 million (31 December 2021: €169.48 million). This is mainly attributable to the increases in **trade receivables** of €21.06 million to €152.56 million (31 December 2021: €131.50 million) and **contract assets** of €5.61 million to €21.73 million (31 December 2021: €16.12 million), resulting from increased business volume. **Other assets** (mainly comprising prepaid expenses and government grants) also rose by €5.86 million to €17.56 million (31 December 2021: €11.70 million).

Compared to 31 December 2021, the **equity capital** of the GFT Group increased by €40.42 million or 25% to €201.08 million (31 December 2021: €160.66 million), mainly due to the net income of €46.25 million (2021: €29.89 million). The increase in equity is also attributable to actuarial gains from the valuation of pension obligations of €2.51 million (2021: €0.92 million) and positive currency effects of €0.87 million (2021: €6.99 million), which were also recognised directly in equity. The positive effects from currency translation in the financial year 2022 resulted mainly from the appreciation of the Brazilian real, the US dollar, the Swiss franc and the Mexican peso. By contrast, negative effects from currency translation resulted from the lower value of the British pound at the end of the year. The overall increase in equity was offset by the dividend of €9.21 million (2021: €5.27 million) paid to shareholders.

Whereas equity capital increased by 25%, the balance sheet total rose by just 10% compared to the previous year. As a consequence, the GFT Group's **equity ratio** of 40% as of 31 December 2022 was significantly up on the prior-year figure (31 December 2021: 36%).

Non-current liabilities of €98.49 million were up slightly by €2.38 million compared to the previous year (31 December 2021: €96.11 million). This development is attributable to several opposing effects. **Other financial liabilities** increased by €4.98 million to €31.16 million (31 December 2021: €26.18 million) and **other liabilities** by €4.26 million to €8.23 million (31 December 2021: €3.97 million). The increase in other financial liabilities is due to the conclusion of new property leases and the resulting increase in lease liabilities. The rise in other liabilities results from increased personnel-related liabilities in connection with the strong growth in headcount in Brazil. By contrast, **financial liabilities** decreased by €5.33 million to €42.17 million (31 December 2021: €47.50 million) and provisions for pensions by €2.32 million to €5.39 million (31 December 2021: €7.71 million). The decrease in financial liabilities is due to the repayment of bank loans. The decline in pension obligations is mainly due to actuarial gains.

The GFT Group's **current liabilities** rose slightly by €3.20 million to €198.20 million (31 December 2021: €195.00 million). The increase is mainly due to two opposing effects. On the one hand, **other liabilities** rose by €22.19 million to €71.28 million (31 December 2021: €49.09 million) and on the other, **financial liabilities** declined by €20.99 million to €0.35 million (31 December 2021: €21.34 million). The development of other liabilities is primarily due to unrealised subsidies received at the end of the financial year in connection with EU projects in Italy for third-party account. By contrast, the decline in financial liabilities was caused by the repayment of bank loans.

As a result of the reduced debt level as of 31 December 2022, the GFT Group's **debt ratio** decreased by four percentage points to 60% (31 December 2021: 64%). In the financial year 2022, the ratio of net financial debt to equity **(gearing)** improved to −18% as of 31 December 2022 (31 December 2021: −1%). Net financial debt comprises disclosed cash and cash equivalents less bank liabilities.

Further information on the GFT Group's assets, equity and liabilities is provided in the consolidated balance sheet, the consolidated statement of changes in equity and the respective notes to the consolidated financial statements.

2.7 Overall assessment

The GFT Group can look back on a very successful financial year 2022. The pressure on banks and insurers, as well as industrial companies, to digitalise their businesses remained high, and there was dynamic growth in demand for our digitalisation solutions. The transformation to the cloud is in full swing. In conjunction with the successful implementation of our diversification strategy, there was a significant increase in revenue. Key earnings figures improved even more strongly as a result of profitable revenue growth, positive economies of scale, high capacity utilisation in our operating business and favourable exchange rate developments.

At **40%**
the equity ratio was significantly above the level of the previous year.

The solid capital and balance sheet structure of the GFT Group was strengthened further and reflects the business model's high degree of stability. At 40%, the equity ratio as of 31 December 2022 was significantly above the prior-year level (31 December 2021: 36%).

2.8 Subsequent events

Information on events after the end of the financial year 2022 can be found in section 9.9 of the notes to the consolidated financial statements.

3 Forecast report

3.1 Macroeconomic and sector development

Macroeconomic development
In its latest outlook published in January 2023, the IMF anticipates a slowdown in global growth and forecasts an increase of 2.9% for the current financial year. The most important single factor is a revitalisation of the Chinese economy. According to the IMF, the global economy is being burdened by the hike in central bank interest rates to combat inflation as well as by uncertainties, such as an escalation of the war in Ukraine. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023, but will remain above the pre-pandemic level of 2017-2019 (3.5%).

The ECB expects average annual GDP growth in the eurozone to slow significantly to 0.5% in 2023 (after 3.4% in 2022). The weakening of global economic growth, heightened uncertainties, ongoing energy supply concerns, intense pressure on prices and increased borrowing costs will adversely impact economic activity in the eurozone during the first half of 2023. From the second half of the year, the ECB expects a gradual recovery. The experts predict that inflation will fall from 8.4% in 2022 to 6.3% in 2023.

Economic output in Germany is expected to shrink initially in the first months of 2023 with a recovery anticipated from the second half of the year onwards. The Bundesbank forecasts a 0.5% decline in GDP for Germany in 2023 and has thus significantly downgraded its projections from June 2022 when it had forecast GDP growth of 2.4%. The reasons are deteriorating conditions with regard to energy supplies, weaker growth in exports and higher borrowing costs. Inflation will remain high at 7.2% in the current year and is expected to gradually decline to 2.8% by 2025.

Sector development
According to the market research institute Gartner, global IT spending will increase by 2.4% in 2023. The highest growth rates are expected for software (+9.3%) and IT services (+5.5%). Within IT services, the strongest growth is likely to be in consulting (+6.7%), as companies need external specialists for implementation and support.

The digital transformation in the financial sector will continue in 2023. According to Gartner, financial institutions will raise their IT spending by 7.3% in the current financial year. The market researchers expect an increase of 7.7% for investment banks and 7.1% for retail banks. IT spending in the insurance sector is likely to rise by 7.8%. The industrial sector is expected to invest 5.8% more in IT.

According to Gartner, one of the most important strategic technology trends in 2023 is the topic of sustainability. However, the provision of technology alone will no longer be enough. Instead, companies need a framework of sustainable solutions which will increase the efficiency of IT services and help them achieve their sustainability goals. AI and analytics are two such technologies for this purpose, as well as solutions for the tracking of goods or emissions management software.

Cloud growth is expected to accelerate once again in 2023. Following an increase of 18.8% in the previous year, Gartner expects growth with cloud services to reach 20.7% in 2023. This means that companies will spend almost 600 billion US dollars on cloud services. The analysts expect the fastest growth in the Infrastructure-as-a-Service segment, which is expected to grow by 29.8%.

Forecast report

The GFT Group expects further revenue growth of 16% in 2023.

Attracting and retaining skilled workers is becoming an increasingly important factor in business success. Gartner predicts that by 2025, 40% of all companies will experience business losses due to employment volatility and will be forced to change the focus of their workforce strategy from recruitment to resilience.

The digital association Bitkom forecasts growth of 3.8% for the German ICT market in 2023. At €203.4 billion, revenue is expected to exceed the 200-billion-mark for the first time. The IT sector is expected to grow by 6.3% in the current financial year. Bitkom forecasts growth of 9.3% for software and anticipates significant growth with platforms for artificial intelligence, collaborative applications and security software. An increase of 4.7% is expected for IT services, which is roughly in line with prior-year growth and reflects the long-term nature of most projects. The number of employees in the ICT market is expected to rise by 3.4% to about 1.35 million in 2023. Nevertheless, the industry association believes that a structural shortage of skilled workers is still hampering growth and digitalisation.

3.2 Expected development of the GFT Group

in € million	Financial year 2022	Guidance financial year 2023	Δ %
Revenue	730.14	850	16%
Adjusted EBIT	67.48	80	19%
EBT	66.05	72	9%

The GFT Group's long-term goal is to grow revenue twice as fast as the market and to continuously improve earnings. Based on positive but somewhat lower market expectations than in the previous year, GFT anticipates further growth in its financial year 2023, albeit at a slower pace. Thanks to its strong market position with an attractive range of services and proven partnerships with leading platform providers, as well as new technologies, the GFT Group is well positioned to swiftly and efficiently exploit emerging business opportunities. Our growth in 2023 will continue to be driven by persistently high pressure on companies to digitalise and the resulting high demand for cloud solutions as an integral part of their digital transformation. All targeted sectors will contribute to this growth, with the Industry & Other and Insurance sectors continuing to grow faster than average. GFT also expects further growth in earnings, in line with the positive development of revenue.

GFT will continue to drive its client diversification strategy. We have successfully diversified across different sectors and are upholding our medium-term target of a clear focus on the banking sector and two further pillars – the insurance market and the industrial market. Based on current business trends, GFT expects its revenue distribution by sector to trend towards 70% banking, 30% insurance and 18% Industry & Other in the medium term (2022: 72%, 18% and 10%, respectively) with a focus on the insurance sector.

Thanks to its in-depth sector and technology expertise and, above all, its attractive portfolio of digitalisation and cloud solutions, the GFT Group is ideally placed to benefit from emerging market opportunities. For the financial year 2023, GFT therefore expects – based on average exchange rates for the month of January 2023 – a strong increase in revenue of 16% to around €850 million; adjusted for currency effects[1], this corresponds to growth of 19% (to around €865 million). The acquisition of targens GmbH is expected to contribute €30 million to revenue. In the future, we will focus more on adjusted EBIT, as it better reflects operating profitability and serves as a common market benchmark. Adjustments to this measure will be made for expenses incurred in connection with business combinations and share price-based effects relating to the measurement of variable management remuneration. GFT expects adjusted EBIT to increase by 19% to around €80 million, with a planned contribution to adjusted EBIT from targens GmbH of €2.6 million. EBT is expected to grow by 9% to around €72 million (2022: €66.05 million), with a planned contribution to EBT from targens GmbH of €–1 million due to the usual balance-sheet related acquisition effects.

The high stability of the GFT Group's business model continues to be underpinned by its extremely solid capital and balance sheet structure. In addition to increasing the key performance indicators of revenue,

1 Revenue and earnings figures are calculated by translating revenue and earnings at the respective average exchange rates of the comparative period instead of the current period.

adjusted EBIT and EBT, GFT also aims to maintain the equity ratio at the high level of up to 40% in financial year 2023, subject to further acquisitions. In addition, the net debt to EBITDA ratio is to remain at a self-imposed target value of 2. Together with a further positive development of operating cash flow, GFT has sufficient scope to finance growth targets and acquisitions if attractive market opportunities arise.

Overall statement

The fundamental digitalisation trends in GFT's markets remain intact and the Group is excellently positioned to benefit from market opportunities due to its extensive sector and technology expertise. Against the backdrop of the macroeconomic outlook described above, we expect a less dynamic trend in 2023 compared to the previous year. Assuming that demand for digitalisation solutions continues to grow, GFT expects a continuation of its growth trajectory with an increase in revenue and a further improvement in earnings for the financial year 2023.

The forecast is based on the assumption that the Russia-Ukraine war or other exogenous events will continue to have no significant impact on the business development of the GFT Group.

4 Risk report

4.1 Principles

Aims of the risk management system

The main objective of the GFT Group's risk management system is to identify developments at an early stage that may have a negative impact on the Group's sustainable growth or a direct impact on its financial position and performance. The GFT Group defines negative deviations from its guidance or medium-term planning as risks. The focus is on avoidance of all risks that might endanger the company's continued existence. Insofar as risks cannot be avoided, the assessment of their impact on the GFT Group and the likelihood of occurrence is an integral part of the risk management system in order to evaluate risks and derive appropriate measures to minimise them – taking into account the associated opportunities. Sustainability aspects are also included within the framework of the risk management system. The Group Risk Committee (GRC), comprising the global risk officers, plays a key role for risk management.

Internal control and risk management organisation

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

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

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

The Group-wide risk management function (headed by Group Controlling) and the risk owners of the various departments are charged with updating and implementing the risk management guideline. At the same time, the risk inventory is regularly updated and risks assessed at least once a year. Within the central risk management system of the GFT Group, each employee has the opportunity to report escalations in risk categories, which are then measured by the risk category owners.

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

The internal control system and the risk management system are dynamic systems that are continuously adapted to changes in the business model, the type and scope of business transactions, or responsibilities. As a result, internal and external audits may reveal potential for improvement in individual cases with regard to the appropriateness and effectiveness of controls. The Administrative Board is not aware of any findings with regard to the assessment of these management systems which indicate that the systems as a whole are inadequate or ineffective.[1]

Risk management system

The risk management guideline regulates the handling of risks within the GFT Group and defines a uniform methodology valid across the entire Group. The guideline is regularly reviewed and adjusted as required, but at least once a year. The effectiveness of the risk management system and internal control system (ICS) is monitored by regular audits of the Corporate Audit division.

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

The identification of risks takes place at different levels of the company. This is to ensure that risk tendencies are recognised at an early stage and consistent risk management is practised across all departments. Moreover, each employee is called upon to inform their superiors about foreseeable risks.

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

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

In addition to the proven qualitative approach to risk assessment of incoming risks, a quantitative assessment is made when qualifying the risk. The focus is on the potential financial risk. Risks are categorised according to their net effect, thus taking into account the measures taken, and are divided into five categories ranging from insignificant to significant. Since the past financial year 2022, the quantitative risk assessment has been expanded to include a liquidity-related risk assessment. This involves validating the risks from a liquidity perspective and assessing whether the risk occurrence would have a direct impact on cash flow.

Risks are validated from a risk-bearing capacity perspective, in particular to limit or completely avoid risks that could jeopardise the continuation of the business model.

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

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

1 Unaudited disclosure in this section (a so-called non-management report disclosure required by the German Corporate Governance Code with regard to the internal control system and risk management system).

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

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

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

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

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

Risk assessment

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

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

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

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

Effects	Description
insignificant	limited negative impact on business, as well as on financial position and performance
moderate	negative impact on business, as well as on financial position and performance
significant	considerable negative impact on business, as well as on financial position and performance

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

	Effects		
Probability of occurrence	**insignificant**	**Probability of occurrence**	**insignificant**
more unlikely	l	more unlikely	l
likely	l	likely	l
more likely	m	more likely	m

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

Risk assessment also includes a qualitative component. As shown in the previous table, the qualitative risk assessment forms the basis and is used for quantification.

Quantification of risks on the basis of the expected value per risk area.

GFT risk rating	Expected value
low	< €1.5 million
medium	≥ €1.5 million to €5.1 million
high	≥ €5.1 million

The assessment and reporting of risks takes into account planned as well as already effective risk-reducing measures (net view) and is considered in relation to EBT, unless otherwise indicated.

In addition to the individual assessment of risks, the aggregation of risks is of particular importance, as this is not merely the sum of the individual risks, but must be considered separately due to the correlation of individual risks. Risks that are considered more likely to occur are also allocated a larger share in the aggregation of risks.

Risk-bearing capacity

The risk-bearing capacity concept ensures that there is sufficient risk coverage potential for the existing risks at all times.

Risk-bearing capacity is determined on the basis of the principle of over-indebtedness or under equity aspects. To determine the risk-bearing capacity, the net asset value of equity is weighted with an objectification factor based on an annual credit rating evaluation of the German central bank (Deutsche Bundesbank). Since 2022, the risk-bearing capacity concept has been expanded to include a liquidity-based view.

At the time of preparing the Risk Report, there is sufficient coverage potential from both a liquidity and equity perspective to cover the risks presented. The risks do not pose a threat to the existence of the Group, neither individually nor in aggregate.

Risk factors

The risk positions listed below are those which the GFT Group identifies and monitors as part of its risk management system. The risk positions were maintained in the past financial year and are broken down into five main risk categories: (1) economic, political and regulatory risks; (2) strategic risks; (3) personnel risks; (4) operating risks; and (5) financial risks. These are subdivided into further risk positions.

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

Risk positions and expected value

Risk position	Expected value
Economic, political and regulatory risks	
Economic and political environment	medium
Regulatory environment and legal requirements	low
Environment and diseases	low
Information security and data privacy	high
Strategic risks	
Sector and market risks	low
Strategic business model	low
Acquisition and integration risks	low
Innovation and technological know-how	low
Personnel risks	
International HR management	low
Recruitment, retention and development of employees	medium
Operating risks	
Sales risks	high
Project risks	medium
Liability risks	medium
IT risks and client compliance	low
Financial risks	
Liquidity risks	low
Exchange rate and interest rate fluctuation risks	medium
Accounting risks	low
Tax risks	medium

4.2 Economic, political and regulatory risks

Economic and political environment
The main macroeconomic risks of the GFT Group include the overall economic situation, the general propensity to invest and price developments on the IT market. The political and economic development of the economies in core markets has an impact on the investment behaviour of customers.

Events such as a regional or global economic crisis, military conflicts (e.g. the Russia/Ukraine conflict), terrorist attacks, fluctuations in national currencies or the creation of trade barriers (for example Brexit) can have a lasting impact on demand for GFT's solutions and services, for example due to delays in project contracts, rising credit risks of customers, changed refinancing costs or other restrictions of competition.

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

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

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

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

Environment and diseases
Due to the more frequent occurrence of environmental disruptions and catastrophes, as well as the risk of disease and pandemics, the risk item 'Environment and diseases' has been added as a separate risk item in the risk inventory.

The environmental risk for GFT arises from the possibility that services cannot be provided due to short-term or long-term environmental disruptions.

Catastrophes (such as earthquakes, floods, forest fires) can have a direct impact on GFT's ability to deliver; management of this risk is short-term and organised by a local Operational Emergency Risk Team (OERT) appointed by local country management. Long-term environmental changes (such as effects due to climate change, including rising sea levels and extreme weather events) are included in the GRC's risk assessment.

GFT's obligations, responsibilities and tasks are described in the 'GFT Environmental Policy'.

The risk of disease or pandemic for GFT is reflected in the possibility that services cannot be provided due to illness of GFT employees and freelancers. Local disease risks are managed by a local OERT team. Global disease risks (such as COVID-19) are managed by a cascade of OERTs appointed and headed at Group level by the GRC and at country level by the management of the respective country.

Information security and data privacy
As a result of the advancing digitalisation of business processes, risks in the field of information security and data privacy continue to increase significantly. Information technology and data privacy are a key driver for the GFT Group and an integral part of its daily business operations.

The GFT Group has a global Information Security Management System (ISMS), headed by the Chief Information Security Officer (CISO). GFT's established global ISMS provides a framework for security policies and procedures and is binding for all business units.

Risk assessments are conducted on a regular basis and risks are evaluated and addressed at periodic meetings of the GFT Privacy and Security Steering Committee. The Committee is chaired by the Chief Financial Officer (CFO).

In addition to the ISMS, the GFT Group has established global privacy policies, which are represented by the Group Privacy Officer (CPO). This maintains a comprehensive and consistent level of data privacy within the GFT Group and at the interfaces with clients, suppliers and partners. The GFT Group's privacy policy is particularly relevant for those countries where there is no data privacy legislation and/or acceptable levels of data privacy.

With the global increase in cyber attacks, there has been a further significant rise in security breaches, particularly ransomware, which can lead to operational or financial damage, as well as damage to the company's reputation.

The GFT Group has already taken measures to reduce the impact of ransomware by adopting a holistic approach. This approach includes ransomware prevention, cyber security insurance assessment, response plans, damage detection and minimisation, early response, environment recovery and return to normal.

4.3 Strategic risks

Sector and market risks
The GFT Group has a strong focus on the financial services sector. In the financial year 2022, 90% of revenue (2021: 89%) was generated with clients in this sector. There are risks, for example, in the form of regional or global financial and economic crises, inadequate or excessive regulation of financial service providers and normal demand cycles in the markets of GFT. In addition, there are political risks, such as an increase in trade barriers around the world, which could impair economic activity in the Group's target markets.

In order to minimise the dominant market risks, the GFT Group is continuously diversifying both its client base and service portfolio in the area of its core competencies.

Further measures include the conclusion of long-term contracts, intensive customer support at the level of top management, the strengthening of strategic partnerships and collaborations with platform providers (such as Amazon – Amazon Web Services, Google – Google Cloud Platform, Microsoft – Azure) and tech companies and start-ups (such as Digital Assets – support for DAML Smart Contracts, Thought Machine and Mambu – cloud-based core banking solutions or One Creation – integrated data protection).

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

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

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

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

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

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

Acquisitions help to minimise risks, for example by increasing sector diversification and reducing client dependence.

Various risks arise during integration into the GFT Group's existing structures and corporate philosophy. A post-merger integration (PMI) process has been established across the Group and is headed by the Chief Operating Officer (COO). It is based on a multi-level and standardised integration process that balances risk and effort and decides between various stages of integration. The COO is responsible for Group-wide compliance with standards and has a co-ordinating role in local PMIs.

Innovation and technological know-how
The demand for the IT solutions offered by GFT depends heavily on market and sector trends in the financial services sector and, in particular, on the strategic alignment of its main clients. The GFT Group safeguards its future market success as a leader in technology and innovation by identifying technological trends early on and introducing corresponding measures to quickly implement suitable technologies. The short life cycles of IT systems, technologies and software solutions are a key element of the business environment. There is a risk that major developments may not be recognised quickly enough, or underestimated and not applied or implemented. This may have a negative impact on the development of business and revenue.

The risks that can arise from changing demand for GFT's solution offerings are difficult to quantify in terms of impact and probability of occurrence. In order to minimise the risk, GFT's strategic business model is based on a wide range of services and solutions.

GFT works with strategic technology partners to identify changes in demand trends as soon as possible. As one of the few IT service experts in the banking environment, GFT actively engages in strategic partnerships with Amazon, Google and Microsoft, three of the largest cloud providers world-wide during the past financial year. In the insurance sector, there is a partnership and close cooperation with Guidewire (claims management software).

In addition, GFT's technology experts regularly take part in congresses and panel discussions, particularly in the fields of digitalisation, DLT/blockchain, cloud, DevOps, data analytics, artificial intelligence and Industry 4.0 (IoT). Innovation enjoys a high priority at GFT, which is why we continuously invest in research and development.

New technologies are evaluated internally according to their maturity and relevance to GFT's core business. In the case of relevant technology trends, measures are taken to ensure that strategic partnerships are reviewed, adapted as necessary or expanded, and that investments are made in prototypes.

4.4 Personnel risks

International HR management
Highly qualified and motivated employees at our international development centres are a key success factor for the GFT Group. Risks arise if the employees required for the implementation of the acquired projects are not available, if the technological skills of employees do not (or no longer) satisfy market needs, or if team sizes are reduced by above-average staff turnover. The current changes in geopolitical conditions (for example protectionism), or restrictions caused by pandemics (for example COVID-19), may limit the global mobility of employees.

These risks may lead to inadequate utilisation of the Group's own employees and thus result in fixed costs not being covered. Staff departures may incur additional costs for personnel recruitment measures and overload the remaining employees, which may reduce quality and customer satisfaction.

The GFT Group counters these risks by positioning itself as an attractive and globally operating employer which seeks to retain its specialists and executives. The respective HR policy measures include attractive working conditions, flexible working time models to improve the work-life balance of employees, attractive remuneration systems, tailored career models and extensive training. With the aid of targeted marketing measures, the Group strives to attract new talent in order to enhance its positive image on the job market. There is an increasing focus on social media, which are being used more and more.

Insofar as customer requirements cannot be met by our own staff, mainly due to capacity bottlenecks or a lack of specialist skills on the part of our staff, targeted external resources are used.

Recruitment, retention and development of employees
In connection with the current shortage of specialist staff, particularly in the IT sector, the recruitment of skilled employees is hampered by the ongoing rise in demand. The same applies to the retention of existing employees. Unless the GFT Group is able to find suitable employees or to retain them, there is a risk that it will no longer be able to implement operating activities as effectively and successfully, or that it will not be able to develop the service portfolio and technological know-how as planned.

Since employees are at the heart of our business model and make an essential contribution to the company's success, GFT attaches great importance to the issue of employee retention. For this reason, trends in the world of work are observed and appropriate measures are taken to continuously develop and increase the attractiveness of the company for employees.

GFT attaches great importance to the work-life balance of its employees and has therefore established measures to support and promote its employees. These measures include a regular review of local working time and salary models, the further development of our career model, the performance assessment of employees, and the promotion of employees via internally initiated talent development programmes.

4.5 Operating risks

Sales risks
The core business of the GFT Group comprises consulting, the development of software solutions, and the implementation of international IT projects. Depending on the complexity of the project, the type of order or solution offered, this may involve contractual, technological and economic risks.

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

As a further risk-reducing measure, the company's own legal department provides master contracts for operating activities. The legal department or external law firms review contract proposals from clients and support the negotiation of sales contracts with the aim of clearly and transparently regulating the possible liability risks associated with contractual obligations (for example, warranties or industrial property rights) and limiting them to a reasonable amount. Contractual provisions that go beyond the specific fundamental specification of the GFT Group (such as the assumption of unlimited liability or the agreement of excessive penalties) also require the express approval of local management or the Managing Directors.

Coordination between the sales organisation and the development departments is essential. The focus here is on what the sales organisation sells and what the development departments can deliver. This is a key element of performance as an IT service provider. If the dynamics of supply and demand are not properly assessed and managed, this can have a significant impact not only on GFT's costs, but also on its reputation among clients and employees. Due to the increased risks in this environment, the sales process has been further optimised in order to be able to detect developments and trends from sales activities at an even earlier stage.

Project risks
The implementation of IT projects, especially at fixed prices, is associated with technological and economic risks. Project delays, insufficient quality or lack of resources may lead to economic losses, compensation claims, lack of repeat business and damage to the Group's reputation.

Project processing includes a risk management system integrated into project management methods, which safeguards the implementation or provision of services. The internationally recognised Capability Maturity Model Integration (CMMI®) process model is used. Application of the CMMI® process ensures that technical problems are significantly reduced and minimizes the danger of projects going over budget or deadlines not being met. Project and quality management have been optimised with the successfully certified further development of internal processes according to CMMI® Level 3. The corporate division Risk & Quality Management examines Group-wide compliance with the CMMI® model and the implementation of risk management requirements, and reports any deviations to the responsible managers and the Managing Directors.

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

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

The project business of the GFT Group is not possible without project risks – which are generally offset by project opportunities.

Liability risks
The possible economic harm caused by the infringement of third-party property rights, and in particular rights to software, may lead to considerable damage. Due to the necessary use of open source software in many projects, the GFT Group has established mechanisms for the preparation of bids to customers which are designed to reduce legal risks and potential damages claims from the use of open-source components.

A technical and legal process has been introduced which accompanies the use of open source components during bid preparation and throughout the project activities. During the bid preparation stage, any open source components which are used are checked by the project managers with regard to licensing using a matrix system; technical alternatives are discussed – where necessary – with the project managers. On the basis of this review, the use of specific open source software is either possible, possible only to a limited extent, or not possible at all.

IT risks and client compliance
Handling sensitive information on a daily basis is an integral part of the GFT Group's daily operations. Confidential personal or company data may be accidentally deleted, damaged or altered by a person with extensive access rights (IT administrator or business power user).

The risk of data loss is mitigated by minimising permissions according to the least-privilege principle and by taking organisational security measures. Backups are performed wherever possible. In the case of certain cloud services and the data stored there, this may not be the case or only to a limited extent.

Furthermore, data may also be lost due to a failure of the operated data centres. The GFT Group's data are currently still stored at physical data centres and IT services are dependent on the available infrastructures. If these were to be destroyed or severely impaired by a disaster (fire, flood etc.), stored data could be lost and IT services would no longer be available.

Depending on the criticality of the IT service and its data, this risk is mitigated by the use of redundant data centres, storage, physical servers and/or virtual servers. Backups are performed for all on-premises data.

4.6 Financial risks

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

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

Risk report

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

Exchange rate and interest rate fluctuation risks
As an internationally operating company which prepares its accounts in euro, the GFT Group is subject to various financial risks from fluctuations in interest and exchange rates which may have a negative impact on its financial position and performance.

Periodic fluctuations in currencies entail considerable risks for the financial position and performance, in particular due to the mandatory currency translation into euros. As the GFT Group conducts its business around the globe, a significant proportion of its invoicing is in foreign currencies. In the financial year 2022, transactions in foreign currencies which were then translated into the Group's reporting currency, the euro, accounted for around 59% of consolidated revenue (2020: 51%). Exchange rate risks resulting from the appreciation or depreciation of currencies arise in the Group's operating business primarily when revenue is generated in a currency other than that used for the related costs.

The financial structure, investments and other balance sheet items of the GFT Group are subject to interest rate fluctuations on the capital markets which may have a negative impact on earnings, and especially on the interest result and other items of the income statement subject to discounting.

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

Interest rate risks are managed by the Group's treasury management. Interest rate changes may result in risks for the operating business as well as for financial transactions. Interest rate risks arise when fixed-interest periods on the asset and liability sides of the balance sheet are not matched. The risk of mismatched maturities is minimised from both an interest rate and liquidity perspective by means of refinancing aligned with the maturities of the financial contracts. Capital procurement measures are centrally coordinated within the GFT Group. Remaining interest rate risks are managed by using derivative financial instruments. There were no further significant financial instruments used for risk management purposes in the financial year 2022. For a more detailed presentation of financial instruments, see section 9.1 of the notes to the consolidated financial statements.

Accounting risks
The GFT Group's accounts are prepared according to the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU). Current and future pronouncements on accounting policies and other accounting standards may have a negative impact on the published financial results. Risks arise in particular from delays in adjusting current methods to the new pronouncements on accounting methods and accounting standards as well as unforeseeable changes with regard to the interpretation of standards.

Accounting in accordance with IFRS requires management to make extensive assumptions, estimates and discretionary decisions which may have an impact on the financial figures of the GFT Group. Risks may arise in such a way that facts and assumptions on which the estimates and discretionary decisions of the management are based, as well as the assessment of these facts change over the course of time. This can lead to significant changes in estimates and judgments and consequently to changes in the financial figures and to negative reactions on the capital market.

The GFT Group regularly monitors compliance with the applicable and relevant accounting regulations and reviews new relevant pronouncements or drafts and their interpretation in order to identify and implement any necessary changes to the Group-wide accounting methods at an early stage.

Risks arising from the use of estimates and judgments are countered by established control mechanisms, for example by applying the dual control principle. In addition, forecasts based on assumptions and estimates, as well as their impact on financial figures, are regularly reviewed and analysed.

More information
can be found in the notes to the consolidated financial statements on page 75

Tax risks

The GFT Group operates in many countries around the world and is therefore subject to numerous different tax regulations and tax audits. Any changes in legislation and jurisdiction or different legal interpretations by the tax authorities – in particular in the area of cross-border transactions – may involve considerable uncertainties. It is therefore possible that provisions formed may prove to be insufficient and thus lead to a negative impact on the Group's net income and cash flow.

Any changes, complaints or findings by the tax authorities are continuously monitored by the Group Tax department and the corresponding measures are taken where necessary.

4.7 Overall risk assessment

The overall risk assessment is the result of a consolidated examination of the material individual risks explained in this chapter and the aggregated risk exposure, which in relation to the risk-bearing capacity at the time of preparing this report do not indicate any threat to the GFT Group as a going concern. No permanent or substantial impairment of the financial position and performance of the company is expected. The early warning system for the detection of risks implemented by the GFT Group is constantly evolving and will be reviewed by the external auditor in accordance with statutory requirements.

5 Opportunity report

Opportunity management

Opportunities are defined as possible positive deviations from guidance for the financial year 2023 and medium-term planning. The GFT Group's opportunity management systematically records possible developments and events with a positive direct impact on its financial position and performance. Opportunities are identified on the basis of market and competition analyses, sector studies and regular customer contact.

Developments, trends or events which could have a positive impact on the financial position and performance in the financial year 2023 and medium-term planning, should they occur, are explained in the following sections.

Economic and political opportunities

Macroeconomic opportunities arise when political and economic developments in national economies are better than expected and can influence the investment behaviour of clients as well as price developments in the core markets. These include events such as investment facilitation, public sector investment programmes or trade facilitation. Reduced uncertainty following political decisions taken over a longer period of time (for example in connection with Brexit) may also have a positive impact on client investment behaviour.

Opportunities from the regulatory environment and legal regulations

Regulatory amendments or changes to legal requirements may force the targeted client groups to update their IT systems, resulting in additional demand and thus positively impacting GFT's business activities.

Strategic opportunities

Should the strategic external conditions listed below develop better than assumed, this could prompt additional demand and have a positive impact on business activities, the financial position and performance.

Sector and market opportunities

Accelerated by diseases and pandemics, the need to digitalise business processes in all sectors has increased further in terms of awareness and urgency: this might provide an additional stimulus for demand.

GFT Technologies SE is driving the diversification of its business model in order to reduce its dependence on individual clients, sectors and regions. This gives it the opportunity to offset economic fluctuations and revenue shortfalls with individual clients by means of revenue growth in other target markets. Acquisitions and investments have accelerated sector diversification in the insurance and industrial sectors, enabled new customer groups to be gained and expanded GFT's portfolio of technologies and services. Geographic diversification is also being pursued, as with the recent targeting of the innovative Asia-Pacific banking market. Further opportunities arise from indirect sales by GFT partners, such as Google, Amazon Web Services, Microsoft, Guidewire, DAML, Thought Machine or Mambu.

Opportunities from acquisition and integration

Identifying and exploiting value-enhancing acquisition opportunities is part of the GFT Group's corporate strategy. Potential acquisitions offer opportunities to increase revenue, profitability and diversification in the coming years. GFT has many years of experience in integrating new companies, business models and technologies into the Group, whereby high demands are placed on the target company. With the aid of targeted company acquisitions, GFT can participate in growth and technology trends in the selected sectors and regions.

Opportunity report

Opportunities from innovation and technological know-how

Opportunities for business activities arise from GFT's range of solutions based on innovative strength and technological expertise. If technological trends develop more dynamically than expected, this can have a positive impact on the financial position and performance.

By means of acquisition-based and organic growth, the GFT Group has steadily expanded the expertise it can offer insurers and ultimately this sector's share of total revenue. In order to meet the increasing demand for implementation projects of Guidewire's standard solution for property insurers, expert teams were established in Poland and Spain in the past to accompany this growth from nearshore locations. Opportunities may arise from stronger than expected growth of the partner Guidewire.

The transfer of IT systems to the cloud offers customers in the banking, insurance and industrial sectors more flexible and cost-effective solutions based on new technologies. GFT helps clients transfer their systems to the cloud and provides support for the subsequent implementation and further development of cloud applications. Thanks to its strategic partnerships with Google, Microsoft and Amazon Web Services, the GFT Group is well positioned to benefit from the dynamic cloud trend. Should the market and the business of our partners develop better than expected, opportunities may arise for the GFT Group.

The field of Industry 4.0 offers further potential. The successful development of IoT applications requires comprehensive technological expertise relating to DLT/blockchain, cloud engineering, data analytics and artificial intelligence – technologies that the GFT Group is proficient in and is continuously expanding. Further opportunities for business in the industrial sector may arise if the targeted clients increase their IoT budgets.

Opportunities from research and development

The GFT Group's research and development activities are aimed at identifying or anticipating sector trends and customer needs at an early stage and using these to derive the appropriate solutions. Activities focus in particular on high-growth technologies such as cloud, DLT/blockchain, data analytics and artificial intelligence. Opportunities may arise from shorter innovation cycles, faster achievement of market-ready offerings, and subsequent increased scaling.

Opportunities in HR from international development centres

With its international development centres, the GFT Group's Delivery Model combines customer proximity and quality with attractive cost benefits and the global utilisation of technological expertise. Strategy concept work and consultation are generally conducted in direct contact with clients (onshore). Services are subsequently provided both onshore and at our nearshore development centres. This alignment not only offers cost advantages, but also gives GFT's customers access to capacities, as well as sector and technological expertise, in times when the supply of skilled workers is scarce. The widespread prevalence of "working from home" during the COVID-19 pandemic offers the opportunity that client acceptance of nearshore development will rise even further. Moreover, the global facilitation of remote working models at GFT, in connection with its global network of sites, offers further opportunities to attract new employees.

For many years now, GFT has had a proven onshore/nearshore model which can provide technological expertise and capacities for its global clients. Should the demand for nearshore development increase more strongly than expected, this could have a positive impact business activities.

Opportunities from currency and interest rate fluctuations

Currency opportunities arise from transactions that are not conducted in the reporting currency (euro). In a similar way to the risks explained in the risk report, exchange rate trends also offer translation and transaction opportunities. Market-related fluctuations in the general level of interest rates can also result in opportunities that mirror the interest rate risk. The opportunities listed here can have a positive impact on the financial position and performance.

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

6.1 General

In addition to the above reporting on the GFT Group, the following section presents the development of GFT Technologies SE.

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

In accordance with section 315 (5) HGB in conjunction with section 298 HGB, the management report of GFT Technologies SE has been combined with the management report of the GFT Group as the development of business, economic position and future opportunities and risks of GFT Technologies SE are closely linked with the Group due to common activities in their core operating business.

GFT Technologies SE is the parent company of the GFT Group and is domiciled in Stuttgart, Germany.

For further information
please go to
www.gft.com/financialreports

As the parent company, GFT Technologies SE is responsible for managing the GFT Group. Its results thus also include expenses for the Group's headquarters with the central functions for Corporate Development, Finance, Communications, Public Affairs, Human Resources, Legal Affairs and Compliance, as well as Data Protection and Procurement. In addition, GFT Technologies SE has operating activities in Germany. The results of GFT Technologies SE are also influenced to a significant extent by its directly and indirectly held subsidiaries and investments.

The economic conditions of GFT Technologies SE are largely identical to those of the Group as described in detail in chapter 2.1 'General conditions'.

6.2 Earnings position

Condensed income statement

in € million	2022	2021
Revenue	89.45	73.53
Changes in inventories of work in process	−0.07	4.73
Other operating income	8.34	9.34
Total performance	**97.72**	**87.60**
Cost of purchased services	30.49	25.54
Personnel expenses	34.58	38.55
Amortisation and depreciation	1.43	1.22
Other operating expenses	32.09	33.28
Result from operating activities	**−0.87**	**−10.99**
Financial result	**20.41**	**19.12**
Earnings before taxes (EBT)	**19.54**	**8.13**
Taxes	3.08	0.50
Net income for the year	**16.46**	**7.63**
Profit brought forward from the previous year	17.88	19.47
Distributable profit	**34.34**	**27.10**

In the financial year 2022, **earnings** of GFT Technologies SE were dominated by the significant improvement in the profitability of its operating business. This was partially offset by increased expenses from holding activities. There were no significant negative one-off effects in the financial year 2022. In the previous year, earnings were burdened in particular by the loss of €6.14 million from the merger with GFT Smart Technology Solutions GmbH.

GFT Technologies SE generated **revenue** of €89.45 million in the financial year 2022 (2021: €73.53 million). The increase in revenue of €15.92 million or 22% exceeded the expectation stated in the previous year's forecast report, which anticipated only moderate growth. Revenue mainly comprises income from the provision of customer-specific IT services, rendered predominantly in Germany, and from Group-wide service functions for the subsidiaries. The latter involve sales-related license fees, management fees, central support services and other cost allocations. **Revenue adjusted** for revenue from Group-wide services was significantly higher than in the previous year at €58.55 million for the financial year 2022 (2021: €45.84 million). The revenue trend of GFT Technologies SE in connection with IT services depends heavily on the date when projects are completed and thus on closing-date effects, especially in connection with major orders. **Income from corporate services** for subsidiaries included in total revenue amounted to €30.90 million (2021: €27.70 million).

Taking into account the change in work in progress and other operating income, **total performance** amounted to €97.72 million and was thus 12% up on the prior-year figure (2021: €87.60 million). The increase in total performance is mainly due to the general revenue growth as well as the completion or client acceptance of several contract work projects at the end of the financial year. The **changes in inventories of work in process** amounted to €−0.07 million, compared to €4.73 million in the previous year, and reflects closing-date effects from projects not yet completed or not yet accepted by the client.

The **cost of purchased services** increased by €4.95 million to €30.49 million in the financial year 2022 (2021: €25.54 million), due mainly to the increase in business volume. By contrast, the ratio of cost of purchased services to revenue decreased slightly to 34% compared to 35% in the previous year.

Personnel expenses of €34.58 million were 10% up on the previous year (2021: €38.55 million). This trend is significantly favoured by positive effects from the valuation of the share component of long-term management remuneration. The **productive utilisation rate** of operating business (without holding activities) of GFT Technologies SE improved by three percentage points from 78% to 81%. The productive utilisation rate is a non-financial performance indicator. It refers solely to the use of production staff in client projects and does not include any sales activities or internal projects.

In the reporting period, **other operating expenses** of GFT Technologies SE amounted to €32.09 million (2021: €33.28 million). They mainly comprise IT licence costs, rent and maintenance expenses, selling expenses and legal and consulting costs, which, adjusted for special items in the previous year, increased in line with revenue. In the previous year, other operating expenses were burdened by the loss of €6.14 million from merging with GFT Smart Technology Solutions GmbH.

The **financial result** increased by €1.29 million to €20.41 million (2021: €19.12 million). The improvement resulted mainly from increased investment income of €19.07 million (2021: €18.10 million). Investment income in the financial year 2022 results from dividend payments of the Spanish, French and Swiss subsidiaries based on their positive business performance.

Earnings before taxes (EBT) of GFT Technologies SE amounted to €19.54 million for the financial year 2022 (2021: €8.13 million) and were thus in line with the expectations stated in the Forecast Report of the previous year.

After deducting **taxes** of €3.08 million (2021: €0.50 million), **net income for the year** in the reporting period amounted to €16.46 million and was thus €8.83 million more than in the previous year (2021: €7.63 million). The increase in taxes is mainly due to the significant rise in income subject to corporate income tax as well as to a positive trade income, primarily as a result of off-balance-sheet adjustments.

The **economic position** of GFT Technologies SE is mainly shaped by its own operating activities and those of its subsidiaries. GFT Technologies SE participates in the operating results of its subsidiaries via dividends and profit transfers. Consequently, the economic position of GFT Technologies SE is fundamentally that of the GFT Group, which is explained in chapter 2.7 'Overall assessment'.

6.3 Financial position

Together with its subsidiary GFT Treasury Services GmbH, GFT Technologies SE plays the central role in the Group's financial activities. Its financial management ensures the permanent liquidity of all Group companies. Please refer to chapter 2.5 'Financial position' for a more detailed description of the GFT Group's financial structure.

As of 31 December 2022, **cash and cash equivalents** of GFT Technologies SE were down €1.20 million to €2.92 million (31 December 2021: €4.12 million). This decrease in liquidity is mainly due to the redemption of liabilities to banks, as well as in connection with the recently introduced central Group clearing system.

The Group clearing system was introduced in the financial year 2022 via GFT Treasury Services GmbH with the aim of minimising exchange rate risks and transaction costs in connection with intra-Group deliveries and services. Receivables and liabilities from operational deliveries and services are settled via clearing accounts held with GFT Treasury Services GmbH at the beginning of the month following the delivery or service. Invoices are settled in the form of a credit or debit entry in the clearing account. In addition, credits or debits to the clearing account are made in the case of cash advances or transfers from or to GFT Treasury Services GmbH for the purpose of Group-wide liquidity management.

The **net liquidity** of GFT Technologies SE – a product of cash and cash equivalents disclosed in the balance sheet less bank borrowing – improved strongly from €–58.90 million in the previous year to €–34.09 million as of 31 December 2022.

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

6.4 Asset position

Condensed balance sheet

in € million	31/12/2022	31/12/2021
Assets		
Intangible assets	0.66	1.18
Property, plant and equipment	4.13	4.47
Financial assets	99.54	125.46
Non-current assets	**104.33**	**131.11**
Inventories	7.68	7.75
Receivables and other assets	33.68	27.75
Cash and cash equivalents	2.92	4.12
Current assets	**44.28**	**39.62**
Prepaid expenses	4.83	3.33
Total assets	**153.44**	**174.06**
Equity and liabilities		
Shareholders' equity	85.57	78.32
Provisions	16.31	13.63
Liabilities to banks	37.02	63.02
Other liabilities	14.05	17.99
Deferred income	0.49	1.10
Total equity and liabilities	**153.44**	**174.06**

As of 31 December 2022, the **balance sheet total** of GFT Technologies SE decreased year on year by 12% or €20.62 million to €153.44 million (31 December 2021: €174.06 million). The main changes compared to the previous year are presented below.

Non-current assets as of 31 December 2022 were down by €26.78 million to €104.33 million (31 December 2021: €131.11 million), due mainly to lower **financial assets** of €99.54 million (31 December 2021: €125.46 million). This decline in financial assets of €25.92 million resulted from a decrease in loans to affiliated companies due to the repayment of intercompany loans.

Current assets of €44.28 million were up €4.66 million on the previous year (31 December 2021: €39.62 million). This increase of €4.66 million is primarily attributable to the increase in **receivables and other assets** to €33.68 million (31 December 2021: €27.75 million), mainly as a result of the Group clearing system described in section 6.3 'Financial position' which changed the asset and capital structure in the financial year 2022. At the same time, **cash on hand and bank balances** decreased by €1.20 million to €2.92 million – mainly for the same reason (see chapter 6.3 'Financial position'). **Inventories,** and in particular work in progress, were on a par with the previous year at €7.68 million as of 31 December 2022 (31 December 2021: €7.75 million).

Shareholders' equity of GFT Technologies SE increased in the reporting period by 9% or €7.25 million to €85.57 million (31 December 2021: €78.32 million). Net income of €16.46 million (2021: €7.63 million) was opposed by the dividend payment to shareholders of €9.21 million (2021: €5.27 million). The **equity ratio** at the end of the reporting period improved strongly by 11 percentage points to 56% (31 December 2021: 45%) with a simultaneous reduction in the balance sheet total.

There was an increase in **provisions** of €2.68 million to €16.31 million as at the balance sheet date (31 December 2021: €13.63 million). This was mainly due to a rise in **tax provisions** of €2.85 million to €3.07 million (31 December 2021: €0.22 million) as a result of profitable performance of GFT Technologies SE.

As a result of further payments to redeem bank loans of €26.00 million, **liabilities to banks** fell to €37.02 million (31 December 2021: €63.02 million).

Other liabilities fell to €14.05 million as of 31 December 2022 (31 December 2021: €17.99 million). This decrease of €3.94 million is mainly the result of a project-related decline in advance payments on orders as well as lower liabilities owing to affiliated companies due to closing-date effects.

6.5 Risk and opportunity report

The business development of GFT Technologies SE is mainly subject to the same risks and opportunities as the GFT Group. In principle, GFT Technologies SE participates in the risks of its investments and subsidiaries in proportion to its respective shareholding. The risks and opportunities are described in chapters 4 'Risk Report' and 5 'Opportunity Report'. In addition, legal or contractual contingencies, in particular financing, charges and write-downs on shares in affiliated companies may result from relationships with the company's investments.

6.6 Forecast report

Due to the close ties of GFT Technologies SE with the Group companies and its weight within the Group, reference is made to the statements in chapter 3 'Forecast report', which also reflects expectations for the parent company. The future financial position and performance of GFT Technologies SE mainly depends on the performance and success of its subsidiaries. GFT Technologies SE participates in the development of its subsidiaries via profit transfer agreements and dividends.

For the financial year 2023, GFT Technologies SE anticipates a slight decline in revenue. Demand from existing clients is likely to decrease and will not be fully offset by the expansion of client diversification based on persistently high demand for complex digitalisation solutions.

Against the backdrop of rising salary and acquisition costs, operating profitability is expected to decline. By contrast, an improvement in the financial result is expected due to higher dividends of major subsidiaries. Overall, EBT is therefore expected to be slightly below the level of the financial year 2022.

7 Takeover-relevant information

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

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

Restrictions on voting rights or the transfer of shares
Legal regulations, in particular section 136 AktG and section 44 German Securities Trading Act (WpHG), exclude voting rights for the affected shares in the respective specified cases. No such cases are known. We are also not otherwise aware of any restrictions affecting voting rights or the transfer of shares.

Shareholdings exceeding 10% of the voting rights
GFT Technologies SE is aware of the following shareholding that exceed 10% of the voting rights: as at 31 December 2022, Ulrich Dietz (Chairman of the Administrative Board of GFT Technologies SE), Germany, held 26.3% of total voting rights.

Shares with special control rights
There are no shares with special rights conferring control.

System of control over voting rights when employees own shares and their control rights are not exercised directly
We are not aware of any employees who hold shares and do not exercise their control rights.

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

Rules governing amendments to the articles of association

The requirements for amendments to the articles of association are regulated in particular in article 59 SE-VO and section 51 SEAG. Reference is made to these provisions. According to section 51 SEAG, the articles of association may determine, unless binding statutory regulations state otherwise, that a simple majority of votes cast is sufficient for a resolution of the Annual General Meeting to amend the articles of association, providing that at least half of share capital is represented. The articles of association of GFT Technologies SE make use of this provision in section 23 (4). A larger majority is required for an amendment to the company's object, for a resolution on relocating the registered offices of the SE to a different EU member state, and for other legally binding cases (section 51 sentence 2 SEAG). The Annual General Meeting can assign the authority to amend the articles of association to the Administrative Board insofar as such amendments merely relate to the wording. This is permitted for GFT Technologies SE by the provisions in section 21 (1) of the articles of association. Moreover, the Administrative Board is authorised by a resolution of the Annual General Meeting to amend the wording of section 4 (1) and (7) of the articles of association in accordance with the respective use of Authorised Capital 2022 and after expiry of the utilisation and authorisation period. Moreover, in the case of a cancellation of shares, the Administrative Board is authorised to amend the disclosure on the number of shares in the articles of association.

Executive board authorities, particularly the issuing and buy-back of shares

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

Authorised capital

The Administrative Board is authorised until 9 June 2026 to increase the company's share capital by up to €10,000,000.00 through a one-time-only or repeated partial issuance of bearer shares (no-par shares) against cash contributions and/or contributions in kind (Authorised Capital 2021).

The sum of shares issued under Authorised Capital 2021 and the shares that may be issued or are to be issued to service conversion and/or option rights or to fulfil conversion or option obligations from bonds with option and/or conversion rights or obligations (or a combination of these instruments) issued during the term of this authorisation may not exceed a total amount of the share capital of €13,162,973.00 (corresponding to 50% of the share capital).

The new shares must generally be offered to the shareholders for subscription (directly or in whole or in part also by way of indirect subscription pursuant to section 186 (5) sentence 1 AktG). The Administrative Board is authorised to exclude the statutory subscription right of shareholders,

- insofar as it is necessary for fractional amounts resulting from the subscription ratio,
- in the event of capital increases in return for contributions in kind for the purpose of issuing shares for the (also indirect) acquisition of companies, parts of companies, investments in companies or other assets in connection with the aforementioned company acquisitions (even if a purchase price component is paid in cash in addition to the shares);
- in the event of a capital increase in return for contributions in cash, provided that the issue price of the new shares is not significantly lower than the stock market price and the total pro rata amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital, either at the time this authorisation comes into effect or at the time it is exercised. This limit shall include those shares which are issued during the term of this authorisation using an authorisation to sell repurchased treasury shares in accordance with section 186 (3) sentence 4 AktG under exclusion of subscription rights which is valid at the time this authorisation takes effect. Shares issued or to be issued to service convertible bonds or bonds with warrants shall also be included in the calculation to the extent that these bonds are issued during the validity of this authorisation in accordance with section 186 (3) sentence 4 AktG; and
- in order to grant the company's Managing Directors, members of the representative body of any of the company's affiliated companies or employees of the company and its affiliated companies new shares in connection with share participation programmes or other share-based programmes if the

total pro rata amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 5% of the share capital, either at the time this authorisation comes into effect or at the time it is exercised. To the extent permitted by law, the new shares may also be issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Directors and the Administrative Board can allocate to other retained earnings under section 58 (2) AktG.

The sum of shares issued on the basis of Authorised Capital 2021 under exclusion of shareholders' subscription rights must not exceed a proportional amount of 20% of the share capital – taking into account other shares of the company which, during the term of Authorised Capital 2021, are sold or issued under exclusion of subscription rights or are to be issued under bonds issued after 10 June 2021 under exclusion of the subscription right – neither at the time this authorisation comes into effect nor at the time it is exercised.

The Administrative Board is authorised to determine the further details of a capital increase and its implementation.

Conditional capital

Conditional Capital 2022 (sections 192 et seq. AktG) is regulated in section 4 (7) of the articles of association of GFT Technologies SE:

A conditional increase in the company's share capital (Conditional Capital 2022) of up to €10,000,000.00 is authorised through the issue of a maximum of 10,000,000 new bearer shares. A conditional increase in share capital is only implemented if the bearers of conversion or warrant rights from convertible or warrant bonds (or a combination of these instrument), which were issued by GFT Technologies SE or a domestic or foreign company in which GFT Technologies SE directly or indirectly holds a majority of voting rights and capital, on the basis of the authorisation adopted by the Annual General Meeting of 1 June 2022 agenda item 7, exercise their conversion or warrant rights or fulfil their conversion or warrant obligations from such convertible or warrant bonds, and insofar as the conversion or warrant rights or conversion or warrant obligations are not settled via treasury shares, nor shares from authorised capital, nor by other consideration.

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

Purchase of treasury shares

With a resolution adopted by the Annual General Meeting of 24 June 2020, GFT Technologies SE is authorised to purchase treasury shares up to a total of 10% of share capital as at the time of the Annual General Meeting resolution or – if this amount is lower – at the time the authorisation is exercised. The authorisation may be exercised once or several times and in full or in partial amounts. However, the treasury shares purchased on the basis of this authorisation, together with those treasury shares which the company has already purchased and still holds, or which are attributed to it pursuant to sections 71d and 71e AktG, may at no time exceed 10% of the respective share capital.

The purchase of treasury shares is made via the stock exchange or as part of a public purchase offer made to all shareholders by GFT Technologies SE. If shares are bought via the stock exchange, the purchase price per share paid by GFT Technologies SE (exclusive of any ancillary costs) may not exceed, or fall below, the price determined by the opening auction in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day by more than 10%. In the case of a public offer, the purchase price per share paid by the company (exclusive of any ancillary costs) may not exceed, or fall below, the non-weighted average closing price of the GFT Technologies SE share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days prior to the day of the final decision by the Administrative Board on the offer by more than 10%.

In the case of a public offer, the volume of the offer may be limited. If there are not insignificant deviations in the relevant stock exchange price after the publication of the public offer, the offer may be adjusted. In this case, the stock exchange price on the last stock exchange trading day prior to the final decision of the Administrative Board on the public announcement of any adjustment shall be used as a basis. The volume of the offer may be limited. If the total subscription of the offer exceeds the fixed volume, the acceptance must be made on a quota basis. Preferential acceptance of small numbers of up to 100 tendered shares per shareholder may be provided for. The public offer may provide for further conditions.

The authorisation was granted for every legally permissible purpose, and in particular for the following purposes:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- to cancel shares;
- for use in the context of share-based remuneration or employee share programmes of GFT Technologies SE or its affiliated companies to persons who are or were employed by GFT Technologies SE or one of its affiliated companies, as well as to Managing Directors of GFT Technologies SE or members of executive bodies of affiliated companies of GFT Technologies SE. They may be offered, granted and transferred to the aforementioned persons, in particular for consideration or free of charge, whereby the employment or service relationship, or the relationship to the executive body, must exist at the time of the offer, the grant or the transfer;
- to sell the shares with the exclusion of shareholder subscription rights while meeting the requirements of section 186 (3) sentence 4 AktG.

The sale of purchased treasury shares must always be made via the stock exchange or by means of a public offer made to all shareholders.

GFT Technologies SE was authorised, however, to employ a different selling method, with the exclusion of shareholder subscription rights, should this be necessary in the interests of GFT Technologies SE, in order to use the shares as follows:

- to use the treasury shares as an acquisition currency for the acquisition of companies or company divisions by GFT Technologies SE;
- for use in the context of share-based remuneration or employee share programmes of GFT Technologies SE or its affiliated companies to persons who are or were employed by GFT Technologies SE or one of its affiliated companies, as well as to Managing Directors of GFT Technologies SE or members of executive bodies of affiliated companies of GFT Technologies SE. They may be offered, granted and transferred to the aforementioned persons, in particular for consideration or free of charge, whereby the employment or service relationship, or the relationship to the executive body, must exist at the time of the offer, the grant or the transfer.

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

The authorisations to sell may be exercised separately or together, in whole or in part. If exercised in part, the authorisation may be utilised on several occasions. The authorisation applies to shares of GFT Technologies SE already held by GFT Technologies SE at the time this authorisation was granted.

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

The authorisation to purchase treasury shares became effective on expiry of the virtual Annual General Meeting of 24 June 2020 and is valid until 23 June 2025. No use has been made of this authorisation to date. For further information, please refer to note 4.10 'Equity capital'.

Material agreements of the parent company conditional to a change of control following a takeover bid
The material agreements of GFT Technologies SE, which contain a clause for the event of a change of control at GFT Technologies SE, concern loan agreements. In the event of a change of control, the respective lenders have the right to terminate the loan agreements and make them due.

GFT Technologies SE has signed several promissory note agreements totalling €17 million which grant termination rights to the respective lender in the event that, without prior consent of the respective lender, a person or a number of people acting in unison as defined by section 2 (5) German Takeover Act (Wertpapiererwerbs und Übernahmegesetz, WpÜG), or persons acting on behalf of such persons (with the exception of those defined “Permitted Owners” defined below) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE. The term “Permitted Owners” refers to (i) Ulrich Dietz, Maria Dietz and their offspring, as well as (ii) persons acting on behalf of one or more of the aforementioned persons.

A banking consortium has provided GFT Technologies SE with a syndicated, partially revolving credit line for a total amount of up to €55 million, of which €20 million had been drawn at the end of the reporting period. The consortium members were granted the right to terminate their portion if a person or a group of people who have coordinated their actions pursuant to section 2 (5) WpÜG, or persons acting on behalf of such persons (with the exception of Ulrich Dietz and/or Maria Dietz and/or their offspring) directly or indirectly acquire, at any time, control of more than 50% of the voting capital of GFT Technologies SE.

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

There are no corresponding severance pay agreements with Managing Directors and employees for the event of a change of control.

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In accordance with sections 289 f, 315 d HGB and as provided for in Principle 23 of the German Corporate Governance Code, the Administrative Board and the Managing Directors submit the following report on corporate governance in the financial year 2022.

Declaration of Compliance of GFT Technologies SE
At its meeting on 7 December 2022, the Administrative Board of GFT Technologies SE submitted the following declaration in accordance with section 22 (6) SEAG in conjunction with section 161 AktG:

'Declaration of Compliance of the Administrative Board of GFT Technologies SE concerning the recommendations of the Government Commission on the German Corporate Governance Code pursuant to section 161 AktG

(as at: 7 December 2022)

GFT Technologies SE has complied with the recommendations of the 'Government Commission on the German Corporate Governance Code' as amended on 16 December 2019, announced in the German Federal Gazette (Bundesanzeiger) on 20 March 2020 subject to the special features of the monistic system of the GFT Technologies SE as outlined in its Declaration of Conformity of December 7, 2021, and with exception of the deviations explained there.

GFT Technologies SE complies and will comply with the recommendations of the 'Government Commission on the German Corporate Governance Code' as amended on 28 April 2022, announced in the German Federal Gazette (Bundesanzeiger) on 27 July 2022 (hereinafter referred to as the 'Code') with exception of the deviations explained in section III.

The principles for transferring the recommendations of the Code based on a dual management system to the one-tier management system of GFT Technologies SE are presented in sections I. and II.

<u>I. Preliminary remark</u>
As stated in paragraph 3 of its foreword, the objective of the Code is to make the dual German corporate governance system transparent and understandable.

Pursuant to section 5 (1) of its Articles of Incorporation, GFT Technologies SE has a one-tier management and control structure. According to article 43 to 45 Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute of the European Company (SE) in conjunction with sections 20 et seq. SE Implementation Act (hereinafter referred to as the 'SEAG'), the one-tier system is characterised by the fact that a single governance body, the Administrative Board, is responsible for the management of the company. The Administrative Board manages the company, determines the basic policies of its activity and supervises their implementation by the Managing Directors. The Managing Directors conduct the business of the company and represent the company in and out of court. They are bound by instructions of the Administrative Board.

The principles and recommendations contained in the Code with regard to the dual German corporate governance system are only directly applicable to a one-tier SE to a limited extent. In particular, as is the case for listed credit institutions and insurance undertakings (see paragraph 8 sentence 2 of the foreword to the Code), the principles and recommendations of the Code can only be applied to the extent that they do not contradict any legal stipulations. The transfer of the principles, recommendations and suggestions of the Code to the one-tier structure of GFT Technologies SE is explained below in section II.

<u>II. Transfer of the principles, recommendations and suggestions of the Code to the one-tier structure of GFT Technologies SE</u>
GFT Technologies SE transfers the principles, recommendations and suggestions of the Code for the supervisory board to its Administrative Board and for the management board to its Managing Directors.

The following exceptions apply:

1. *The governance tasks of the management board set forth in Principles 1 to 5 are the responsibility of the Administrative Board pursuant to section 22 (1) of the SEAG, or section 22 (3) sentence 3 of the SEAG. These include managing and developing the company's strategic alignment, setting targets for the proportion of women in the two management levels below the Administrative Board, establishing an internal control system and risk management system and compliance.*

2. *The Recommendations A.1 and A.3 in connection with the ecological and social impacts of the enterprise's activities and sustainability-related objectives as well as the Recommendations A.2 (consideration of diversity when making appointments to executive positions), A.4 (establishment of a whistle-blower system) and A.5 (comment upon the appropriateness and effectiveness of the internal control system and risk management system) addressed to the management board are addressed to the Administrative Board in the*

one-tier structure based on section 22 (1) of the SEAG.

3. *According to Principle 6 (paragraph 1), the supervisory board appoints and discharges the members of the management board, supervises and advises the management board in the management of the enterprise and has to be involved in decisions of fundamental importance to the enterprise. The Administrative Board of a one-tier SE combines the management and control.*

4. *In derogation from Suggestion A.8, the Administrative Board is responsible for convening the General Meeting.*

5. *According to Recommendation B.3, the first-time appointment of management board members of a stock corporation shall be for a period of no more than three years. Recommendation B.4 further states that any re-appointment prior to one year before the end of an appointment period at the same time as termination of the current appointment shall only happen if special circumstances apply. These recommendations should be viewed against the background that, pursuant to section 84 (3) AktG, members of the management board of a stock corporation may only be removed if there is good cause.*

   Pursuant to section 40 (5) SEAG, Managing Directors may be dismissed at any time even without good cause. Against this background, Recommendations B.3 and B.4 are not transferred to the one-tier SE.

6. *Recommendations C.6 to C.12 concerning the independence of supervisory board members refer only to those members of the Administrative Board who are not appointed as Managing Directors.*

III. Deviations from the recommendations of the Code

Recommendation C.10 sentence 1 'The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the committee that addresses Management Board remuneration, shall be independent from the company and the Management Board.'

The Chair of the Audit Committee is independent from the company and from the Managing Directors. To this extent, this recommendation has been complied with.

The recommendation that also the Chair of the Administrative Board be independent from the company and from the Managing Directors is not complied with. Immediately prior to taking office, the Chair of the Administrative Board was Chair of the Managing Directors and Deputy Chair of the Administrative Board. Pursuant to the criteria set forth in Recommendation C.7, he is not deemed to be independent from the company. Given the desire for personnel continuity in the management of the company, the Administrative Board resolved that the former Chair of the Managing Directors should become the Chair of the Administrative Board.

Recommendation D.4 'The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting.'

The Administrative Board has waived the establishment of a Nomination Committee. The Administrative Board as a whole comprises seven members and thus has a manageable size. All members are representatives of the shareholders. In view of this fact, the Administrative Board considers it appropriate that the full Administrative Board does not transfer the task to a Nomination Committee.

Recommendation G.6 'The share of variable remuneration achieved as a result of reaching long-term targets shall exceed the share from short-term targets.'

The company does not comply with this recommendation. Its remuneration system is geared towards long-term and sustainable development. The Administrative Board does not believe that this requires variable remuneration from the achievement of long-term targets to exceed the portion from short-term targets.

The company's remuneration components with a one-year assessment basis are already designed to promote the long-term and sustainable development of the company. For example, one variable remuneration component is linked to the development of revenue in the respective financial year compared with the previous year. This means that two financial years are taken into account and not just one financial year. By defining the performance criteria at the beginning of the term of the respective employment contract without annual adjustments, this ensures that a permanent increase in revenue must be achieved in order to earn the respective variable compensation.

Moreover, the remuneration system stipulates that the total short-term variable remuneration should not be paid out immediately, but that a share of one third to one half should be converted to the respective long-term variable remuneration (LTI). The development of the respective LTI is determined by the performance of the GFT share price. Payment is made after three years. By linking to the weighted average

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For further information please go to www.gft.com/governance

price of GFT shares in the financial year prior to conversion and the weighted average price of GFT shares in the financial year prior to payment, a four-year assessment period was chosen. This also ensures that short-term developments, and in particular fluctuations in the share price, have no effect on long-term variable remuneration.

Recommendation G.7 sentence 1 'Referring to the forthcoming financial year, the Supervisory Board shall establish performance criteria for each Management Board member covering all variable remuneration components; besides operating targets, such performance criteria shall be geared mainly to strategic goals.'

Prior to the respective financial year, the Administrative Board sets the performance criteria for each Managing Director covering all variable remuneration components; besides operational targets, these performance criteria are geared mainly to strategic goals. However, not all performance criteria for variable remuneration components are set for the forthcoming financial year, but also for the conclusion of the respective service agreement. Only one remuneration component is set for the forthcoming financial year.

The Administrative Board is of the opinion that this procedure is appropriate within the framework of the existing remuneration system, which is geared to a long-term and consistent approach.

Recommendation G.10 'Taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.'

The company does not comply with this recommendation. The company's remuneration system stipulates that one third to one half of the total short-term variable remuneration is converted to the respective long-term variable remuneration (LTI) after the end of the financial year in question. As a result, the variable remuneration amounts granted are not predominantly invested in shares of the company.

The development of the LTI is determined by the performance of the GFT share price. Payment is made after three years. By linking to the weighted average price of GFT shares in the financial year prior to conversion and the weighted average price of GFT shares in the financial year prior to payment, a four-year assessment period was chosen.

The Administrative Board believes that the provisions of the remuneration system are suitable for encouraging the Managing Directors to focus their efforts on promoting the long-term well-being of the company and ensuring sustainable and long-term corporate success. This is all the more true as the variable remuneration components with a one-year assessment basis are already geared to sustainable and long-term corporate development.

Recommendation G.11 'The Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable remuneration, if justified.'

No agreement has been made with the Managing Directors to retain or reclaim variable remuneration in specific cases. The Administrative Board believes that the legal claims and rights, in particular the assertion of claims for enrichment and damages as well as rights of retention, are sufficient to protect the interests of the company.

Stuttgart, 7 December 2022

GFT Technologies SE
The Administrative Board'

Remuneration system and remuneration report
The current remuneration system according to section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution according to section 113 (3) AktG are available online at www.gft.com/governance.

The remuneration report on the last financial year and the auditor's report according to section 162 AktG are also available at www.gft.com/governance.

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

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For further information please go to www.gft.com/administrative-board

GFT Technologies SE has a one-tier management and control structure in which a single governance body, the Administrative Board, is responsible for managing and monitoring the company. The Managing Directors are responsible for the operating business. Information on the working practices of the Administrative Board and the Managing Directors is presented in the corresponding section.

The following corporate governance practices are applied:

Code of Conduct
It is an overriding principle that all employees of the GFT Group, as well as subcontractors, comply with legally and ethically correct procedures in their daily business. The most important principles of the GFT Group on this matter are summarised and made binding by the "Code of Ethics & Code of Conduct", which can be viewed online at www.gft.com/compliance. Subcontractors are obliged to comply with these principles of behaviour.

Description of the working practices of the Administrative Board and its committees, as well as the Managing Directors
The company applies the disclosure obligations of section 289f (2) number 3 of the German Commercial Code (HGB) and section 315d in conjunction with section 289f (2) number 3 HGB to the Administrative Board, wherever the supervisory board is mentioned, and to the Managing Directors, wherever they apply to the management board.

Administrative Board
Pursuant to section 22 (1) SEAG, the Administrative Board manages the company, defines the principles of its activities and supervises their implementation. It acts in compliance with the legal regulations, the articles of association and the rules of procedure for the Administrative Board, which can be viewed at www.gft.com/goverance. It also observes the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code") taking into account the company's one-tier structure and the latest Declaration of Compliance it has issued.

The Administrative Board currently consists of seven members. They have the same rights and duties and are not bound by instructions. The Administrative Board comprises leading business figures with detailed knowledge and international experience of the IT sector, banking, finance and law. The Administrative Board consists exclusively of shareholder representatives. The CVs of the Administrative Board members, which are updated annually, are available online at www.gft.com/administrative-board. For further information, please refer to the section 'Skills profile and targets for the composition of the Administrative Board'.

The principles of cooperation and the decision processes within the Administrative Board are defined in the articles of association of GFT Technologies SE and the rules of procedure for the Administrative Board. The Administrative Board is regularly convened six times per financial year (meetings in person and videoconferences). In addition, meetings may be held if it is in the company's best interests or so requested by a member of the Administrative Board. The meetings are convened by the Chairman, who also sends notification of the agenda items. The Administrative Board constitutes a quorum if at least half of all members take part in the adoption of resolutions. Members also take part in the adoption of a resolution if they abstain from voting. Should the vote be tied, the Chairman of the Administrative Board shall have two votes in accordance with legal regulations. In the case of instructions for the Managing Directors as a whole, or for individual Managing Directors, a qualified majority of two thirds of the votes cast by the Administrative Board is required. Resolutions are generally adopted during the meetings. Resolutions on urgent business transactions can also be adopted by written circulation. Minutes are taken of the meetings, of decisions in the meetings and of any resolutions adopted outside meetings.

The Administrative Board also regularly holds meetings in whole or in part without the presence of the Managing Directors.

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

The Administrative Board is directly involved in all fundamental decisions of the company and its affiliates. It receives swift, regular and comprehensive information from the Managing Directors – also on the basis of the information regulations contained in the rules of procedure for the Managing Directors (see also section 'Managing Directors') – on all significant decisions and all relevant questions concerning planning, business development, risks, the implementation of risk management and compliance. The Managing Directors also report on deviations in the course of business from the stated plans and targets, stating the reasons for such deviations. The Managing Directors inform the Administrative Board immediately about exceptional events of particular importance. As a result, the Administrative Board is able to evaluate current business progress, any deviations from plans and forecasts, individual significant transactions and the company's strategic alignment, and discuss the respective topics in detail with the Managing Directors. The Administrative Board also systematically

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For further information
pease refer to the Report of the Board of Directors starting on page 13

identifies and discusses the risks and opportunities for the company and the Group associated with social and environmental factors, as well as the environmental and social impact of the company's activities. It takes the results into account in corporate strategy and planning.

The Administrative Board appoints the Managing Directors, regulates the service relationship by means of the service contract and ensures long-term succession planning. It determines the remuneration system for the Managing Directors, regularly reviews it, and sets the individual total remuneration of the individual Managing Directors. In doing so, it takes care that the remuneration contributes to the promotion of business strategy and the sustainable and long-term development of the company. It takes into account whether the remuneration of the Managing Directors is in line with the remuneration of senior managers and the workforce as a whole and how remuneration has developed over time. Details on the remuneration of the Managing Directors are provided in the remuneration report.

The Administrative Board, and the committees it formed, conduct a self-evaluation every two years. The last review was conducted in the financial year 2022. Among other things, the respective members assess how effectively they fulfil their tasks. This self-evaluation is made on the basis of an extensive company-specific questionnaires.

Administrative Board committees

The Administrative Board has set up two committees: an audit committee and a committee to decide on matters concerning a consultancy agreement which GFT Technologies SE concluded with a company whose sole managing director is the Chairman of the Administrative Board, Ulrich Dietz.

The Audit Committee consists of three members: Dr Paul Lerbinger, Maria Dietz and Prof Dr Andreas Wiedemann. In the financial year 2022, the Chairman of the Audit Committee was Dr Paul Lerbinger. Prof Dr Andreas Wiedemann took over as Chairman on 1 January 2023.

The members in their entirety have the necessary knowledge, skills and professional experience to properly perform the tasks of the Committee. Both Dr Paul Lerbinger (Chairman until 31 December 2022) and Prof Dr Andreas Wiedemann (Chairman as of 1 January 2023) have special knowledge and experience in the application of accounting principles and internal control and risk management systems, as well as being familiar with auditing. and is independent from the company and the Managing Directors. Dr Paul Lerbinger worked for many years as a manager and director, and later as a managing director and board member of international credit institutions. He was independent of the company and the Managing Directors in the financial year 2022. Prof Dr Andreas Wiedemann is independent of the company and the Managing Directors and has been a member or chairman of the supervisory boards of several companies for many years. Maria Dietz acquired specialist knowledge and experience in sustainability reporting and its auditing during her many years of service at GFT Technologies SE and her supervisory board mandates, in particular at LBBW Asset Management Investmentgesellschaft mbh. The Chairman of the Administrative Board is not a member of the Audit Committee.

The tasks of the Audit Committee comprise:

- Preparation of the deliberations and resolutions of the Administrative Board for the approval of the annual financial statements and consolidated financial statements, as well as the combined management report including sustainability reporting;
- Discussion of the quarterly statements and the half-yearly financial report with the Managing Directors prior to their publication;
- Monitoring of the accounting process, the audit of the financial statements, the effectiveness and functionality of the internal control system, the risk management system, the internal audit system and the compliance management system, in each case including the processes and systems for collecting and processing sustainability-related data;

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For further information please go to www.gft.com/management

- Preparation of the Administrative Board's proposal to the Annual General Meeting for the election of the auditor;
- Monitoring the independence of the auditor;
- Agreeing the auditor's fee and determining the main focus areas of the audit together with the auditor;
- Assessing the quality of the audit;
- Resolution on the conditions for the provision of non-audit services by the auditor;
- Discussion with the auditor on the assessment of the audit risk, the audit strategy and audit planning as well as the audit results;
- Monitoring the internal procedure for recording related party transactions;
- Preparation of the Administrative Board Report to the Annual General Meeting.

The Audit Committee meets at least four times per financial year (in person and via videoconferencing). It is entitled to obtain any information it deems necessary from the auditors and the Managing Directors. The Audit Committee may also call upon consultants and experts appointed by them. In addition, each member of the Audit Committee may, through the Chair of the Committee, obtain information directly from the heads of those corporate departments of the company responsible within the company for the tasks which concern the Audit Committee. The Chair of the Committee shall communicate the information obtained to all members of the Audit Committee. If such information is obtained, the Managing Directors shall be informed thereof without delay.

The meetings of the Audit Committee shall be attended by the auditor and the Managing Directors unless otherwise determined by the Committee. In particular when the auditor is in attendance, the Audit Committee also meets regularly without the Managing Directors.

The Chairman of the Audit Committee regularly discusses the progress of the audit with the auditor and reports to the Committee.

The Administrative Board has also set up a committee to decide on matters concerning a consultancy agreement which GFT Technologies SE concluded with a company whose sole managing director is the Chairman of the Administrative Board, Ulrich Dietz. The exclusive purpose of the committee is to exclude potential conflicts of interest from the outset when deliberating on and adopting resolutions. In the financial year 2022, it consisted of three independent Administrative Board members: Prof Dr Andreas Wiedemann (Chair), Dr-Ing Andreas Bereczky and Dr Paul Lerbinger.

Following their meetings, the committees report in detail on their work to the Administrative Board. In the event of material occurrences and findings of the Audit Committee, the Chair of the Committee informs the Chairman of the Administrative Board without delay.

Managing Directors

GFT Technologies SE has three Managing Directors. Two of the three Managing Directors are also members of the Administrative Board. GFT Technologies SE has thus made use of the authorisation in section 40 (1) sentence 2 SEAG to appoint members of the Administrative Board as Managing Directors provided that the majority of the Administrative Board's members are non-executive members. Moreover, the Administrative Board has appointed one Managing Director to be the Chief Executive Officer (CEO) pursuant to section 16 (1) sentence 2 of the articles of association. Information on the individual Managing Directors and their areas of responsibility is available online at www.gft.com/management.

In accordance with section 10 (2) of the articles of association of GFT Technologies SE, the Administrative Board has issued rules of procedure for the Managing Directors, which are regularly reviewed and adapted wherever necessary. The rules of procedure also include the information regulations, which specify which information the Managing Directors must provide to the Administrative Board and when.

The Managing Directors act in accordance with legal regulations, the articles of association and the rules of procedure for the Managing Directors. In addition, they observe the Code within the framework of the Declaration of Compliance most recently issued by the Administrative Board. The Managing Directors are obliged to pursue the company's interests and its strategic principles. As described above, they report to the Administrative Board regularly. Moreover, the CEO is in regular contact with the Chairman of the Administrative Board.

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The Managing Directors take joint responsibility for the company's business. The main tasks include the implementation of strategy, the operational management of the company, controlling, and the implementation of the risk management system adopted by the Administrative Board. In the case of certain transactions specified in the articles of association and the rules of procedure, they must obtain the prior consent of the Administrative Board.

The resolutions of the Managing Directors are always adopted at meetings (in person or via videoconferencing). These are generally held monthly. In urgent cases, resolutions are also adopted by written circulation, or by e-mail. The CEO is responsible for scheduling and convening the meetings, setting their agenda, chairing the meetings and taking minutes. The Managing Directors only constitute a quorum if at least half of all members take part in the vote. The Managing Directors should adopt resolutions unanimously. If there is no unanimity in a decision to be taken, the CEO decides whether to vote again immediately or to suspend the adoption of the resolution. In the event of suspension, a resolution on the agenda item must be adopted at the next meeting. In the case of a directly repeated vote or after suspension, a simple majority of those Managing Directors taking part in the vote is sufficient. In the event of a tie, the CEO shall have the casting vote.

The Managing Directors have not formed any committees.

Targets for the share of women on the Administrative Board and on the two management levels below the Administrative Board

At its meeting on 30 May 2017, the Administrative Board of GFT Technologies SE resolved that by 30 June 2022 the share of women

1. on the Administrative Board should be 28.6% and
2. on the first management level, comprising the Managing Directors of GFT Technologies SE, should be 30% and
3. on the second management level of GFT Technologies SE, comprising those directors and managers of GFT Technologies SE who report directly to one of the Managing Directors, the share of women should be 30%.

As of 30 June 2022, the proportion of women was as follows:

1. on the Administrative Board 28.6%,
2. on the first management level, comprising the Managing Directors of GFT Technologies SE, 33% and
3. on the second management level of GFT Technologies SE, comprising those directors and managers of GFT Technologies SE who report directly to one of the Managing Directors, one sixth, i.e. around 16%.

This means that only the defined target for the second management level of GFT Technologies SE was not achieved. The reason for this is as follows: since the targets were set, the internationalisation of the GFT Group has progressed far more than originally assumed. As a result, the matrix organisation of the GFT Group, especially at the second management level, has been systematically developed in such a way that management positions have been filled internationally. Tasks that were previously performed by managers employed by GFT Technologies SE itself are now performed by persons employed by other GFT Group companies. As a result, the number of managers on the second level employed by GFT Technologies SE fell, as did the proportion of women.

However, the Administrative Board intends to further increase the proportion of women in management positions in the GFT Group and also at GFT Technologies SE. This applies in particular to the proportion of women on the second management level. It is assumed that the internationalisation process will continue to intensify and that relatively fewer people employed by GFT Technologies SE will hold positions on the second management level.

Against this backdrop, the Administrative Board decided at its meeting on 9 May 2022 that the proportion of women should be increased by 30 April 2027 to amount to:

1. 2/7 of the Administrative Board,
2. 1/4 of the first management level, comprising the Managing Directors of GFT Technologies SE, and
3. 1/6 of the second management level of GFT Technologies SE, comprising Executive Directors of GFT Technologies SE.

Skills profile and targets for the composition of the Administrative Board, diversity concept for the Administrative Board, implementation status

GFT Technologies SE applies the disclosure obligations pursuant to section 289f (2) number 6 HGB and section 315d in conjunction with section 289f (2) number 6 HGB relating to the executive body authorised to represent the company to the Managing Directors, and those relating to the supervisory board to the Administrative Board.

Skills profile, composition targets and diversity concept for the Administrative Board

The Administrative Board has adopted a skills profile with the aim of ensuring that its members as a whole have the skills and experience required for the management and supervision of the GFT Group. This is supported by ensuring appropriate diversity in terms of age, gender, education and international experience.

The members of the Administrative Board should have different professional experience and, as a whole, have the essential skills required in view of the GFT Group's activities. From the point of view of the Administrative Board, these include in-depth experience and knowledge in the following areas:

- Information technology, including digitalisation,
- Innovations and innovation management,
- Sectors in which clients of the GFT Group operate,
- Management and supervision of a capital market-oriented, internationally operating group, including corporate strategy and M&A,
- Finance, in particular general business administration, controlling, accounting and auditing
- Internal control and risk management systems,
- Legal and compliance issues and
- Sustainability issues of importance to the company.

The Administrative Board of GFT Technologies SE should also be composed in such a way that – from the point of view of the Administrative Board – more than half the members not appointed as Managing Directors are independent from the company and its Managing Directors, as well as from any future controlling shareholder. The ownership structure is to be taken into account.

Moreover, an appropriate level of diversity on the Administrative Board is to be taken into account. The Administrative Board should aim to achieve a balanced age structure among its members. Both sexes should be represented and the proportion of women should be at least two sevenths (see also the targets stated above for the share of women on the Administrative Board). Candidates for the Administrative Board shall not be younger than 30 years of age nor older than 75 years of age when they take up their duties. Taking into account the maximum term of office of six years, the age limit for members of the Administrative Board is therefore 81 years.

The Administrative Board believes that its current composition meets the defined objectives as well as the skills profile. The diversity concept is adequately taken into account.

More than half of its members not appointed as Managing Directors are independent (see section below 'Independence of the Administrative Board members') and the ownership structure is taken into account. The age profile is appropriate. The defined proportion of women has been observed. The requirements regarding a suitable skills profile are all met. The members of the Administrative Board offer different professional and international experience. As a whole, its members have skills and experience that are essential for the management and supervision of the GFT Group. Collectively, they are familiar with the information technology industry. Several members have specialist knowledge and experience in the areas of accounting, auditing, internal control systems and risk management systems, including sustainability reporting and auditing. They also have in-depth experience and knowledge in the management and supervision of a capital market-oriented, internationally active group, in the area of corporate strategy and in the areas of law and compliance. For details, please refer to the skills matrix for the Administrative Board in the financial year 2022 presented below.

No Administrative Board elections were held in the financial year 2022. However, when selecting candidates for the next election by the Annual General Meeting, the Administrative Board plans to ensure once again that the current targets for its composition, the diversity concept and the skills profile are considered in full.

Independence of the Administrative Board members

The Administrative Board only applies the relevant recommendations of the Code with regard to the independence of supervisory board members, in accordance with the recommendation of the EU Commission of 15 February 2005 on the duties of non-executive directors/supervisory board members/listed companies as well as on committees of the administrative board/supervisory board (section 4), to those members of the Administrative Board who are not appointed as Managing Directors. The following statements do not therefore contain any information about those members of the Administrative Board appointed as Managing Directors.

The Administrative Board regards one of its members as independent if (1) he/she is independent from any controlling shareholder and (2) is independent from the company and the Managing Directors.

The Administrative Board believes that four of its members were independent in the financial year 2022: these are Dr Paul Lerbinger, Dr-Ing Andreas Bereczky, Maria Dietz and Prof Dr Andreas Wiedemann.

No controlling shareholder

The company has no controlling shareholder. Ulrich Dietz holds approx. 26% of shares in the company and does therefore not have an absolute voting majority. There is no control agreement with Ulrich Dietz. He does not have a majority at shareholders' meetings. There is no allocation of voting rights of other persons to Ulrich Dietz as defined by section 34 German Securities Trading Act (WpHG).

Independence from the company and the Managing Directors

A member of the Administrative Board is considered independent from the company and the Managing Directors if he/she has no personal or business relationship with the company or its Managing Directors that may cause a substantial – and not merely temporary – conflict of interest.

When assessing the independence of its members from the company and the Managing Directors, the Administrative Board takes into consideration in particular the following aspects; whether the respective member – or a close family member

- was a Managing Director of the company in the two years up to his/her election to the Administrative Board, or before the change to a European Company was a member of the Executive Board in the two years up to his/her election to the Supervisory Board,
- has (or has had) a material business relationship with the company or one of the entities dependent upon the company at present or in the year up to his/her election to the Administrative Board, directly or as a shareholder, or in a leading position of a non-group entity,
- is a close family member of a Managing Director or
- has been a member of the Administrative Board (or Supervisory Board before the change to a European Company) for more than 12 years.

No member of the Administrative Board classified as independent fulfilled even one of the above mentioned indicators in the financial year 2022.

As the wife of Ulrich Dietz, Maria Dietz is his close family member. In the opinion of the Administrative Board, she is nevertheless to be regarded as independent of the company and the Managing Directors. There is no danger that the family connection could constitute a material and not merely temporary conflict of interest, as the family connection cannot lead to dependency of any kind. Maria Dietz holds seats on the supervisory boards of several other companies, is financially independent and herself holds almost 10% of the shares and voting rights in the company, whereby the voting rights of other persons are not attributed pursuant to section 34 of the German Securities Trading Act (WpHG). Moreover, and as was the case for all members of the Administrative Board, Maria Dietz did not have any material and not merely temporary conflicts of interest in the financial year 2022.

Skills profile for the Administrative Board in the financial year 2022

	Ulrich Dietz (Chairman)	Dr Paul Lerbinger (Deputy Chairman)	Dr Andreas Bereczky	Maria Dietz	Marika Lulay[1]	Dr Jochen Ruetz[1]	Prof Dr Andreas Wiedemann
Member since	**18/08/2015**	**14/01/2011**	**31/05/2011**	**18/08/2015**	**18/08/2015**	**18/08/2015**	**18/08/2015**
Independence							
acc. to GCGC		X	X		n.a.[2]	n.a.[2]	X
acc. to reasoned assessment of the Administrative Board		X	X	X	n.a.[2]	n.a.[2]	X
Diversity							
Year of birth	1958	1955	1953	1962	1962	1968	1968
Gender	male	male	male	female	female	male	male
Nationality	DE	DE	DE	DE	DE	DE	DE
International experience	yes	yes	yes	yes	yes	yes	yes
Profession	Chairman of the Administrative Board of GFT Technologies SE	Deputy Chairman of the Administrative Board of GFT Technologies SE and former Chairman of the Executive Board of HSH Nordbank AG	Former Production Director of Zweites Deutsches Fernsehen	Member of the Administrative Board of GFT Technologies SE and former Head of Purchasing of the GFT Group	Chairwoman of the Managing Directors of GFT Technologies SE, CEO Responsible for Strategy and Business Development, Markets, Communication, Marketing, Technology and Innovation	Managing Director of GFT Technologies SE, CFO Responsible for IT Infrastructure, Human Resources, Finance, Investor Relations, Legal Affairs, Auditing and Mergers & Acquisitions	Lawyer and partner in the law firm Hennerkes, Kirchdörfer & Lorz
Educational background	Engineering	Business management	Engineering	Business management	Computer science	Business management	Law
Skills							
Information technology, digitalisation	X	X	X	X	X	X	
Innovation management	X		X	X	X		
Banking and insurance sector		X	X		X		
Industry (plant and mechanical engineering, automotive industry)	X	X	X				
Corporate management and control, incl. strategy and M&A	X	X	X	X	X	X	X
Finance		X		X		X	X
Risk management and internal control systems		X	X	X		X	X
Financial expert		X				X	X
Law/compliance				X		X	X
Sustainability		X		X	X	X	X

1 Marika Lulay and Dr Jochen Ruetz are also appointed as Managing Directors of the company.
2 In accordance with the EU Commission Recommendation of 15 February 2005 on the duties of non-executive directors/supervisory board members of listed companies and on the committees of the administrative/supervisory board (section 4), an assessment of independence is only made for those members of the Administrative Board who are not appointed as Managing Directors.

Diversity concept for the Managing Directors
In view of the fact that GFT Technologies SE currently has merely three Managing Directors, no diversity concept is being pursued. For the appointment of new Managing Directors, the Administrative Board will take into account the currently valid target share for women of one quarter.

The service agreements with all Managing Directors provide that they will end no later than at the end of the year in which the Managing Director reaches the age of 65.

Long-term succession planning for the Managing Directors
Together with the Managing Directors, the Administrative Board is responsible for the long-term succession planning of the Managing Directors. To this end, the members of the Administrative Board regularly exchange views with the Managing Directors, who also present suitable internal candidates to the Administrative Board. In addition, executives of the GFT Group regularly present topics at meetings of the Administrative Board. This enables the latter to form its own opinion of their personal and professional suitability as Managing Directors. Furthermore, the Administrative Board makes its own considerations regarding suitable internal candidates and, if necessary, also evaluates external candidates.

Stuttgart, 22 March 2023

GFT Technologies SE
The Managing Directors

Marika Lulay
Chief Executive Officer

Dr Jochen Ruetz
Chief Financial Officer

Jens-Thorsten Rauer
Group Chief Executive –
Central & Western Europe

Consolidated financial statements

Consolidated financial statements (IFRS)

Our key figures

Our current key financial figures can be found on our website.

Consolidated balance sheet

as at 31 December 2022, GFT Technologies SE

Assets

in €	Note	31/12/2022	31/12/2021
Non-current assets			
Goodwill	4.1	123,968,225.19	124,422,830.73
Other intangible assets	4.2	5,914,809.30	10,645,292.80
Property, plant and equipment	4.3	63,577,276.37	56,339,245.17
Financial investments	4.4	696,217.60	706,217.60
Other financial assets	4.5	1,907,834.26	1,805,716.61
Deferred tax assets	4.6	12,040,713.13	12,526,370.47
Income tax assets	4.6	385,190.60	342,210.60
Other assets	4.5	4,109,110.88	4,732,078.43
		212,599,377.33	**211,519,962.41**
Current assets			
Inventories	4.7	13,848.32	17,108.73
Trade receivables	4.8	152,560,851.68	131,502,768.19
Contract assets	4.9	21,731,617.03	16,122,040.09
Cash and cash equivalents	7	78,222,547.05	70,770,150.46
Other financial assets	4.5	4,902,675.35	3,284,856.74
Income tax assets	4.6	10,182,222.91	6,852,662.11
Other assets	4.5	17,557,484.81	11,701,642.93
		285,171,247.15	**240,251,229.25**
		497,770,624.48	**451,771,191.66**

Equity and liabilities

in €	Note	31/12/2022	31/12/2021
Shareholders' equity			
Share capital	4.10	26,325,946.00	26,325,946.00
Capital reserve	4.10	42,147,782.15	42,147,782.15
Retained earnings	4.10	137,572,498.80	98,024,103.12
Other reserves	4.10	–4,964,588.78	–5,833,109.53
		201,081,638.17	**160,664,721.74**
Non-current liabilities			
Financing liabilities	4.13	42,168,443.39	47,500,036.71
Other financial liabilities	4.14	31,163,462.72	26,181,320.11
Provisions for pensions	4.11	5,388,399.91	7,706,961.38
Other provisions	4.12	7,553,890.33	7,511,993.05
Deferred tax liabilities	4.6	3,990,744.41	3,242,324.71
Other liabilities	4.14	8,225,973.37	3,969,073.51
		98,490,914.13	**96,111,709.47**
Current liabilities			
Trade payables	4.13	11,798,941.74	11,776,342.02
Financing liabilities	4.13	350,591.12	21,340,812.15
Other financial liabilities	4.14	18,387,520.68	18,620,663.31
Other provisions	4.12	48,173,128.91	43,571,292.07 [1]
Income tax liabilities	4.6	8,614,151.55	4,475,947.52
Contract liabilities	4.9	39,596,844.80	46,119,807.79
Other liabilities	4.14	71,276,893.38	49,089,895.59 [1]
		198,198,072.18	**194,994,760.45**
		497,770,624.48	**451,771,191.66**

1 Adjusted, refer to note 2.2

Consolidated income statement

Consolidated income statement

for the financial year 2022, GFT Technologies SE

in €	Note	2022	2021
Revenue	5.1	730,135,860.22	566,193,853.26
Other operating income	5.2	16,343,726.48	12,057,729.06
Cost of purchased services	5.3	105,082,742.59	82,709,825.41
Personnel expenses	5.4	478,966,235.22	380,390,036.54
Other operating expenses	5.5	76,390,216.50	54,357,341.35
Result from operating activities before depreciation and amortisation		**86,040,392.39**	**60,794,379.02**
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7	20,493,947.29	19,874,427.02
Result from operating activities		**65,546,445.10**	**40,919,952.00**
Result of investments accounted for using the equity method		0.00	–39,999.00
Interest income		1,860,544.29	592,422.01
Interest expenses		1,359,654.77	1,444,941.40
Financial result	5.8	**500,889.52**	**–892,518.39**
Earnings before taxes		**66,047,334.62**	**40,027,433.61**
Income taxes	5.9	19,796,121.01	10,141,900.44
Net income for the year		**46,251,213.61**	**29,885,533.17**
Earnings per share – basic	5.10	1.76	1.14

Consolidated statement of comprehensive income

for the financial year 2022, GFT Technologies SE

in €	Note	2022	2021
Net income for the year		**46,251,213.61**	**29,885,533.17**
Items that will not be reclassified to the income statement			
Actuarial gains/losses from pensions (before taxes)	4.11	3,249,775.48	1,098,277.02
Income taxes on actuarial gains/losses from pensions		–738,512.31	–180,793.66
Actuarial gains/losses from pensions (after taxes)		2,511,263.17	917,483.36
Items that may be reclassified to the income statement			
Currency translation	6	868,520.75	6,990,209.24
Other comprehensive income		**3,379,783.92**	**7,907,692.60**
Total comprehensive income		**49,630,997.53**	**37,793,225.77**

Consolidated statement of changes in equity

for the financial year 2022, GFT Technologies SE

in €	Note	Share capital	Capital reserve	Retained earnings[1]	Other reserves	Total equity
					Currency translation	
Balance at 1 January 2021		**26,325,946.00**	**42,147,782.15**	**72,486,275.79**	**–12,823,318.77**	**128,136,685.17**
Net income for the year		–	–	29,885,533.17	–	29,885,533.17
Other comprehensive income		–	–	917,483.36	6,990,209.24	7,907,692.60
Total comprehensive income		**–**	**–**	**30,803,016.53**	**6,990,209.24**	**37,793,225.77**
Dividends to shareholders		–	–	–5,265,189.20	–	–5,265,189.20
Balance at 31 December 2021		**26,325,946.00**	**42,147,782.15**	**98,024,103.12**	**–5,833,109.53**	**160,664,721.74**
Balance at 1 January 2022		**26,325,946.00**	**42,147,782.15**	**98,024,103.12**	**–5,833,109.53**	**160,664,721.74**
Net income for the year		–	–	46,251,213.61	–	46,251,213.61
Other comprehensive income		–	–	2,511,263.17	868,520.75	3,379,783.92
Total comprehensive income		**–**	**–**	**48,762,476.78**	**868,520.75**	**49,630,997.53**
Dividends to shareholders	4.10	–	–	–9,214,081.10	–	–9,214,081.10
Balance at 31 December 2022		**26,325,946.00**	**42,147,782.15**	**137,572,498.80**	**–4,964,588.78**	**201,081,638.17**

1 Retained earnings also include items that will not be reclassified to the consolidated income statement.

Consolidated cash flow statement

for the financial year 2022, GFT Technologies SE

in €	Note	2022	2021
Net income for the year		46,251,213.61	29,885,533.17
Income taxes	5.9	19,796,121.01	10,141,900.44
Interest result	5.8	–500,889.52	892,518.39
Income taxes paid		–15,385,012.57	–9,429,966.19
Income taxes received		933,460.70	2,086,003.01
Interest paid		–1,078,254.44	–1,091,672.54
Interest received		1,854,487.11	542,468.81
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7, 9.2	20,493,947.29	19,874,427.02
Net proceeds on disposal of intangible assets and property, plant and equipment		354,505.22	328,894.99
Net proceeds on disposal of financial assets		–59,957.07	–97,820.82
Other non-cash expenses and income		193,329.60	422,940.61
Change in trade receivables		–21,058,083.49	–38,398,400.32
Change in contract assets		–5,609,576.94	–6,292,738.32
Change in other assets		–6,211,037.87	–5,742,768.74
Change in provisions		–956,966.21	17,241,978.28 [1]
Change in trade payables		22,599.72	1,900,619.32
Change in contract liabilities		–6,522,962.99	8,883,579.03
Change in other liabilities		24,972,787.83	21,847,096.09 [1]
Cash flow from operating activities		**57,489,710.99**	**52,994,592.23**
Proceeds from disposal of property, plant and equipment		92,232.27	68,408.63
Proceeds from disposal of financial assets		69,957.07	97,820.82
Capital expenditure for intangible assets	4.2	–20,846.76	–89,905.48
Capital expenditure for property, plant and equipment	4.3	–7,826,259.37	–6,912,505.59
Capital expenditure for financial investments	4.4	0.00	–736,217.60
Cash flow from investing activities		**–7,684,916.79**	**–7,572,399.22**
Proceeds from borrowing	7	19,500,000.00	24,000,000.00
Cash outflows from loan repayments	7	–45,822,899.94	–57,314,795.56
Cash outflows from repayment of lease liabilities	9.2	–9,407,775.63	–9,277,107.98
Dividends to shareholders	4.10	–9,214,081.10	–5,265,189.20
Cash flow from financing activities		**–44,944,756.67**	**–47,857,092.74**
Effect of foreign exchange rate changes on cash and cash equivalents		2,592,359.06	2,332,130.15
Net increase in cash and cash equivalents		**7,452,396.59**	**–102,769.58**
Cash and cash equivalents at beginning of period		70,770,150.46	70,872,920.04
Cash and cash equivalents at end of period	**7**	**78,222,547.05**	**70,770,150.46**

1 Adjusted, refer to note 2.2

1 General information

The consolidated financial statements of GFT Technologies SE and its subsidiaries for the financial year ending 31 December 2022 have been drawn up in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (HGB).

GFT Technologies SE is a European company (Societas Europaea, SE) with headquarters in Stuttgart, Germany. The company is registered in the Commercial Register of the District Court of Stuttgart under number HRB 753709 with its registered offices at Schelmenwasenstrasse 34, 70567 Stuttgart. The GFT Technologies SE share is listed in the Prime Standard segment of the Frankfurt Stock Exchange and is publicly traded. GFT Technologies SE is the ultimate parent company of the GFT Group, an international technology partner for digital transformation in the banking, insurance and industrial sectors. Its range of services includes consulting for the development and implementation of innovative IT strategies, the development of customer-specific solutions, the implementation of sector-specific standard software and the maintenance and further development of business-critical IT solutions.

The consolidated financial statements for the year ending 31 December 2022 were approved and released for publication by the Administrative Board on 22 March 2023.

2 Accounting methods

2.1 Basis of preparation of the financial statements

The consolidated financial statements of GFT Technologies SE are prepared in euros (€). Unless stated otherwise, figures are stated in thousands of euros (€ thousand). Amounts are rounded using standard commercial methods.

With the exception of certain items, such as financial assets at fair value through profit or loss, derivative financial instruments or hedged items, contingent consideration from business combinations, as well as pensions and similar obligations, the consolidated financial statements have been prepared in accordance with the principle of historical cost. The valuation methods applied for the exceptions are described below.

The presentation of the consolidated balance sheet distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they fall due within one year or within a longer normal business cycle. Deferred tax assets and liabilities, as well as assets and provisions for pensions and similar obligations are presented as non-current items. The consolidated income statement has been prepared using the nature of expense method.

The GFT Group has consistently applied the following accounting methods to all periods presented in these consolidated financial statements unless otherwise stated. Changes in accounting methods in these consolidated financial statements are described in note 2.2.

The consolidated financial statements contain comparative information for the previous reporting period. In addition, the GFT Group reports an additional balance sheet at the beginning of the previous reporting period if an accounting method is applied retrospectively or items in the financial statements are adjusted or reclassified retroactively and this has a material effect on the information in the balance sheet.

2.2 Changes in accounting methods

New IFRS pronouncements

In March 2021, the IASB published an amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021,* which extends the practical expedient granted to lessees for accounting for rent concessions as a result of the Covid-19 pandemic. The GFT Group waives the application of this granted practical relief for the lessee.

The IASB has published the following standards and interpretations, as well as amendments to standards and interpretations, which have been endorsed by the EU and whose application is mandatory for financial years beginning on 1 January 2022:

New IFRS pronouncements requiring mandatory application in the financial year

IFRS pronouncement	
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IAS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvements to the IFRS Standards 2018–2020

The initial application of the new IFRS pronouncements did not lead to any significant changes in the accounting methods of the GFT Group. The new IFRS pronouncements had no or only an insignificant impact on the financial position and performance of the GFT Group as of 31 December 2022.

The GFT Group has not prematurely applied any new or amended IFRS standards or interpretations which have been published but not yet come into force (see note 2.7).

Balance sheet disclosure of holiday obligations
In the present consolidated financial statements, the GFT Group has adjusted its method of presenting obligations to its staff for outstanding holidays within current liabilities. Previously, the obligations were disclosed in the consolidated statement of financial position within the item 'Other provisions'. With effect from 1 January 2022, the GFT Group has decided to disclose the obligations for outstanding staff holidays within the item 'Other liabilities'. The GFT Group believes that the disclosure of these obligations provides more relevant information for the users of the financial statements due to the low level of uncertainty regarding the amount and short-term settlement of the underlying amounts and is more in line with the accounting practices of its competitors.

The GFT Group has applied the amendment to its accounting method retrospectively. The corresponding comparative figures in the consolidated balance sheet and the consolidated cash flow statement were adjusted. The adjustment of the comparative figures in the consolidated balance sheet resulted in an increase in other liabilities and a decrease in other provisions of €14,057 thousand. The adjustment of the comparative figures in the consolidated cash flow statement resulted in a reduction in the item 'Change in provisions' and an increase in the item 'Change in other liabilities' of €3,305 thousand each. However, total cash flow from operating activities remained unchanged.

2.3 Consolidation principles

Subsidiaries
The consolidated financial statements comprise the financial statements of GFT Technologies SE and the financial statements of all subsidiaries over which GFT Technologies SE can exercise direct or indirect control. Control exists when the parent company has decision-making power over the subsidiary based on voting rights or other rights, participates in variable positive and negative returns of the subsidiary and can influence these returns through its decision-making power.

The consolidation of a subsidiary begins on the day on which the GFT Group gains control of the subsidiary. It ends when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the reporting period are recognised in the consolidated financial statements from the date on which the Group gains control of the subsidiary until the date on which control ceases.

Changes in shares in subsidiaries that decrease or increase the shareholding of the GFT Group without a change in control are shown as transactions between equity providers with no effect on income.

If the GFT Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and all related non-controlling interests and other equity components. Any resulting gain or loss is recognised in the income statement. Any retained interest in the former subsidiary is measured at fair value as of the date on which control is lost.

The financial statements of the consolidated subsidiaries included in the consolidated financial statements are prepared as of the balance sheet date of the consolidated financial statements. The financial statements of GFT Technologies SE and its subsidiaries included in the consolidated financial statements are prepared in accordance with uniform recognition and measurement principles. All intragroup assets and liabilities, equity, income and expenses and cash flows from transactions between the companies included in the consolidated financial statements are eliminated in full on consolidation. Income tax consequences during consolidation are taken into account by recognising deferred taxes.

Non-controlling interests in equity and total comprehensive income for the period are disclosed separately from the proportion attributable to shareholders of GFT Technologies SE.

Shares in associated companies
Shares in associated companies are accounted for using the equity method. Associated companies are companies in which the GFT Group has a significant influence but not control or joint control over the financial and operating policies. As a rule, significant influence is exerted when the company holds direct or indirect voting rights of between 20% and 50%.

Investments in financial assets accounted for using the equity method are initially recognised at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of the comprehensive income of financial assets accounted for using the equity method until the date on which significant influence or joint control ceases.

The financial statements of associated companies are prepared as of the same reporting date as the consolidated financial statements. Where necessary, adjustments are made to uniform Group accounting methods. Unrealised profits and losses from transactions between the GFT Group and associated companies are eliminated according to the share in the associated company.

2.4 Currency translation

Business transactions in foreign currency
Foreign currency transactions in the separate financial statements of Group companies are translated into the functional currency – if different from the local currency in the country of domicile – at the relevant mean spot exchange rates at the time of the transaction. Exchange rate gains or losses from the measurement of monetary items in foreign currency at the closing rate in the period up to the balance sheet date are recognised in profit or loss under other operating income or other operating expenses.

Currency differences from foreign currency loans are excluded from recognition in profit or loss if they are designated as part of a net investment in a foreign operation, in other words if repayment is neither planned nor likely to occur in the foreseeable future. Such currency differences are recognised directly in equity under other comprehensive income and only reclassified to the income statement on a cumulative basis when the loan is redeemed or on disposal of the operating business.

Non-monetary items in a foreign currency are carried at historical exchange rates.

Group companies
The separate financial statements of foreign Group companies are translated into euros in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates using the functional currency concept. The functional currency of the operating companies is generally the respective local currency, as the foreign companies operate their business independently in financial, economic and organisational terms. Assets and liabilities are translated at the closing rate on the balance sheet date, while equity is carried at historical exchange rates. The income statements are translated into euros at the corresponding average exchange rates for the period. The resulting translation differences are recognised in other comprehensive income and reported in other reserves in equity. On disposal of a foreign subsidiary, the corresponding amount accumulated in equity up to that date is reclassified to profit or loss as part of the gain or loss on disposal. A prorated reclassification to profit or loss is also made in the event of a capital repayment without reducing the stake. The share of equity in foreign associated companies is translated in accordance with the procedure described for subsidiaries.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate on the reporting date.

The following table shows the most important foreign exchange rates used to translate the separate financial statements in foreign currencies.

Foreign exchange rates

		Rate on reporting date		Average rate	
in €		31/12/2022	31/12/2021	2022	2021
BRL	Brazil	5.6386	6.3101	5.4399	6.3694
CAD	Canada	1.4440	1.4393	1.3695	1.4826
CHF	Switzerland	0.9847	1.0331	1.0047	1.0812
GBP	UK	0.8869	0.8403	0.8528	0.8598
HKD	Hong Kong	8.3163	8.8333	8.2451	9.1923
MXN	Mexico	20.8560	23.1438	21.1869	23.9803
PLN	Poland	4.6808	4.5969	4.6861	4.5649
SGD	Singapore	1.4300	1.5279	1.4512	1.5892
USD	USA	1.0666	1.1326	1.0530	1.1826

2.5 Significant accounting and valuation methods

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

In the case of put options or tender rights of non-controlling interests, the share of total comprehensive income for the period attributable to the non-controlling interests and the dividend payments to the non-controlling interests are presented during the year as a change in equity. On the balance sheet date, the non-controlling interests for which a put option or tender right exists are reclassified to financial liabilities. The financial liability is measured at the present value of the repayment amount. Differences between the carrying amount of non-controlling interests and the present value of the repayment amount are recognised directly in equity.

Goodwill

The goodwill resulting from a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed (purchase price allocation). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Goodwill at subsidiaries is carried in their functional currency.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to scheduled amortisation, but is tested for impairment annually. A review is also performed when events or circumstances arise that indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at the level of a cash-generating unit, which is generally represented by a segment. The cash-generating unit is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit to which the goodwill was allocated exceeds its recoverable amount, an impairment loss is recognised for the goodwill allocated to this cash-generating unit. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit. Fair value is the recoverable amount from the sale at market conditions. The value in use is determined by discounting future cash flows after taxes with a risk-adjusted discount rate (weighted average cost of capital – WACC) after taxes. Specific peer group information for beta factors, capital structure data and the cost of borrowing are used to determine the risk-adjusted interest rate for impairment test purposes. Periods not included in the planning calculations are considered by recognising a terminal value. Various sensitivity analyses are also conducted. These show that there is no need for impairment even if the assumptions for key influencing factors are less favourable than the original planning. If value in use is lower than the carrying amount, fair value less disposal costs is also to determine the recoverable amount.

The determination of the recoverable amount of a cash-generating unit to which goodwill has been allocated involves estimates by management. The earnings forecast on the basis of these estimates is influenced, for example, by the successful integration of acquired companies, volatility on the capital markets, interest rate developments, fluctuations in exchange rates or expected economic developments. The discounted cash flow valuations used to determine the recoverable amount are subject to five-year projections based on financial forecasts. The cash flow forecasts take past experience into account and are based on management's best estimate of future developments. Cash flows beyond the planning period are extrapolated using individual growth rates. The key assumptions on which the calculation of fair value less costs to sell and value in use is based include estimated growth rates and weighted average cost of capital. These estimates and the underlying methodology can have a significant impact on the respective values and ultimately on the amount of a possible impairment of goodwill.

There are no reversals of impairment losses on amortised goodwill.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets are measured at cost less accumulated amortisation. If necessary, accumulated impairment losses are recognised.

Subsequent expenses are only capitalised if they increase the future economic benefit of the asset to which they relate.

Intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful lives. The expected useful life for licenses and similar rights is generally three to five years, except for intangible assets with finite useful lives acquired in business combinations. These consist in particular of customer relationships with useful lives of between four-and-a-half and ten years for certain transactions.

Development costs for software are capitalised if the recognition criteria of IAS 38 Intangible Assets are met. After initial recognition, the asset is carried at cost less cumulative amortisation and cumulative impairment losses. Capitalised development costs include all directly attributable direct costs as well as prorated attributable overheads and are amortised on a straight-line basis over the planned product life (maximum five years).

The amortisation period for other intangible assets with finite useful lives is reviewed at least at the end of each financial year. Changes in the expected useful life are treated as a change in estimates.

The GFT Group reviews at each balance sheet date whether there are any indications of impairment or impairment reversal of other intangible assets. If such indications exist, the GFT Group makes an estimate of the recoverable amount of the asset. The recoverable amount is determined for each individual asset, unless the asset generates cash flows that are not largely independent of those of other assets or groups of assets (cash-generating units). Other intangible assets with indefinite useful lives are tested for impairment at least once a year at the level of the cash-generating units. If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, an impairment loss is recognised for the difference. For details on impairment testing, please see the comments in the above subsection on goodwill.

On each balance sheet date, an assessment is made as to whether an impairment loss recognised in prior periods no longer exists or may have decreased. If this is the case, the GFT Group reverses the impairment in part or in full, increasing the carrying amount to the recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of scheduled amortisation) had no impairment loss been recognised in prior years.

Research and non-capitalised development costs
Research and development expenses that do not have to be capitalised under IAS 38 Intangible Assets are recognised in the income statement at the time they are incurred.

Borrowing costs
Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition or production of a qualifying asset and are therefore included in the cost of that asset.

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Subsequent expenditure incurred after the property, plant and equipment has been put into operation is only capitalised if it is probable that the future economic benefits associated with the expenditure will flow to the GFT Group. Maintenance and repair costs for property, plant and equipment are generally expensed in the period in which they are incurred.

The GFT Group applies the straight-line method of depreciation. Scheduled depreciation of property, plant and equipment is based on the following useful lives of assets.

Useful lives of property, plant and equipment

	Years
Buildings	40–50
Improvements in buildings/leasehold improvements	5–15
Operating and office equipment	3–25

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at least at the end of each financial year and adjusted prospectively if necessary.

Property, plant and equipment are derecognised either on disposal (in other words at the time when the recipient obtains control) or when no further economic benefit is expected from the continued use or disposal of the recognised asset. The gains or losses resulting from the derecognition of the asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss in the period in which the asset is derecognised.

Leases
Lease agreements include all arrangements that transfer the right to use or control a specific asset for a specified period in return for a payment, even if the right to use such asset is not explicitly described in the arrangement. In order to assess whether an agreement contains the right to control an identified asset, the GFT Group uses the definition of a lease as defined by IFRS 16.

The GFT Group is a lessee in particular of real estate and vehicles and a lessor – to an insignificant extent – of real estate.

GFT Group as lessee

The GFT Group applies the standard recognition and measurement approach of IFRS 16 for all leases (with the exception of short-term leases and leases of low-value assets). It recognises lease liabilities for lease payments and right-of-use assets for the right to use the underlying assets.

The GFT Group recognises right-of-use assets at the commencement date of the lease, in other words the date on which the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The acquisition cost of the right-of-use asset is measured as the present value of all future lease payments plus any lease payments made at or before the inception of the lease, contract signing costs and the estimated cost of restoring the leased asset. All leasing incentives received are deducted. In determining the cost of the right-of-use asset, the GFT Group has elected to consider payments for non-lease components, such as service, as lease payments.

Right-of-use assets are depreciated on a straight-line basis over the lease term. If the lease payments to be taken into account also include the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of a purchase option, the asset is depreciated over its useful economic life. Right-of-use assets are continuously adjusted for impairment, where necessary, and for certain revaluations of the lease liabilities.

Initial recognition of lease liabilities is determined as the present value of the lease payments to be made over the lease term less advance payments made. Lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives to be received from the lessor,
- variable lease payments linked to an index or (interest) rate,
- amounts expected to be paid under residual value guarantees,
- the exercise price of a purchase option reasonably certain to be exercised and
- penalties for terminating the lease if the assumed lease term reflects the Group exercising the option to terminate.

Lease payments are discounted at the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted at the incremental borrowing rate. The GFT Group generally applies the incremental borrowing rate. As a risk-adjusted interest rate, the incremental borrowing rate is derived on the basis of specific terms according to the contractual terms. The difference between the different payment patterns of the reference interest rates (bullet maturity) and the leases (annuity) is taken into account by adjusting the duration.

A number of lease agreements, especially concerning real estate, contain extension and termination options. These contractual conditions offer the GFT Group a high degree of flexibility. When determining the lease term, all facts and circumstances are taken into account that provide an economic incentive to exercise extension options or not to exercise termination options. When determining the term of the lease, such options are only taken into account if they are sufficiently certain.

Lease liabilities are measured at amortised cost using the effective interest method. Under this method, the amount of the lease liabilities is increased to reflect the higher interest expense and decreased to reflect the lease payments made. Moreover, the carrying amount of the lease liabilities is remeasured to fair value if there are changes in the lease, in the term of the lease, in lease payments (such as changes in future lease payments resulting from a change in the index or interest rate used to determine these payments) or a change in the assessment of whether a purchase, extension or termination option is exercised for the underlying asset.

If lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

In the case of short-term leases (in other words leases with a term of no more than twelve months from the inception date and with no purchase option) and leases where the underlying asset is of low value, the GFT Group exercises the option not to recognise right-of-use assets and lease liabilities. Instead, the lease payments associated with these leases are expensed on a straight-line basis over the lease term.

In the balance sheet, the GFT Group discloses right-of-use assets under property, plant and equipment and lease liabilities under other financial liabilities. Amortisation of right-of-use assets is recognised in the income statement under 'Depreciation and amortisation of intangible assets and property, plant and equipment'. Interest on lease liabilities is recognised in interest expenses.

Shares in associated companies

The Group's shares in associated companies are accounted for using the equity method. Under the equity method, investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to reflect changes in the Group's share of the associate's net assets since the acquisition date. The cumulative changes after the acquisition date increase or decrease the carrying amount of the investment in the associate. If the losses of an associate attributable to the GFT Group correspond to or exceed the value of the share in this company, no further share of losses is recognised unless the GFT Group has entered into obligations or made payments on behalf of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or tested for impairment.

The income statement reflects the Group's share of the associate's profit or loss for the period. Changes in other comprehensive income of associated companies are presented as part of the Group's other comprehensive income. In addition, changes recognised directly in the equity of the associate are recognised by the Group to the extent of its interest and, where necessary, presented in the statement of changes in equity. The Group's total share of the profit or loss of an associate is shown on the face of the income statement operating profit and represents profit or loss after tax and after non-controlling interests in the subsidiaries of the associate.

After applying the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investment in an associate. It determines at each balance sheet date whether there is objective evidence that the investment in an associate may be impaired. If such evidence exists, the amount of the impairment loss is determined as the difference between the recoverable amount of the investment in the associate and the carrying amount, and the loss is then recognised in profit or loss as 'Result from financial assets accounted for using the equity method'.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are generally reported separately. Financial instruments are recognised as soon as the GFT Group becomes a contracting party to the financial instrument. A normal market purchase or sale of financial assets is recognised on the trading date. With the exception of trade receivables and contract assets, financial instruments are initially recognised at fair value. Trade receivables and contract assets are initially measured at the transaction price. For subsequent measurement, financial instruments are allocated to one of the measurement categories listed in IFRS 9 *Financial Instruments* (financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income). Transaction costs directly attributable to the acquisition or issue are taken into account in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Financial assets

Financial assets primarily comprise trade receivables, cash and cash equivalents, derivative financial assets and financial investments. The classification of financial instruments is based on the business model in which the instruments are held and the composition of their contractual cash flows.

The determination of the business model is based on management's intention and past transaction patterns. Cash flows are reviewed on the basis of the individual instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise debt instruments that were neither allocated to the business model 'hold' nor to the business model 'hold and sell' or whose contractual cash flows do not consist exclusively of interest and principal payments on the nominal amount outstanding. This category also includes financial investments in equity instruments for which the option to recognise changes in fair value in other comprehensive income was not exercised. Also included here are derivatives held for trading (including embedded derivatives that have been separated from the host contract) that are not included in hedge accounting as hedging instruments, as well as shares or interest-bearing securities acquired with the intention of selling them in the short term. Gains or losses from these financial assets are recognised in the consolidated income statement.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with contractual cash flows that consist exclusively of interest and principal payments on the outstanding nominal amount and are held with the objective of receiving the contractually agreed cash flows, such as trade receivables or cash and cash equivalents.

Cash and cash equivalents comprise in particular cash in hand and bank balances. Cash and cash equivalents correspond to the cash fund in the consolidated cash flow statement.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in net income when the loans and receivables are impaired or derecognised. Interest effects from the application of the effective interest method and effects from currency translation are also recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets with contractual cash flows that consist solely of interest and principal payments on the nominal amount outstanding and which are held both to collect the contractually agreed cash flows and to sell, for example to achieve a defined liquidity target ('hold to collect and sell' business model). This category also includes equity instruments not held for trading for which the option to recognise changes in fair value within other comprehensive income has been applied.

After initial measurement, financial assets in this category are measured at fair value through other comprehensive income, with unrealised gains or losses being recognised in other comprehensive income. Impairment losses are recognised in other comprehensive income and do not reduce the carrying amount of the financial asset in the balance sheet. Upon disposal of debt instruments in this category, the cumulative gains and losses from fair value measurement recognised in other comprehensive income are recognised in profit or loss. Interest received on financial assets at fair value through other comprehensive income is generally recognised as interest income using the effective interest method. Changes in the fair value of equity instruments measured at fair value through other comprehensive income are not recognised in profit or loss but reclassified to retained earnings upon disposal. Dividends are recognised in the income statement when the right to payment has been established.

The GFT Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction in which all material risks and rewards incidental to ownership of the financial asset are transferred. Derecognition also takes place if the GFT Group neither transfers nor retains all material risks and rewards of ownership and does not retain control over the transferred asset.

Impairment of financial assets

At each balance sheet date, an impairment loss is recognised for financial assets that are not measured at fair value through profit or loss, which reflects the expected credit losses on these instruments. The same method is also used to determine the allowance for irrevocable loan commitments and financial guarantees. The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and regularly new contracts as well as those whose payments are less than 31 days overdue. The portion of the expected credit losses over the lifetime of the instrument resulting from a default within the next 12 months is recognised as an expense.

Stage 2: expected credit losses over the entire lifetime – not credit-impaired

If, after initial recognition, a financial asset experiences a significant increase in credit risk but is not yet credit-impaired, it is allocated to Stage 2. The expected credit losses, which are measured over possible payment defaults over the entire term of the financial asset, are recorded as value adjustments.

Stage 3: expected credit losses over the entire lifetime – credit-impaired

A financial asset which is credit-impaired or in default is allocated to Stage 3. The expected credit losses over the entire lifetime of the financial asset are recognised as a value adjustment. Objective indications of a credit-impaired financial asset include – based on past experience – an external credit rating of C or higher for large customers and 181 days past due date for other customers, as well as other information about significant financial difficulties of the borrower.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least half-yearly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. In the case of trade receivables and contract assets, a significant increase in credit risk is determined for major customers on the basis of external credit ratings and for other customers on the basis of overdue information.

A financial asset is transferred to Stage 2, if the credit risk has increased significantly compared to its credit risk at initial recognition. The credit risk is assessed on the basis of the probability of default. For trade receivables and contract assets, the simplified approach is applied under which expected credit losses are recognised over the entire term of the asset when it is initially recognised.

Expected credit losses are measured on the basis of the following factors:

1. the unbiased and probability-weighted amount;
2. the time value of money;
3. and reasonable and supportable information as of the reporting date about past events, current conditions and forecasts of future economic conditions, insofar as this is available without undue cost or time effort.

The estimation of these risk parameters incorporates all available relevant information. In addition to historical and current loss data, reasonable and supportable forward-looking information about relevant factors is also included. The time value of money is neglected in the case of current assets without any significant underlying financing component.

The measurement of expected credit losses is of decisive significance for the GFT Group with regard to trade receivables and contract assets. The concept of lifelong default is applied, which takes into account all possible default events during the expected lifetime of the financial instruments. The GFT Group has decided to apply the concept of lifelong default for trade receivables and contract assets with a significant financing component.

When measuring expected credit losses, the GFT Group distinguishes between trade receivables and contract assets due from major clients and other clients. Major clients are determined on the basis of their share of total consolidated revenue. The measurement of expected losses relating to financial assets from business transactions with major clients is based on a probability-weighted default rate. The default rate uses an average external credit rating. In order to calculate impairment, the probability-weighted default rate as a percentage is multiplied with the nominal value of the financial assets. In the case of trade receivables and contract assets due from other clients, the expected loss over the lifetime is determined as a lump-sum percentage based on the overdue period. The default rate based on the overdue period is calculated using historical data and adjusted on the closing date according to current information and expectations.

A financial instrument is derecognised when there is no reasonable expectation of full or partial recovery, such as before or after insolvency proceedings or court decisions and legal recovery measures are judged to be unsuccessful.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is currently an enforceable legal right to offset the recognised amounts against each other and the intention is either to settle on a net basis or to settle the related liability simultaneously with the realisation of the asset in question.

Financial liabilities
Financial liabilities include in particular financing liabilities, other financial liabilities, trade payables and other liabilities.

Financing liabilities relate to liabilities to banks. Other financial liabilities mainly comprise liabilities from lease agreements, liabilities from payroll and conditional purchase price liabilities from company acquisitions. Other financial liabilities also include derivative financial liabilities.

Financial liabilities measured at amortised cost
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost include liabilities to banks, liabilities from lease agreements and trade payables. Liabilities from payroll are measured in accordance with IAS 19 *Employee Benefits*.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading as well as contingent purchase price liabilities from company acquisitions. Derivatives are classified as ‘held for trading’ (including embedded derivatives that have been separated from the host contract) if they are not included in hedge accounting as hedging instruments. Gains or losses on financial liabilities held for trading are included in consolidated net income.

The GFT Group derecognises a financial liability when the contractual obligations have been fulfilled, cancelled or expired. The GFT Group also derecognises a financial liability if its contractual terms are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognised at fair value based on the revised terms. When a financial liability is derecognised, the difference between the carrying amount of the liability extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derivative financial instruments and hedge accounting
The GFT Group uses derivative financial instruments exclusively to hedge financial risks resulting from its operating business or refinancing activities. These are primarily interest rate and currency risks.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value corresponds to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models, such as discounted cash flow models or option pricing models.

If the requirements of IFRS 9 for hedge accounting are met, the GFT Group designates and documents the hedging relationship as a fair value hedge or cash flow hedge as of this date. In a fair value hedge, the fair value of a recognised asset or liability or an unrecognised firm commitment is hedged. In a cash flow hedge, highly probable future cash flows from expected transactions or fluctuating cash flows to be paid or received in connection with a recognised asset or liability are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the hedged risk, the designation of the hedging instrument and the hedged item, as well as an assessment of the effectiveness requirements comprising the risk-mitigating economic relationship, the effects of the credit risk and the appropriate hedge ratio. The effectiveness of the hedge is assessed at the beginning of and during the hedging relationship.

Changes in the fair value of derivatives are regularly recognised in consolidated net income or in other comprehensive income, depending on whether the hedging relationships are fair value hedges or cash flow hedges. Changes in the fair value of non-designated derivatives are recognised in profit or loss. In the case of fair value hedges, changes in the fair value of derivative financial instruments and the related hedged items are recognised in the consolidated income statement. Changes in the fair value of derivative financial instruments designated as cash flow hedges are initially recognised in other comprehensive income in the amount of the hedge-effective portion after taxes.

The recognition of an individual hedging relationship must be discontinued prospectively if it no longer meets the qualifying criteria under IFRS 9. Possible reasons for the termination of hedge accounting include the discontinuation of the economic relationship between the hedged item and the hedging instrument, the sale or termination of the hedging instrument, or a change in the documented risk management objective of an individual hedging relationship.

If derivative financial instruments are not or no longer included in hedge accounting because the conditions for hedge accounting are not or are no longer met, they are classified as held for trading and measured at fair value through profit or loss.

Provisions for pensions and similar obligations
Defined benefit pension plans and other similar post-employment benefits are measured using the projected unit credit method in accordance with IAS19 Employee Benefits. The present value of the defined benefit obligations is calculated using significant actuarial assumptions, including discount rates, expected salary and pension trends and mortality rates. The discount rates applied are determined on the basis of the yields achieved at the end of the reporting period on high-grade corporate bonds with corresponding maturities and currencies. If such yields are not available, the discount rates are based on government bond yields. Due to changing market, economic and social conditions, the underlying assumptions may differ from actual developments.

Plan assets invested to cover pension commitments and other similar benefits are measured at fair value and offset against the corresponding obligations. The balance of pension commitments and other similar post-employment benefits and plan assets (net pension obligation or net pension assets) accrues interest at the discount rate used to measure the gross pension obligation. The resulting net interest expense or income is recognised in profit or loss as interest expense or interest income in the consolidated income statement. The other expenses resulting from the granting of pension commitments and other similar post-employment benefits, which mainly result from entitlements acquired in the financial year, are included in personnel expenses within the consolidated income statement.

The pension obligations and plan assets for all significant Group companies are valued annually by qualified independent actuaries.

Actuarial gains and losses arising from the regular adjustment of actuarial assumptions are recognised directly in equity or in the statement of comprehensive income in the period in which they arise, taking into account deferred taxes. Differences between the interest income from plan assets calculated at the beginning of the period on the basis of the interest rate used to discount the pension obligations and the actual return on plan assets at the end of the period are also recognised directly in equity.

Obligations for contributions to defined contribution plans are recognised as an expense in current income as soon as the related service is rendered. Prepaid contributions are recognised as an asset to the extent that a right to reimbursement or reduction of future payments arises.

Other provisions
Provisions are recognised when there is an obligation to a third party, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The amount recognised as a provision represents the best estimate of the obligation at the reporting date. Provisions with an original term of more than one year are carried at their settlement amount discounted to the reporting date. If the recognition criteria for provisions are not met and the possibility of an outflow of resources is not unlikely, a contingent liability is disclosed (to the extent that it can be adequately measured). The amount disclosed as a contingent liability corresponds to the best estimate of the possible obligation at the reporting date. Provisions and contingent liabilities are reviewed regularly and adjusted in the event of new knowledge or changed circumstances.

Share-based payments

Share-based commitments of the GFT Group are exclusively cash-settled, in other words the settlement is made by means of cash payments. The liability-based remuneration plans are measured at fair value at each balance sheet date until they are settled, and the obligation is disclosed as other provisions. The result to be considered in the reporting period corresponds to the addition to or release of the provision between the balance sheet dates and is disclosed under personnel expenses.

The fair value of share-based payments is calculated using a recognised actuarial method as the market price of the underlying shares, taking into account dividends to which there is no entitlement during the vesting period and – if necessary – market and non-vesting conditions.

Contract assets

Contract assets are claims from performance obligations already fulfilled for which the customer's consideration has not yet been received and the company's claim to consideration is still linked to a condition other than maturity. In the GFT Group, contract assets result in particular from fixed-price contracts in connection with the development of customer-specific IT solutions and the implementation of sector-specific standard software. Contract assets are disclosed as current as they occur within the usual business cycle.

Contract liabilities

A contract liability is the obligation of an entity to transfer goods or services to a customer for which the entity has received (or will receive) consideration from that customer. In the case of the GFT Group, contract liabilities arise for unrealised revenues and advance payments received in particular in connection with fixed-price contracts for the creation of customer-specific IT solutions and the implementation of sector-specific standard software, as well as service contracts for the further development of business-critical IT solutions. Contract liabilities are disclosed as current as they occur within the usual business cycle.

Revenue recognition

The GFT Group recognises revenue when control of the identifiable goods or services passes to the client, i.e. when the client has the ability to control the use of the goods or services transferred and derives substantially all the remaining benefits from them. The prerequisite for this is that a contract with enforceable rights and obligations exists and that, among other things, it is probable that the consideration will be received – taking into account the creditworthiness of the customer. Revenue corresponds to the transaction price at which the GFT Group is expected to be entitled. Variable consideration is included in the transaction price when it is highly probable that there will be no significant reversal of revenue once the uncertainty surrounding the variable consideration no longer exists. If the period between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit results from the financing for the client or the GFT Group, the consideration is adjusted by the fair value of the money. If a contract comprises several identifiable goods or services, the transaction price is allocated to the performance obligations on the basis of the relative individual sale prices. If individual sale prices are not directly observable, the GFT Group estimates these at an appropriate level. For each performance obligation, revenue is recognised either at a specific point in time or over a specific period of time.

The GFT Group retroactively grants volume discounts to certain clients as soon as the quantity of products or services purchased in the period exceeds a contractually agreed minimum purchase quantity. Discounts are offset against the amounts payable by the customer. The estimation of the variable consideration for the expected future discounts is generally based on the most probable amount method. The GFT Group then applies the rules for limiting the estimate of variable consideration and recognises a reimbursement liability for the expected future discounts.

IFRS 15 requires additional costs to initiate a contract and certain contract performance costs to be recognised as an asset if certain criteria are met. All capitalised contract costs are to be depreciated systematically using a method that follows the transfer of control of the goods or services to the client. The GFT Group recognises the cost of initiating and fulfilling contracts under other assets. Imputed cost rates are used to calculate contract fulfilment costs. Depreciation is based on the stage of completion.

The GFT Group generates revenue primarily from the development of client-specific IT solutions, consulting on the development and implementation of innovative IT strategies, the implementation of sector-specific standard software and the maintenance and further development of business-critical IT solutions. The corresponding revenue streams are mainly based on service contracts, fixed-price contracts and maintenance contracts. In the case of the GFT Group, revenue recognition according to the type of contract for the underlying service follows the principles described below. In addition to the nature and timing of performance obligations from contracts with clients, the principles also comprise the main terms of payment.

Service contracts

Service contracts exist in particular for consulting on the development and implementation of innovative IT strategies as well as the implementation of sector-specific standard software and are based on the time spent (time&material).

In the case of service contracts, the client receives the benefit of the service directly or simultaneously with the provision of the service by the GFT Group. Revenue from service contracts is generally recognised in the amount of the consideration receivable based on the time spent and invoiced. The claim for consideration is based on contractually agreed hourly rates. Invoices are issued in accordance with the terms of the contract; payment terms usually provide for payment between 30 and 60 days after invoicing.

Fixed-price contracts

Fixed-price contracts are concluded primarily for the development of client-specific IT solutions, the implementation of sector-specific standard software and occasionally for the further development of business-critical IT solutions.

Revenue from fixed-price contracts is recognised over a specified period of time according to the stage of completion (ratio of costs already incurred to estimated total costs). An expected loss on a contract is recognised immediately as an expense. Invoices are issued in accordance with the contractual terms and conditions, sometimes based on defined payment plans including advance payments. Any excess of payments or services is recognised as a contract liability or contract asset. The terms of payment for fixed-price agreements usually provide for payment between 30 and 30 days after invoicing.

In the case of revenue recognition in connection with fixed-price contracts, the assessment of the stage of completion is of particular importance; it may include estimates of the scope of supplies and services required to fulfil the contractual obligations. These significant estimates include estimated total costs, estimated total revenues, order risks – including technical, political and regulatory risks – and other significant items. The estimate of the stage of completion may increase or decrease revenues due to changes in estimates. It must also be assessed whether the most likely scenario for a contract is that it will be continued or terminated. For the purposes of that assessment, all relevant facts and circumstances are taken into account individually for each contract.

As a rule, fixed-price contracts are based on a customer-specific performance promise. The power of disposal is gained directly or simultaneously with the provision of the service, since this is generally provided on the customer's IT system. Performance obligations of the GFT Group in connection with fixed-price contracts can essentially only be considered as a whole; any partial performance does not enable the client to derive a corresponding benefit from the services provided. In the event of a premature project termination for which the GFT Group is not responsible, a claim against the client for appropriate remuneration for services already rendered is regularly contractually guaranteed.

Maintenance contracts

Services provided by the GFT Group for the maintenance and further development of business-critical IT solutions are mainly provided within the framework of maintenance contracts at fixed prices.

In the case of maintenance contracts, the client generally receives the benefit directly or simultaneously with the provision of the service by the GFT Group. Revenue from maintenance contracts is recognised on a straight-line basis over a specified period or – if the service is not provided on a straight-line basis – according to the rendering of the service, i.e. according to the stage of completion as described above. Invoices are issued in accordance with the terms of the contract; payment terms usually provide for payment between 30 and 60 days after invoicing.

Recognition of other income

Other income mainly relates to income from the sale of food and beverages, as well as from rental transactions that do not fall within the scope of IFRS 15, as well as interest.

Revenue from rental transactions that does not fall within the scope of IFRS 15 is recognised within revenue on a straight-line basis over the term of the contract.

Revenue from royalties, license fees and interest is recognised in other operating income on an accrual basis in accordance with the economic content of the underlying contract.

Government grants

Government grants are recognised as income at the point in time at which the entitlement to the grant has arisen with sufficient certainty or the conditions associated with the grant have been fulfilled.

Financial result

The financial result contains all expenses and income from financial transactions and comprises interest income and expenses, as well as income and expenses in connection with financial investments and company stakes accounted for using the equity method.

Interest income and expenses are recognised in profit or loss using the effective interest method. Interest income and interest expense includes interest income from securities investments and from cash and cash equivalents, as well as interest expenses from debt. These items also include interest and changes in market values in connection with interest rate hedges as well as income and expenses from the distribution of premiums and discounts. The interest components from pension commitments and other similar obligations, as well as from the plan assets available to cover these obligations, and interest from the discounting of other financial liabilities or other provisions are also included in this item.

Income taxes

Income taxes include both current income taxes and deferred taxes.

Current income taxes are calculated on the basis of the respective national tax results and regulations for the year. In addition, the current taxes reported in the financial year also include adjustment amounts for any tax payments or refunds for years not yet finally assessed, but excluding interest payments or interest refunds and penalties for subsequent tax payments. Due to their complexity, the tax items presented in the financial statements may be subject to different interpretations by taxpayers on the one hand and local tax authorities on the other. In the event that amounts recognised in the tax returns are unlikely to be realised (uncertain tax items), tax provisions are recognised. The amount is determined on the basis of the best possible estimate of the expected tax payment (expected value or most probable value of tax uncertainty). Tax receivables from uncertain tax items are recognised if it is predominantly probable and therefore sufficiently certain that they can be realised. No tax provision or asset is recognised for such uncertain tax positions only in the case that there is a tax loss carryforward or unused tax credit. In such cases, the deferred tax asset is adjusted for the unused tax loss carryforward and unused tax credit.

Changes in deferred tax assets and liabilities are generally reflected in the income statement under deferred taxes. An exception to this are the changes to be made in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are determined for temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet, including consolidation differences, and for unused tax loss carryforwards and tax credits. Measurement is based on the tax rates expected to apply in the period in which an asset is realised or a liability settled. This is based on the tax rates and regulations valid on the reporting date or which will apply shortly. The GFT Group assesses the recoverability of deferred tax assets on each reporting date on the basis of planned taxable income in future financial years. If the Group assumes that future tax benefits with a probability of more than 50% cannot be partially or completely realised, a valuation allowance is made on the deferred tax assets. Among other things, the planned results from operating activities, the effects on earnings of the reversal of taxable temporary differences and realisable tax strategies are taken into account. As future business developments are uncertain and in some cases cannot be controlled by the Group, the assumptions to be made in connection with the recognition of deferred tax assets are subject to considerable uncertainty.

Deferred tax liabilities on taxable temporary differences from investments in subsidiaries and associated companies are not recognised if the Group can determine the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share
Basic earnings per share are calculated by dividing the profit attributable to shareholders of GFT Technologies SE by the weighted average number of shares outstanding. As there were no events in 2022 and 2021 that had a dilutive effect, diluted earnings per share in these years correspond to basic earnings per share.

Disclosure in the consolidated statement of cash flows
Interest paid and interest received is allocated to cash flow from operating activities.

2.6 Discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions to a certain extent. These may affect the amount and presentation of assets and liabilities recognised in the balance sheet, disclosures of contingent assets and liabilities as of the balance sheet date, and disclosed income and expenses for the reporting period. Due to the increasingly complex and uncertain macroeconomic and geopolitical environment with rising volatility in commodity and financial markets – including equity and currency prices, due to rising interest and inflation rates – and fears of a possible economic downturn, these discretionary decisions, estimates and assumptions are subject to increased uncertainty. Due to the uncertainty associated with these discretionary decisions, estimates and assumptions, actual results in future periods could lead to significant adjustments in the carrying amounts of the assets or liabilities concerned.

Discretionary decisions, estimates and assumptions are based on experience and are reviewed by management on an ongoing basis. Revisions to estimates are recognised prospectively. When updating the estimates, assumptions and discretionary decisions, available information on the expected economic development as well as country-specific government measures were taken into account.

Discretionary decisions
Discretionary decisions must be made when applying accounting methods. The following material items in the consolidated financial statements of GFT Technologies SE are affected by discretionary decisions:

- Revenue recognition: recognising revenue for fixed-price contracts in connection with the development of client-specific IT solutions and the implementation of sector-specific standard software over a period of time or on a specific date.
- Lease term: determining the term of leases with extension and termination options where the GFT Group is the lessee.

Information on discretionary decisions taken by the GFT Group with regard to the two items above can be found in note 2.5.

Estimates and assumptions
The most important future-related assumptions and other key sources of estimation uncertainty as of the balance sheet date with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in the accounting methods applied (see note 2.5) and in the notes to the consolidated balance sheet (see note 4) and to the consolidated income statement (see note 4).

The main application areas for estimates and assumptions when applying accounting methods in the financial statements of the GFT Group are:

- acquisition of subsidiaries: determination of the fair value of the consideration transferred (including contingent consideration) as well as the preliminary determination of the fair values of identifiable assets acquired and liabilities assumed.
- impairment test of goodwill and other intangible assets: significant underlying assumptions used to determine the recoverable amount.
- determination of the marginal borrowing rate for leases: estimating the incremental borrowing rate using observable input data (such as market interest rates), if available, and taking into account company-specific factors (such as individual credit rating of the subsidiary).
- allowance for expected credit losses on trade receivables and contract assets: key assumptions used to determine the weighted average loss rate.
- revenue recognition: estimate of the stage of completion of unfinished customer projects.
- recognition of deferred tax assets: availability of future taxable income against which deductible temporary differences and tax loss carryforwards can be utilised.
- valuation of defined benefit pension plans: key actuarial assumptions.
- measurement of the fair value of share-based payment transactions using an appropriate actuarial valuation method: determination of input factors (such as expected life, volatility and dividend yield).
- recognition and measurement of provisions and contingent assets and liabilities: significant assumptions about the probability and extent of an inflow or outflow of economic benefits.

The Group's estimates and assumptions are based on parameters available at the time the consolidated financial statements were prepared. However, these parameters and assumptions about future developments may change as a result of market movements and conditions outside the sphere of influence of the GFT Group. Such changes are only reflected in the assumptions when they occur.

2.7 New accounting standards not yet applied

New and amended standards and interpretations issued up to the date of publication of these consolidated financial statements but not yet mandatory are presented below. The GFT Group intends to apply these new and amended standards and interpretations from their effective date.

IFRS pronouncements to be applied in the future (EU endorsed)
The following standards and interpretations, as well as amendments to standards and interpretations, have already been endorsed by the European Union, but their application is only mandatory for financial statements prepared after 31 December 2022.

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

	IFRS pronouncement	Mandatory for financial years beginning on or after
IFRS 17 and amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information	1 January 2023
Amendments to IAS 1 and IFRS Guideline Document 2	Disclosure of Accounting Methods	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

These pronouncements are not expected to have any material impact on the consolidated financial statements in the reporting period in which they are first applied.

IFRS pronouncements to be applied in the future without EU endorsement
The IASB and IFRIC have issued further standards and interpretations as well as amendments to standards and interpretations which are not yet mandatory for the financial year 2022.

IFRS pronouncements to be applied in the future (no EU endorsement yet)

	IFRS pronouncement	Mandatory for financial years beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinite

According to current assessment, the IFRS pronouncements presented in the table above will have no significant impact on the consolidated financial statements.

2.8 Effects of climate change

In the financial year 2022, the GFT Group considered the effects of potential sustainability risks relating to climate change with the aim of reducing its operational greenhouse gas emissions as well as emissions along the value chain. IT and communication solutions can lead to an increase in global electricity consumption, which directly and indirectly affects the company. The risk is explained in more detail in the risk report of the combined management report. By reducing its own emissions, the GFT Group is making a contribution to global climate protection.

The GFT Group was unable to identify any significant risks resulting from climate change with regard to its business model, business development or financial position and performance.

3 Composition of the Group

3.1 Consolidated group

The following table shows the composition of the GFT Group as of 31 December 2022:

Composition of the Group

	31/12/2022	31/12/2021
Consolidated subsidiaries	**27**	**27**
domestic	5	5
foreign	22	22

A detailed composition of the companies included in the consolidated financial statements and the shareholdings of the GFT Group pursuant to section 313 (2) HGB is shown in the list of shareholdings (see page 94). In the case of the fully consolidated subsidiaries, disclosures on equity and earnings are based on the IFRS figures of the local annual financial statements.

Subsidiaries

In addition to GFT Technologies SE as the parent company, the consolidated financial statements as of 31 December 2022 include the following subsidiaries (fully consolidated):

- GFT Real Estate GmbH, Stuttgart, Germany
- SW34 Gastro GmbH, Stuttgart, Germany
- GFT Treasury Services GmbH, Stuttgart, Germany
- GFT Invest GmbH, Stuttgart, Germany
- GFT Integrated Systems GmbH, Constance, Germany
- GFT Switzerland AG, Zurich, Switzerland
- GFT UK Limited, London, UK
- GFT Technologies S.A.U., Madrid, Spain
- GFT Italia S.r.l., Milan, Italy
- GFT Technologies Canada Inc., Québec, Canada
- GFT France S.A.S., Niort, France
- GFT Technologies Hong Kong Ltd., Hong Kong, China
- GFT Technologies Singapore Pte. Ltd., Singapore, Singapore
- GFT Technologies Romania S.r.l., Iași, Romania
- GFT IT Consulting S.L.U., Sant Cugat del Vallès, Spain
- GFT Brasil Consultoria Informática Ltda., Barueri, Brazil
- GFT USA Inc., New York, USA
- Med-Use S.r.l., Milan, Italy
- GFT Financial Limited, London, UK
- GFT Canada Inc., Toronto, Canada
- GFT Poland Sp. z o.o., Lodz, Poland
- GFT Costa Rica S.A., Heredia, Costa Rica
- GFT México S.A. de C.V., Mexico City, Mexico
- GFT Peru S.A.C., Lima, Peru
- GFT Technologies Toronto Inc., Québec, Canada
- GFT Technologies Belgique S.A., Brussels, Belgium
- GFT Technologies Vietnam Limited, Ho-Chi-Minh City, Vietnam

Changes to the consolidated group

GFT Technologies Romania S.r.l., Iași, Romania, was founded on 17 August 2022 by shareholder resolution of GFT Technologies SE. The share capital amounts to RON 50,000 and is fully paid.

In addition, the following company departed from the consolidated group in the financial year 2022:

Merger of GFT Technologies Canada Inc., Québec, Canada, with 9380-6081 Québec Inc., Montreal, Canada, effective 1 January 2022 with subsequent change of the company name to GFT Technologies Canada Inc.

The departure of the fully consolidated subsidiary had no impact on comparability with the previous year of the financial position and performance of the GFT Group.

3.2 Business combinations

There were no business combinations in the financial years 2022 and 2021.

Notes to the consolidated financial statements

Equity holdings according to section 313 (2) HGB

in € thousand	Share of the capital (in %)	Company equity 31/12/2022	Net income 2022
I. Direct investments			
Domestic			
GFT Real Estate GmbH, Stuttgart, Germany[1]	100	504	–63
SW34 Gastro GmbH, Stuttgart, Germany[1]	100	533	0
GFT Treasury Services GmbH, Stuttgart, Germany[1]	100	354	324
GFT Invest GmbH, Stuttgart, Germany[1]	100	25	0
GFT Integrated Systems GmbH, Constance, Germany[1]	100	1,937	–144
incowia GmbH, Illmenau, Germany	10	1,938	297
Foreign			
GFT Schweiz AG, Zurich, Switzerland	100	2,250	1,894
GFT UK Limited, London, UK	100	35,918	2,797
GFT Technologies S.A.U., Madrid, Spain	100	38,003	16,846
GFT Italia S.r.l., Milan, Italy	100	34,422	5,052
GFT Technologies Canada Inc., Quebec, Canada	100	–4,660	–8,336
GFT France S.A.S., Niort, France	100	754	294
GFT Technologies Hong Kong Ltd., Hong Kong, China	100	1,052	296
GFT Technologies Singapore Pte. Ltd., Singapore, Singapore	100	–1,199	–130
GFT Technologies Romania S.r.l., Iași, Romania	100	–142	–153
One Creation Corporation, New York, USA	5	1,432	–1,122

in € thousand	Share of the capital (in %)	Company equity 31/12/2022	Net income 2022
II. Indirect investments			
Foreign			
GFT IT Consulting, S.L.U., Sant Cugat del Vallès, Spain	100	19,820	8,237
GFT Brasil Consultoria Informática Ltda., Barueri, Brazil	100	20,684	18,990
GFT USA Inc., New York, USA	100	14,324	4,502
Med-Use S.r.l., Milan, Italy	100	671	52
GFT Financial Limited, London, UK	100	20,313	10,893
GFT Canada Inc., Toronto, Canada	100	699	13
GFT Poland Sp. z o.o., Lodz, Poland	100	6,034	1,749
GFT Costa Rica S.A., Heredia, Costa Rica	100	1,269	401
GFT México S.A. de C.V., Mexico City, Mexico	100	4,902	–870
GFT Peru S.A.C., Lima, Peru	100	22	0
GFT Technologies Toronto Inc., Quebec, Canada	100	3,562	1,304
GFT Technologies Belgique S.A., Brussels, Belgium	100	265	35
GFT Technologies Vietnam Limited, Ho Chi Minh City, Vietnam	100	–487	–38

1 There is an profit and loss transfer agreement between the company (profit and loss transferring company) and GFT Technologies SE. The values disclosed for equity and net income are after profit transfer or loss assumption according commercial law.

4 Explanations on items of the balance sheet

4.1 Goodwill

The mandatory annual impairment test pursuant to IAS 36 was performed on goodwill as of the reporting date. No event-driven impairment test was conducted during the financial year as there were no indications of impairment.

The impairment test was performed at the level of the smallest cash-generating unit (CGU) on the basis of the recoverable amount. The definition of the CGUs is based on the two business segments *Americas, UK & APAC* and *Continental Europe*. In the impairment test, the carrying amount of the CGU allocated to goodwill was compared with its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The carrying amounts of goodwill are allocated to the two CGUs as follows:

Goodwill

in € thousand	31/12/2022	31/12/2021
CGU		
Americas, UK & APAC	43,741	43,759
Continental Europe	80,227	80,664
	123,968	**124,423**

The decrease in goodwill as of 31 December 2022 is due exclusively to currency effects and resulted mainly from the development of the British pound and the Swiss franc.

In order to determine the value in use of the CGUs, cash flows were forecast for the next five years based on past experience, current operating results, management's best estimate of future developments and market assumptions. Revenue and EBT planning is based on the budget approved by the Administrative Board for the coming financial year, which was extrapolated for the following four years at defined growth rates. The figures for the fifth year were then further extrapolated for the future with a growth rate of 1%.

Value in use is mainly determined by the terminal value (present value of the perpetual annuity), which is particularly sensitive to changes in assumptions regarding the long-term growth rate and the discount rate. Both assumptions are determined individually for each CGU. The discount rates are based on the weighted average cost of capital (WACC) concept for the CGUs. The discount rates are determined on the basis of a risk-free interest rate and a market risk premium. In addition, the discount rates reflect the current market assessment of the specific risks of each individual CGU by taking into account beta factors, gearing and borrowing costs of the peer group to which GFT Technologies SE belongs. The parameters for determining the discount rates are based on external information sources. The peer group is subject to an annual review and is adjusted where necessary. Growth rates take into account external macroeconomic data and sector-specific trends.

The impairment test of the two CGUs is based on the key assumptions described below to determine fair value less selling costs.

The future cash flows of the CGUs *Americas, UK & APAC* and *Continental Europe* were discounted at rates of 8.53% and 8.74% respectively (31 December 2021: 8.51% and 7.30%). The pre-tax interest rates for the CGUs *Americas, UK & APAC* and *Continental Europe* are 11.54% and 11.64% respectively (31 December 2021: 11.38% and 9.77%). For the cash flow forecasts of the CGUs *Americas, UK & APAC* and *Continental Europe*, management assumes that business with existing and new clients will increase by an average of 10% and 6% respectively between 2024 and 2027, based on planning for the financial year 2023, and thereafter grow at a rate of 1%. The assumptions are based on order completions, past experience and market assessments.

The impairment test as of 31 December 2022 gave no indication of any impairment of goodwill. Based on the aforementioned assumptions of sustainable sales growth for the CGUs, the recoverable amounts are higher than the carrying amounts.

The sensitivity analysis for the CGUs *Americas, UK & APAC* and *Continental Europe* assumed a reduction in revenue of 5% or an increase in the WACC of one percentage point. On this basis, there would have been no impairment need for the two CGUs as of 31 December 2022.

4.2 Other intangible assets

The development of other intangible assets of the GFT Group is presented on page 96/97.

As of 31 December 2022, other intangible assets totalled €5,915 thousand (31 December 2021: €10,645 thousand) of which an amount of €4,829 thousand (31 December 2021: €8,833 thousand) was mainly attributable to customer relationships. The carrying amount of customer relationships has a remaining useful life of between 3 months and 2 years.

Research and development costs of €16,461 thousand (2021: €9,012 thousand) were expensed as they do not meet the recognition criteria for intangible assets.

There was no impairment of intangible assets in the financial year 2022, nor in the previous year 2021.

There are no other intangible assets with indefinite useful lives in the GFT Group.

Development of intangible assets and property, plant and equipment (excluding right-of-use assets) for the financial year 2022

	Acquisition or manufacturing costs						Depreciation, amortisation and impairment						Carrying amount	
in € thousand	**01/01/2022**	**Currency translation**	**Additions**	**Disposals**	**Reclassifications**	**31/12/2022**	**01/01/2022**	**Currency translation**	**Additions**	**Impairment**	**Disposals**	**31/12/2022**	**31/12/2022**	**31/12/2021**
Intangible assets														
Goodwill	126,423	−455	0	0	0	125,968	2,000	0	0	0	0	2,000	123,968	124,423
Other intangible assets	67,807	−796	21	−9,718	0	57,314	57,162	−833	4,781	0	−9,711	51,399	5,915	10,645
	194,230	**−1,251**	**21**	**−9,718**	**0**	**183,282**	**59,162**	**−833**	**4,781**	**0**	**−9,711**	**53,399**	**129,883**	**135,068**
Property, plant and equipment														
Land, leasehold rights and buildings	20,436	74	2,595	−1,582	17	21,540	8,390	60	1,139	75	−1,328	8,336	13,204	12,046
Equipment, operating and office equipment	36,616	586	5,231	−2,042	33	40,424	24,246	230	4,935	118	−1,724	27,805	12,620	12,371
Prepayments and assets under construction	51	−1	0	0	−50	0	0	0	0	0	0	0	0	51
	57,103	**659**	**7,826**	**−3,624**	**0**	**61,964**	**32,636**	**290**	**6,074**	**193**	**−3,052**	**36,141**	**25,823**	**24,468**
Total	**251,333**	**−592**	**7,847**	**−13,342**	**0**	**245,246**	**91,798**	**−543**	**10,855**	**193**	**−12,763**	**89,540**	**155,706**	**159,536**

Development of intangible assets and property, plant and equipment (excluding right-of-use assets) for the financial year 2021

	Acquisition or manufacturing costs						Depreciation, amortisation and impairment					Carrying amount	
in € thousand	01/01/2021	Currency translation	Additions	Disposals	Reclassifi-cations	31/12/2021	01/01/2021	Currency translation	Additions	Disposals	31/12/2021	31/12/2021	31/12/2020
Intangible assets													
Goodwill	122,013	4,410	0	0	0	126,423	2,000	0	0	0	2,000	124,423	120,013
Other intangible assets	65,495[1]	2,153	90	−178	247	67,807	49,761[1]	1,431	6,001	−31	57,162	10,645	15,734
	187,508	**6,563**	**90**	**−178**	**247**	**194,230**	**51,761**	**1,431**	**6,001**	**−31**	**59,162**	**135,068**	**135,747**
Property, plant and equipment													
Land, leasehold rights and buildings	19,705[1]	269	1,114	−649	−3	20,436	7,592[1]	192	1,087	−481	8,390	12,046	12,113
Equipment, operating and office equipment	33,145[1]	−180	5,747	−2,098	3	36,617	22,523[1]	−243	3,896	−1,930	24,246	12,371	10,622
Prepayments and assets under construction	247	0	51	0	−247	51	0	0	0	0	0	51	247
	53,097	**89**	**6,912**	**−2,747**	**−247**	**57,104**	**30,115**	**−51**	**4,983**	**−2,412**	**32,635**	**24,469**	**22,982**
Total	**240,605**	**6,651**	**7,002**	**−2,925**	**0**	**251,333**	**81,176**	**1,380**	**10,983**	**−2,443**	**91,797**	**159,536**	**158,729**

1 Adjusted

4.3 Property, plant and equipment

Property, plant and equipment in the consolidated balance sheet with a carrying amount of €63,577 thousand (31 December 2021: €56,339 thousand) also includes right-of-use assets of €37,754 thousand (31 December 2021: €31,872 thousand) in connection with lessee accounting.

The development of the GFT Group's property, plant and equipment is shown on page 96/97.

The item 'Land, land rights and buildings' mainly refers to the administration building at the Group's headquarters in Stuttgart as well as leasehold improvements in rented office space. The building at the Group's headquarters is encumbered with a mortgage of €8.00 million.

There was non-scheduled depreciation on property, plant and equipment (without right-of-use assets) due to impairment of €193 thousand (2021: €0 thousand). These concern the IT infrastructure as a result of the increasing cloud migration of essential systems and applications.

Note 9.2 Leases shows the composition of right-of-use assets and contains additional information in connection with lessee accounting.

4.4 Financial assets

This item includes financial investments in equity instruments recognised at fair value through profit or loss.

Financial assets relate to an investment of €696 thousand (31 December 2021: €696 thousand) in One Creation Corporation, New York, USA, a start-up in the field of data rights. The GFT Group has no material influence on this investment acquired in the financial year 2021, which is held as a long-term strategic investment.

There were no adjustments to the fair values of financial investments in the financial year 2022.

4.5 Other assets

The composition of other financial assets and other assets disclosed in the consolidated balance sheet as of 31 December 2022 is shown in the following table:

Other assets

in € thousand	31/12/2022	31/12/2021
Non-current other financial assets		
Deposits	1,908	1,781
Government grants	0	25
Subtotal	**1,908**	**1,806**
Non-current other assets		
Government grants	3,989	4,732
Other	120	0
Subtotal	**4,109**	**4,732**
Current other financial assets		
Government grants	4,185	2,696
Receivables from employees	277	150
Creditors with debit balance	267	160
Deposits	138	279
Other	36	0
Subtotal	**4,903**	**3,285**
Current other assets		
Accruals	8,434	6,004
Government grants	6,275	3,080
Claims for VAT and other tax refunds	2,848	2,519
Other	0	99
Subtotal	**17,557**	**11,702**
Total	**28,477**	**21,525**

Government grants mainly relate to tax subsidies for research and development and similar activities.

4.6 Income taxes

Income tax assets disclosed in the balance sheet are composed as follows.

Income tax assets

in € thousand	31/12/2022	31/12/2021
Deferred tax assets	12,041	12,526
Long-term current income tax assets	385	342
Short-term current income tax assets	10,182	6,853
Total	**22,608**	**19,721**

Income tax liabilities disclosed in the balance sheet are composed as follows:

Income tax liabilities

in € thousand	31/12/2022	31/12/2021
Deferred tax liabilities	3,991	3,242
Current income tax liabilities	8,614	4,476
Total	**12,605**	**7,718**

The tax deferrals and accruals are allocated to individual balance sheet items as follows:

Deferred tax assets

in € thousand	31/12/2022	31/12/2021
Intangible assets and property, plant and equipment	1,294	1,286
Receivables and other assets	2,738	3,809
Tax loss carry-forwards and tax credits	3,506	6,692
Provisions for pensions	3,234	2,860
Other provisions	2,959	4,008
Contract liabilities and other liabilities	4,983	1,543
Subtotal	**18,715**	**20,198**
Offsetting	−6,675	−7,672
Deferred tax assets	**12,041**	**12,526**

Deferred tax assets for property, plant and equipment include deferred tax assets of €613 thousand (31 December 2021: €528 thousand) from lease accounting pursuant to IFRS 16.

Deferred tax liabilities

in € thousand	31/12/2022	31/12/2021
Intangible assets and property, plant and equipment	3,881	4,474
Receivables and other assets	3,775	3,406
Provisions for pensions	650	229
Contract liabilities and other liabilities	2,359	2,805
Subtotal	**10,665**	**10,914**
Offsetting	−6,675	−7,672
Deferred tax liabilities	**3,991**	**3,242**

There are corporate tax loss carryforwards for GFT Group companies of €5,244 thousand (31 December 2021: €17,281 thousand), which are fully attributable to foreign Group companies as of 31 December 2022 (31 December 2021: €11,415 thousand). There are loss carryforwards for trade tax and local taxes outside Germany of €2,131 thousand (31 December 2021: 10,180 thousand), which are fully attributable to foreign Group companies as of 31 December 2022 (31 December 2021: 9,552 thousand).

There are corporate tax loss carryforwards abroad of €1,003 thousand (31 December 2021: €1,226 thousand) and loss carryforwards for local taxes outside Germany of €1,003 thousand (31 December 2021: 1,017 thousand) for which no deferred tax assets were recognised, as recognition of the tax assets is not probable on the basis of tax planning. Loss carryforwards for which no deferred tax assets were formed are forfeitable within a time horizon of 20 years according to the local tax regulations.

In addition, there are tax claims for research and development totalling €6,234 thousand (31 December 2021: €7,231 thousand), of which an amount of €2,661 thousand (31 December 2021: €3,037 thousand) has been capitalised as a deferred tax asset.

In total, deferred tax assets carried for loss carryforwards and unused tax credits for research and development as of 31 December 2022 amounted to €3,506 thousand (31 December 2021: €6,692 thousand). Deferred tax assets from loss carryforwards and tax credits are recognised in the balance sheet to the extent that it is probable that future taxable profit will be available against which the Group can utilise the loss carryforwards.

The total amount of temporary differences in connection with investments in affiliated and associated companies for which no deferred tax liabilities have been recognised was €5,937 thousand as of 31 December 2022 (31 December 2021: €5,483 thousand).

Deferred tax assets are offset against deferred tax liabilities if they relate to income taxes levied by the same taxation authority and there is a right to set off an actual tax refund claim against an actual tax liability. No distinction is made between current and non-current deferred tax assets and liabilities in the consolidated balance sheet.

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

4.7 Inventories

Inventories of €14 thousand (31 December 2021: 17 thousand) relate to raw materials and supplies from ancillary business.

4.8 Trade receivables

Trade receivables result from current business and refer to customer contracts within the scope of IFRS 15.

Trade receivables

in € thousand	31/12/2022	31/12/2021
Receivables from customer contracts (gross carrying amount)	156,128	134,041
Value adjustments	−3,567	−2,538
Carrying amount (net)	**152,561**	**131,503**

Trade receivables have a remaining term of up to one year.

The value adjustments include quantity discounts of €3,277 thousand (31 December 2021: €2,266 thousand) and expected credit losses of €290 thousand (31 December 2021: €272 thousand).

The development of valuation allowances on trade receivables on the basis of expected credit losses was as follows:

The development of valuation allowances on trade receivables on the basis of expected credit losses

in € thousand	31/12/2022	31/12/2021
Balance as of 1 January	**272**	**550**
Net additions	112	156
Drawings	0	−33
Reversals	−96	−421
Exchange rate effects and other changes	2	20
Balance as of 31 December	**290**	**272**

When estimating expected credit losses or the default risk, a distinction is made between trade receivables from major clients and other clients.

The expected credit losses for trade receivables from major clients are estimated using a probability-weighted default rate based on an average external credit rating which considers forward-looking information. To determine the expected credit losses, the probability-weighted default rate is multiplied as a percentage by the nominal value of trade receivables.

The following tables contain information on the default risk and expected credit losses for trade receivables from major clients.

Expected credit losses (major clients)

in € thousand	31/12/2022			
Credit rating	**Weighted average loss rate**	**Gross carrying amount**	**Value adjustment**	**Impaired credit-worthiness**
A+	0.05%	6,018	−3	No
BBB+	0.09%	19,088	−17	No
BBB	0.14%	21,960	−31	No
		47,066	**−51**	

in € thousand	31/12/2021			
Credit rating	**Weighted average loss rate**	**Gross carrying amount**	**Value adjustment**	**Impaired credit-worthiness**
A–	0.06%	10,627	−6	No
BBB+	0.09%	16,209	−15	No
BBB-	0.24%	24,476	−59	No
		51,312	**−80**	

The GFT Group uses a value adjustment matrix to measure the expected credit losses on trade receivables from other clients, which comprise a very large number of small balances. The loss ratios are calculated using the roll rate method, which is based on the probability that a receivable will progress through successive stages in payment delay.

The following tables provides information about the estimated default risk and expected credit losses on trade receivables from other clients:

Expected credit losses (other clients)

in € thousand	31/12/2022			
	Gross carrying amount	Value adjustment	Average loss rate	Impaired creditworthiness
not overdue	95,009	0	0.00 %	No
1 to 30 days overdue	5,325	−1	0.02 %	No
31 to 90 days overdue	3,950	−54	1.37 %	No
91 to 180 days overdue	881	−24	2.72 %	No
181 to 360 days overdue	492	−34	6.91 %	Yes
more than 360 days overdue	128	−126	98.44 %	Yes
	105,785	**−239**		

in € thousand	31/12/2021			
	Gross carrying amount	Value adjustment	Average loss rate	Impaired creditworthiness
not overdue	71,146	−54	0.08 %	No
1 to 30 days overdue	7,003	−2	0.02 %	No
31 to 90 days overdue	1,266	−15	1.17 %	No
91 to 180 days overdue	771	0	0.00 %	No
181 to 360 days overdue	168	−17	10.02 %	Yes
more than 360 days overdue	108	−104	96.52 %	Yes
	80,462	**−192**		

Further information on financial risks and risk types is provided in note 9.1.

4.9 Contract balances

The following table provides information on receivables, contract assets and contract liabilities arising from contracts with clients:

Contract balances

in € thousand	31/12/2022	31/12/2021
Receivables included in trade receivables	152,561	131,503
Contract assets	21,732	16,122
Contract liabilities	39,597	46,120

Contract assets mainly refer to the GFT Group's claims for consideration resulting from services from fixed-price contracts in connection with the development of customer-specific IT solutions and the implementation of sector-specific standard software that have been rendered but not yet invoiced as of the reporting date. The amount of contract assets as of 31 December 2022 is affected by an impairment of €5 thousand (31 December 2021: €4 thousand). This usually happens at the time of invoicing, as soon as the GFT Group has fully performed the service and thereby acquired an unconditional entitlement to receive consideration. Contract assets are all current.

Contract liabilities mainly relate to advance payments received from clients for construction contracts for which revenue is recognised over a specified period. Contract liabilities have a remaining term of up to one year.

The amount of €46.120 thousand (1 January 2022: €37.236 thousand) disclosed under contract liabilities at the beginning of the period was recognised in full as revenue in 2022, as in the previous year.

4.10 Equity capital

Please refer to the separately presented consolidated statement of changes in equity for the development of equity during the financial years 2022 and 2021.

Subscribed capital
As of 31 December 2022, the subscribed capital (share capital) of €26,325,946.00 consisted of 26,325,946 no-par value shares (unchanged from the previous year). The shares are bearer shares and all grant the same rights.

Authorised capital
With a resolution adopted by the Annual General Meeting of 10 June 2021, the previous Authorised Capital was cancelled and a new Authorised Capital (Authorised Capital 2021) was resolved in order to secure the long-term financial scope. Essentially, this scope was expanded with regard to the use of the Authorised Capital within the framework of share participation or other share-based programmes for Managing Directors of GFT Technologies SE and members of the representative body of a company affiliated with GFT Technologies SE. In detail, the Administrative Board was authorised until 9 June 2026 to increase the share capital of GFT Technologies SE by up to a total of €10.00 million through a one-time-only or repeated partial issuance of bearer shares (no-par shares) against cash contributions and/or contributions in kind (Authorised Capital 2021). The new shares are to be offered to the shareholders for subscription (also by way of indirect subscription in accordance with section 186 (5) sentence 1 AktG). The Administrative Board was also authorised to exclude the legal subscription right of shareholders under certain conditions and within defined limits.

Authorised capital has not been utilised so far. As of 31 December 2022, there was therefore unused authorised capital of €10.00 million (31 December 2021: €10.00 million).

Conditional capital
With a resolution adopted by the Annual General Meeting of 1 June 2022, the Administrative Board of GFT Technologies SE was authorised until 31 May 2027 to issue on a one-time-only or repeated basis convertible and/or warrant bonds or a combination of these instruments (bonds) with a total nominal amount of up to €400.00 million with or without a limited term and to grant the creditors of these bonds conversion or warrant rights to new no-par value bearer shares of GFT Technologies SE with a proportionate amount of share capital of up to €10.00 million in accordance with the respective terms and conditions of the bonds. The bonds can only be issued for cash contributions. The respective conditions may also provide for a conversion or warrant obligation. The bonds may also be issued by domestic or foreign companies in which GFT Technologies SE directly or indirectly holds a majority of the votes and capital. Among other things, the Administrative Board was also authorised to exclude the legal subscription right of shareholders to the bonds under certain conditions and within defined limits

To service the bonds issued under the above authorisation, the Annual General Meeting of 1 June 2022 also resolved to conditionally increase the share capital by up to €10.00 million (Conditional Capital 2022).

The authorisation to issue bonds has not yet been exercised.

Treasury shares
With a resolution adopted by the Annual General Meeting of 24 June 2020, GFT Technologies SE was authorised to purchase treasury shares in the period until 23 June 2025 up to a total of 10% of share capital as at the time of the Annual General Meeting resolution and to use them for all legally permissible purposes. Among other things, the shares may be used, with the exclusion of shareholder subscription rights, in connection with (partial) company acquisitions, or for share-based compensation and employee share ownership plans, or may be sold to third parties for cash at a price that is not significantly lower than the stock market price at the time of the sale.

The authorisation to purchase treasury shares was not exercised in the reporting period. As in the previous year, GFT Technologies SE held no treasury shares as of 31 December 2022.

Capital reserve
The capital reserve of €42,148 thousand is unchanged from the previous year and comprises the amount generated by the issue of shares in excess of the arithmetical value.

Retained earnings
Retained earnings comprise the earnings generated in the past by those companies included in the consolidated financial statements, insofar as they have not been distributed. Actuarial gains/losses from pensions and deferred taxes on these pensions carried directly in equity are also included in retained earnings.

Dividend
According to the German Stock Corporation Act (Aktiengesetz – AktG), the dividend is distributed from the balance sheet profit reported in the annual financial statements of GFT Technologies SE (separate financial statements). In the financial year 2022, a dividend of €0.35 per share totalling €9.214 thousand (2021: €0.20 per share totalling €5,265 thousand) was distributed to the shareholders of the parent company from the balance sheet profit of the parent company for the 2021 financial year.

A proposal will be made to the Annual General Meeting to distribute €11.847 thousand (€0.45 per share) to shareholders from the balance sheet profit of GFT Technologies SE for the financial year 2022.

Other reserves
Other reserves comprise the accumulated differences from currency translations of the financial statements of consolidated foreign subsidiaries carried directly in equity.

Changes in other reserves are included in other comprehensive income and presented in the statement of comprehensive income.

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

4.11 Provisions for pensions

Provisions for pensions of the GFT Group comprise both defined benefit and defined contribution plans and include obligations from current pensions and entitlements to pensions payable in future. For defined contribution plans, contributions are paid by the company based on legal or contractual regulations, or on a voluntary basis, to state or private pension insurance institutes. The contributions paid in the financial year 2022 for defined contribution plans to public and private pensions regulatory authority of €39.638 thousand (2021: €29.713 thousand) are included in personnel expenses.

The main domestic and foreign pension plans of the GFT Group are described below.

Defined benefit plans in Germany exist due to direct individual commitments to retirement benefits, invalidity benefits, and provisions for dependents for 9 active managers (31 December 2021: 12), 20 managers who have left the company (31 December 2021: 18), one person drawing a pension (31 December 2021: 0), as well as for a former managing director of a former subsidiary (31 December 2021: 1).

The defined benefit plans in Switzerland concern provisioning according to Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG). These plans represent so-called 'BVG full insurance solutions'. Due to the statutory minimum interest and conversion rate guarantees, these plans represent defined benefit plans in the meaning of IAS 19. For this reason, provisions were formed in the balance sheet for these plans on 31 December 2022 and in the previous year. 'Fully insured' BVG plans refer to those plans for which all actuarial risks, including capital market risks, are borne by an insurance company, at least temporarily. The BVG provisioning of the Swiss subsidiary of GFT Technologies SE still comprises 57 active insured parties as of 31 December 2022 (31 December 2021: 63 active insured parties). As in the previous year, there are no pension recipients.

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

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

The following table shows the weighted average valuation factors used to calculate the pension obligations:

In calculating pension obligations, life expectancy for the German pension plans as of 31 December 2022 was based on the 'Heubeck Richttafeln 2018 G' (2018 G mortality tables). The guideline tables take into account the latest statistics of the statutory pension insurance and the Federal Statistical Office. For the foreign pension plans, comparable valuation bases customary in the country are used.

The likelihood of withdrawals and the actuarial assumptions for the Swiss plans are geared to the Swiss Federal legislation on occupational old age, survivor's and disability benefit plans (BVG 2020).

The likelihood of withdrawals in Italy is assessed at 10.00%. The actuarial assumptions for mortality rates are prescribed by surveys of the Italian statistics office (Istituto Nazionale di Statistica, ISTAT 2016). The actuarial assumptions for disability incidence rates are based on the tables of the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale, INPS).

For Poland, the likelihood of withdrawals is assessed at 14.25%. The actuarial assumptions for mortality rates are prescribed by the Main Statistical Office (Główny Urząd Statystyczny, GUS) (GUS 2021: multiplied by 60%). The actuarial assumptions for disability incidence rates are based on the table of the Polish Social Insurance Institution (ZUS 2008 multiplied by 85%).

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

Net liability of pension obligations

in € thousand	31/12/2022	31/12/2021
Present value of defined benefit obligations	14,484	15,677
Fair value of plan assets	−9,095	−7,970
Underfunding (net debt)	**5,388**	**7,707**

Parameters for determining the actuarial values

	Germany		Switzerland		Italy		Poland	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Probability of fluctuation	20%	20%	BVG 2020	BVG 2020	10.00%	10.00%	14.25%	13.10%
Pensionable age	63	63	65/64	65/64	67	67	65/60	65/60
Salary increases	2.00%	2.00%	2.00%	2.00%	3.00%	4.91%	3.50%	3.50%
Pension increases	2.00%	2.00%	0.00%	0.00%	3.13%	2.93%	0.00%	0.00%
Actuarial interest rate	3.50%	0.79%	1.80%	0.35%	3.60%	0.98%	6.73%	3.60%

Of the present value of the entitlements, €10,079 thousand (31 December 2021: €12,495 thousand) relates to pension plans that are financed completely or partially by plan assets and €4,405 thousand (31 December 2021: 3,128 thousand) to pension plans that are not financed by plan assets.

The present value of the pension obligations is reconciled as follows:

Present value of pension obligations

in € thousand	31/12/2022	31/12/2021
Pension obligation as of 1 January	15,677	16,944
Current service cost	629	581
Past service cost	0	−1,107
Interest expense/income	80	51
Restatements	−3,842	−1,206
Contributions to pension plan	319	1,801
Benefits paid	154	−1,903
Exchange rate changes and other changes	1,467	516
Pension obligation as of 31 December	**14,484**	**15,677**

The fair value of the plan assets is reconciled as follows:

Fair value of plan assets

in € thousand	31/12/2022	31/12/2021
Fair value of plan assets as of 1 January	7,970	7,717
Income from plan assets (without interest income)	−315	−107
Interest on plan assets	28	19
Premiums paid less benefits received	369	−517
Contributions by employer	319	267
Contributions by entitled employees	319	267
Revaluations	0	0
Exchange rate changes	405	324
Fair value of plan assets as of 31 December	**9,095**	**7,970**

Plan assets concern the BVG provisioning in Switzerland and an amount of €250 thousand in term deposits pledged to the pension recipient ('Plan Assets GFT Technologies SE'). In the following year (2023), employer and employee contributions to the plan assets of €314 thousand (2021: €320 thousand) are expected. As in the previous year, the calculation of the obligation and the generally expected return of the plan assets in Switzerland was based on the valid insurance regulations, databases and cash flow disclosures for 2023 of the company. The expected income from plan assets of GFT Technologies SE results from interest and is insignificant. There are no plan assets in Italy and Poland.

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

Fair value of plan assets

in € thousand	31/12/2022	31/12/2021
Bonds	4,838	4,151
Shares	2,556	2,318
Property	1,070	942
Alternative investments	551	482
Cash and cash equivalents	80	77
Fair value of plan assets as of the balance sheet date	**9,095**	**7,970**

The weighted average maturity of the defined benefit obligations is 9.32 years (31 December 2021: 9.77 years). The major part of plan assets is attributable to pension schemes in Switzerland.

In order to estimate the amount and uncertainty of future cash flows, a sensitivity analysis was conducted. An increase or decrease in the key actuarial assumptions would have the effects on the present value of the pension obligations shown in the following table.

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

As an insignificant proportion of the pension obligation in Germany is attributable to active candidates, no sensitivity analysis was conducted for the assumption of future salary increases (n/a = not applicable).

Sensitivity analysis of the present value of pension obligations as of 31 December 2022

	Obligation in € thousand				Change in %			
	Germany	Switzerland	Italy	Poland	Germany	Switzerland	Italy	Poland
Present value of obligation	709	10,681	3,003	92				
Discount rate	3.50%	1.80%	3.60%	6.73%				
Increase of 0.5%	673	9,833	2,914	87	–5.09%	–7.94%	–2.95%	–5.32%
Decrease of 0.5%	749	11,652	3,097	97	5.58%	9.09%	3.15%	5.86%
Salary increase	n/a	2.00%	5.15%	3.50%				
Increase of 0.5%	n/a	10,743	236	97	n/a	0.58%	1.59%	6.02%
Decrease of 0.5%	n/a	10,613	230	87	n/a	–0.64%	–1.33%	–5.51%
Pension increase	2.00%	0.00%	3.13%	n/a				
Increase of 0.5%	630	11,124	3,067	n/a	2.84%	4.15%	2.15%	n/a
Decrease of 0.5%	596	n/a	2,941	n/a	–2.62%	n/a	–2.06%	n/a

Notes to the consolidated financial statements

4.12 Other provisions

The development of other provisions is shown in the following table:

Other provisions

in € thousand	Personnel and social	Outstanding supplier invoices	Other	Total
Balance as of 1 January 2022	**37,671**[1]	**8,304**	**5,108**	**51,083**
Consumption	–22,537	–7,869	–2,809	–33,215
Reversals	–1,846	–237	–1,100	–3,183
Additions	29,353	7,276	3,526	40,155
Exchange rate effects and other changes	788	–24	123	887
Balance as of 31 December 2022	**43,429**	**7,450**	**4,848**	**55,727**

1 Reclassification of €14,057 thousand to other liabilities (see note 2.2)

Provisions for personnel and social obligations mainly include expected expenses of the GFT Group for performance-based remuneration, anniversaries and severance payments.

The provisions for outstanding supplier invoices mainly relate to freelancers and subcontractors commissioned within the framework of the operating business. The cash outflows for these provisions are mainly expected by the end of March in the following year.

Due to the maturity profile, in other words the expected settlement date for outflows of economic benefit, other provisions are shown in the balance sheet as follows:

Maturity profile of other provisions

in € thousand	31/12/2022	31/12/2021
Non-current provisions		
Performance-based remuneration	7,181	7,115
Employee social benefits	247	340
Guarantee obligations	126	57
Subtotal	**7,554**	**7,512**
Current provisions		
Performance-based remuneration	32,073	26,239
Outstanding supplier invoices	7,450	8,304
Employee benefits	3,749	2,613
Severance pay	179	1,365
Other	4,722	5,050
Subtotal	**48,173**	**43,571**
Total	**55,727**	**51,083**

Share-based compensation

Other provisions contain obligations from share-based compensation agreements. The share-based commitments of the GFT Group are exclusively cash-settled.

As of the financial year 2020, the Managing Directors of GFT Technologies SE and the other members of the Group Executive Board (GEB) receive a long-term bonus as their variable compensation component with long-term incentive. The long-term bonus, or long-term incentive (LTI), is based on the total amount of annual variable compensation. Of this amount, two-thirds is paid out in cash. The remaining third of the total annual amount – taking into account any (prorated) discretionary bonus – is converted into the respective long-term variable compensation. For the annual conversion amount, the eligible persons receive virtual shares. The number of virtual shares is determined by dividing the conversion amount by the average GFT share price weighted by trading volume (Xetra) in the entire financial year prior to the conversion (initial financial year). On completion of three years, the virtual shares are converted back. For this purpose, the number of virtual shares is multiplied by the average share price (Xetra) weighted by trading volume in the entire third financial year after the initial financial year. The resulting amount is settled in cash, whereby an upper limit agreed individually with each beneficiary may not be exceeded.

In accordance with IFRS 2 *Share-based Payment,* the liability-based payment plans are measured at fair value at each balance sheet date until they are settled. The result to be considered in the reporting period corresponds to the addition to or release of other provisions between the balance sheet dates plus the compensation paid out in the reporting period and is disclosed in personnel expenses.

The fair value of the LTI due from the granting of virtual shares was determined using the Monte Carlo simulation model. Service and market-independent performance conditions associated with the business transactions were not taken into account in determining fair value.

The following parameters or input factors were used to determine the fair values of share-based payment plans as of 31 December 2022 and 31 December 2021 on the grant date, which corresponds to the measurement date:

Valuation parameters

	LTI 2022	LTI 2021	LTI 2020
Fair value of a virtual share (in €)			
31 December 2022	33.51	33.46	33.47
31 December 2021	n/a	46.34	46.40
Weighted average share price (in €)			
31 December 2022	38.99	n/a	n/a
31 December 2021	n/a	27.79	n/a
Share price on the measurement date (in €)			
31 December 2022	33.85	33.85	33.85
31 December 2021	n/a	46.15	46.15
Expected dividend yield (in %)			
31 December 2022	1.48	1.48	1.48
31 December 2021	n/a	0.76	0.76
Expected volatility of the GFT share (in %)			
31 December 2022	50	52	49
31 December 2021	n/a	48	52
Expected term (in years)			
31 December 2022	3	2	1
31 December 2021	n/a	3	2
Risk-free interest rate based on government bonds (in %)			
31 December 2022	2.55	2.59	2.39
31 December 2021	n/a	−0.62	−0.68

The expected volatility is based on an assessment of the past volatility of the GFT share price, especially in the period corresponding to the expected term. The expected term of the instruments is based on the employment/service contract terms of the share-based payment agreements.

The number of virtual shares granted for the reporting period as of 31 December 2022 amounted to 58,986 (31 December 2021: 62,805). There are a total of 207,587 virtual shares granted and at the same time outstanding as of 31 December 2022.

The expense recognised during the financial year 2022 for share-based payment transactions amounted to €58 thousand (2021: €5,859 thousand). As of 31 December 2022, the carrying amount of other provisions from share-based payment arrangements amounted to €6,950 thousand (31 December 2021: €6,892 thousand).

4.13 Liabilities

The following table shows the composition of liabilities by remaining term and type of collateral (values in brackets relate to the previous year):

Remaining term and collateral

in € thousand	Remaining term: up to 1 year	Remaining term: more than 5 years	Total amount 31/12/2022	Thereof secured through liens and similar rights	Nature and form of the collateral
Financing liabilities	351	0	42,519	8,000	Mortgage[1]
	(21,341)	(0)	(68,841)		
Other financial liabilities	18,388	7,926	49,551		
	(18,621)	(6,291)	(44,802)		
Trade payables	11,799	0	11,799		
	(11,776)	(0)	(11,776)		
Current income tax liabilities	8,614	0	8,614		
	(4,476)	(0)	(4,476)		
Contract liabilities	39,597	0	39,597		
	(46,120)	(0)	(46,120)		
Other liabilities	71,277	0	79,503		
	(49,090)[2]	(0)	(53,059)[2]		
	150,026	**7,926**	**231,583**		
	(151,424)	**(6,291)**	**(229,074)**		

1 The mortgage serves as collateral for a loan agreement expiring on 30 June 2024.
2 Reclassification of €14,057 thousand from other provisions (see note 2.2)

Financing liabilities exclusively comprise bank liabilities.

4.14 Other liabilities

The following table shows the composition of other liabilities – divided into financial and non-financial liabilities:

In the previous year, current liabilities from payroll included €3,668 thousand of performance-based compensation in connection with the acquisition of GFT Technologies Canada Inc, Québec, Canada (formerly: V-NEO Inc, Québec, Canada) in 2018, which represent post-combination benefits.

Other liabilities

in € thousand	31/12/2022	31/12/2021
Non-current other financial liabilities		
Lease liabilities	31,151	26,181
Other	12	0
Subtotal	**31,163**	**26,181**
Non-current other liabilities		
Wage tax liabilities	7,110	2,707
Deferred income	1,116	1,249
Other	0	13
Subtotal	**8,226**	**3,969**
Current other financial liabilities		
Liabilities from payroll	9,321	10,801
Lease liabilities	9,062	7,811
Other	5	9
Subtotal	**18,388**	**18,621**
Current other liabilities		
Wage tax, VAT and other tax liabilities	16,560	15,767
Holiday obligations	17,381	14,057 [1]
Liabilities to social security institutions	12,917	10,624
Deferred income	23,109	7,350 [2]
Other	1,310	1,292 [2]
Subtotal	**71,277**	**49,090** [1]
Total	**129,054**	**97,681**

1 Reclassification of €14,057 thousand from other provisions (see note 2.2)
2 Reclassification of €5,371 thousand due to adjustment to actual circumstances

5 Explanations on items of the income statement

5.1 Revenue

The revenue presented in the consolidated income statement includes both revenue from contracts with customers and other revenue not within the scope of IFRS 15.

In the following table, revenue from contracts with customers (revenue acc. to IFRS 15) is divided into the two reporting segments and the categories: geographical region, type of contract for the provision of services or sale of goods, and the time of transfer of the goods or services.

Other revenue includes revenue for activities in connection with the Group headquarters in Stuttgart, mainly from the sale of food and beverages and from rental transactions. Other revenue is shown in full in the reconciliation statement.

Revenue under IFRS 15 includes revenue of €46,120 thousand, which was included in contract liabilities as of 1 January 2022.

As of 31 December 2022, it is expected that revenue of €45,439 thousand (31 December 2021: €38,429 thousand) from unfulfilled or partially unfulfilled performance obligations at the end of the reporting period will be realised within the next three years. These are fixed-price contracts, in particular in connection with the development of sector-specific IT solutions and the implementation of bank-specific

Revenue

	Americas, UK & APAC		*Continental Europe*		Reconciliation		Total	
in € thousand	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Geographical regions								
Brazil	137,782	81,299	0	0	0	0	137,782	81,299
Germany	0	1	63,784	55,472	716	236	64,500	55,709
France	0	0	9,922	15,748	0	0	9,922	15,748
UK	116,170	103,388	4	111	0	0	116,174	103,499
Hong Kong [1]	12,279	10,892	0	0	0	0	12,279	10,892
Italy	0	0	76,548	73,485	0	0	76,548	73,485
Canada	67,590	45,861	0	0	0	0	67,590	45,861
Mexico	20,808	14,395	0	0	0	0	20,808	14,395
Poland	6,148	4,775	10,006	1,940	0	0	16,154	6,715
Switzerland	168	8	17,783	13,299	0	0	17,951	13,307
Singapore	17,837	8,955	0	0	0	0	17,837	8,955
Spain	348	0	84,739	83,507	0	0	85,087	83,507
USA	66,769	42,648	2,081	284	0	0	68,850	42,932
Other countries	13,621	5,866	5,033	4,024	0	0	18,654	9,890
	459,520	**318,088**	**269,900**	**247,870**	**716**	**236**	**730,136**	**566,194**
Type of contract								
Service contract	269,927	174,279	73,569	63,138	0	0	343,496	237,417
Fixed-price contract	165,441	121,564	177,192	167,375	0	0	342,633	288,939
Maintenance contract	24,152	22,244	18,019	16,817	0	0	42,171	39,061
Other	0	1	1,120	540	716	236	1,836	777
	459,520	**318,088**	**269,900**	**247,870**	**716**	**236**	**730,136**	**566,194**
Time of transfer of goods or services								
Transfer at a certain time	0	0	0	0	355	176	355	176
Transfer over a certain period	459,520	318,088	269,900	247,870	361	60	729,781	566,018
	459,520	**318,088**	**269,900**	**247,870**	**716**	**236**	**730,136**	**566,194**

1 Hong Kong Special Administrative Region of the People's Republic of China (hereinafter for short: 'Hong Kong')

standard software. Not included are remaining performance obligations from customer contracts with an expected original term of no more than one year.

5.2 Other operating income

The following table shows the composition of other operating income:

Other operating income

in € thousand	2022	2021
Government grants	8,382	7,852
Currency gains	6,303	2,053
Gains on disposal of non-current assets	146	191
Reversal of value adjustments for operating receivables	117	338
Reversal of provisions	35	236
Other non-periodic income	113	11
Other	1,248	1,377
Total	**16,344**	**12,058**

Government grants mainly relate to tax subsidies for research and development and similar activities.

5.3 Cost of purchased services

The cost of services purchased by the GFT Group amounting to €105,083 thousand (2021: €82,710 thousand) relates to external services provided by freelancers and subcontractors in connection with the core operating business.

5.4 Personnel expenses

Personnel expenses are composed as follows:

Personnel expenses

in € thousand	2022	2021
Wages, salaries and social security contributions	445,682	358,348
Expenses for pensions	6,207	3,458
Other personnel expenses	27,077	18,584
Total	**478,966**	**380,390**

5.5 Other operating expenses

The composition of other operating expenses is as follows:

Other operating expenses

in € thousand	2022	2021
Personnel-related expenses	18,570	11,577
Rent and maintenance expenses	14,993	8,742
Non-income taxes	14,300	8,762
Audit and consulting fees	7,661	8,090
Sales and marketing	6,598	3,296
Currency losses	4,236	3,781
IT and telecommunication expenses	2,504	3,468
Energy and cleaning costs	2,010	1,392[1]
Insurance expenses	1,356	1,125
Losses from the disposal of property, plant and equipment	440	422
Value adjustments for operating receivables	135	77
Other non-periodic expenses	50	335
Expenses in connection with company acquisitions	23	138
Other	3,514	3,152[1]
Total	**76,390**	**54,357**

1 Reclassification of €1,392 thousand due to adjustment to actual circumstances

5.6 Research and development expenses

Research and development expenses of €16,461 thousand in the reporting period were significantly higher than in the previous year (2021: 9,012 thousand). The GFT Group's research and development activities continued to focus in particular on the possible applications of high-growth technologies, especially cloud, distributed ledger technology (DLT), central bank digital currency (CBDC), automation (RPA), data analytics and artificial intelligence (AI).

Of the total costs for research and development expensed in profit or loss an amount of €11,528 thousand (2021: €7,083 thousand) was mainly attributable to personnel expenses and €4,933 thousand (2021: €1,929 thousand) to other operating expenses.

5.7 Depreciation and amortisation of intangible assets and property, plant and equipment

Scheduled depreciation and amortisation of intangible assets and property, plant and equipment for the financial year 2022 amounted to €20,494 thousand (2021: €19,874 thousand) and includes depreciation of right-of-use assets in accordance with IFRS 16 Leases amounting to €9,447 thousand (2021: €8,890 thousand). Further information on the depreciation of right-of-use assets can be found in note 9.2.

5.8 Interest result

The composition of the interest result is shown in the table below:

Interest result

in € thousand	2022	2021
Interest on bank balances	1,809	579
Other interest income	52	13
Interest income	**1,861**	**592**
Interest on financing liabilities	−858	−1,012
Compounding of lease liabilities	−369	−383
Other interest expenses	−133	−50
Interest expense	**−1,360**	**−1,445**
Interest result	**501**	**−853**

5.9 Income taxes

The table below presents a breakdown of the income tax expense disclosed in the consolidated income statement:

Breakdown of income taxes

in € thousand	2022	2021
Current tax expense	18,788	13,937
Deferred tax expense	1,008	−3,795
Tax expense	**19,796**	**10,142**

The current tax expense for the financial year 2022 includes expenses relating to other periods of €293 thousand (2021: €1,213 thousand).

The composition of deferred tax expense/income is shown in the following table:

Deferred income taxes

in € thousand	2022	2021
From temporary differences	4,194	−2,333
From tax loss carry forwards and tax credits	−3,186	−1,462
Tax expense (+)/ income (–)	**1,008**	**−3,795**

Deferred taxes of €739 thousand (2021: €181 thousand) recognised directly in retained earnings related to actuarial gains/losses for pension obligations pursuant to IAS 19.

The following table shows the reconciliation from the tax expense expected in the financial year to the tax expense disclosed. In order to determine the expected tax expense, the domestic total tax rate of 29.83% (2021: 29.83%) was multiplied with earnings before income taxes. In the previous year, the Group tax rate was calculated on the basis of the arithmetic mean of the tax rates of all Group companies.

Reconciliation of effective tax rate

in € thousand	2022	2021
Earnings before income taxes	66,047	40,027
Expected tax expense	19,699	11,938
Non-deductible expenses and tax-free income	4,709	1,982
Effects from permanent differences	21	−3,721
Effect from use of loss for tax claims not recognised in the previous year	−428	−28
Recognition adjustments for deferred taxes	1,026	−1,181
Tax rate differences	−2,856	−2,141
Aperiodic effects	296	5,212
Tax rebates	−1,812	−1,764
Other tax effects	−859	−155
Effective tax expense	19,796	10,142
Effective tax rate	**29.97%**	**25.34%**

Valuation allowances on deferred tax assets had to be recognised in 2022 and 2021. The tax expenses are included in the line item recognition adjustments for deferred taxes.

5.10 Earnings per share

Earnings per share (basic) and earnings per share (diluted) are calculated on the basis of the earnings attributable to the shareholders of GFT Technologies SE. As there are no dilutive effects, basic earnings per share therefore correspond to diluted earnings per share.

The following calculation of earnings per share is based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding:

Earnings per share

in €	2022	2021
Basic earnings per share	1,76	1,14
net income considered	46,251,213.61	29,885,533.17
number of ordinary shares considered	26,325,946	26,325,946
Diluted earnings per share	1.76	1.14
net income considered	46,251,213.61	29,885,533.17
number of ordinary shares considered	26,325,946	26,325,946

6 Explanations on items of the statement of comprehensive income

The result from the classification and measurement of net investments in foreign operations recognised directly in equity amounted to €-593 thousand in the reporting period (2021: €3,329 thousand) and relates entirely to currency translation effects. Net investments relate to long-term loans to the subsidiaries GFT UK Limited, GFT Brasil Consultoria Informática Ltda. and GFT Technologies Canada Inc. (formerly: 9380-6081 Québec Inc.).

Due to the complete repayment of the loan to GFT Brasil Consultoria Informática Ltda., as well as partial repayment of the loans to GFT UK Limited and GFT Technologies Canada Inc., cumulative currency gains totalling €131 thousand, which had previously been recognised directly in equity, were reclassified to the income statement in the reporting year.

7 Explanations on items of the cash flow statement

Financial liabilities, or financing liabilities, and the hedging instruments used in this connection changed as follows in the financial year:

Financial liabilities

		Changes affecting cash flow	Changes not affecting cash flow			
in € thousand	As of 01/01/2022		Currency effects	Fair values	Reclassi-fications	As of 31/12/2022
Non-current financial liabilities	47,500	−5,000	0	0	−332	42,168
Current financial liabilities	21,341	−21,322	0	0	332	351
Assets used to hedge non-current financial liabilities	0	0	0	0	0	0
Total	**68,841**	**−26,322**	**0**	**0**	**0**	**42,519**

Cash and cash equivalents disclosed in the cash flow statement break down as follows:

Cash and cash equivalents

in € thousand	31/12/2022	31/12/2021
Cash at banks	78,219	70,761
Cash	4	9
Total	**78,223**	**70,770**

8 Segment reporting

8.1 General information

The GFT Group has two reporting segments. As the chief operating decision-makers responsible for assessing the company's results of operations and allocating resources, the Managing Directors regularly assess the business activities of these two segments.

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

- Brazil
- Costa Rica
- UK
- Canada
- Mexico
- Singapore
- Hong Kong
- USA
- Vietnam

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

- Belgium
- Germany
- France
- Italy
- Poland
- Switzerland
- Spain

The internal controlling and reporting structures of the GFT Group are fundamentally based on the IFRS accounting principles described in note 1. The GFT Group measures the success of its segments on the basis of revenue and EBT. Segment revenue and earnings also include transactions between the business segments.

The types of services with which the reporting segments generate their income are all activities related to IT services.

The Managing Directors do not receive regular information on segment assets, segment liabilities or the capital expenditure of each segment.

Detailed information on the business segments for the financial years 2022 and 2021 is presented in the table below.

Information on business segments

in € thousand	*Americas, UK & APAC* 2022	2021	*Continental Europe* 2022	2021	Total segments 2022	2021	Reconciliation 2022	2021	GFT Group 2022	2021
External revenue	459,520	318,087	269,900	247,854	729,420	565,941	716	253	730,136	566,194
Intersegment revenue	6,135	7,680	90,794	76,134	96,929	83,814	–96,929	–83,814	0	0
Total revenue	**465,655**	**325,767**	**360,694**	**323,988**	**826,349**	**649,755**	**–96,213**	**–83,561**	**730,136**	**566,194**
Segment result (EBT)	**44,635**	**23,906**	**26,535**	**24,572**	**71,170**	**48,478**	**–5,123**	**–8,451**	**66,047**	**40,027**
thereof depreciation and amortisation	–8,285	–7,726	–10,436	–10,591	–18,721	–18,317	–1,773	–1,557	–20,494	–19,874
thereof interest income	1,996	587	453	84	2,449	671	–588	–79	1,861	592
thereof interest expenses	–1,949	–1,025	–528	–715	–2,477	–1,740	1,117	295	–1,360	–1,445

8.2 Reconciliation

The reconciliation of the Group's revenue as well as the sum of the segment results (EBT) to the Group's earnings before taxes is presented in the table below.

The reconciliation discloses items which per definition are not components of the segments. It also includes non-allocated items of Group HQ, for example from centrally managed issues, or revenue which only occasionally occurs for company activities. Business transactions between the segments are also eliminated in the reconciliation. The reconciliation of segment figures is as follows:

Reconciliation of segment figures

in € thousand	2022	2021
Total segment revenue	**826,349**	**649,755**
Elimination of inter-segment revenue	–96,929	–83,814
Occasionally occurring revenue	716	253
Group revenue	**730,136**	**566,194**
Total segment earnings (EBT)	**71,170**	**48,478**
Non-allocated expenses/income of Group HQ	–5,194	–8,267
Other	71	–184
Group net income before taxes	**66,047**	**40,027**

8.3 Geographical information

The following table shows the revenue of the GFT Group as well as non-current intangible assets and property, plant and equipment (including right-of-use assets), broken down by the company's country of domicile. This geographical information discloses segment revenue based on customer location and segment assets based on the locations of assets.

Revenue from sales to external clients which account for more than 10% of consolidated revenue developed as follows in the financial year 2022:

Clients accounting for over 10% of revenue

in € thousand	Revenue 2022	Revenue 2021	Segments in which this revenue is generated 2022	Segments in which this revenue is generated 2021
Client 1	101,310	90,433	*Americas, UK & APAC, Continental Europe*	*Americas, UK & APAC, Continental Europe*

As in the previous year, revenue was generated from the provision of services.

Revenue and non-current intangible and tangible assets by country

in € thousand	Revenue from sales to external clients[1] 2022	Revenue from sales to external clients[1] 2021	Non-current intangible and tangible assets 31/12/2022	Non-current intangible and tangible assets 31/12/2021
Brazil	137,782	81,299	5,803	5,928
Germany	63,784	55,709	54,332	54,950
France	9,922	15,748	64	49
UK	116,174	103,499	38,279	38,627
Hong Kong	12,279	10,892	7	10
Italy	76,548	73,485	30,037	30,441
Canada	67,590	45,861	19,738	20,070
Mexico	20,808	14,395	902	760
Poland	16,154	6,715	8,810	7,793
Switzerland	17,951	13,307	250	301
Singapore	17,837	8,955	12	13
Spain	85,087	83,507	27,506	23,771
USA	68,851	42,932	8,202	8,024
Other countries	19,369	9,890	1,250	670
Total	**730,136**	**566,194**	**195,192**	**191,407**

1 By client location

9 Other disclosures

9.1 Financial instruments

Carrying amounts and fair values of financial instruments

The table on page 119/120 shows the carrying amounts and fair values for the respective classes of financial instruments of the GFT Group and reconciles these to the corresponding balance sheet items.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In view of the varying influencing factors, the reported fair values can only be regarded as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were determined on the basis of the market information available on the reporting date; the following methods and premises were applied.

Information on financial instruments according to measurement categorie and measurement hierarchy

		31/12/2022								31/12/2021						
		Not measured at fair value		Measured at fair value						Not measured at fair value		Measured at fair value				
					Fair value								Fair value			
in € thousand	Measurement category acc. to IFRS 9	Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	**Total**		Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial assets																
Not measured at fair value																
Trade receivables	AC	152,561	152,561	–	–	–	–	152,561		131,503	131,503	–	–	–	–	131,503
Cash and cash equivalents	AC	78,223	78,223	–	–	–	–	78,223		70,770	70,770	–	–	–	–	70,770
Other financial assets[4]	AC	6,811	6,811	–	–	–	–	6,811		5,091	5,091	–	–	–	–	5,091
Measured at fair value																
Financial investments	FVTPL	–	–	696	–	696	–	696		–	–	706	–	706	–	706
Total financial assets		**237,594**	**237,594**	**696**	**–**	**696**	**–**	**238,290**		**207,363**	**207,363**	**706**	–	**706**	**–**	**208,069**
Financial liabilities																
Not measured at fair value																
Financial liabilities	AC	42,519	44,527	–	–	–	–	42,519		68,841	70,628	–	–	–	–	68,841
Other financial liabilities[5]	AC	49,551	49,551	–	–	–	–	49,551		44,802	44,802	–	–	–	–	44,802
Trade payables	AC	11,799	11,799	–	–	–	–	11,799		11,776	11,776	–	–	–	–	11,776
Total financial liabilities		**103,869**	**105,887**	**–**	**–**	**–**	**–**	**103,869**		**125,419**	**127,206**	**–**	**–**	**–**	**–**	**125,419**

1 Fair values were measured on the basis of quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair values were measured on the basis of inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair values were measured on the basis of inputs for which no observable market data is available.
4 The financial instruments comprise the non-current and current other financial assets according to balance sheet disclosure.
5 The financial instruments comprise the non-current and current other financial liabilities according to balance sheet disclosure.

Continued on next page

Information on financial instruments according to measurement categorie and measurement hierarchy (continued)

	31/12/2022								31/12/2021						
	Measurement category acc. to IFRS 9	Not measured at fair value		Measured at fair value					Not measured at fair value		Measured at fair value				
					Fair value							Fair value			
in € thousand		Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	Total	Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	Total
Thereof aggregated acc. to the measurement categories IFRS 9															
Financial assets measured at amortised cost (AC)		237,594	237,594	–	–	–	–	**237,594**	207,363	207,363	–	–	–	–	**207,363**
Financial assets measured at fair value through profit or loss (FVTPL)		–	–	696	–	696	–	**696**	–	–	706	–	706	–	**706**
Financial liabilities measured at amortised cost (AC)		103,869	105,877	–	–	–	–	**103,869**	125,419	127,206	–	–	–	–	**125,419**

1 Fair values were measured on the basis of quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair values were measured on the basis of inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair values were measured on the basis of inputs for which no observable market data is available.

Trade receivables as well as cash and cash equivalents
Due to the short terms and the generally low credit risk of these financial instruments, it was assumed that their fair values correspond to the carrying amounts.

Other financial assets
Other financial assets relate to investments in equity instruments and other types of financial assets.

Investments in equity instruments are measured at fair value through profit or loss. As there were no public quotations for the equity shares, the market value was determined on the basis of parameters for which either directly or indirectly derived quoted prices were available on an active market. The market values were calculated using recognised financial mathematical models.

Other types of financial assets were measured at amortised cost. Amortised cost is determined on the basis of the present value of future cash inflows, discounted at an interest rate prevailing at the end of the reporting period, taking into account the respective maturities of the financial assets. Due to the predominantly short terms of these financial instruments, it was assumed that their fair values correspond to the carrying amounts.

Financing liabilities
Financing liabilities refer to liabilities owed to banks. The fair values of loans or other financing liabilities were determined as the present values of expected future cash flows. Market interest rates for the appropriate terms were used for discounting.

Trade payables
Due to their short maturities, it was assumed that the fair values correspond to the carrying amounts of these financial instruments.

Other financial liabilities
Other financial liabilities comprise liabilities from leases, liabilities from payroll and other liabilities.

The fair values of liabilities from leases were determined as the present value of expected cash flows, discounted using an interest rate in line with the corresponding terms.

Liabilities from payroll were measured in line with IAS 19 *Employee Benefits* and other financial liabilities at amortised cost. Due to the predominantly short maturities of these financial instruments, it was assumed that their fair values correspond to the carrying amounts.

Measurement categories
The GFT Group uses various types of financial instruments in the normal course of business. These are classified in accordance with IFRS 9 as follows: at amortised cost (AC) or at fair value through profit or loss (FVTPL). The carrying amounts of financial instruments, broken down into measurement categories, are presented on page 119/120.

Measurement hierarchies
The table on page 119/120 shows the measurement hierarchies (in accordance with IFRS13) in which financial assets and liabilities measured at fair value are classified.

Financial instruments measured at fair value in the balance sheet are classified into the following measurement hierarchies which reflect the extent to which fair value is observable:

Level 1: Fair value measurement is based on quoted, unadjusted prices in active markets for these or identical assets and liabilities.

Level 2: Fair value measurement is based on parameters for which either directly or indirectly derived prices are available on active markets.

Level 3: Fair value measurement is based on parameters for which no observable market data are available.

The fair values of Level 2 were determined by the participating financial institutions on the basis of market data on the measurement date and using generally accepted valuation models.

There were no reclassifications between assessment hierarchies as of 31 December 2022.

Net gains or losses

The net gains or losses on financial instruments (excluding derivative financial instruments that are included in hedge accounting) recognised in the consolidated income statement are shown in the following table:

Net gains (+) or losses (–) on financial instruments

in € thousand	2022	2021
Financial assets at fair value through profit or loss	**0**	**–765**
Impairments	–112	–156
Reversals of impairment losses	96	421
Exchange rate effects	–2	–20
Financial assets measured at (amortised) cost	**–18**	**245**
Financial liabilities measured at (amortised) cost	**0**	**0**

The net gains and losses on financial assets at fair value through profit or loss include not only the results from changes in fair value but also interest expenses and income from these financial instruments. Results from changes in market value are included in the consolidated income statement under 'Other operating income'. Interest expenses and income from financial assets at fair value through profit or loss are recognised in the financial result.

The net gains and losses from financial assets measured at (amortised) cost are characterised by opposing effects from impairments, reversals of impairment losses and exchange rate effects and are disclosed in the consolidated income statement under other operating income and other operating expenses.

Total interest income and expenses

The following table shows the total interest income and expenses for financial assets and financial liabilities which are not measured at fair value through profit or loss.

Total interest income and expenses

in € thousand	2022	2021
Total interest income	1,809	592
Total interest expenses	–1,226	–1,395

Qualitative descriptions of the accounting treatment and disclosure of financial instruments (including derivative financial instruments) are contained in note 2.5.

Disclosures on derivative financial instruments

Derivative financial instruments are used by the GFT Group principally to hedge financial risks resulting from its operating business or refinancing activities. These mainly include currency and interest rate risks, which are defined as risk categories in accordance with IFRS 9.

General information on financial risks

Due to its business activities and global orientation, the GFT Group is exposed to various financial risks, in particular due to changes in exchange rates and interest rates. In addition, the GFT Group is exposed to a minor extent to credit and liquidity risks from its operating business. The individual risks are explained below and described in the risk report within the combined management report (see 4.6 Financial Risks).

The GFT Group has issued internal guidelines which concern risk controlling processes. They contain a clear separation of functions with regard to operational financial activities, their settlement, accounting and the controlling of the financial instruments. They are based on a Group-wide identification and analysis of risks. In addition, they are aimed at the appropriate limitation and control of risks and their supervision.

The GFT Group manages and monitors these risks primarily through its operational business and financing activities and uses derivative financial instruments where necessary. These are used by the GFT Group exclusively to hedge financial risks resulting from operating business or refinancing activities. Without their use, the Group would be exposed to higher financial risks. The GFT Group regularly assesses its financial risks and takes into consideration any changes in key economic indicators and current market information.

Exchange rate risk

The global orientation of the GFT Group means that cash flows and results are exposed to risks from exchange rate fluctuations. In its operating business, exchange rate risks mainly arise when revenue is denominated in a currency other than the related costs (transaction risk). In addition, exchange rate risks arise from currency translation in connection with the preparation of the consolidated financial statements (translation risk). Financial instruments in the functional currency of the GFT Group (euros) and non-monetary items do not bear any exchange rate risk.

The GFT Group's exchange rate risk from its operating activities is classified as moderate for the following reasons:

- The GFT Group's revenue is mainly generated in euros (41% in 2022 and 49% in 2021), which is the functional currency of the invoicing company in each case. In addition to customers in the eurozone, this also partially affects sales with customers in the UK and the USA.
- Revenue generated with clients in Brazil (accounting for 19% of total revenue; 2021: 14%) is invoiced in Brazilian real, which is the functional currency of the Brazilian subsidiary, so that this does not result in any exchange rate risk.
- Revenue generated with clients in the UK (accounting for 11% of total revenue; 2021: 12%) is invoiced in pounds sterling (11%, 2021: 12%) in euros (7% as in the previous year 2021) and in US dollars 1% (2021: 0%). There was no revenue in Polish zloty in the financial year 2022 (2021: 1%).
- 7% (2021: 6%) of revenue generated with clients in the USA (accounting for 9% of total revenue; 2021: 7%) was invoiced in US dollars, the functional currency of the operating US subsidiary, and 1% in euros (as in the previous year) so that this results in only a marginal exchange rate risk.
- Revenue generated with clients in Canada (accounting for 9% of total revenue; 2021: 8%) is invoiced mainly in Canadian dollars, which is the functional currency of the Canadian companies and therefore also results in no foreign exchange risk.
- Revenue generated with clients in Mexico (accounting for 3% of total revenue, as in the previous year) is invoiced in Mexican peso, which is the functional currency of the Mexican company, which also means that there is no exchange risk.
- Revenue generated with clients in Singapore (accounting for 3% of total revenue; 2021: 2%) is invoiced mainly in Singapore dollars, which is the functional currency of the Group company, which also means that there is no exchange risk.
- Revenue generated with clients in Hong Kong (accounting for 2% of total revenue, as in the previous year) is invoiced mainly in Hong Kong dollars, which is the functional currency of the Group company, which also means that there is no exchange risk.
- Revenue generated with clients in Switzerland (accounting for 3% of total revenue; 2021: 2%) is generally invoiced in Swiss francs, which is the functional currency of the Swiss national company, so that this also does not result in any exchange rate risk.
- Revenue generated with clients in Poland (accounting for 1% of total revenue, as in the previous year) is generally invoiced in Polish zloty, which is the functional currency of the Group company, so that this also does not result in any exchange rate risk.

The GFT Group's purchases (mainly external services, personnel) are also predominantly made in the functional currency of the company procuring.

The GFT Group's total currency exposure is reduced by natural hedges, which consist of the partial offsetting of foreign currency exposures from the operating business of individual national companies across the Group. No hedging measures are therefore required for the balanced position. In order to achieve a further, natural hedge against the remaining transaction risk, the GFT Group generally strives to make disbursements preferably in those currencies in which there are net cash surpluses.

In order to reduce the impact of exchange rate fluctuations in its operating business (future transactions), the GFT Group continuously assesses the exchange rate risk and, if necessary, hedges a portion of this risk by using derivative financial instruments. No derivative financial instruments were used in the financial year 2022.

When preparing the consolidated financial statements, the income, expenses, assets and liabilities of subsidiaries located outside of the eurozone are translated into euros. This mainly affects subsidiaries with the currencies British pound, Brazilian real, US dollar, Canadian dollar, Mexican peso, Swiss franc, Polish zloty, Hong Kong dollar and Singapore dollar. Changes in exchange rates from one reporting period to another can thus lead to significant translation effects, for example relating to revenue and the segment result (EBT), as well as the assets and liabilities of the Group. Unlike the transaction risk, however, the translation risk does not necessarily affect future cash flows. The Group's equity capital reflects changes in carrying amounts caused by exchange rate effects. After consideration of effects from the valuation of net investments in foreign operations of € −593 thousand, currency translation effects recognised directly in equity increased by € 868 thousand as of 31 December 2022. This was mainly due to the revaluation of the Brazilian real, the US dollar, the Swiss franc and the Mexican peso. There were opposing effects from the devaluation of the British pound as at year-end. The currency translation reserve presented as part of other reserves amounted to € −4,965 thousand as of the balance sheet date, compared to € −5,833 thousand in the previous year.

The GFT Group does not hedge against translation risks. In order to minimise translation risks, a central, group-wide clearing system was introduced via GFT Treasury Services GmbH in the financial year 2022. Within the scope of clearing, receivables and payables from intra-group deliveries and services are settled via clearing accounts held with GFT Treasury Services GmbH, thus minimising the time between invoicing and settlement. Invoices for services rendered are generally issued at the end of the month, with payment due immediately. The invoices are then settled at the beginning of the following month by crediting the clearing account of the providing company and debiting the clearing account of the receiving company. The clearing accounts are denominated in the respective functional currencies of the Group companies.

Interest risk

The interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The GFT Group sees only a low risk from changes in interest rates for trade receivables and other financial assets, most of which are short-term and non-interest-bearing. Variable-interest primary financing liabilities without hedging amount to €24,000 thousand. An increase in the interest rate by one percentage point, compared to the interest rate as of the balance sheet date, would lead to an increase in interest expense of €240 thousand. Derivative interest rate instruments to hedge the general risk from interest rate fluctuations have not yet been used due to their minor impact.

No financial instruments were used for the management of interest risks in the financial year 2022.

Credit risk

The credit risk describes the risk of an economic loss arising because a contracting party fails to meet its contractual payment obligations. The credit risk includes both the direct default risk and the risk of a deterioration in creditworthiness. The maximum risk positions from financial assets that are generally subject to credit risk correspond to their carrying amounts.

Liquid funds

The liquid funds of the GFT Group are mainly composed of cash and cash equivalents. The Group is exposed to losses from credit risks in connection with the investment of cash and cash equivalents if banks fail to meet their obligations. When investing cash and cash equivalents, the respective banks are selected with care. The GFT Group assumes that its cash and cash equivalents have a low credit risk based on the external ratings of banks and financial institutions. As cash and cash equivalents are not subject to any material credit risk, no valuation allowance was calculated or recognised on the basis of expected future losses.

Trade receivables and contract assets

Trade receivables and contract assets result from the Group's sales activities. The credit risk includes the default risk of clients. The GFT Group manages credit risks arising from these financial assets on the basis of internal guidelines. In order to reduce the credit risk, creditworthiness checks are carried out on clients. In addition, there are ongoing monitoring processes – especially for financial assets at risk of default.

Notes to the consolidated financial statements

As part of the impairment model (see note 2.5), the simplified approach is applied for the recognition of impairment losses on trade receivables and contract assets, whereby expected credit losses for these financial assets are recognised over their entire term when they are initially recognised. The maximum exposure to risk from trade receivables and contract assets corresponds to the carrying amount of these assets. Contract assets and trade receivables that are neither overdue nor impaired are due from clients with very good credit ratings. At the end of the reporting period, there were no significant credit risks for overdue trade receivables and contract assets still impaired.

The following table show^s the concentration of credit risk in respect of trade receivables and contract assets broken down by customer and region:

Concentration of credit risk

in € thousand	31/12/2022	31/12/2021
Carrying amount	174,292	147,625
Concentration by customer		
Financial assets due from the five largest customers	52,051	55,015
Financial assets due from the remaining customers	122,241	92,611
Concentration according to region[1]		
Germany	16,446	16,919
Europe except Germany	96,000	83,489
Rest of the world	61,846	47,217

1 By customer location

Further information on trade receivables and contract assets, including the status of valuation allowances, can be found in notes 4.8 and 4.9, respectively.

Other financial assets

With regard to the assets included in non-current and current other financial assets of 2022 and 2021, the GFT Group is exposed to only minor credit risks. The maximum exposure to credit risk of these financial assets corresponds to their carrying amounts.

Liquidity risk

Liquidity risk describes the risk that a company cannot adequately meet its financial obligations.

The GFT Group manages its liquidity by maintaining sufficient liquid funds and credit lines with banks in addition to its cash inflows from operating activities. Its liquid funds are cash and cash equivalents available to the Group at short notice.

All Group companies are included in the liquidity management by means of a central treasury system. Liquidity surpluses and demands can thus be controlled according to the needs of the entire Group, as well as individual companies in the Group.

Liquid funds are primarily used to finance working capital, as well as corporate acquisitions and other investments. As of 31 December 2022, liquidity amounted to €78,223 thousand (31 December 2021: €70,770 thousand). In the financial year 2022, significant cash inflows of €57,490 thousand (2021: €52,995 thousand), were opposed in particular by cash outflows from financing activities of €44,945 thousand (2021: €47,857 thousand). In addition, there were cash outflows from investing activities of €7,685 thousand (2021: €7,572 thousand).

The maturity overview shown in the following tables illustrates how cash flows in connection with liabilities as of 31 December 2022 (including a comparison with the previous year) can influence the future liquidity situation of the GFT Group.

Notes to the consolidated financial statements

Maturity overview of financial liabilities

in € thousand	Carrying amount 31/12/2022	Cash flows up to 1 month	from 1 to 3 months	from 3 months up to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	42.519	0	82	269	42,168	0
Liabilities from leases[1]	40.213	763	1,525	6,863	23,136	7,926
Trade payables	11.799	11,799	0	0	0	0
Other financial liabilities[1]	9.338	9,338	0	0	0	0
	103.869	**21,901**	**1,607**	**7,132**	**65,304**	**7,925**

in € thousand	Carrying amount 31/12/2021	Cash flows up to 1 month	from 1 to 3 months	from 3 months up to 1 year	from 1 to 5 years	more than 5 years
Liabilities due to banks	68,841	18,000	3,080	261	47,500	0
Liabilities from leases[1]	33,992	651	1,302	5,858	19,890	6,291
Trade payables	11,776	11,776	0	0	0	0
Other financial liabilities[1]	10,810	10,810	0	0	0	0
	125,419	**41,237**	**4,382**	**6,119**	**67,390**	**6,291**

1 Liabilities from leases and other financial liabilities together constitute the non-current and current other financial liabilities disclosed in the balance sheet.

The liquidity available, the credit lines and current operating cash flow give the GFT Group sufficient flexibility to cover the Group's refinancing needs. There is a concentration of risk regarding cash outflows in the period between one year and five years after the end of the reporting period. The cash outflow is mainly due to expiring bank loans. The total amount of outgoing liquidity during this period amounts to €42,168 thousand. The amount is calculated on the basis of liquidity management. At the end of the reporting period, the GFT Group's loan portfolio contains a syndicated loan agreement adapted in December 2021 totalling €60,000 thousand (31 December 2021: €60,000 thousand), two promissory note loan agreements totalling €17,000 thousand (31 December 2021: €22,000 thousand) as well as bilateral credit lines totalling €20,812 thousand (31 December 2021: €21,901 thousand).

All credit agreements include various covenants. Non-compliance with these covenants may lead to the premature maturity of the loan. These loan covenants were met at all times. From the current perspective, there are no known significant risks with regard to the non-fulfilment of loan covenants.

9.2 Leases

Please refer to note 2.5 for a presentation of the accounting policies relating to leases.

Leases as lessee

The GFT Group rents land and buildings, office premises and car parks. The lease terms are typically between five and ten years with an option, in some cases, to extend the lease after this period. Lease payments are sometimes renegotiated after a certain period to reflect market rents. Some lease agreements provide for additional rental payments based on changes in local price indices.

The GFT Group rents vehicles with contractual terms of between two and five years. The agreements usually end automatically at the end of the term.

The GFT Group has also concluded lease agreements for other office and business equipment, which have either a term of up to twelve months or a low value. In the case of these leases, the GFT Group applies the practical expedients available for short-term leases and leases of low-value assets.

Information on leases in which the GFT Group is a lessee is presented below.

Right-of-use assets in connection with rented land and buildings, office premises, car parks and vehicles are disclosed under property, plant and equipment (see note 4.3). The carrying amounts of these right-of-use assets recognised in the balance sheet in connection with leases and the changes during the reporting period are shown below:

Right-of-use assets

in € thousand	Land, land rights and buildings	Plant, operating and office equipment	Total
As of 1 January 2022	**29,173**	**2,699**	**31,872**
Additions	13,815	2,639	16,454
Disposals	1,083	42	1,125
Depreciation in the financial year	7,547	1,900	9,447
As of 31 December 2022	**34,358**	**3,396**	**37,754**

In the case of land, land rights and buildings, right-of-use assets relate to land and buildings, office premises and car parks. In the case of plant, operating and office equipment, right-of-use assets comprise vehicles.

A maturity profile of lease liabilities included under other financial liabilities is presented in notes 4.13 and 9.1.

The following amounts were recognised in the consolidated income statement in connection with leases in the financial year 2022:

Effects of lease arrangements according to IFRS 16 on the consolidated income statement

in € thousand	2022	2021
Depreciation of right-of-use assets	9.477	8.890
Interest expense for lease liabilities	369	383
Expense for short-term leases and leases of low-value assets	1.055	1.322
Total amount recognised in profit or loss	**10.901**	**10.595**

The GFT Group's total cash outflows for leases in the financial year 2022 amounted to €10,463 thousand (2021: €10,599 thousand). Of this amount, €9,408 thousand (2021: €9,277 thousand) is included in cash flow from financing activities and €1,055 thousand (2021: €1,322 thousand) is included in cash flow from operating activities. The interest expense from discounting lease liabilities is included in cash flow from operating activities.

The GFT Group has entered into several lease agreements that include extension and termination options. Where possible, the GFT Group seeks to include extension and termination options when entering into new leases in order to ensure operational flexibility. The extension and termination options can only be exercised by the GFT Group and not by the lessor. The assessment of whether it is sufficiently certain that these extension and termination options can be exercised requires significant discretionary decisions by management (see note 2.6).

Leases which the GFT Group has contractually entered into as lessee, but which have not yet commenced as of the end of the reporting period, will result in a future lease liability of €326 thousand (31 December 2021: €2,903 thousand) The exercise of all extension options as of the balance sheet date was deemed sufficiently certain and future lease payments are therefore fully accounted for in the measurement of lease liabilities.

Leases as lessor

There are no material leases for which the GFT Group is the lessor.

9.3 Other financial obligations

Other financial obligations of the GFT Group as of 31 December 2022 are presented according to maturity below:

Other financial obligations

in € thousand	31/12/2022	31/12/2021
Obligations from fixed-term leases		
due within one year	5,397	6,332
due between one and five years	8,094	8,171
due after more than five years	3	0
Annual obligations from open-ended leases	**3,986**	**1,415**

Other financial obligations are stated at their nominal value and mainly comprise obligations from fixed-term IT licence agreements amounting to €8,818 thousand (31 December 2021: €12,705 thousand) as well as maintenance agreements amounting to €3,748 thousand (31 December 2021: €517 thousand). In addition, other financial obligations include future minimum lease payments for short-term leases and leases of low-value assets.

The annual obligations from open-ended leases amounting to €3,986 thousand (31 December 2021: €1,415 thousand) relate in particular to licence and maintenance agreements.

As at 31 December 2022, there are contractual obligations from the acquisition of intangible assets of €5 thousand (31 December 2021: €10 thousand) and property, plant and equipment of €424 thousand (31 December 2021: €300 thousand).

9.4 Related party disclosures

Related parties are all associated companies and non-consolidated subsidiaries, as well as persons exercising significant influence over the GFT Group's financial and business policy. The latter include all persons in key positions as well as their close family members. For the GFT Group, persons in key positions are the members of the Administrative Board and the Managing Directors of GFT Technologies SE.

A number of related parties conducted business with the GFT Group in the course of the reporting period. Details on business transactions between the GFT Group and its related companies and persons are presented below.

Associated companies

In the previous year, business transactions with associated companies related exclusively to CODE_n GmbH, Stuttgart. With a share purchase and transfer agreement of 17 March 2021, the nominal shareholding of GFT Technologies SE in CODE_n GmbH of 20% was sold in full. As a result, the figures for the financial year 2021 relate to the period from 1 January to 17 March 2021.

Other related companies

With regard to the GFT Group's relationships with other related companies, the majority of the goods and services rendered amounting to €40 thousand are attributable to 1886 Ventures GmbH, Stuttgart, which is controlled by Ulrich Dietz, Chairman of the

Related parties

	Goods and services rendered and other income		Goods and services received and other expenses		Receivables		Payables	
in € thousand	2022	2021	2022	2021	2022	2021	2022	2021
Associated companies	0	0	0	40	0	0	0	0
Other related companies	63	26	185	56	0	0	9	0
Related persons	40	11	0	0	1	0	0	0
Total	**103**	**37**	**185**	**96**	**1**	**0**	**9**	**0**

Administrative Board. In the previous year, goods and services rendered were mainly attributable to Globe Fuel Cell Systems GmbH, Stuttgart, which is controlled by Ulrich Dietz, Chairman of the Administrative Board.

Goods and services received mainly relate to services provided by CODE_n GmbH, Stuttgart, controlled by Ulrich Dietz, in connection with the letting of office space to third parties amounting to €134 thousand in total. In the previous year, goods and services received mainly related to consulting fees of RB Capital GmbH, Stuttgart, whose Managing Director is Ulrich Dietz.

Related persons

The members of the Administrative Board and the Managing Directors of GFT Technologies SE, as well as their close family members, may also be clients of GFT Technologies SE and its subsidiaries and purchase goods and services.

There are service agreements with the Managing Directors. Moreover, various services were rendered to members of the Administrative Board and the Managing Directors amounting to a total of €40 thousand.

In the years 2022 and 2021, no material advances or loans to members of the Administrative Board or the Managing Directors were granted or waived.

The compensation expensed in the income statement for members of the Administrative Board and the remuneration of the Managing Directors, is as follows:

Remuneration of the Administrative Board and the Managing Directors

in € thousand	2022	2021
Short-term benefits	4,242	3,908
Share-based payments	–162	3,777
Total	**4,080**	**7,685**

Share-based payments for the financial year 2022 include income from the valuation of remuneration for previous years amounting to €1,242 thousand (2021: expense €1,957 thousand).

Total compensation for the Managing Directors in the financial year 2022 amounted to €3,629 thousand (2021: €7,237 thousand).

Total compensation for the Administrative Board without the remuneration of the Managing Directors amounted to €451 thousand in the financial year 2022 (2021: €448 thousand).

9.5 Employees

The average number of employees in the financial year 2022 was 8,650 (2021: 7,097). The average number of employees (headcount) by country is as follows:

Employees by country

	2022	2021
Belgium	2	2
Brazil	3,062	2,283
Canada	406	347
Costa Rica	153	113
France	49	44
Germany	355	351
Hong Kong	9	5
Italy	775	720
Mexico	437	326
Poland	936	778
Singapore	9	5
Spain	1,916	1,772
Switzerland	40	38
UK	265	205
USA	44	34
Vietnam	192	74
Average number of employees	**8,650**	**7,097**

The number of employees (headcount) at the end of the reporting period was 8,929 (31 December 2021: 7,827).

9.6 Auditing fees

At the Annual General Meeting of 1 June 2022, the shareholders of GFT Technologies SE elected the accounting firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditors. The following table presents the fees of Deloitte GmbH Wirtschaftsprüfungsgesellschaft (2021: KPMG AG Wirtschaftsprüfungsgesellschaft) for services rendered to GFT Technologies SE and its subsidiaries in the respective financial year:

Auditing fees

in € thousand	2022	2021
Auditing of financial statements	307	282
Other certification services	0	4
Tax consulting services	0	58
Other services	0	21
Total	**307**	**365**

The fees for auditing services include the auditing of the consolidated financial statements, the auditing of the separate financial statements of GFT Technologies SE, a review of the interim statements, and an audit review of the half-yearly financial report. There were no fees for auditing services relating to previous years.

In the previous year, other certification services related to the certification of key financial figures.

Tax consulting services in the previous year comprised tax advice regarding the declaration of income taxes and the assessment of individual tax items. This resulted in fees of €4 thousand unrelated to the period under review.

Other services in the previous year mainly related to consulting in connection with the public tender for the audit of the financial statements for the financial year 2022.

9.7 Use of simplified preparation and disclosure option

On inclusion in the consolidated financial statements of GFT Technologies SE, Stuttgart, the following fully consolidated affiliated German companies made use of the provisions of section 264 (3) HGB:

- GFT Real Estate GmbH, Stuttgart
- SW34 Gastro GmbH, Stuttgart
- GFT Treasury Services GmbH, Stuttgart
- GFT Invest GmbH, Stuttgart
- GFT Integrated Systems GmbH, Constance

9.8 Issuance of Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 AktG

In accordance with section 161 of the German Stock Corporation Act (AktG), the Administrative Board of GFT Technologies SE has issued its Declaration of Compliance and made it permanently accessible to shareholders on the corporate website at www.gft.com/governance.

9.9 Subsequent events

Acquisition of targens GmbH
With a share purchase and transfer agreement dated 22 February 2023, the GFT Group acquired 100% of the shares in targens GmbH, Stuttgart (targens) via GFT Technologies SE. The acquisition is subject to antitrust approval and is expected to be closed at the beginning of the second quarter of 2023.

Based in Stuttgart, targens employs around 250 people and has expertise in the field of consulting, compliance solutions and digital innovation for banks, insurers and the finance departments of industrial companies. By acquiring targens, the GFT Group is gaining additional expertise in the areas of consulting and compliance solutions and can expand its product business with recurring revenues.

The purchase price of the targens shares is in the mid-double-digit million range. Due to purchase price allocations and integration costs, the company is expected to make a slightly negative contribution to earnings in 2023.

Stuttgart, 22 March 2023

GFT Technologies SE
The Managing Directors

Marika Lulay
Chief Executive Officer

Dr Jochen Ruetz
Chief Financial Officer

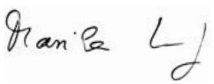
Jens-Thorsten Rauer
Group Chief Executive –
Central & Western Europe

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for GFT Technologies SE, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 22 March 2023

GFT Technologies SE
The Managing Directors



Marika Lulay
Chief Executive Officer

Dr Jochen Ruetz
Chief Financial Officer

Jens-Thorsten Rauer
Group Chief Executive –
Central & Western Europe

Independent auditor's report

To GFT Technologies SE, Stuttgart/Germany

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of GFT Technologies SE, Stuttgart/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of GFT Technologies SE, Stuttgart/Germany, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement included in section 8 of the combined management report and the Group's non-financial report to which reference is made in section 1.7 of the combined management report. In addition, we have not audited the content of the last section marked "unaudited" in the subsection "Internal Risk Control and Management Organization" of the risk report in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the combined corporate governance statement, the Group's non-financial report to which reference is made in the combined management report, and the last section in the subsection "Internal Control and Risk Management Organization" of the risk report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill

2. Recognition of the revenue of fixed-price contracts, using the cost-to-cost method

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)

b) auditor's response

1. Recoverability of goodwill

a) Goodwill of mEUR 124.0 (24.9% of the consolidated balance sheet total) is recognized in the consolidated financial statements of GFT Technologies SE as of 31 December 2022.

Goodwill is tested for impairment by the managing directors at the level of the business segments Americas, UK & APAC and Continental Europe annually and/or when there is an indication of impairment. To assess the recoverability of goodwill, the company primarily determines value in use, using a discounted cash flow method, and compares value in use to the relevant carrying amounts of the cash-generating units. The reference date of the impairment test is 31 December 2022.

As of 31 December 2022, the managing directors of GFT Technologies SE determined that performed impairments tests did not result in the need to recognize impairment losses.

Goodwill impairment testing is complex and based on a range of assumptions that require the exercise of judgment. They include, among other things, the development of the business segments' business and earnings expected for the next five years, presumed long-term growth rates, and the discount rate used. This is the context in which we have classified recoverability as a key audit matter.

Information provided by the managing directors about the recognition of goodwill and the related exercise of judgment has been included in Items 2.5, 2.6 and 4.1 of the notes to the consolidated financial statements.

b) During our audit, we obtained an in-depth understanding of the process of testing for impairment, and evaluated the extent to which an assessment could be influenced by subjectivity, complexity, or other inherent risk factors. In addition, we evaluated the design and establishment of selected internal controls over cash flow planning relevant to the audit.

We reperformed the impairment test performed by the managing directors, in which we involved our internal valuation specialists, and assessed whether the valuation procedure applied was methodologically and arithmetically appropriate. In relation to planning data included in the valuation, we performed reconciliations on corporate plans for 2023 that the managing directors of GFT Technologies SE had created, and the administrative board had approved and/or taken note of. Regarding available estimates, we performed a critical assessment of the related assumptions and data. We also assured ourselves that high-quality forecasts were provided to date, by comparing previous financial years' planning to the results actually realized, and analyzing deviations, taking into account the impacts of the coronavirus pandemic. We evaluated the adequacy of future income used in the valuation by reconciling selected planning assumptions with general and industry-specific market expectations, taking into account expected changes in inflation. In addition, we examined whether planning was consistent with information about strategy and medium-term planning, and the reporting on outlook in the combined management report.

We also evaluated the determination of the cost of capital used. For this purpose, we concerned ourselves with the parameters used in determining the cost of capital, and reconciled them to market expectations, in which we involved internal valuation specialists who we consulted.

2. Recognition of the revenue of fixed-price contracts, using the cost-to-cost method

a) The revenue of fixed-price contracts amounts to mEUR 342.6 that is recognized, using the cost-to-cost method as of the reference date, in the statement of profit and loss of the financial year 2022. The revenue of fixed-price contracts accounts for 46.9% of the total revenue of the GFT Group.

The revenue of the GFT Group's fixed-price contracts is recognized according to IFRS 15.35. Revenue and earnings are hence recognized by reference to the stage of completion of a contract over a certain time period. Progress towards the completion of a contract is measured using an input method generally based on the proportion that contract costs incurred for work performed to date bear to the estimated total costs to satisfy a performance obligation (cost-to-cost method). The managing directors of GFT Technologies SE believe that this method best depicts progress towards the completion of a contract and/or transfer of assets to customers.

Recognition of the revenue of fixed-price contracts over time, using the cost-to-cost method, is complex and requires the exercise of judgment. Estimation uncertainty arises primarily from the determination of the stage of completion of a contract, and the estimated total project costs, that mainly include internal employee costs in the GFT Group's case. There is a risk that the revenue and earnings of fixed-price contracts shown in the consolidated financial statements are incorrectly allocated to financial years. For this reason, we have considered the recognition of the revenue of fixed-price contracts, using the cost-to-cost method, to be a key audit matter.

Information provided by the managing directors about the recognition of revenue over time, and accounting and valuation bases used to recognize fixed-price contracts, has been included in Items 2.5, 2.6 and 5.1 of the notes to the consolidated financial statements.

b) During our audit, we obtained an in-depth understanding of the project management process from the proposal stage to the implementation stage of fixed-price contracts, and evaluated the extent to which processes and the related data could be influenced by subjectivity, complexity, or other inherent risk factors. We considered the design and establishment, as well as effectiveness, of selected accounting-related internal controls designed to ensure that fixed-price contracts are correctly recognized in the consolidated financial statements. These controls were particularly relevant to an assessment of the correct allocation of costs to the individual projects. A different audit strategy was selected for a significant subarea, and assurance was obtained through an audit of the design and establishment of selected accounting-related internal controls over revenue, and through substantive procedures.

On the basis of risk-based and representatively selected samples, we considered compliance with the requirements for recognition of revenue over time, and evaluated estimates and assumptions made, and data, by means of tests of details and reconciliation with the underlying contracts. In doing so, we made inquiries of project managers as to the development of projects, as to contract risk, as to a current assessment of the costs expected to be incurred to complete a contract, and as to the reasons for the deviation between the planned contract costs and actual costs.

In addition, we analyzed planned costs updated for the consolidated financial statement by evaluating the quality of cost planning based on plan vs. actual cost analyses, using historical accounting data. We also reperformed the appropriate and timely allocation of personnel-related costs attributed to the relevant projects by tracing hours worked underlying the costs, using timesheets and cost rates. We additionally requested external confirmations from third parties for selected projects in particular cases and reconciled them to the amounts recognized. Furthermore, we matched transaction prices to the relevant underlying contracts. We considered the adequacy of the stage of completion that had been determined, and the resultant recognized amount of revenue.

Other Information

The managing directors and/or the administrative board are responsible for the other information. The other information comprises

- the report of the administrative board,
- the Group's non-financial report pursuant to Section 315b HGB, to which reference is made in section 1.7 of the combined management report,
- the combined corporate governance statement pursuant to Sections 289f and 315d HGB included in section 8 of the combined management report,
- the table included in section 2.2 “Development of Business” of the combined management report and marked “unaudited”,
- the last paragraph marked “unaudited” in the subsection “Internal Control and Risk Management Organization” of the risk report in the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The administrative board is responsible for the report of the administrative board, and for the statement according to Section 161 AktG concerning the German

Corporate Governance Code, which is part of the corporate governance statement. The managing directors and the administrative board are responsible for the combined corporate governance statement. Otherwise the managing directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Managing Directors and the Administrative Board for the Consolidated Financial Statements and the Combined Management Report
The managing directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the managing directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the managing directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the managing directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the managing directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The administrative board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the managing directors and the reasonableness of estimates made by the managing directors and related disclosures.

- conclude on the appropriateness of the managing directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the managing directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the managing directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA256 value dfc5369e8bb64f212f20a917c0ee4e14a417f3bbdec509ab4542703d-8fb37ce3, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Managing directors and the Administrative Board for the ESEF Documents

The managing directors of the company are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the managing directors of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The administrative board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on 1 June 2022. We were engaged by the administrative board on 10 November 2022. We have been the Group auditor of GFT Technologies SE, Stuttgart/Germany, since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted to the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Marco Koch.

Stuttgart/Germany, 22 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Marco Koch Wirtschaftsprüfer (German Public Auditor)	Signed: Anja Lustig Wirtschaftsprüferin (German Public Auditor)

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Financial Calendar 2023

11 May 2023	Quarterly Statement as of 31 March 2023
22 June 2023	Annual General Meeting
10 August 2023	Interim Financial Report as of 30 June 2023
9 November 2023	Quarterly Statement as of 30 September 2023

Service

Further information

Our Investor Relations team will be happy to answer any questions you may have. Or visit our website at www.gft.com/ir. There you can find further information on our company and the GFT Technologies SE share.

The Annual Report 2020 is also available in German on www.gft.com/ir.

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Key figures (IFRS)

GFT Group

in € million	2022	2021	Δ	Δ %	Q4/2022	Q4/2021	Δ	Δ %
Income statement								
Revenue	730.14	566.19	163.95	29%	188.23	160.80	27.43	17%
EBITDA adjusted	86.04	64.79	21.25	33%	22.82	18.66	4.16	22%
EBITDA	86.04	60.75	25.29	42%	22.82	16.56	6.26	38%
EBIT	65.55	40.88	24.67	60%	17.90	12.01	5.89	49%
EBT	66.05	40.03	26.02	65%	18.14	11.90	6.24	52%
EBT-Margin	9.0%	7.1%			9.6%	7.4%		
Tax rate	30.0%	25.3%			31.3%	26.1%		
Net income	46.25	29.89	16.36	55%	12.47	8.80	3.67	42%
Segments								
Revenue *Americas, UK & APAC*	459.52	318.09	141.43	44%	117.27	94.99	22.28	23%
Revenue *Continental Europe*	269.90	247.85	22.05	9%	70.74	65.72	5.02	8%
Revenue *Others*	0.72	0.25	0.47	>100%	0.22	0.09	0.13	>100%
Earnings before taxes (EBT) *Americas, UK & APAC*	44.64	23.91	20.73	87%	12.38	7.00	5.38	77%
Earnings before taxes (EBT) *Continental Europe*	26.54	24.57	1.97	8%	7.72	8.76	–1.04	–12%
Earnings before taxes (EBT) *Others*	–5.13	–8.45	3.32	39%	–1.96	–3.86	1.90	49%
Share								
Earnings per share (in €)	1.76	1.14	0.62	55%	0.48	0.34	0.14	41%
Earnings per share adjusted (in €)	1.92	1.41	0.51	36%	0.52	0.43	0.09	21%
Cashflow per share (in €)	2.18	2.01	0.17	8%	1.31	0.84	0.47	57%
Average number of shares outstanding	26,325,946	26,325,946	0	0	26,325,946	26,325,946	0	0%
Cash flow statement								
Cash flow from operating activities	57.49	52.99	4.50	8%	34.58	22.02	12.56	57%
Cash flow from investing activities	–7.68	–7.57	–0.11	–1%	–2.25	–2.68	0.43	16%
Cash flow from financing activities	–44.94	–47.86	2.92	6%	–18.88	–2.40	–16.48	< –100%

in € million	2022	2021	Δ	Δ %
Balance sheet				
Non-current assets	212.60	211.52	1.08	1%
Cash and cash equivalents	78.22	70.77	7.45	11%
Other current assets	206.95	169.48	37.47	22%
Total assets	**497.77**	**451.77**	**46.00**	**10%**
Equity	201.08	160.66	40.42	25%
Non-current liabilities	98.49	96.11	2.38	2%
Current liabilities	198.20	195.00	3.20	2%
Total equity and liabilities	**497.77**	**451.77**	**46.00**	**10%**
Equity ratio	40%	36%	0%	0%
Employees				
Number of employees (FTE, as of 31 December)	8,842	7,718	1,124	15%
Weighted utilisation rate	90.1%	90.4%		

Interactive analysis tool
Our current key financial figures can be found on our website.

> gft.com