Shaping
the future
of digital
business

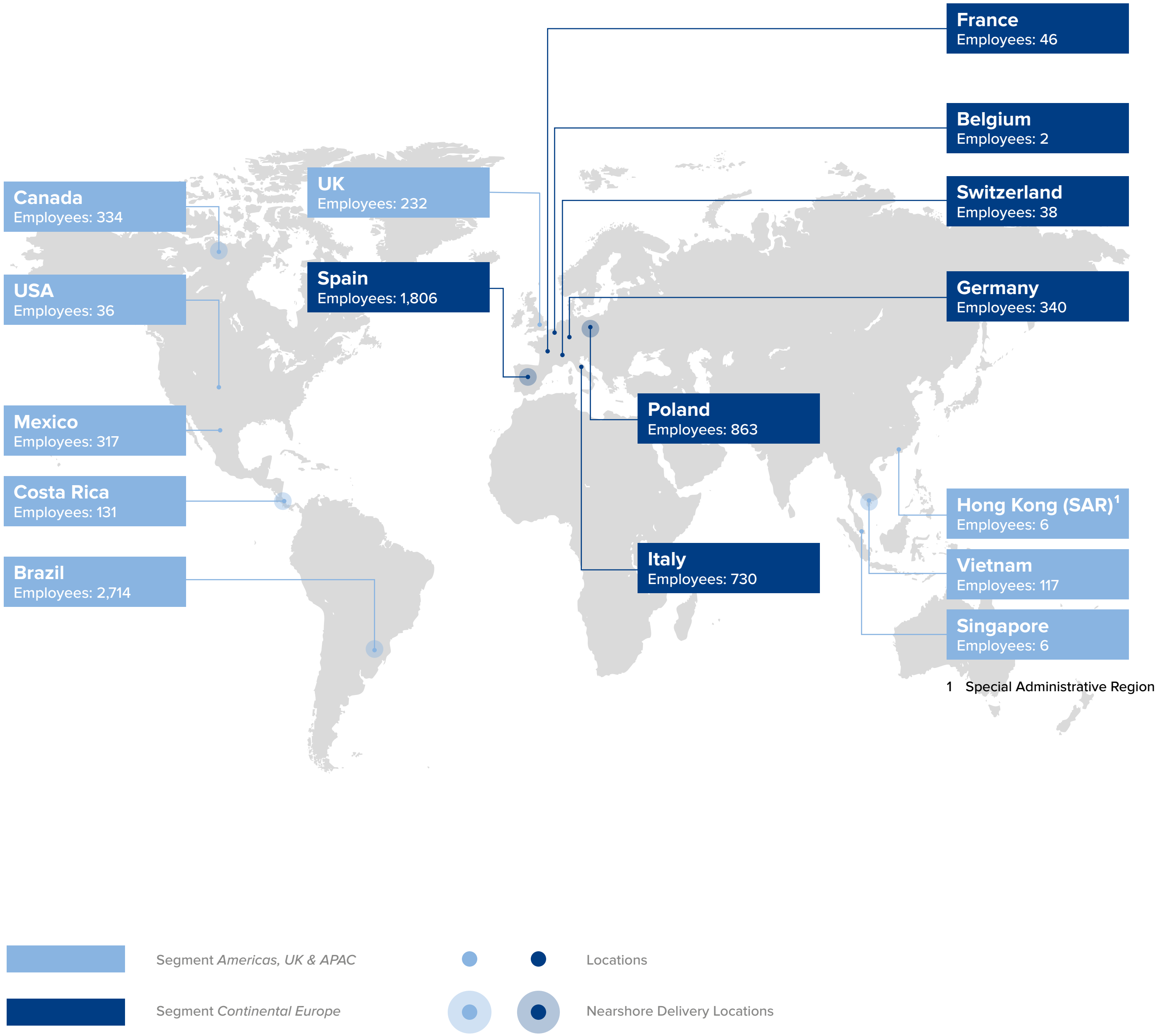
GFT

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

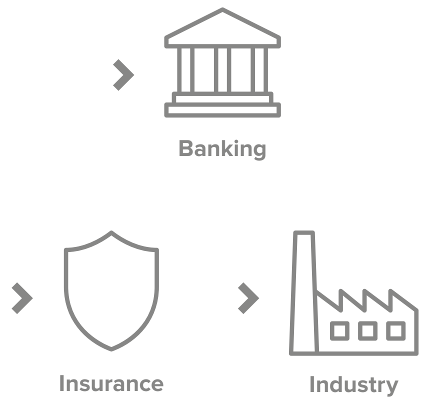


Company profile

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 and development 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 well-established network of partners, and our highly skilled and passionate employees.

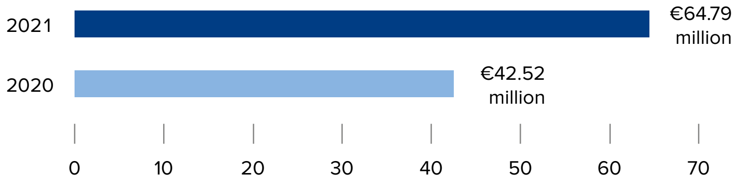
Founded in 1987 and located in more than 15 markets to ensure proximity to its clients, GFT has been at the forefront of technological progress for 35 years now. As a family company, we value continual collaboration with our clients, partners, employees and shareholders.

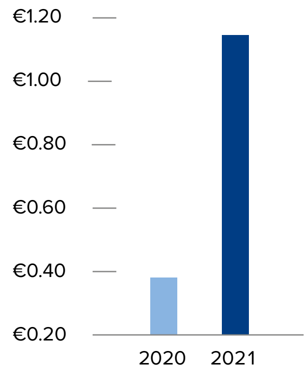


Company

€64.79 million

EBITDA adjusted



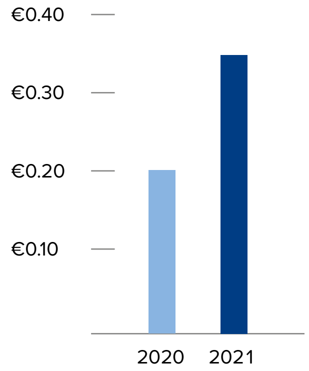


€1.14

Earnings per share

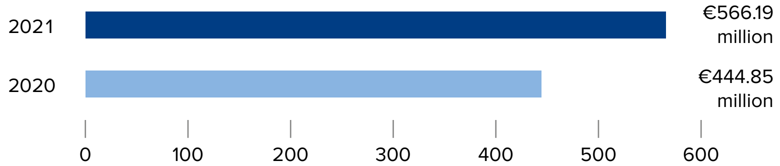
€0.35

Dividend per share



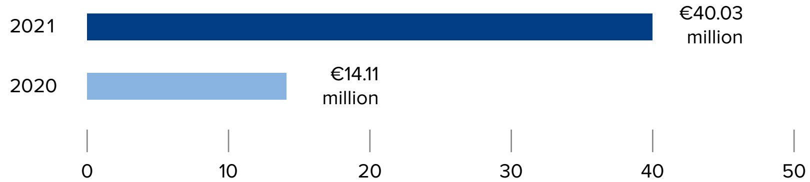
€566.19 million

Revenue



€40.03 million

EBT



Company

+48%
revenue from cloud technologies

+52%
revenue from insurance companies

+29%
employees

+32%
revenue from high-growth technologies[1]

+98%
revenue in the Asia-Pacific region

77
nationalities in GFT team

46
qualified new clients[2]

1 High-growth technologies: DLT/blockchain, artificial intelligence, data analytics, cloud, DevOps
2 Qualified new customers: annual revenue > €100 thousand and without prior-year revenue

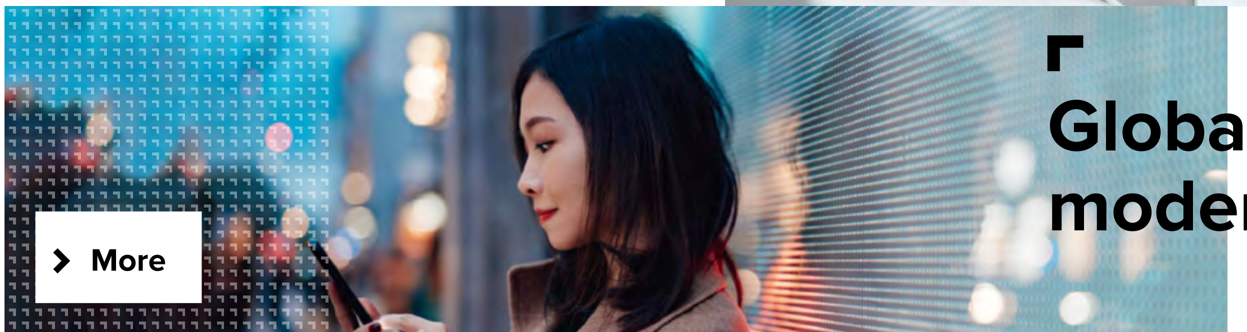
Projects

More

Revolutionising personal banking

Avoiding costly peaks in demand

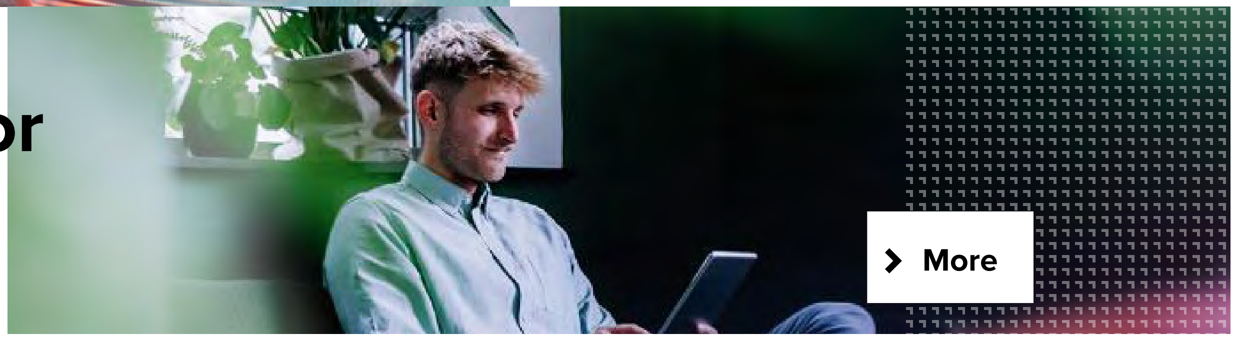
More



More

Global bank modernisation

GreenCoding for sustainability



More

Letter to the shareholders

“2021 was a record year for GFT. We expanded our footprint in key markets and are ideally positioned to benefit further from the digitalisation megatrend and achieve sustainable growth.”

— Marika Lulay, CEO of GFT Technologies SE

Dear shareholders,

GFT Technologies SE can look back on a successful financial year 2021. As a cross-sector technology partner, we are benefiting more than most from the global digitalisation trend. Over the past year, this trend gained even more momentum across all sectors and countries.

Although the pandemic continued to dominate the business environment, several attractive opportunities opened up for us. And we knew how to take advantage of them. With our clear strategy and high level of agility – coupled with an outstanding team performance – we were able to broaden our client base and expand our footprint in key markets. Banks, insurance companies and industrial enterprises all trust us to implement their complex IT projects or digitalise their business processes.

Once again, GFT demonstrated its ability to react quickly to market fluctuations and to deliver attractive offerings and operational excellence. Resilience and flexibility are integral elements of our corporate culture.

Significant revenue and earnings growth

Our key financial figures reflect the strong demand for our services: at €566 million, revenue was up 27% on the previous year. And there was even stronger growth in earnings in 2021: EBITDA adjusted by 52% to almost €65 million. Earnings before taxes (EBT) reached €40 million, representing a year-on-year increase of 184%. This was due to structurally greater demand for digitalisation solutions, which enabled us to focus on high-margin projects. Moreover, the high level of capacity utilisation and our active cost management had a positive impact on earnings.

This positive development accelerated over the course of the year, leading us to upgrade our guidance for the financial year 2021 three times and resulting in the best revenue and earnings figures in the history of our company. 2021 was a record year for GFT.

In 2021, cloud projects alone generated revenue of almost

€100 million

The GFT team grew to around

7,700

employees.

Growth in all sectors

We continued to rigorously pursue our diversification strategy in 2021 and achieved growth in all sectors.

There was a 52% increase in revenue generated with our clients in the insurance sector. This was driven by a significantly stronger need for digitalisation solutions based on new technologies, as well as sustained demand for Guidewire solutions, above all in North America.

Revenue from our business with industrial customers rose by 27%. Our solutions for intelligent energy management and for the autonomous real-time control of production processes proved to be particularly popular with medium-sized companies in the automotive and manufacturing industries.

In the banking sector, we increased revenue by 23% with an attractive range of services. I am particularly proud that we were able to expand our position in the innovative Asian banking market, where we opened up new customer segments with our solutions for purely digital banks. With our offices in the global financial centres of Singapore and Hong Kong, as well as our nearshore development centre in Vietnam, we are well positioned to harness the dynamic development of this region. Asia is setting technological trends, and other markets will follow.

Growth with future technologies

All sectors significantly increased their investment in future technologies such as cloud, artificial intelligence, DLT/blockchain, DevOps and data analytics in 2021. Over the past few years, GFT has built up valuable consulting and development expertise in these fields and is now benefiting more than average from the strong demand. This was illustrated by our performance in 2021 and the high lever of orders received.

Revenue from such high-growth technologies rose by 32%. In 2021, cloud projects alone generated revenue of almost €100 million, which corresponds to growth of 48% and demonstrates the huge potential of this technology.

Strong network

To fully exploit the potential of future technologies, we are constantly expanding our expertise and cultivate a strong international network of partners. These partnerships enable us to anticipate trends at an early stage while also providing access to new countries and markets. In 2021, we strengthened our partnerships with leading platform providers in the field of banking and insurance and added some new and exciting smaller partnerships.

Promotion to SDAX

Our strong business performance propelled the GFT share price to new heights in 2021, and the share was admitted to the SDAX index in December. This promotion has significantly enhanced GFT's visibility and profile on the international capital markets and represents a major achievement for us. Over the course of the year, the GFT share price rose by 287% and was one of the winners in the small cap segment. I would like to thank you, dear shareholders, for your trust in us.

Employee development: every talent counts

The heart of our company has always been our strong international team. Especially in such volatile times, our Global Delivery Model has been a guarantee for know-how and flexibility. In 2021, the GFT team grew to around 7,700 employees. Despite a shortage of skilled workers, we were able to attract the best minds from around the world to GFT. And because every talent counts at GFT, we are working hard to develop each individual and retain them over the long term.

I am very proud of the excellent performance we achieved together in 2021 and would like to sincerely thank all colleagues.

Letter to the shareholders

GreenCoding: tackling future topics

Our know-how and our success bring with them a sense of responsibility. Technology must contribute to relevant social issues. Our GreenCoding initiative – aimed at energy-efficient software programming – is about taking an ethical stance. And I am convinced that we are witnessing a turning point in this respect: software can and must contribute to climate protection. GFT wants to lead the way by helping companies to meet their climate targets. The interest among our clients is tremendous.

Outlook: sustainable growth

For 2022, we expect our very positive business performance to continue and anticipate a significant increase in revenue of

20%

Dear shareholders, we are all deeply shocked by the current events in Ukraine. The exact impact of this conflict on the global economy is difficult to assess at the moment. We are monitoring the situation closely. We currently assume that there will be no significant impact on the GFT Group's business performance.

With regard to the pandemic, we can see that the digitalisation drive that accompanied it has changed many things. Companies are now taking a more holistic approach to their digital transformation, and projects are being initiated and implemented more quickly. There are still massive transformation processes ahead in almost every sector.

GFT is ideally positioned to take advantage of the resulting opportunities and to achieve further sustainable growth. We want to meet the high demand for high-margin digitalisation solutions with top-quality products and services. We are therefore investing in the expansion of our technological expertise, in our range of offerings, and in the recruitment of further experts. And we are implementing all these measures based on a solid structure.

Our goal remains to grow twice as fast as the market while at the same time improving profitability year after year. For the current financial year, we expect the market to remain highly dynamic with a very positive business development. We expect growth to be driven above all by digitalisation projects in the banking and insurance sectors in the United Kingdom, North America and Asia.

For 2022, we expect our very positive business performance to continue and anticipate a significant increase in revenue of 20% to around €680 million. Adjusted EBITDA is likely to grow to around €75.5 million. This corresponds to growth of 17%. We expect an even stronger increase in EBT of 36% to around €54.5 million.

Our dividend policy is geared towards continuity with a payout ratio of 20% to 50% of net income. Due to our excellent performance in the financial year 2021, we propose a further increase in the dividend from €0.20 per share in the previous year to €0.35.

Together with our dedicated and highly skilled team, I look forward to celebrating in 2022 another successful year in our company's 35-year history. Moreover, I would like to thank you for the trust you have placed in GFT as an investor, client or partner.

We hope you continue to accompany us on our journey.

Best regards,

Marika Lulay
CEO of GFT Technologies SE

Administrative Board report

"The digital transformation is in full swing. With its innovative strength, GFT is boldly leading the way and opening up exciting opportunities for companies in all sectors."

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

In the financial year 2021, the GFT Group successfully implemented the strategy adopted by the Administrative Board and continued its dynamic growth. There were significant increases in both revenue and earnings. The main growth driver was the strong demand for solutions for the digitalisation of business processes.

The following report describes the work of the Administrative Board in the financial year 2021:

The Administrative Board of GFT Technologies SE once again performed the duties incumbent upon it in the financial year 2021. The Managing Directors regularly informed the Administrative Board – in written and verbal reports – 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. Between meetings, the Chairman of the Administrative Board was in regular contact with the Managing Directors. All transactions and measures requiring the approval of the Administrative Board were submitted to it for inspection. The Administrative Board examined them in detail on the basis of the documents and oral explanations provided. After detailed discussion, the Administrative Board adopted the necessary resolutions. The measures described above ensured that the Administrative Board was able to perform its duties diligently and promptly at all times.

Topics discussed by the Administrative Board

At its meeting on **16 February 2021**, held without the presence of the Managing Directors, the Administrative Board discussed the variable compensation of the Managing Directors for the financial year 2020.

The Managing Directors informed the Administrative Board about the preliminary results of the financial year 2020 during the meeting held on **3 March 2021**.

The balance-sheet meeting was held on **24 March 2021**. 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, (KPMG), 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 in depth 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 2020 of GFT Technologies SE and the consolidated financial statements 2020 as prepared by the Managing Directors. The annual financial statements 2020 of GFT Technologies SE were thus formally adopted.

At the same meeting, the Administrative Board also 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 resolved to establish an Audit Committee and elected its members. Moreover, it was informed about the current developments and plans for the GFT Group's business in the United Kingdom.

In the absence of the Managing Directors, the Administrative Board adopted a resolution regarding the target achievement of the Managing Directors for the financial year 2020 in respect of their variable compensation.

Against the backdrop of the establishment of the Audit Committee, the Administrative Board adopted a resolution by written circulation on **30 March 2021** to amend the Declaration of Compliance with the German Corporate Governance Code (GCGC) according to section 22 (6) SEAG in conjunction with section 161 AktG.

At the meeting on **10 May 2021**, the Managing Directors presented the results for the first quarter of 2021. In addition, the Administrative Board resolved to launch a tender procedure pursuant to article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 regarding specific requirements for the statutory audit of public interest entities and repealing Commission Decision 2005/909/EC (EU Audit Regulation).

At its meeting on **9 June 2021**, the Administrative Board discussed the Annual General Meeting taking place on the following day. Moreover, it discussed the GFT Group's business with insurance companies and business relating to cloud computing technologies.

At the constituent meeting on **10 June 2021**, subsequent to the Annual General Meeting at which all previous members of the Administrative Board were re-elected, the Administrative Board elected Ulrich Dietz as its Chairman and Dr Paul Lerbinger as his Deputy. At the same time, it confirmed the establishment of the committees and their members.

The results for the first six months of 2021 and the half-year financial report were the topic of the meeting on **9 August 2021**.

At the meeting on **5 October 2021**, the Managing Directors informed the members of the Administrative Board about the current course of business and the development of earnings in the GFT Group.

At the strategy meetings held on **8 November 2021** and **7 December 2021**, the Administrative Board discussed in detail the strategy of the GFT Group and the business performance of the GFT Group and its national subsidiaries. At the November meeting, the Administrative Board also discussed the results for the first nine months of the financial year 2021 and the Audit Committee's recommendation to the Administrative Board regarding the appointment of auditors for 2022. It adopted the necessary resolutions. At the December meeting, the topics included the budget proposal for the financial year 2022, including financial, investment and personnel planning. The Administrative Board discussed the budget proposal in detail and subsequently adopted the Budget 2022. During the December meeting, the Administrative Board also issued the Declaration of Compliance with the GCGC 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 2022, after previously discussing CSR strategy.

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

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 GCGC. It consists of three members: Dr Paul Lerbinger (chair), Maria Dietz and Prof Dr Andreas Wiedemann. The committee held four meetings in the financial year 2021. At its meetings on 10 May 2021, 9 August 2021 and 8 November 2021, it discussed the half-year financial report and the quarterly statements. In the reporting period, it also dealt with internal audit and compliance matters as well as with the key audit matters for the auditing of the annual financial statements 2021. 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.

A further focus of the Audit Committee's work in the financial year 2021 was the preparation and implementation of a transparent and non-discriminatory process for the selection of the auditor for the financial year 2022. At its meeting on 10 October 2021, the Audit Committee carefully reviewed the presentations of the auditing firms that had submitted bids for the 2022 audit. At the meeting on 8 November 2021, the Audit Committee decided on its recommendation to the Administrative Board for the appointment of the auditor for 2022.

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. It consists of three Administrative Board members: Prof Dr Andreas Wiedemann (chair), Dr Paul Lerbinger and Dr Ing Andreas Bereczky. The committee met once during the financial year 2021, on 10 May 2021.

Individualised disclosure of participation in meetings

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 held without those members who are Managing Directors	Meetings of the Audit Committee	Meetings of the committee on consultancy services of RB Capital GmbH
Ulrich Dietz (Chairman)	9/9 (100%)	1/1 (100%)		
Dr Paul Lerbinger (Deputy Chairman)	8/9 (89%)	1/1 (100%)	3/4 (75%)	0/1(0%)
Dr-Ing Andreas Bereczky	9/9 (100%)	1/1 (100%)		1/1(100%)
Maria Dietz	9/9 (100%)	1/1 (100%)	4/4 (100%)	
Marika Lulay	9/9 (100%)			
Dr Jochen Ruetz	9/9 (100%)			
Prof Dr Andreas Wiedemann	8/9 (89%)	1/1 (100%)	3/4 (75%)	1/1 (100%)

In the reporting period, the overall attendance rate of members for the meetings of the Administrative Board and its committees was 96%.

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 2021. 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 2021 as part of the combined management report. It is also available online at www.gft.com/governance.

On 30 March 2021, the Administrative Board amended its Declaration of Compliance with the GCGC of 14 December 2020. The Administrative Board issued its scheduled Declaration of Compliance at its meeting on 7 December 2021. Both documents are 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 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.

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 Administrative Board members about the latest developments with regard to the auditing of annual financial statements at the balance-sheet meeting on 24 March 2021. In addition, the company provided information about the current trends in the insurance sector and new developments in the field of cloud computing on 10 May 2021.

Annual financial statements and consolidated financial statements 2021

The annual financial statements of GFT Technologies SE as at 31 December 2021, the consolidated financial statements as at 31 December 2021, and the combined management report for the GFT Group and GFT Technologies SE were audited by KPMG, 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.

KPMG has been the auditing company elected for the auditing of GFT Technologies SE and the GFT Group since the financial year 2012. Jack Cheung is primarily responsible for the audit and has signed the independent auditor's report since the financial year 2020. Andrea Wacker is the additional signing auditor. She has signed the independent auditor's report for the annual financial statements since the financial year 2019 and has signed the independent auditor's report for the consolidated financial statements since the financial year 2020.

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 14 March 2022, which was attended by representatives of the chief 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 2021, 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 23 March 2022.
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 chief auditor, 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 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 23 March 2022, the Administrative Board approved the annual financial statements for 2021 of GFT Technologies SE and the consolidated financial statements of the GFT Group for 2021, as prepared by the Managing Directors. The annual financial statements of GFT Technologies SE for 2020 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 €0.35 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.

New election of the Administrative Board members

As scheduled, the term of office for all members of the Administrative Board ended at the close of the Annual General Meeting on 10 June 2021. All members of the Administrative Board up to that point were re-elected by the Annual General Meeting for a further full term of office. The newly appointed Administrative Board elected Ulrich Dietz as its Chairman and Dr Paul Lerbinger as its Deputy Chairman.

Thank you

The Administrative Board would like to thank all shareholders for their continued trust. It is also indebted to all employees of the GFT Group in Germany and abroad, as well as to the Managing Directors, for their dedication and excellent performance in the financial year 2021.

Stuttgart, 23 March 2022

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 2021)
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) 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)
Marika Lulay	Chairwoman of the Managing Directors of GFT Technologies SE, CEO Responsible for Strategy and Business Development, Markets, Communication, Investor Relations, Marketing, Technology and Innovation	1962	18/08/2015	2027	Wüstenrot & Württembergische AG, Stuttgart, Germany (Member of the Supervisory Board) EnBW Energie Baden-Württemberg AG, Karlsruhe, Germany (Member of the Supervisory Board)
Dr Jochen Ruetz	Managing Director of GFT Technologies SE Responsible for IT Infrastructures, Human Resources, Finance, 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)
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)

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.

Investor Relations

The GFT share closed the year with extraordinary growth of

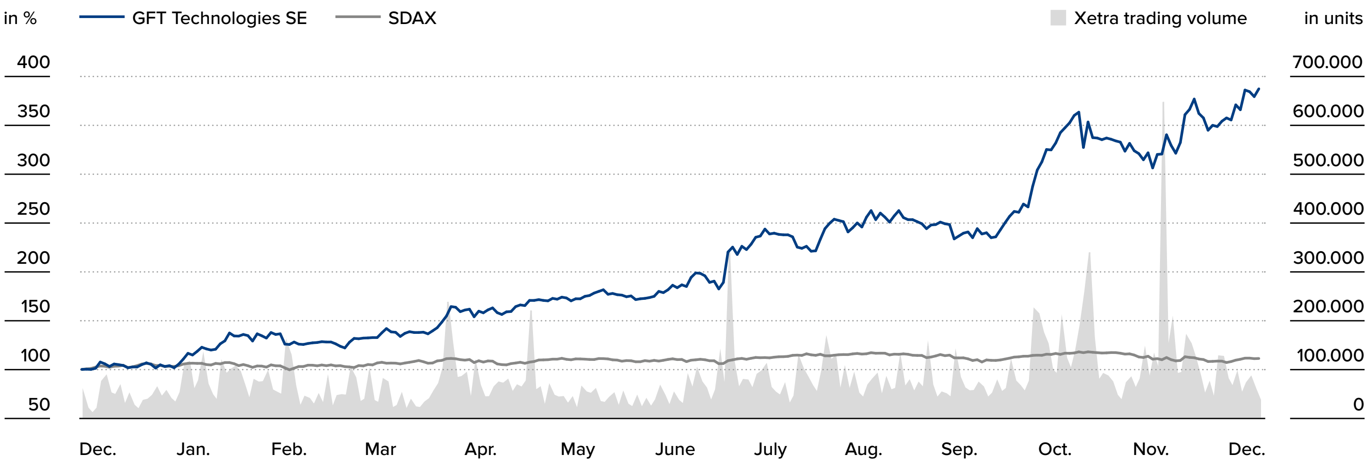
+287%

GFT in the capital market

The stock market year 2021

The stock market year 2021 proved to be surprisingly dynamic with new all-time highs throughout the year, despite the real economic risks and corona-related constraints. In the first few months, for example, vaccination campaigns in most countries were still at an early stage and public life still restricted; there were also problems in the global supply chains, leading to bottlenecks and ultimately price increases. Moreover, there was an alternating focus on risks such as debt defaults, interest rate hikes and lower-than-expected stimulus packages. However, this changed from spring onwards as the vaccination roll-out gathered momentum and increasingly upbeat company expectations prompted a strong increase in the market's appetite for risk as the Covid-19 pandemic faded into the background. In addition, more and more small investors were discovering equities as an attractive investment opportunity, thus further boosting demand. As the prospect of interest rate hikes by the major central banks remained low despite higher inflationary tendencies, this bullish market sentiment continued until the end of the year. The German benchmark index DAX closed the year with annual growth of 16%, the SDAX rose by 11% and the TecDAX by 22%. The US technology exchange Nasdaq was up 28% on the year.

Share performance and Xetra trading volume in 2021



Start: 31 December 2020 (GFT closing rate Xetra €11.94)

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

GFT share performance in 2021

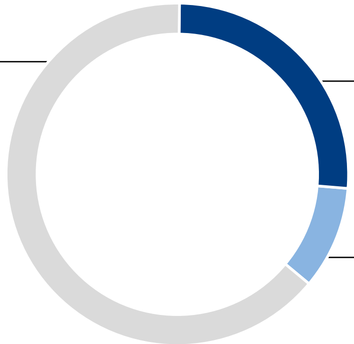
The GFT share got off to a positive start in the first weeks of 2021. It has become increasingly evident during the Covid-19 pandemic that investment in digitalisation is indispensable for companies and that demand is set to grow. This was reflected in a positive outlook for 2021 at the beginning of March. Around two months later, it was clear that demand for digitalisation solutions would be even higher than expected. As a result, GFT upgraded its guidance and the share price rose to a consistently higher level. There was a further significant rise in the share price in July following a repeated guidance upgrade – additional catch-up effects from 2020 and faster client decisions meant that the business prospects for 2021 had once again improved. In the second half of the year, the share was trading at significantly higher prices and only narrowly missed promotion to the SDAX in September. In October, there were increasing signs that the high level of demand would continue in 2022. The subsequent early publication of the 2022 outlook gave the share price a further boost and eventually led to its admission to the SDAX in December under the fast entry rule. Following a consistently strong closing performance, the GFT share closed the year with extraordinary growth of 287%. The closing price for the year was €46.15, which corresponds to a market capitalisation of €1.2 billion. The average daily Xetra trading volume in 2021 was 75,539 shares – significantly above the prior-year figure (2020: 66,157 shares).

Investor Relations

Shareholder structure

The free float portion (according to the Deutsche Börse definition) amounted to 64.2% at the end of 2021. 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 2021
in %



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

Dividend

The dividend policy of GFT Technologies SE is geared towards sustainability and continuity, with the aim of distributing between 20% and 50% of net income. The Annual General Meeting approved a dividend of €0.20 per share for the financial year 2020. For the financial year 2021, the Administrative Board plans to propose a dividend of €0.35 at the Annual General Meeting. This corresponds to a dividend ratio of 31% (2020: 53%) and a total dividend payout of €9.21 million (2020: €5.27 million).

Annual General Meeting

In view of the ongoing Covid-19 pandemic, GFT once again held a virtual Annual General Meeting on 10 June 2021. 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 60.05% of the share capital with voting rights was represented, corresponding to a strong increase over the previous year (2020: 55.10%). 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 – thus ensuring that all addressees receive equally open and up-to-date information. The CEO, CFO and Investor Relations 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 2021, for example, at eleven national and international events. 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

	2021	2020
Prior year-closing quotation (Xetra closing price on the last trading day)	€11.94	€11.64
Year-closing quotation (Xetra closing price on the last trading day)	€46.15	€11.94
Percentage change	287%	3%
Year-high (daily closing prices Xetra)	€46.15 30/12/2021	€14.24 13/02/2020
Year-low (daily closing prices Xetra)	€11.94 5/1/2021	€5.84 19/03/2020
Number of shares on 31 December	26,325,946	26,325,946
Market capitalisation on 31 December	€1,215 million	€314 million
Average daily trading volume in shares (Xetra)	75,539	66,157
Adjusted earnings per share	€1.41	€0.65
Earnings per share	€1.14	€0.38
Operative cash flow per share	€2.01	€2.29
Dividend per share	€0.35	€0.20

Source: Nasdaq
Initial stock market quotation: 28/6/1999
ISIN: DE0005800601
Deutsche Börse segment: Prime Standard
Index listings: SDAX, MSCI Global Small Cap indices

Your contact to GFT

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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
- Cloud business to grow dynamically
- Rising IT budgets for bank innovation
- Ongoing industrial automation

Unique technology and sector expertise

- Longstanding expertise in digital transformation for financial institutions
- Strong focus on growth-potential technologies: AI, Cloud, Blockchain, Data Analytics, DevOps
- Partnerships with market leaders: AWS, Google, Microsoft, Guidewire, Thought Machine, Mambu
- 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 at 20–50% of net profit

Sustainability and commitment

- CEO and CFO more than 10 years with GFT
- Two anchor shareholders own 36% of shares
- Commitment to grow IT talent worldwide
- Green coding initiatives

Combined management report

"The very positive development of the financial year 2021 is reflected in all key financial figures. GFT reached its ambitious targets for 2021, and even exceeded them slightly in terms of revenue."

— 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 sections 289, 315 and 315a of the German Commercial Code (Handelsgesetzbuch – 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.

For further information about our worldwide locations please see page 3

1.2 Business model

Business operations

The GFT Group is a globally aligned technology partner for digital transformation focusing on the banking, insurance and industrial sectors. Its range of services includes consulting on the development and realisation of innovative IT strategies, the development of bespoke IT solutions, the implementation of sector-specific standard software, and the maintenance and further development of business-critical IT solutions. 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. 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.

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

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 application development 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 in the field 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 strategy development and consulting, GFT offers the development of bespoke IT solutions and the implementation of standard software, in particular Guidewire.

GFT's portfolio of services for its industrial clients includes strategic consulting, the implementation of bespoke IT solutions and software-based solutions such as a proprietary cloud-capable IoT platform and a real-time project management solution. GFT's products and services enable industrial companies to optimise their processes in terms of cost, error rate and downtime, and to drive their differentiation options. 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 Continental Europe and especially 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 development of strategies and to coordinate their projects. Development services can then be provided flexibly and cost-effectively at the development centres (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. Nearshore development centres in the banking sector for Continental Europe, the UK and the Asia-Pacific region are located mostly in Spain, Poland and Vietnam. Customers in the Americas are served by nearshore centres in Brazil and Costa Rica. For the insurance sector, there are nearshore locations in Canada, Spain, Poland and Italy.

Basic principles of the Group

For further information on equity holdings please see page 89

For further information about the members of the Administrative Board please see page 15

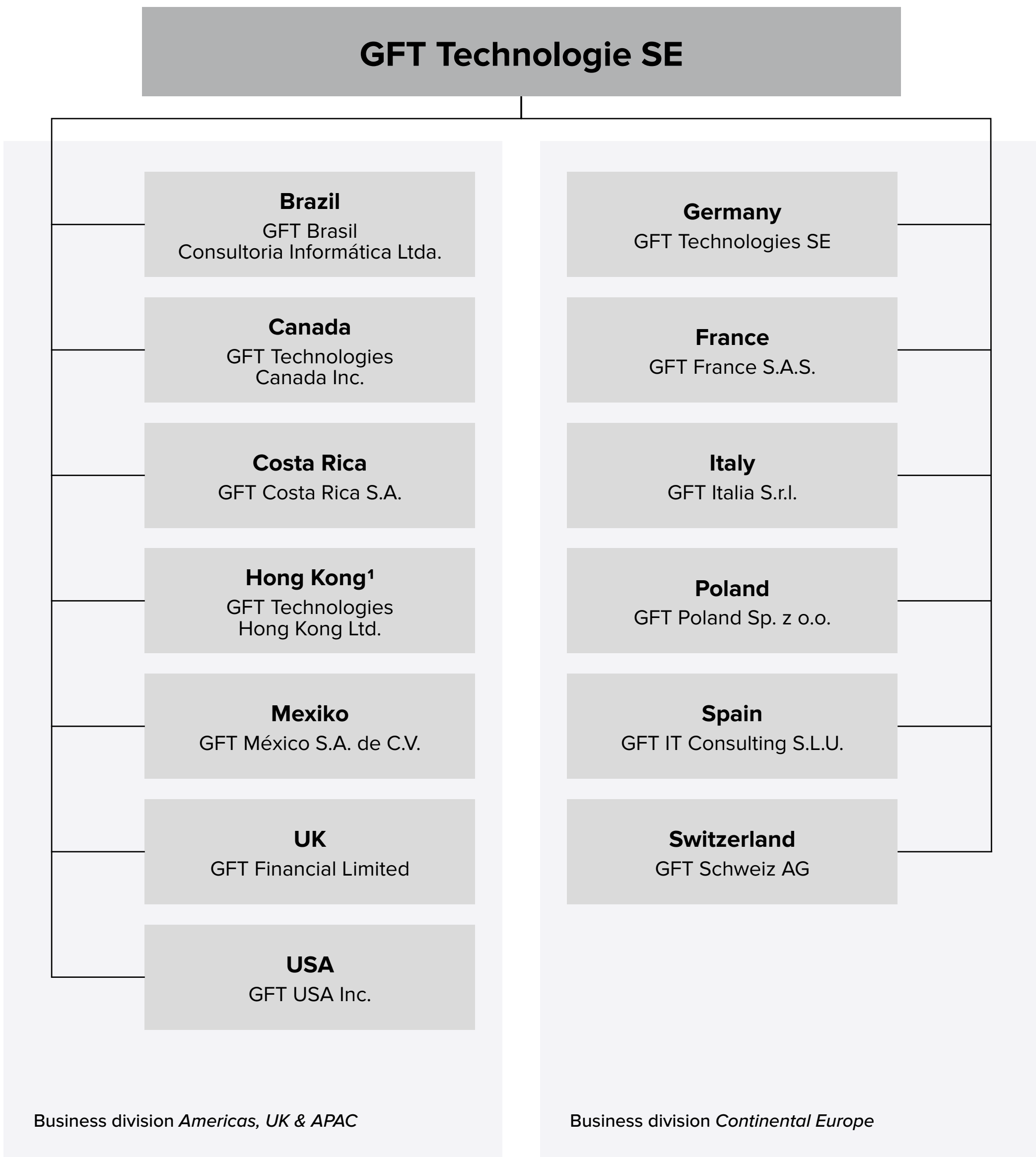
Group structure

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.

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.

As of 31 December 2021, 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

Basic principles of the Group

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. Such transactions are conducted at market prices and on an arm's-length basis.

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 increased to a total of €9.01 million in the reporting period (2020: €6.01 million). Personnel expenses accounted for the major share, amounting to €7.08 million or 79% of total expenses (2020: €5.45 million or 91%). In the reporting period, expenses for external services accounted for 8% (2020: 0%). Research and development activities continued to focus on the possibilities of high-growth technologies, such as artificial intelligence, DLT/blockchain, 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.

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

As of 31 December 2021, the GFT Group employed a total of

7,718

people.

Development of experts and employees

As of 31 December 2021, the GFT Group employed a total of 7,718 people, and thus 29% more than in the previous year (31 December 2020: 5,986). In the *Americas, UK & APAC* segment, headcount rose by 57% to 3,893 (31 December 2020: 2,473). As a result of the dynamic business trend in Latin America with local banks and financial institutions, there was particularly strong headcount growth in Brazil and the nearshore location Costa Rica of 77% and 41%, respectively. The demand in investment banking and retail banking led to an increase of 30% in the UK. The positive trend in the insurance sector resulted in an increase in staffing levels in Canada of 24%. The newly founded nearshore location Vietnam – which is helping drive expansion in the Asia-Pacific market – employed 117 experts as at the end of the reporting period. Expansion in the Asia-Pacific market led to an increase in staff in Hong Kong. In the *Continental Europe* segment, year-end headcount rose by 9% to 3,715 (31 December 2020: 3,396). This increase was mainly attributable to the nearshore location Poland as a result of the positive trend in UK banking and the Canadian insurance business.

Employees by segment

	31/12/2021	31/12/2020	Δ	Δ in %
Americas, UK & APAC	3,893	2,473	1,420	57%
Continental Europe	3,715	3,396	319	9%
Others	110	117	–7	–6%
GFT Group	**7,718**	**5,986**	**1,732**	**29%**

Employees by country

	31/12/2021	31/12/2020	Δ	Δ in %
Brazil	2,714	1,537	1,177	77%
Spain	1,806	1,740	66	4%
Poland	863	690	173	25%
Italy	730	650	80	12%
Germany	340	363	–23	–6%
Canada	334	269	65	24%
Mexico	317	330	–13	–4%
UK	232	178	54	30%
Costa Rica	131	93	38	41%
Vietnam	117	0	117	n.a.
France	46	31	15	48%
Switzerland	38	34	4	12%
USA	36	36	0	0%
Singapore	6	2	4	>100%
Hong Kong (SAR[1])	6	30	–24	–80%
Belgium	2	3	–1	–33%
GFT Group	**7,718**	**5,986**	**1,732**	**29%**

1 Special Administrative Region

The holding company of the GFT Group employed 110 people at the end of the reporting period, corresponding to a slight decrease of 6% on the previous year (31 December 2020: 117).

Headcount in Germany fell by 6% to 340 employees as of 31 December 2021 (31 December 2020: 363).

The productive utilisation rate in the reporting period was

90%

The productive utilisation rate of 90% for the reporting period – based on the use of production staff in client projects – was above previous year's value (2020: 89%).

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 is available online as of the end of March 2022 at www.gft.com/sustainability.

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

2 Economic report

2.1 General conditions

Macro-economic conditions
According to the International Monetary Fund (IMF), the global economy recovered significantly in 2021 compared to 2020 – despite the ongoing Covid-19 pandemic. Global economic output increased by 5.9% in the reporting period, although even stronger growth had originally been forecast in the summer. The situation in the emerging economies and the developing nations, in particular, deteriorated as a result of higher infection rates and lower vaccine availability, coupled with more difficult financing conditions. In the USA and Europe, prolonged supply chain disruptions and shortages of inputs also slowed growth. By contrast, higher energy and food prices stimulated growth in commodity-exporting countries.

According to calculations of the European Central Bank (ECB), the eurozone recovered in 2021 and grew by 5.1%. However, contrary to earlier expectations, the pre-crisis level had not been reached by the autumn quarter of 2021. This was due to high infection rates in the second half of the year and the associated restrictions on public life and economic activity, as well as worsening supply bottlenecks. In addition, consumer spending still fell short of pre-crisis levels.

According to Germany's central bank (Deutsche Bundesbank), economic output in Germany rose by 2.7% in 2021. Germany was thus also unable to compensate for the sharp decline in 2020, as the renewed surge in infection rates and supply-side bottlenecks prevented any stronger recovery. Although the manufacturing and service sectors showed firmer

In
2021
the GFT Group achieved its best-ever business results.

The trend towards
digitalisation
was further accelerated by the Covid-19 pandemic.

progress, the performance of those businesses hit particularly hard by the pandemic remained below pre-crisis levels. Government spending helped prop up the economy, while consumer spending continued to be subdued as a result of the pandemic.

Sector-specific conditions
The Covid-19 pandemic further accelerated the trend towards digitalisation in the past year. It is not so much the technologies themselves that have changed as the need and willingness to use them. According to the market research institute Gartner, the global IT market grew by 9.0% in 2021. The software segment grew by 14.4% and IT services by 10.7% in the reporting period. Cloud technologies continued to dominate the IT trend last year – due to their flexibility and stability, cloud solutions proved invaluable during the pandemic, and the corresponding applications have also become more mature. Although less advanced in terms of maturity, more solutions were developed around DLT/blockchain and artificial intelligence in 2021 than in the previous year.

According to Gartner, currency-adjusted IT spending of financial institutions grew by 9.0% in 2021, significantly more than in the first year of the Covid-19 pandemic. The year-on-year increase was even stronger in the retail banking sector, with a 10.3% increase in IT budgets. Investment banks raised their spending by 7.2%. Even in the challenging pandemic environment, IT budgets in the banking sector have not decreased in nominal terms. This demonstrates the high priority given to digitalisation. Moreover, compared to all other sectors analysed by Gartner, the largest IT budgets were still in the banking sector.

In the insurance sector, IT spending grew by 8.2%, following a decline in the previous year. Here too, the Covid-19 pandemic underlined the huge importance of digitalisation. However, the digital transformation was more clearly restrained in the manufacturing sector (IoT). Despite an increase of 4.7%, IT budgets have not yet returned to pre-crisis levels in nominal terms. Compared to banks and insurance companies, this market was hit harder by the restrictions of the Covid-19 pandemic and by supply bottlenecks, which dampened demand.

According to an analysis by Bitkom, the German digital sector made good progress last year, as the corona crisis helped accelerate digitalisation in many areas. Driven by IT hardware and software, revenue rose in total by 3.9%. IT services grew by 3.7% and software by 8.0%. At the turn of the year 2021/2022, business confidence in the sector had returned to pre-crisis levels and was also significantly higher than in the economy as a whole.

Impact on the GFT Group
In 2021, the pandemic-related crisis continued to intensify the digital transformation process in many areas. In GFT's main target markets – the banking, insurance and industrial sectors – the digitalisation of business processes continues to make progress. 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 digitalisation projects.

2.2 Development of business

Overview of business development
The GFT Group achieved its best-ever business results in 2021. There was significant growth in revenue and a disproportionately strong increase in earnings.

In the first months of the past financial year, it became increasingly clear how strongly the Covid-19 pandemic was driving digitalisation. Investments in digitalisation projects and strategies have become indispensable for companies. In anticipation of the resulting positive impact on demand, the GFT Group published a positive outlook for 2021 in March. Around two months later, it was apparent that demand across all client groups and regions would be stronger than originally expected, whereupon GFT upgraded its outlook for 2021. In the summer, there were clear signs of further catch-up effects from projects postponed in the previous year and shorter decision cycles on the part of clients. This led to a further increase in expectations for 2021 and a renewed guidance upgrade. In October, there were growing indications that the strong demand for high-margin digitalisation solutions would continue. As a consequence, full-year guidance was once again upgraded slightly and an outlook for 2022 was already released.

Buoyed by the strong demand for digitalisation solutions described above, revenue rose by 27% in the financial year 2021 and significantly exceeded the original forecast published in last year's management report. The guidance issued in October 2021 was also

Economic report

There was an even stronger improvement in key earnings figures in 2021, which significantly exceeded the expectations communicated in last year's management report.

slightly exceeded. The measures introduced to promote diversification began to take effect: business with banks grew by 23%, insurance activities rose even faster by 52% and the Industry & Other segment achieved growth of 27%. Client diversification also continued to improve with growth of 36% outside the top-2 clients[1], their share of total revenue fell to 16% (2020: 21%).

There was an even stronger improvement in key earnings figures in 2021, which significantly exceeded the expectations communicated in last year's management report. This was due to profitable revenue growth, a focus on high-margin projects and active cost management. In addition, the prior-year figures were burdened by restructuring charges and capacity underutilisation due to the Covid-19 pandemic. Adjusted EBITDA rose by 52% to €64.79 million in 2021 (2020: €42.52 million) and EBITDA by 53% to €60.75 million (2020: €39.70 million). EBT and net income tripled to €40.03 million (2020: €14.11 million) and €29.89 million (2020: €9.94 million), respectively.

Cash flow from operating activities led to a cash inflow of €52.99 million in 2021 (2020: €60.25 million) and remains high due to the positive business development and very good payment behaviour. The funds generated were used in particular for the repayment of bank loans, resulting in net liquidity of €1.93 million at the end of the year (31 December 2020: net borrowing of €31.35 million). The GFT Group's solid capital and balance sheet structure was thus further enhanced; at 36%, the equity ratio as of 31 December 2021 was significantly above the prior-year level (31 December 2020: 31%).

Performance compared to guidance

in € million	Guidance FY 2021 (04/03/2021)	Guidance FY 2021 (26/04/2021)	Guidance FY 2021 (20/07/2021)	Guidance FY 2021 (21/10/2021)	Results FY 2021	Δ % (04/03/2021)	Δ % (26/04/2021)	Δ % (20/07/2021)	Δ % (21/10/2021)
Revenue	480	520	550	560	566.19	18%	9%	3%	1%
Adjusted EBITDA	50	56	62	65	64.79	30%	16%	4%	0%
EBITDA	47	53	59	62	60.75	29%	15%	3%	–2%
EBT	24	30	36	40	40.03	67%	33%	11%	0%

Key figures by quarter

in € million	Q1/2021[2]	Q2/2021[2]	Q3/2021[2]	Q4/2021[2]	FY 2021
Revenue	123.92	137.66	143.81	160.80	566.19
Adjusted EBITDA	13.55	15.40	17.18	18.66	64.79
EBITDA	12.90	14.73	16.56	16.56	60.75
EBT	7.01	9.61	11.51	11.90	40.03

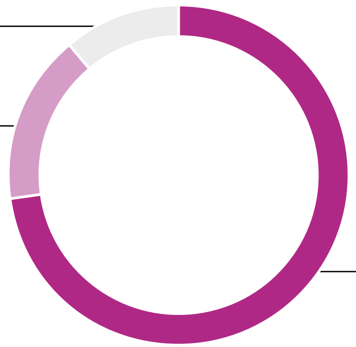
1 The GFT Group's top-2 clients (based on the financial year 2016) are defined as Deutsche Bank and Barclays.
2 unaudited

2.3 Development of revenue

Growth in all sectors continues

The GFT Group successfully continued its growth strategy in all sectors during the reporting period, achieving further revenue growth across the board. The banking sector grew by 23% due to structurally higher 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 52%. Business with industrial clients, summarised here under Industry & Other, grew by a further 27% in the reporting period. Despite the significant restrictions on these clients due to the pandemic and supply bottlenecks, demand for innovative solutions continued to strengthen.

Revenue by sector

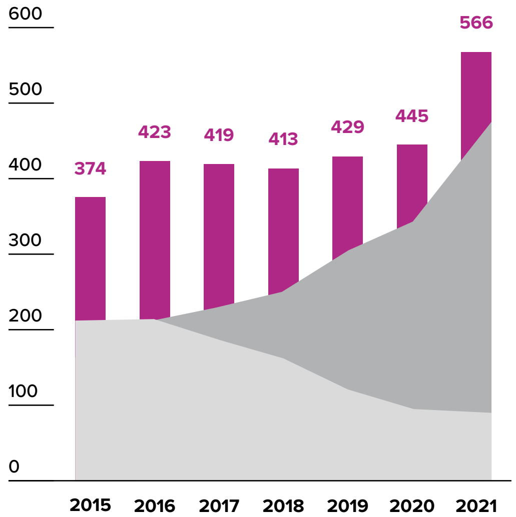


	2021		2020		
	€ million	share in %	€ million	share in %	Δ%
Banking	412.22	73%	335.43	75%	23%
Insurance	91.31	16%	60.20	14%	52%
Industry & Others	62.66	11%	49.22	11%	27%
GFT Group	**566.19**	**100%**	**444.85**	**100%**	**27%**

Further improvement in client diversification

The GFT Group continues to systematically drive its client diversification strategy. As a result, its dependence on individual clients has fallen significantly in recent years. In total, the proportion of total revenue attributable to the top-2 clients fell from 57% in 2015 to 16% in 2021. Moreover, revenue with these clients has been stabilised at a higher level than originally expected. At the same time, the trend outside the top-2 clients accelerated once again, with growth of 36% in the reporting period.

Client diversification 2015 – 2021
in € million



Revenue by clients

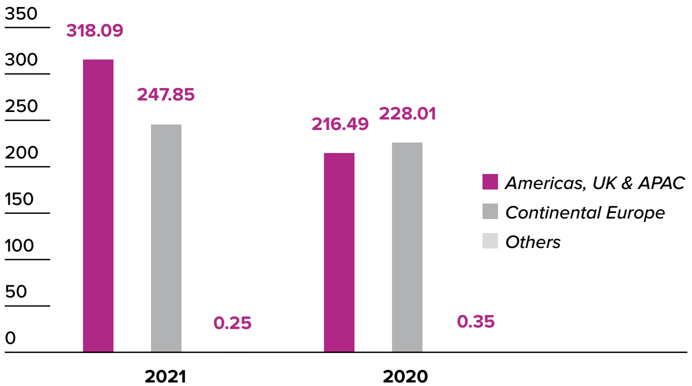
in € million	2021	2020	Δ %
Top-2 clients	90.43	95.55	–5%
Other clients	475.51	348.95	36%
GFT Group (without Holding)	**565.94**	**444.50**	**27%**

Economic report

Revenue by segment

Revenue in the *Americas, UK & APAC* segment rose strongly by 47% to €318.09 million (2020: €216.49 million). There was particularly dynamic growth in the Canadian insurance sector, in business with cloud solutions for UK banks, and in business activities with local banks in Brazil. Moreover, revenue in the innovative Asian-Pacific banking market doubled during the reporting period.

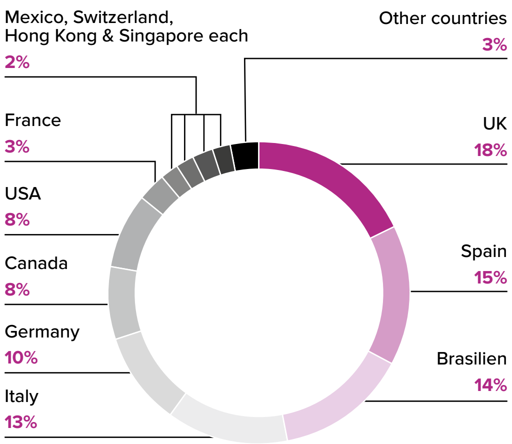
Revenue by segment
in € million



	2021		2020		
	€ million	share in %	€ million	share in %	Δ%
Americas, UK & APAC	318.09	56%	216.49	49%	47%
Continental Europe	247.85	44%	228.01	51%	9%
Others	0.25	0%	0.35	0%	−28%
GFT Group	**566.19**	**100%**	**444.85**	**100%**	**27%**

Revenue in the *Continental Europe* segment increased by 9% to €247.85 million (2020: €228.01 million). Only a slight decline in business with the top-2 clients and slightly reduced insurance activities in France, were offset by increased demand for digitalisation solutions in the retail banking sector – especially in Spain, Italy and Germany.

Revenue by country



Revenue by country

	2021		2020		
	€ million	share in %	€ million	share in %	Δ%
UK	103.50	18%	77.41	17%	34%
Spain	83.51	15%	85.56	19%	−2%
Brazil	81.30	14%	48.32	11%	68%
Italy	73.49	13%	65.20	15%	13%
Germany	55.71	10%	50.89	11%	9%
Canada	45.86	8%	25.00	6%	83%
USA	42.93	8%	33.72	8%	27%
France	15.75	3%	17.40	4%	−9%
Mexico	14.40	2%	15.93	4%	−10%
Switzerland	13.31	2%	7.62	1%	75%
Hong Kong	10.89	2%	8.41	2%	30%
Singapore	8.96	2%	1.62	0%	>100%
Other countries	16.58	3%	7.77	2%	>100%
GFT Group	**566.19**	**100%**	**444.85**	**100%**	**27%**

2.4 Earnings position

Earnings position of the GFT Group
The GFT Group's earnings in the financial year 2021 achieved record levels. Profitable revenue growth driven by consistently strong demand for high-margin digitalisation solutions, lower expenses for capacity adjustments and active management of administrative costs resulted in significant and disproportionately high earnings growth in the financial year 2021. **EBITDA** rose by €21.05 million to €60.75 million (2020: €39.70 million) and was roughly in line with earnings guidance published in capital market reporting of October 2021. Expenses from capacity adjustments totalled €2.62 million in the reporting period (2020: €8.82 million). In the previous year, expenses for capacity adjustments mainly related to restructuring – mostly due to the consequences of the Covid-19 pandemic. EBITDA in 2021 benefited on the whole from positive lease accounting effects according to IFRS 16 amounting to €9.09 million (2020: €11.04 million).

The GFT Group's earnings in the financial year 2021 achieved record levels.

In the financial year 2021, EBITDA was burdened by special items from M&A activities amounting to €4.04 million (2020: €2.82 million). Of this total, the acquisition of GFT Technologies Canada Inc. (formerly: V-NEO Inc.) accounted for expenses of €3.88 million (2020: €2.72 million), which were dominated in the reporting period by the early redemption of performance-based payment obligations. Taking account of these M&A activities, **adjusted EBITDA** totalled €64.79 million in the financial year 2021 (2020: €42.52 million) and was thus in line with guidance provided in the capital market reporting of October 2021.

EBIT of €40.88 million was up year on year by €24.55 million (2020: €16.33 million) – whereby depreciation and amortisation was lower. In the financial year 2021, earnings before interest and taxes benefited on the whole from positive effects from lease accounting according to IFRS 16 totalling €0.20 million, compared to €0.95 million in the previous year.

Due in particular to the special items explained above, **EBT** increased by €25.92 million to €40.03 million (2020: €14.11 million) and thus met the guidance figure communicated to the capital markets in October 2021. The **EBT margin** rose to 7.1% in the financial year 2021, compared to 3.2% in the previous year.

Net income of €29.89 million for the financial year 2021 was also significantly up on the previous year by €19.95 million (2020: €9.94 million). **Income taxes** of €10.14 million (2020: €4.16 million) corresponds to an imputed tax ratio of 25% (2020: 30%).

As a consequence of the increase in net income, **earnings per share** rose to €1.14 (2020: €0.38), based on an unchanged volume of 26,325,946 outstanding shares.

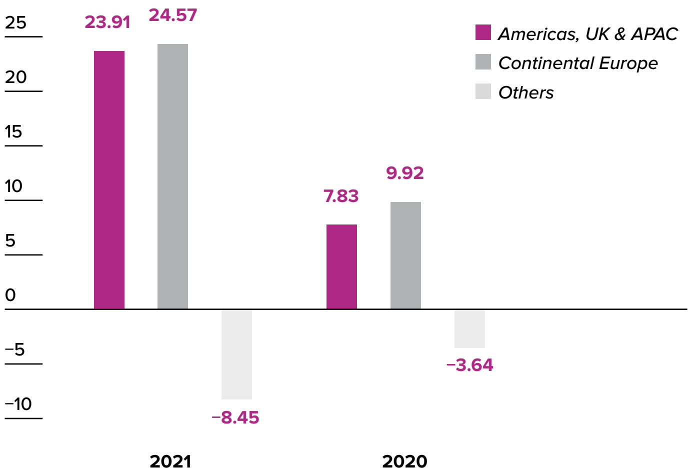
Earnings (EBT) by segment
In the *Americas, UK & APAC* segment, EBT improved strongly year on year by €16.08 million to €23.91 million (2020: €7.83 million). This improvement in earnings was primarily attributable to strongly increased revenue from the expansion of business outside the top-2 clients, especially in the insurance sector, which resulted in improved capacity utilisation. In addition, the stronger focus on high-margin projects helped improve profitability. Group companies in the UK, Brazil and Canada once again generated the largest contributions to earnings. The EBT margin, based on external revenue, increased to 7.5% (2020: 3.6%).

EBT in the *Continental Europe* segment amounted to €24.57 million in the financial year 2021 and was thus also strongly up on the prior-year figure by €14.65 million (2020: €9.92 million). This rise in segment earnings was driven above all by revenue growth from increased demand for digitalisation solutions and improved margins due to the efficiency measures implemented in the previous year. Earnings also benefited from significantly lower restructuring charges. The largest contributions to earnings were generated once again by the Group's subsidiaries in Spain and Italy. The EBT margin of 9.9%, based on external revenue, was thus also well above the prior-year figure (2020: 4.3%) – and even exceeded a prior-year figure adjusted for negative one-off effects. The negative one-off effects of the previous year were mostly restructuring charges and capacity underutilisation – mainly as a result of the Covid-19 pandemic.

Earnings of the *Others* category declined by €4.81 million to €−8.45 million in the financial year 2021 (2020: €−3.64 million), primarily as a result of increased performance-based remuneration and higher IT infrastructure costs that could not be allocated to the Group. 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.

Economic report

Earnings (EBT) by segment
in € million



	2021		2020			
	€ million	Margin in %	€ million	Margin in %	€ million	Δ%
Americas, UK & APAC	23.91	7.5%	7.83	3.6%	16.08	>100%
Continental Europe	24.57	9.9%	9.92	4.3%	14.65	>100%
Others	−8.45	n,a	−3.64	n,a	−4.81	<−100%
GFT Group	**40.03**	**7.1%**	**14.11**	**3.2%**	**25.92**	**>100%**

Earnings position by income and expense items
Other operating income of €12.06 million was slightly down on the previous year (2020: €12.54 million). The decrease in the reporting period is mainly due to lower currency gains of €2.05 million (2020: €2.98 million). By contrast, government grants (also included in this item and mostly for R&D activities in the UK, Canada and Italy) rose to €7.85 million (2020: €7.69 million).

The **cost of purchased services** amounted to €82.71 million and was thus €33.24 million or 67% above the prior-year figure (2020: €49.47 million). This item includes the purchase of external services in connection with the core operating business. The ratio of cost of purchased services to revenue increased to 15% in the financial year 2021 (2020: 11%).

Personnel expenses rose by 19% to €380.39 million in the financial year 2021 (2020: €320.39 million). This trend was mainly attributable to the increase in average headcount, especially in Brazil, as well as to the expansion of sales activities and technology expertise in connection with the dynamic revenue trend. By contrast, personnel expenses in the reporting period were burdened by significantly lower capacity adjustments of €2.62 million (2020: €8.82 million). The ratio of personnel expenses to revenue (the personnel cost ratio) was reduced to 67% (2020: 72%). The personnel cost ratio without capacity adjustments and plus the purchase of external services was unchanged at 81% (2020: 81%).

Depreciation and amortisation of non-current intangible assets and property, plant and equipment amounted to €19.87 million (2020: €23.36 million). Of this total, depreciation of right-of-use assets pursuant to IFRS 16 accounted for €8.89 million (2020: €10.08 million). There were no impairment expenses in the financial year 2021 (2020: €0.81 million).

Other operating expenses amounted to €54.36 million (2020: €47.83 million). The main cost elements were still operating, administrative and selling expenses, which totalled €40.71 million (2020: €36.22 million). The 14% increase in the financial year 2021 is mainly due to the rise in personnel-related expenses, transfer taxes and expenses for auditing and consulting. The disproportionately lower increase compared to revenue is due to active cost management, especially with regard to administrative expenses. Other operating expenses included currency losses of €3.78 million (2020: €3.76 million).

Due mainly to reduced interest payments, there was a year-on-year improvement in the **financial result** (including earnings contributions of financial investments accounted for using the equity method) to €−0.89 million (2020: €−2.22 million). This improvement was mainly due to lower interest on bank loans and reduced effects from the discounting of lease liabilities within the scope of IFRS 16.

Mainly as a result of the significant increase in pre-tax earnings, the **tax expense** disclosed under income taxes rose to €10.14 million (2020: €4.16 million). The tax rate of 25% in the financial year 2021 (2020: 30%) was positively influenced by the recognition of deferred tax assets on loss carryforwards in connection with the performance of certain national companies.

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.

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€0.35

dividend per no-par share to be proposed by the Administrative Board at the Annual General Meeting.

The Administrative Board will recommend to the Annual General Meeting on 1 June 2022 the distribution of a dividend of €0.35 per no-par share for the financial year 2021 (2020: €0.20). This corresponds to a payout of €9.21 million to shareholders (2020: €5.27 million) and a payout ratio of 31% (2020: 53%) based on net income.

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.

As the parent company, GFT Technologies SE has concluded a syndicated loan agreement and two promissory note agreements to secure the long-term funding of the GFT Group. 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 2020: €80.00 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 and Facility B by €18.00 million. 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 – 1, 3 or 6 months.

The promissory note agreements have a remaining term of three years. At the end of the reporting period, promissory note agreements totalling €22.00 million (31 December 2020: €52.00 million) were drawn in full. Of this amount, €13.00 million are fixed-interest and the remaining €9.00 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 continues to have an extremely sound financial structure. As of 31 December 2021, the GFT Group had unused credit lines of €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 from €−31.35 million in the previous year to €1.93 million as of 31 December 2021.

Including currency effects, **cash and cash equivalents** of €70.77 million as of 31 December 2021 was on a par with the previous year (31 December 2020: €70.87 million). The development of available funds during the financial year 2021 was mainly shaped by the reduction of financial debt from operating cash flow.

In the financial year 2021, the GFT Group's **cash flow from operating activities** resulted in a net cash inflow of €52.99 million (2020: €60.25 million). This consistently high level was due to the successful development of business and the ongoing positive payment behaviour of clients – despite the Covid-19 pandemic. In addition to the significantly improved net income of €29.89 million (2020: €9.94 million), cash flow from operating activities was shaped in particular by lower cash outflows from the utilisation of provisions of €20.55 million (2020: €5.15 million) and changes in other liabilities of €18.54 million (2020: €1.41 million), compared to the previous year. By contrast, negative effects resulted mainly from the cash-effective change in working capital, particularly in trade receivables and contract assets, totalling €−44.69 million (2020: €26.82 million). The positive working capital effects in the previous year were significantly influenced by a strong reduction in receivables in the first half of 2020 as a result of low payments from major clients at the end of 2019.

With a cash outflow of €7.57 million, there was a year-on-year decrease in **cash flow from investing activities** in the financial year 2021 (2020: €10.98 million). The €3.41 million fall in cash outflow was mainly due to payments of €6.90 million in the previous year for the acquisition of GFT Integrated Systems GmbH (formerly: in-Integrierte Informationssysteme GmbH). By contrast, there were no payments for the acquisition of consolidated companies in the reporting period. There was an opposing effect in the financial year 2021 from higher cash outflows for capital expenditure for property, plant and equipment of €6.91 million (2020: 4.04 million), especially in connection with the remodelling of business premises.

For further information about the cash flow statement please see page 70

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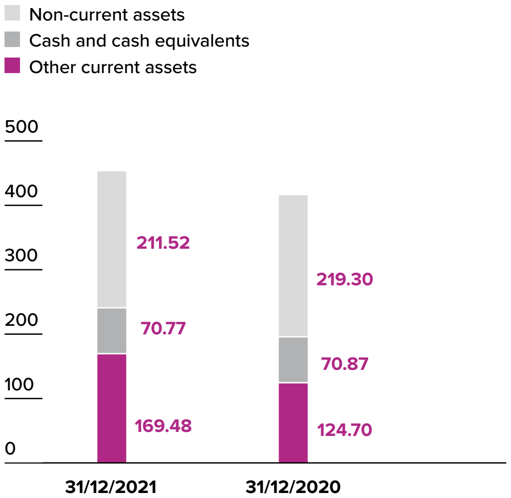
For further information
please see the consolidated financial statements from page 66

Cash flow from financing activities in the financial year 2021 led to a net outflow of €47.86 million (2020: €29.05 million). The year-on-year movement of €18.81 million is mainly attributable to higher net redemption of bank loans of €33.31 million (2020: €12.81 million). In addition, cash flow from financing activities includes outflows for the dividend payment to shareholders of €5.27 million (2020: €5.27 million) and for the payment of lease liabilities under IFRS 16 of €9.28 million (2020: €10.98 million).

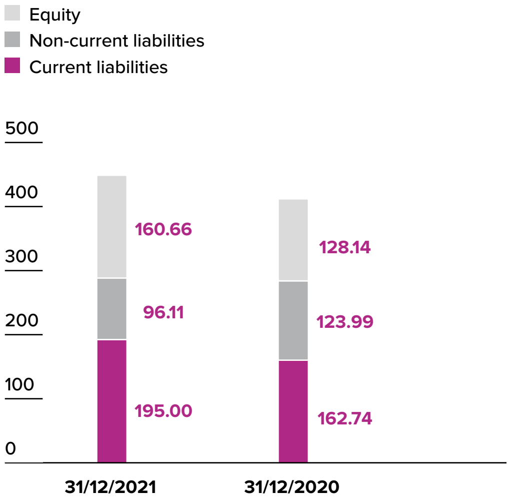
2.6 Asset position

Balance sheet structure – Assets
in € million



Assets in € million	31/12/2021	31/12/2020	Δ	Δ %
Non-current assets	211.52	219.30	−7.78	−4%
Cash and cash equivalents	70.77	70.87	−0.10	0%
Other current assets	169.48	124.70	44.78	36%
	451.77	**414.87**	**36.90**	**9%**

Balance sheet structure – Equity and liabilities
in € million



Equity and liabilities in € million	31/12/2021	31/12/2020	Δ	Δ %
Equity	160.66	128.14	32.52	25%
Non-current liabilities	96.11	123.99	−27.88	−22%
Current liabilities	195.00	162.74	32.26	20%
	451.77	**414.87**	**36.90**	**9%**

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Equity capital of the GFT Group increased by

25%

to €160.66 million.

Compared to 31 December 2021, the **balance sheet total** of the GFT Group increased by €36.90 million, from €414.87 million to €451.77 million The increase in the balance sheet total is mainly due to a rise in receivables from client contracts as a result of the positive business performance. The main opposing effect was from the decline in non-current assets, especially property, plant and equipment.

At €211.52 million, **non-current assets** were €7.78 million or 4% below the prior-year figure (31 December 2020: €219.30 million). The ratio of non-current assets to the balance sheet total decreased to 47%, compared to 53% at the end of the previous year. Non-current assets mainly comprise **goodwill** of €124.42 million (31 December 2020: €120.01 million), **other intangible assets** of €10.65 million (31 December 2020: €15.73 million) and **property, plant and equipment** of €56.34 million (31 December 2020: €67.54 million).

In accordance with IFRS 16, right-of-use assets for land and buildings, as well as car parks and vehicles, amounting to €31.87 million (31 December 2020: €44.56 million) were disclosed in **property, plant and equipment.** The decline in right-of-use assets compared to year-end 2020 resulted from utilisation-related term adjustments to individual real estate leases, as well as from scheduled depreciation. Capital expenditure for property, plant and equipment (without right-of-use assets) amounted to €6.91 million in the financial year 2021 and was thus above the prior-year figure (2020: €4.04 million).

As of 31 December 2021, **other current assets** increased by €44.78 million to €169.48 million (31 December 2020: €124.70 million). This was mainly attributable to the rise in **trade receivables** of €38.40 million to €131.50 million (31 December 2020: €93.10 million). In addition, there was an increase in **contract assets** – also as a result of increased business volume – of €6.29 million to €16.12 million (31 December 2020: €9.83 million). **Other assets** (mainly comprising prepaid expenses, as well as VAT and other tax refund claims) amounted to €11.70 million as of 31 December 2021 and were thus slightly below the prior-year level (31 December 2020: €12.06 million).

Equity capital of the GFT Group increased by €32.52 million, or 25%, to €160.66 million during the course of the year (31 December 2020: €128.14 million); adjusted for currency effects, the increase amounted to €25.53 million (2020: €4.90 million). Net income of €29.89 million (2020: €9.94 million) and positive currency effects of €6.99 million (2020: €−9.90 million) were offset in particular by the dividend paid to shareholders of €5.27 million (2020: €5.27 million). The positive currency effects in the financial year 2021 resulted mainly from the revaluation of the British pound and the Canadian dollar.

Due to the 25% increase in equity capital and less than proportionate rise in the balance sheet total of 9%, the GFT Group's **equity ratio** of 36% as of 31 December 2021 was significantly up on the prior-year figure (31 December 2020: 31%).

Non-current liabilities declined year on year by €27.88 million to €96.11 million (31 December 2020: €123.99 million). There was a particularly marked decrease in **financing liabilities** of €20.32 million to €47.50 million (31 December 2020: €67.82 million) due to the redemption of bank loans. In addition, **other financial liabilities** fell by €12.26 million to €26.18 million (31 December 2020: €38.44 million). Other financial liabilities include the full amount of liabilities from leases according to IFRS 16. There was an opposing effect to the fall in non-current liabilities in particular from the increase in **other provisions** of €5.04 million to €7.51 million (31 December 2020: €2.47 million) due to higher performance-based staff remuneration.

At €195.00 million, the GFT Group's **current liabilities** were well above the prior-year figure (31 December 2020: €162.74 million). The €32.26 million increase was mainly due to **other provisions,** which rose by €17.01 million to €57.63 million (31 December 2020: €40.62 million). The rise is mainly in connection with increased personnel-related obligations. There was also an increase in **contract liabilities** of €8.88 million to €46.12 million (31 December 2020: €37.24 million) and in other liabilities of €11.01 million to €35.03 million (31 December 2020: €24.02 million). Other liabilities mainly comprise tax and social security liabilities. By contrast, there was a decrease in **financing liabilities** of €13.06 million to €21.34 million (31 December 2020: €34.40 million) due to the repayment of bank loans.

As a result of the reduced debt level as of 31 December 2021, the GFT Group's **debt ratio** decreased by five percentage points to 64% (31 December 2020: 69%). In the financial year 2021, the ratio of net financial debt to equity **(gearing)** improved to −1% as of 31 December 2021 (31 December 2020: 24%). 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.

At **36%**
the equity ratio was significantly above the prior-year level.

2.7 Overall assessment

The high demand for digitalisation solutions paved the way for a successful financial year in 2021. In conjunction with the diversification strategy initiated in previous years, there was a significant increase in revenue. In line with the most recent guidance, key earnings figures rose even faster due to profitable revenue growth, a focus on high-margin projects and active cost management.

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 36%, the equity ratio as of 31 December 2021 was significantly above the prior-year level (31 December 2020: 31%).

3 Forecast report

3.1 Macroeconomic and sector development

Macroeconomic development
According to the IMF, the global economy will continue its recovery in 2022. At 4.4%, however, the overall growth rate is likely to be lower than recently expected. Forecasts vary widely between different countries and regions, depending on the impact of the Covid-19 pandemic on supply chains and health care systems, as well as projected inflation and financial conditions. The IMF forecasts slower growth in the USA, as the anticipated rise in interest rates will lead to a less favourable financial environment. Moreover, fiscal policy measures are likely to be weaker than expected. In the eurozone, growth will be hampered by supply chain constraints, while restrictive pandemic measures in China are expected to dampen economic output. As vaccination campaigns in the emerging and developing economies continue to gather pace, the IMF expects the impact of the Covid-19 pandemic to weaken over the course of the year. Inflation and supply chain constraints are also expected to ease in the second half of the year.

According to the ECB, the eurozone will continue to recover and is likely to exceed its pre-crisis level for the first time in 2022. In the short term, however, the negative effects from supply chain bottlenecks and the pandemic will still dominate. As a result, the ECB's growth forecast for 2022 of 4.2% is somewhat lower than in autumn last year. However, the ECB expects that the negative effects will diminish from the second quarter onwards. In the second half of the year, growth is likely to pick up – irrespective of more restrictive central bank policies and possible interest rate hikes. Moreover, the ECB believes that consumer spending will be bolstered by a robust labour market and rising incomes. After peaking in late 2021, inflation will continue to fall until the end of the year.

The Bundesbank forecasts that German economic growth will gather momentum from spring 2022 onwards. As pandemic-related restrictions are lifted in the course of the year, consumer spending is likely to increase strongly. In addition, it is assumed that the current supply bottlenecks will be resolved by the end of the year. All in all, growth of 4.2% is expected for 2022. In line with the IMF and ECB forecasts, this growth outlook is also lower than previously expected.

With the Russian invasion of Ukraine, armed conflict began in late February 2022. Together with the economic sanctions imposed on Russia and the potential countermeasures, this will have an impact on the macroeconomic development to an extent that cannot be estimated at present.

Sector development
The market research institute Gartner expects an increase in global IT spending of 5.1% in 2022. Within the IT market, the sector experts forecast significant growth rates for business software with an increase of 11.0% in 2022. The IT services segment is also expected to grow strongly by 7.9% in the current financial year.

According to Gartner, global spending on cloud computing will grow by a further 16.2% in 2022. Cloud solutions have now matured and their benefits for companies have made them an indispensable part of IT strategy – offering everything from increased security to centralised data and application management to greater process agility and, ultimately, an enhanced customer experience. As more and more

Forecast report

The digital association Bitkom forecasts further growth for the German ICT market.

companies transition to cloud-native architecture and capabilities, the benefits of this technology will become increasingly apparent. As a result, cloud solutions will be given a greater weighting within budgets. Although artificial intelligence projects still lag far behind cloud solutions in terms of maturity, they are also steadily growing in importance. Companies are experimenting with different application fields, technologies and combined solution approaches. DLT/blockchain is also becoming increasingly mature. Even though regulation is still at an early stage, the technology has already established itself in the mainstream as a means of payment. Moreover, security aspects are constantly being improved.

Digital transformation remains a high priority for the financial sector. According to Gartner, financial institutions will significantly increase their IT spending by 7.8% in 2022. Retail banks are expected to raise their IT spending by 7.5% and investment banks by 8.1%. The financial sector will have largely overcome the pandemic, despite the low interest rate environment. As the banking market starts to recover, IT spending will increase again in order to maintain the digital momentum and enable banks to differentiate themselves from competitors. According to Gartner, the insurance sector will invest 7.6% more in IT during the current financial year. The sector is thus stepping up the digitalisation of its business processes, despite the challenges posed by financial market volatility, low interest rates and extreme weather events. The reason: growing competition has heightened the need for efficiency gains and features that differentiate companies from their rivals. The industrial sector will increase its IT spending by 5.8% in the current financial year. Clients in this sector face particular uncertainties in a challenging market environment caused by the pandemic and supply bottlenecks. Nevertheless, digitalisation is also an important driver for achieving efficiency and sustainability goals in this sector. With regard to IoT, the increasing performance of the 5G network will also help drive this trend.

The digital association Bitkom forecasts further growth for the German ICT market. In the current financial year, spending on information technology, telecommunications and consumer electronics is expected to increase by 3.6% – despite the uncertainties of the pandemic, supply bottlenecks and inflation. For information technology, the industry association predicts revenue growth of 5.9%. Spending on IT services, which also include IT consulting, is expected to grow by 3.9%. Software spending is likely to increase by 9.0% in 2022, driven in particular by strong cloud business. This growth also reflects the trend towards new workplace concepts such as working from home or hybrid work. According to Bitkom, digitalisation is also leading to increasing demand for labour. Although many jobs are being created, positions remain unfilled.

3.2 Expected development of the GFT Group

in € million	Financial year 2021	Guidance financial year 2022	Δ
Revenue	566.19	680	20%
Adjusted EBITDA	64.79	75.5	17%
EBT	40.03	54.5	36%

The GFT Group's goal is to grow twice as fast as the market and to continuously improve earnings. Based on positive market expectations, GFT anticipates further dynamic growth in its financial year 2022. Thanks to its strong market position with an attractive range of services and proven partnerships with leading platform providers, the GFT Group is well positioned to swiftly and efficiently exploit emerging business opportunities. Due in particular to the expected high demand for cloud solutions as an integral part of the digital transformation of companies, business is expected to grow significantly in 2022. All targeted sectors will contribute to this growth, with the Industry & Other and Insurance sectors continuing to grow faster than average. A further improvement in key earnings figures is also anticipated. This will be achieved by means of economies of scale as well as active price and cost management.

GFT will continue to drive its client and sector diversification strategy. The largest client's share of total revenue is expected to fall below 12% in 2022 (2021: 16%). GFT is upholding its medium-term strategic diversification target with 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 65% Banking, 20% Insurance and 15% Industry & Other in the medium term (2021: 73%, 16% and 11%, respectively).

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. As a result, GFT expects a significant increase in revenue of 20% to around €680 million for the financial year 2022. Adjusted EBITDA will also increase significantly by 17% to around €75.5 million and EBT is expected to grow even faster by 36% to around €54.5 million (2021: €40.0 million).

The high stability of the GFT Group's business model continues to be underpinned by its extremely solid capital and balance sheet structure. Subject to acquisitions in the financial year 2022, GFT aims to maintain

Risk report

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.

its equity ratio at the high level of over 30%. 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.

As a company in the IT services sector, GFT's business model is not asset-intensive. With a stable capital expenditure ratio of around 2% of revenue, the GFT Group will continue to invest primarily in the expansion of its own IT infrastructure, licences and business premises in 2022.

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. 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 2022.

The forecast is based on the assumption that exchange rates will remain at the level of 30 September 2021 and that the Russia/Ukraine conflict 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. The Group Risk Committee (GRC), comprising the global risk officers, plays a key role in this matter.

Internal control and risk management organisation

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

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

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

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

The Group-wide risk management function (headed by Group Controlling) and the risk owners 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.

Risk report

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.

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. Moreover, the external auditors check every year whether the risk management system is suited to recognising existential risks at an early stage.

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

The identification of risks takes place at different levels of the company. This is to ensure that risk tendencies are recognised 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 2021, the proven qualitative approach to risk assessment was expanded to include a quantitative component. The focus is on the potential financial risk and is underpinned with financial figures. 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. 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.

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	moderate	significant
more unlikely	l	l	m
likely	l	m	h
more likely	m	h	h

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

In 2021, risk assessment was expanded to include a quantitative component, whereby the qualitative risk assessment, as shown in the previous table, continues to form the basis and is used for quantification.

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).

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: economic, political and regulatory risks, strategic risks, personnel risks, operating risks and 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

Risk positions of the GFT Group

Economic, political and regulatory risks	Strategic risks	Personnel risks	Operating risks	Financial risks
Economic and political environment	Sector and market risks	International HR management	Sales risks	Liquidity risks
Regulatory environment and legal requirements	Strategic business model	Recruitment, retention and development of employees	Project risks	Exchange rate and interest rate fluctuation risks
	Acquisition and integration risks		Liability risks	Accounting risks
	Innovation and technological know-how		IT risks	Tax risks

Risks in connection with the Covid-19 pandemic

As the risks associated with the Covid-19 pandemic continue to be widespread and apply to all risk positions, the risks and measures already taken in connection with the Covid-19 pandemic are first described here in general terms.

At the beginning of the pandemic in February 2020, the GFT Group had already initiated appropriate measures to reduce the risks. The main priority was the protection of employees, clients and relatives as well as the maintenance of delivery capability and service quality. Within a short period of time, all employees were enabled to work from home in order to reduce the risk of infection as far as possible.

A local Operational Emergency & Response Team (OERT) was established in all countries under the leadership of the Group COO. In addition, suitable communication channels were created to inform staff about the latest developments (such as travel restrictions and hygiene regulations) in the countries and at individual locations.

These structures created in the early days of the pandemic have proven effective and will be continuously reviewed and adapted as needed. In addition, employees have the opportunity to directly address concerns related to the pandemic.

In addition, client behaviour has changed since the beginning of the pandemic. On the one hand, more flexible and resilient working solutions have been created for the company's own employees, and on the other hand, the acceptance of online sales channels and nearshore services has increased significantly. Moreover, the crisis has highlighted the priority and need to digitalise business processes and models, which in turn has a positive impact on IT budgets and the decision-making behaviour of GFT's clients.

The GFT Group assesses the occurrence of these risks as more unlikely. The impact on the GFT Group is estimated to be moderate, so that these risks can be classified as a low risk overall.

Risk report

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. In the financial year 2021, the GFT Group generated 63% (2020: 70%) of its revenue in Europe, so that in particular the European environment is of importance.

Events such as a regional or global economic crisis, military conflicts (e.g. the Russia/Ukraine conflict), terrorist attacks, emerging epidemics and pandemics (such as Covid-19), 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.

The GFT Group estimates the probability of these macroeconomic risks as likely. The effects on the GFT Group may be significant in individual cases, but are regarded as moderate on the whole, so that in total these risks are classified as medium.

Regulatory environment and legal requirements

Legal environment

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.

The GFT Group estimates the probability of legal risks as predominantly unlikely, their impact on the GFT Group is regarded as moderate, and in total these risks are therefore classified as low.

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 which are 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.

The GFT Group assesses the occurrence of risks in the field of information security and data privacy as likely, the impact on the GFT Group is regarded as low to moderate, so that these risks are to be classified as medium overall.

Cyber attacks
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.

The GFT Group assesses the occurrence of risks from cyber attacks as more likely probable, the impact on the GFT Group can be significant, and therefore these risks are classified as high.

4.3 Strategic risks

Sector and market risks
The GFT Group has a strong focus on the financial services sector. In the financial year 2021, 89% of revenue (2020: 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).

The GFT Group continues to regard the probability of the risk of focusing on the financial services sector as likely, its impact on the GFT Group is regarded as moderate. The resulting risks in total are therefore classified as medium.

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.

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

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 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 coordinating role in local PMIs.

The GFT Group estimates the probability of risks in connection with company acquisitions as likely. As a consequence, company acquisitions are examined very thoroughly and the subsequent integration process is well prepared. Their impact may be significant in certain cases. Due to the established standard processes, the impact on the GFT Group is viewed as moderate and these risks are therefore classified as medium.

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.

The GFT Group estimates the probability of risks in connection with innovations and technological know-how as more unlikely. The impact on the GFT Group is regarded as moderate, so that these risks can be classified as low in total.

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.

In response to the pandemic, GFT swiftly implemented global measures to reduce the risk of infection with Covid-19 and to protect employees, clients and family members. As early as February 2020, the GFT Group decided to allow all employees to work from home. Within a few weeks, the measures were implemented globally. They not only helped protect employees and their families, but also ensured delivery capability and service quality.

The GFT Group estimates the probability of risks from international HR management as likely; the impact on the Group is more moderate so that in total these risks are classified as medium.

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 (due to the Covid-19 pandemic, the topic of work-from-home was evaluated and further developed with a view to the future), the further development of our career model, the performance assessment of employees, and the promotion of employees via internally initiated talent development programmes.

The GFT Group estimates the probability of risks in connection with the recruitment, training and development of employees as likely, while their impact on the GFT Group is regarded as insignificant to moderate, so that in total these risks are classified as medium.

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.

The GFT Group estimates the probability of sales risks as likely. Their impact on the GFT Group can be significant in individual cases, particularly in the case of risks relating to compliance with delivery reliability and quality, so that these risks are classified as high in total.

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.

GFT estimates the probability of such project risks as more unlikely. Their impact on the GFT Group may be significant in certain cases, and in total this risk is therefore classified as medium and extensive methods and processes to manage project risks are employed.

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.

The GFT Group estimates the probability of operating risks as more unlikely. Their impact on the GFT Group is regarded as moderate, so that in total these risks are classified as low.

IT risks

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-premise data.

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

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.

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

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

Exchange rate and interest rate fluctuation risks

As an internationally operating 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 2021, transactions in foreign currencies which were then translated into the Group's reporting currency, the euro, accounted for around 51% of consolidated revenue (2020: 41%). 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.

Risk report

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 2021. For a more detailed presentation of financial instruments, see section 9.1 of the notes to the consolidated financial statements.

For further information
please see the notes to the consolidated financial statements on page 113

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

Accounting risks

The GFT Group's accounts are prepared according to 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.

The GFT Group estimates the probability of accounting risks as more unlikely, their impact on the GFT Group is regarded as moderate. All in all, these risks are therefore classified as low.

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.

Should such risks nevertheless occur, a moderate impact on the GFT Group's business activities, financial position and performance cannot be excluded. The GFT Group estimates that the occurrence of tax risks is probable, so that the risks must be classified as medium.

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.

With regard to the Russia/Ukraine conflict and the current assessment of the situation, no significant effects are expected for the business development of the GFT Group. An initial risk assessment shows that neither procurement nor sales markets of the GFT Group are directly affected by the conflict.

5 Opportunity report

Opportunity management
Opportunities are defined as possible positive deviations from guidance for the financial year 2022 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. After analysing the scenarios, opportunities that make economic sense are subjected to a risk analysis and investment evaluation at regular planning and strategy coordination meetings. Where necessary, the research and development department, the range of services offered, and business planning are realigned accordingly.

Developments, trends or events which could have a positive impact on the financial position and performance in the financial year 2022 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 (e.g. in connection with Brexit), or a faster than expected end to the Covid-19 pandemic and the resulting reduction of restrictions on economic activity and supply chains, can 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
The Covid-19 pandemic has further raised awareness of the need and urgency to digitise business processes in all sectors and 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.

Opportunity report

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.

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.

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

In accordance with section 315 (5) 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. 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	2021	2020
Revenue	73.53	72.68
Changes in inventories of work in process	4.73	–0.77
Other operating income	9.34	6.59
Total performance	**87.60**	**78.50**
Cost of purchased services	25.54	24.81
Personnel expenses	38.55	35.78
Amortisation and depreciation	1.22	2.09
Other operating expenses	33.28	22.78
Result from operating activities	**–10.99**	**–6.96**
Financial result	**19.12**	**15.70**
Earnings before taxes (EBT)	**8.13**	**8.74**
Taxes	0.50	0.04
Net income for the year	**7.63**	**8.70**
Profit brought forward from previous year	19.47	16.04
Distributable profit	**27.10**	**24.74**

Earnings of GFT Technologies SE in the financial year 2021 were dominated by the loss from merging with GFT Smart Technology Solutions GmbH, which could not be fully offset by the increase in total performance and the improved financial result.

In the financial year 2021, GFT Technologies SE generated **revenue** of €73.53 million (2020: €72.68 million), and thus fell short of the anticipated strong increase. 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 slightly down on the previous year at €45.84 million for the financial year 2021 (2020: €46.30 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 €27.70 million (2020: €26.38 million).

Considering the change in work in process and other operating income, **total performance** amounted to €87.60 million and was thus 12% up on the prior-year figure (2020: €78.50 million). The increase in total performance was mainly due to **changes in inventories of work in process** of €4.73 million (2020: €–0.77 million). The rise in work in process during the financial year 2021 is primarily attributable to closing-date effects from projects not yet completed or not yet accepted by the client.

At €25.54 million, the **cost of purchased services** was largely on a par with the previous year (2020: €24.81 million). The ratio of cost of purchased services to revenue increased slightly to 35% (2020: 34%).

Personnel expenses of €38.55 million were 8% up on the previous year (2020: €35.78 million). This trend is mainly due to performance-based remuneration and much lower severance payments and leave compensation compared to the previous year. The **productive utilisation rate** of operating business (without holding activities) of GFT Technologies SE improved by seven percentage points from 71% to 78%. 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 €33.28 million (2020: €22.78 million) and were significantly burdened by the loss of €6.14 million from merging with GFT Smart Technology Solutions GmbH. In addition, other operating expenses mainly comprised expenses for rent and maintenance, legal and consulting fees, as well as IT and telecommunication costs.

The **financial result** increased by €3.42 million to €19.12 million (2020: €15.70 million). The improvement resulted in particular from investment income of €18.10 million (2020: €14.53 million). Investment income in the reporting period results from dividend payments of the Spanish, British and French subsidiaries based on their positive business performance.

Earnings before taxes (EBT) of GFT Technologies SE amounted to €8.13 million for the financial year 2021 (2020: €8.74 million) and were thus below the expectations stated in the Forecast Report of the previous year.

After deducting **taxes** of €0.50 million (2020: €0.04 million), **net income for the year** in 2021 amounted to €7.63 million and was thus €1.07 million less than in the previous year (2020: €8.70 million).

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

GFT Technologies SE plays the central role in the Group's financial activities. The financial management of GFT Technologies SE 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 2021, **cash on hand and bank balances** of GFT Technologies SE were down €7.16 million to €4.12 million (31 December 2020: €11.28 million). This decrease in liquidity is mainly due to the redemption of liabilities to banks as at the balance sheet date, as well as working capital effects.

The **net liquidity** of GFT Technologies SE – a product of **cash on hand and bank balances** disclosed in the balance sheet less liabilities to banks – improved strongly from €−84.76 million in the previous year to €−58.90 million as of 31 December 2021.

6.4 Asset position

Condensed balance sheet

in € million	31/12/2021	31/12/2020
Assets		
Intangible assets	1.18	1.70
Property, plant and equipment	4.47	4.42
Financial assets	125.46	146.83
Non-current assets	**131.11**	**152.95**
Inventories	7.75	3.01
Receivables and other assets	27.75	23.06
Cash on hand and bank balances	4.12	11.28
Current assets	**39.62**	**37.35**
Prepaid expenses	3.33	2.81
Total assets	**174.06**	**193.11**
Equity and liabilities		
Shareholders' equity	78.32	75.96
Provisions	13.63	8.97
Liabilities to banks	63.02	96.04
Other liabilities	17.99	11.68
Deferred income	1.10	0.46
Total equity and liabilities	**174.06**	**193.11**

In the financial year 2021, the **balance sheet total** of GFT Technologies SE fell year on year by 10% or €19.05 million to €174.06 million (31 December 2020: €193.11 million). The main changes compared to the previous year are presented below.

Non-current assets decreased during the year by €21.84 million to €131.11 million (31 December 2020: €152.95 million). This was mainly due to a decrease of €21.37 million in **financial assets,** whose development was shaped by the decrease in loans to affiliated companies due to the repayment of intercompany loans. In addition, the merger with GFT Smart Technology Solutions GmbH with effect from 1 January 2021 led to a disposal of shares held in affiliated companies of €7.56 million.

Inventories, and in particular work in process, rose year on year by €4.74 million to €7.75 million (31 December 2020: €3.01 million) mainly as a result of increased business with the largest client.

Current assets as of 31 December 2021 increased by €2.27 million to €39.62 million (31 December 2020: €37.35 million). This rise is primarily attributable to the increase in inventories of work in process. In addition, **receivables and other assets** rose by €4.69 million due to closing-date effects to €27.75 million (31 December 2020: €23.06 million). At the same time, **cash on hand and bank balances** increased by €7.16 million to €4.12 million (see chapter 6.3 Financial position).

Shareholders' equity of GFT Technologies SE increased in the reporting period by 3% or €2.36 million to €78.32 million (31 December 2020: €75.96 million). Net income of €7.63 million (2020: €8.70 million) was opposed by the dividend payment to shareholders of €5.27 million (2020: €5.27 million). The equity ratio at the end of the reporting period improved by six percentage points to 45% (31 December 2020: 39%), mainly as a result of the reduction in debt.

There was a strong increase in **provisions** of €4.66 million to €13.63 million as at the balance sheet date (31 December 2020: €8.97 million). This was mainly due to a rise in **other provisions** of €5.19 million to €12.77 million (31 December 2020: €7.58 million) as a result of higher performance-based payments.

In the financial year 2021, **liabilities to banks** were reduced by €33.02 million due to redemption payments and amounted to €63.02 million as of 31 December 2021 (31 December 2020: €96.04 million).

Other liabilities increased to €17.99 million in the financial year 2021 (31 December 2020: €11.68 million). This rise of €6.31 million is primarily due to the project-related increase in advance payments on orders of €5.91 million to €9.02 million as of the balance sheet date (31 December 2020: €3.11 million). This development is related to the increase in work in process.

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 companies'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 2022, GFT Technologies SE expects continued growth with a moderate increase in revenue, mainly due to the strong demand for digitalisation solutions and further client diversification. Furthermore, EBT in 2022 is expected to be well above the level of the financial year 2021. This EBT forecast is based in particular on the absence of the merger loss and an increase in the financial result, due to higher dividends of major subsidiaries.

7 Takeover-relevant information

Disclosures pursuant to section 289a and section315a 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. We are 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 2021, 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 2017 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 2017 (sections 192 et seq. AktG) is regulated in section 4 (7) of the articles of association of GFT Technologies SE: A conditional increase in the company's share capital (Conditional Capital 2017) of up to €10,000,000.00 is authorised through the issue of a maximum of 10,000,000 new bearer shares. A conditional increase in share capital is only implemented if the bearers of conversion or warrant rights from convertible or warrant bonds (or a combination of these instrument), which were issued by GFT Technologies SE or a domestic or foreign company in which GFT Technologies SE directly or indirectly holds a majority of voting rights and capital, on the basis of the authorisation adopted by the Annual General Meeting of 31 May 2017 agenda item 6, exercise their conversion or warrant rights or fulfil their conversion or warrant obligations from such convertible or warrant bonds, and insofar as the conversion or warrant rights or conversion or warrant obligations are not settled via treasury shares, nor shares from authorised capital, nor by other consideration.

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

Purchase of treasury shares

With a resolution adopted by the Annual General Meeting of 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.

Material agreements of the parent company conditional to a change of control following a takeover bid
GFT Technologies SE has signed several promissory note agreements totalling €22 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, two-thirds-revolving credit line for a total amount of up to €60 million, of which €38 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.

Severance pay 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.

8 Corporate Governance Statement (unaudited)

In accordance with sections 289 f, 315 d HGB and as provided for in Principle 22 of the German Corporate Governance Code, the Administrative Board and the Managing Directors submit the following report on corporate governance in the financial year 2021.

Declaration of Compliance of GFT Technologies SE
At its meeting on 7 December 2021, 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 (German Stock Corporation Act)”
(as at: 7 December 2021)

GFT Technologies SE issued its last annual Declaration of Compliance on 14 December 2020. This was updated during the year on 30 March 2021 with regard to the setting up of an Audit Committee in accordance with Recommendations D.3 and C.10 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, (hereinafter referred to as the “Code”). The Audit Committee *follows the Recommendations D.9, D.10 and D.11 of the Code.*

Since 14 December 2020, GFT Technologies SE has complied with the recommendations of the Code, with the exception of the deviations explained below in section III, and will continue to comply with them in future.

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.

I. Preliminary remark

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) (hereinafter referred to as the "SE-VO") 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.

II. Transfer of the principles, recommendations and suggestions of the Code to the one-tier structure of GFT Technologies SE

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 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, compliance, establishing an internal control and risk management system and setting targets for the proportion of women in the two management levels below the Administrative Board.*

2. *The Recommendations A.1 (consideration of diversity when making appointments to executive positions) and A.2 (institution of a compliance 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.5, 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.*

   Managing directors may be dismissed at any time even without good cause, section 40 (5) SEAG. 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 A.2 "The Management Board shall institute an appropriate compliance

management system reflecting the enterprise's risk situation, and disclose the main features of this system. Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the enterprise; third parties should also be given this opportunity."

The company has complied with this recommendation since the beginning of 2021. Also the employees of the GFT Group in Germany now have access to an Internet-based solution to send anonymous information to the responsible office of the GFT Group. This was not the case up to the end of 2020.

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 since the Audit Committee was set up in March 2021.

The further recommendation that 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 Deputy Chair of the Administrative Board and also Chair of the Managing Directors. 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.

Recommendations D.2 to D.4 "Supervisory Board committees" and Recommendation D.11

In view of its manageable size, the Administrative Board waived the establishment of committees in the past. In March 2021, the Administrative Board set up an Audit Committee. The company therefore now complies with the corresponding recommendations.

Recommendation D.5 "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 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

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

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 2021
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/agm.

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

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.

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 section D.

Corporate Governance Statement

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

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

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

The following corporate governance practices are applied:

Risk management of the GFT Group

The GFT Group has a Group-wide risk management system. This is oriented in particular to the respective size of the GFT Group, its geographic alignment and the complexity of its core business. The risk management system comprises numerous control processes and mechanisms.

A central element of the risk management system is the Group Risk Committee (GRC), which is composed of Group executives. Each member is responsible for a defined area, such as technology and development, finance or personnel. At the regular meetings of the GRC, each participant reports on the relevant risks of the respective area. In this way, the members of the GRC conduct an assessment and determine whether a risk should be accepted or which active countermeasures should be taken to minimise the risk.

The Group-wide risk management system also comprises organisational and monitoring structures aimed at ensuring the legal compliance and effectiveness of the accounting and financial reporting systems. It is continuously updated and forms an integral part of the accounting and financial reporting processes. The system includes principles and procedures, as well as preventive and detective monitoring measures.

The effectiveness of the risk management system and the internal control and risk management system with regard to the accounting process is systematically reviewed. The Audit Committee of the Administrative Board regularly discusses the systems, especially in connection with financial reporting.

Details on the risk management system are presented in the Risk Report, which is also part of the combined management report.

Compliance and Code of Conduct

It is an overriding principle of the Administrative Board that all employees of the GFT Group comply with legally and ethically correct procedures in their daily business. The most important principles of the GFT Group on this matter are summarised in the “Code of Ethics & Code of Conduct”. This can be viewed online at www.gft.com/compliance.

The GFT Group has also introduced a compliance management system based on its risk situation. It comprises the following levels of action: prevention, detection, reaction and improvement.

The Audit Committee also continuously analyses the business structure, group size, areas of activity and regional orientation. Based on this analysis, the compliance and reputational risks arising from the company’s business operations are assessed and any necessary adjustments made to the compliance management system.

The Compliance Office is responsible for the Group-wide implementation of the compliance management system. It prepares guidelines and instructions, conducts training and provides advice in individual cases. In addition to regularly monitoring existing business relationships, it also reviews new business partners on a risk-oriented basis. In certain risk-relevant situations, such as invitations of business partners, prior approval must be obtained from the Compliance Office under specified conditions to prevent corruption and bribery.

Employees are encouraged to report infringements of laws or corporate guidelines. Various communication channels to the Compliance Office (letter, e-mail, phone, online) are also available for this purpose. If there is any suspicion of misconduct, the Compliance Office leads the investigation efforts.

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/governance. 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.

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 seven times per financial year (meetings and

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conference calls). In addition, meetings or conference calls 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 are adopted by conference call or by written circulation. Minutes are taken of the meetings, of decisions in the meetings and of any resolutions adopted outside meetings.

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.

For further information
please see the Administrative Board report on page 10

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 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 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 remuneration report for the past financial year is submitted to the Annual General Meeting for approval.

The Administrative Board, and the committees it formed, conduct a self-evaluation every two years. The last review was conducted in the financial year 2020. Among other things, they assess how effectively they fulfil their tasks. This self-evaluation is made on the basis of an extensive company-specific questionnaire.

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 (Chair), Maria Dietz and Prof Dr Andreas Wiedemann.

The members in their entirety have the necessary knowledge, skills and professional experience to properly perform the tasks of the Committee. The Chair has special knowledge and experience in the application of accounting principles and internal control procedures. He is familiar with auditing and is independent from the company and the Managing Directors. The Chair is not simultaneously the Chairman of the Administrative Board.

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

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 the non-financial statements for the Group;
- 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;
- 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;
- 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. 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. The Audit Committee also meets regularly without the Managing Directors.

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. It consists 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 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 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 Chief Executive Officer is in regular contact with the Chairman of the Administrative Board.

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 or in conference calls. These are generally held monthly. In urgent cases, resolutions are also adopted by written circulation, or by telephone or e-mail. The Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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%.

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

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

The Administrative Board of GFT Technologies SE should also be composed in such a way that 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. Conflicts of interest are to be avoided. The ownership structure, as well as an appropriate degree of diversity on the Administrative Board, are 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 28.6% (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.

The aim of the diversity concept is that the members of the Administrative Board as a whole have the skills and experience that are essential for the management and supervision of the GFT Group.

The Administrative Board believes that its current composition is in line with the diversity concept and that the composition fulfils all its objectives. More than half of its members not appointed as Managing Directors are independent (see section 'Independence of the Administrative Board members') and the ownership structure is adequately reflected. 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 in-depth experience and expertise in the management of a capital market- oriented, internationally active group, in the area of corporate strategy and other key areas, including in particular controlling and risk management, law and compliance. The members as a whole are also familiar with the information technology sector and all have expertise in the field of accounting and auditing.

Administrative Board elections were held in the financial year 2021. When selecting candidates for the election by the Annual General Meeting, the Administrative Board took full account of the targets for its composition, the diversity concept and the skills profile.

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 are independent: 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 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 Supervisory Board classified as independent fulfils even one of the above mentioned indicators.

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 2021.

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 continue to take into account the target share for women of 30%.

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 to the Administrative Board. This enables the Administrative Board to form its own opinion of these executives and their suitability as Managing Directors. Furthermore, the Administrative Board makes its own considerations regarding suitable internal candidates and, if necessary, also evaluates external candidates.

Stuttgart, 23 March 2022

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 (IFRS)

Our key figures

Consolidated balance sheet

Consolidated balance sheet

as at 31 December 2021, GFT Technologies SE

Assets

in €	Note	31/12/2021	31/12/2020
Non-current assets			
Goodwill	4.1	124,422,830.73	120,013,331.55
Other intangible assets	4.2	10,645,292.80	15,734,379.74
Property, plant and equipment	4.3	56,339,245.17	67,542,952.10
Financial investments	4.4	706,217.60	10,000.00
Other financial assets	4.5	1,805,716.61	1,441,660.63
Deferred tax assets	4.6	12,526,370.47	9,904,178.28
Income tax assets	4.6	342,210.60	383,839.71
Other assets	4.5	4,732,078.43	4,270,727.75
		211,519,962.41	**219,301,069.76**
Current assets			
Inventories	4.7	17,108.73	29,782.59
Trade receivables	4.8	131,502,768.19	93,104,367.87
Contract assets	4.9	16,122,040.09	9,829,301.77
Cash and cash equivalents	8	70,770,150.46	70,872,920.04
Other financial assets	4.5	3,284,856.74	2,405,191.03
Income tax assets	4.6	6,852,662.11	7,266,062.00
Other assets	4.5	11,701,642.93	12,060,771.88
		240,251,229.25	**195,568,397.18**
		451,771,191.66	**414,869,466.94**

Equity and liabilities

in €	Note	31/12/2021	31/12/2020
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	98,024,103.12	72,486,275.79
Other reserves	4.10	−5,833,109.53	−12,823,318.77
		160,664,721.74	**128,136,685.17**
Non-current liabilities			
Financing liabilities	4.13	47,500,036.71	67,822,936.64
Other financial liabilities	4.14	26,181,320.11	38,443,861.35
Provisions for pensions	4.11	7,706,961.38	9,227,304.35
Other provisions	4.12	7,511,993.05	2,467,048.25
Deferred tax liabilities	4.6	3,242,324.71	4,122,662.74
Other liabilities	4.14	3,969,073.51	1,909,429.46
		96,111,709.47	**123,993,242.79**
Current liabilities			
Trade payables	4.13	11,776,342.02	9,875,722.70
Financing liabilities	4.13	21,340,812.15	34,396,394.01
Other financial liabilities	4.13	18,620,663.31	13,523,893.84
Other provisions	4.12	57,628,451.39	40,618,259.97
Income tax liabilities	4.6	4,475,947.52	3,071,078.70
Contract liabilities	4.9	46,119,807.79	37,236,228.76
Other liabilities	4.14	35,032,736.27	24,017,961.00
		194,994,760.45	**162,739,538.98**
		451,771,191.66	**414,869,466.94**

Consolidated income statement

for the financial year 2021, GFT Technologies SE

in €	Note	2021	2020
Revenue	5.1	566,193,853.26	444,849,910.97
Other operating income	5.2	12,057,729.06	12,540,907.88
Cost of purchased services	5.3	82,709,825.41	49,473,254.17
Personnel expenses	5.4	380,390,036.54	320,392,174.69
Other operating expenses	5.5	54,357,341.35	47,828,850.45
Result from operating activities before depreciation and amortisation		**60,794,379.02**	**39,696,539.54**
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7	19,874,427.02	23,364,442.65
Result from operating activities		**40,919,952.00**	**16,332,096.89**
Result of investments accounted for using the equity method		−39,999.00	0.00
Interest income		592,422.01	275,230.59
Interest expenses		1,444,941.40	2,502,197.41
Financial result	5.8	**−892,518.39**	**−2,226,966.82**
Earnings before taxes		**40,027,433.61**	**14,105,130.07**
Income taxes	5.9	10,141,900.44	4,162,256.59
Net income for the year		**29,885,533.17**	**9,942,873.48**
Earnings per share – basic	5.10	1.14	0.38

Consolidated statement of comprehensive income

for the financial year 2021, GFT Technologies SE

in €	Note	2021	2020
Net income for the year		**29,885,533.17**	**9,942,873.48**
Items that will not be reclassified to the income statement			
Actuarial gains/losses from pensions (before taxes)	4.11	1,098,277.02	266,715.48
Income taxes on actuarial gains/losses from pensions		−180,793.66	−48,563.79
Actuarial gains/losses from pensions (after taxes)		917,483.36	218,151.69
Items that may be reclassified to the income statement			
Currency translation	6	6,990,209.24	−9,900,923.22
Other comprehensive income		**7,907,692.60**	**−9,682,771.53**
Total comprehensive income		**37,793,225.77**	**260,101.95**

Consolidated statement of changes in equity

for the financial year 2021, GFT Technologies SE

in €	Note	Share capital	Capital reserve	Retained earnings[1]	Other reserves	Total equity
					Currency translation	
Balance at 1 January 2020		**26,325,946.00**	**42,147,782.15**	**67,590,439.82**	**−2,922,395.55**	**133,141,772.42**
Net income for the year		–	–	9,942,873.48	–	9,942,873.48
Other comprehensive income		–	–	218,151.69	−9,900,923.22	−9,682,771.53
Total comprehensive income		**–**	**–**	**10,161,025.17**	**−9,900,923.22**	**260,101.95**
Dividends to shareholders		–	–	−5,265,189.20	–	−5,265,189.20
Balance at 31 December 2020		**26,325,946.00**	**42,147,782.15**	**72,486,275.79**	**−12,823,318.77**	**128,136,685.17**
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	4.10	–	–	−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**

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

Consolidated cash flow statement

for the financial year 2021, GFT Technologies SE

in €	Note	2021	2020
Net income for the year		29,885,533.17	9,942,873.48
Income taxes	5.9	10,141,900.44	4,162,256.59
Interest result	5.8	892,518.39	2,226,966.82
Income taxes paid		−9,429,966.19	−8,025,415.55
Income taxes received		2,086,003.01	2,356,253.28
Interest paid		−1,091,672.54	−1,708,613.84
Interest received		542,468.81	255,715.42
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7, 9.2	19,874,427.02	23,364,442.65
Net proceeds on disposal of intangible assets and property, plant and equipment		328,894.99	302,670.08
Net proceeds on disposal of financial assets		−97,820.82	−433,059.99
Other non-cash expenses and income		422,940.61	267,212.98
Change in trade receivables		−38,398,400.32	20,916,119.71
Change in contract assets		−6,292,738.32	5,902,638.60
Change in other assets		−5,742,768.74	−4,609,613.91
Change in provisions		20,546,907.58	5,151,364.03
Change in trade payables		1,900,619.32	376,200.95
Change in contract liabilities		8,883,579.03	−1,603,925.07
Change in other liabilities		18,542,166.79	1,408,272.62
Cash flow from operating activities		**52,994,592.23**	**60,252,358.85**

in €	Note	2021	2020
Proceeds from disposal of property, plant and equipment		68,408.63	25,096.71
Proceeds from disposal of financial assets		97,820.82	433,059.99
Capital expenditure for intangible assets	4.2	−89,905.48	−490,505.76
Capital expenditure for property, plant and equipment	4.3	−6,912,505.59	−4,038,025.41
Capital expenditure for financial investments	4.4	−736,217.60	−10,000.00
Cash outflows for acquisitions of consolidated companies net of cash and cash equivalents acquired	3.2, 7	0.00	−6,901,736.91
Cash flow from investing activities		**−7,572,399.22**	**−10,982,111.38**
Proceeds from borrowing	7	24,000,000.00	2,000,000.00
Cash outflows from loan repayments	7	−57,314,795.56	−14,806,894.60
Cash outflows from repayment of lease liabilities	9.2	−9,277,107.98	−10,979,928.78
Dividends to shareholders	4.10	−5,265,189.20	−5,265,189.20
Cash flow from financing activities		**−47,857,092.74**	**−29,052,012.58**
Effect of foreign exchange rate changes on cash and cash equivalents		2,332,130.15	−5,489,247.12
Net increase in cash and cash equivalents		**−102,769.58**	**14,728,987.77**
Cash and cash equivalents at beginning of period		70,872,920.04	56,143,932.27
Cash and cash equivalents at end of period	**7**	**70,770,150.46**	**70,872,920.04**

1 General information

The consolidated financial statements of GFT Technologies SE and its subsidiaries for the financial year ending 31 December 2021 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 public limited company (Societas Europea, 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 2021 were approved and released for publication by the Administrative Board on 23 March 2022.

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.

2.2 Changes in accounting methods

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*. The amendments address financial reporting issues for leases, hedging relationships and other financial instruments as a result of the replacement of existing interest rate benchmarks with alternative risk-free interest rate benchmarks. Application of the amendments is mandatory as of 1 January 2021.

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 2021.

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).

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	
		31/12/2021	31/12/2020	2021	2020
BRL	Brazil	6.3101	6.3735	6.3694	5.8015
CAD	Canada	1.4393	1.5633	1.4826	1.5280
CHF	Switzerland	1.0331	1.0802	1.0812	1.0703
GBP	UK	0.8403	0.8990	0.8598	0.8885
HKD	Hong Kong	8.8333	9.5142	9.1923	8.8372
MXN	Mexico	23.1438	24.4160	23.9803	24.3430
PLN	Poland	4.5969	4.5597	4.5649	4.4406
SGD	Singapore	1.5279	1.6218	1.5892	1.5721
USD	USA	1.1326	1.2271	1.1826	1.1394

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, contract assets, 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, contract assets or cash and cash equivalents.

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.

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. 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 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, payroll liabilities due to employees 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 payroll liabilities due to employees.

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.

Notes to the consolidated financial statements

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 plus the remuneration paid out in the reporting period 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 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 2021 and 2020 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. As the global impact of the Covid-19 pandemic is still not fully foreseeable, 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 5).

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 2021.

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 2021.

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

	IFRS pronouncement	Mandatory for financial years beginning on or after
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvements 2018-2020 • IFRS 1 – Subsidiary as a First-time Adopter • IFRS 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities • IFRS 16 – Lease Incentives • IAS 41 – Taxation in Fair Value Measurements	1 January 2022
IFRS 17 and amendments to IFRS 17	Insurance Contracts	1 January 2023

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 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	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
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
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.

3 Composition of the Group

3.1 Consolidated group

The following table shows the composition of the GFT Group as of 31 December 2021:

Composition of the Group

	31/12/2021	31/12/2020
Consolidated subsidiaries	**27**	**30**
domestic	5	6
foreign	22	24
Associated companies accounted for using the equity method	**0**	**1**
domestic	0	1
	27	**31**

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 89). 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 2021 include the following subsidiaries (fully consolidated):

- GFT Real Estate GmbH, Stuttgart, Germany
- SW34 Gastro GmbH, Stuttgart, Germany
- GFT Treasury Services GmbH, Stuttgart, Germany (formerly: GFT Experts GmbH, Stuttgart, Germany)
- GFT Invest GmbH, Stuttgart, Germany
- GFT Integrated Systems GmbH, Constance, Germany (formerly: in-Integrierte Informationssysteme 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
- 9380-6081 Québec Inc., Montreal, Canada
- GFT France S.A.S., Paris, France
- GFT Technologies Hong Kong Ltd., Hong Kong, China
- GFT Technologies Singapore Pte. Ltd., Singapore, Singapore
- 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 Canada Inc., Québec, Canada
- GFT Technologies Toronto Inc., Québec, Canada
- GFT Technologies Belgique S.A., Brussels, Belgium
- GFT Technologies Vietnam Limited, Ho Chi Minh City, Vietnam

Associated companies

GFT Technologies SE held a 20% stake in CODE_n GmbH, Stuttgart, Germany. With a share purchase and transfer agreement of 17 March 2021, the shares were sold in full. The result from financial investments accounted for using the equity method amounted to €–40 thousand in the reporting period (2020: €0 thousand).

Changes to the consolidated group

The following companies departed from the consolidated group in the financial year 2021:

- Merger of GFT Smart Technology Solutions GmbH, Karlsruhe, Germany, with GFT Technologies SE, Stuttgart, Germany, as of 31 August 2021.
- Liquidation of GFT Technologies (Ireland) Ltd., Dublin, Ireland, as of 17 May 2021.
- Liquidation of GFT Appverse S.L.U., Sant Cugat del Vallès, Spain, as of 3 November 2021.

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

Equity holdings according to section 313 (2) HGB

in € thousand	Share of the capital (in %)	Company equity 31/12/2021	Net income 2021
I. Direct investments			
Domestic			
GFT Real Estate GmbH, Stuttgart, Germany[1]	100	567	–63
SW34 Gastro GmbH, Stuttgart, Germany[1]	100	533	0
GFT Treasury Services GmbH, Stuttgart, Germany[1] (formerly: GFT Experts GmbH, Stuttgart, Germany)	100	30	0
GFT Invest GmbH, Stuttgart, Germany[1]	100	25	0
GFT Integrated Systems GmbH, Konstanz, Germany[1] (formerly: in-Integrierte Informations-systeme GmbH, Konstanz, Germany)	100	2,081	795
incowia GmbH, Illmenau, Germany	10	1,825	432
1886 Ventures GmbH, Stuttgart, Germany	7	3,833	665
Foreign			
GFT Schweiz AG, Zurich, Switzerland	100	–285	478
GFT UK Limited, London, UK	100	35,074	8,250
GFT Technologies S.A.U., Madrid, Spain	100	37,757	10,693
GFT Italia S.r.l., Milan, Italy	100	29,200	5,919
9380-6081 Québec Inc., Montreal, Canada	100	286	–3,710
GFT France S.A.S., Paris, France	100	1,460	1,074
GFT Technologies Hong Kong Ltd., Hong Kong, China	100	714	314
GFT Technologies Singapore Pte. Ltd., Singapore, Singapore	100	–999	–712
One Creation Corporation, New York, USA	5	17,968	43

in € thousand	Share of the capital (in %)	Company equity 31/12/2021	Net income 2021
II. Indirect investments			
Foreign			
GFT IT Consulting, S.L.U., Sant Cugat del Vallès, Spain	100	17,183	5,683
GFT Brasil Consultoria Informática Ltda., Barueri, Brazil	100	9,434	8,511
GFT USA Inc., New York, USA	100	12,097	4,271
Med-Use S.r.l., Milan, Italy	100	599	35
GFT Financial Limited, London, UK	100	15,027	6,098
GFT Canada Inc., Toronto, Canada	100	689	20
GFT Poland Sp. z o.o., Lodz, Poland	100	9,043	3,368
GFT Costa Rica S.A., Heredia, Costa Rica	100	728	162
GFT México S.A. de C.V., Mexico City, Mexico	100	5,214	171
GFT Peru S.A.C., Lima, Peru	100	20	0
GFT Technologies Canada Inc., Quebec, Canada	100	15,986	2,438
GFT Technologies Toronto Inc., Quebec, Canada	100	2,333	1,131
GFT Technologies Belgique S.A., Brussels, Belgium	100	230	23
GFT Technologies Vietnam Limited, Ho Chi Minh City, Vietnam	100	–438	–457

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.

3.2 Business combinations

Company acquisition in the previous year
With economic effect as of 1 January 2020, the GFT Group acquired 100% of shares in the company in-integrierte Informationssysteme GmbH (now: GFT Integrated Systems GmbH) via GFT Technologies SE. Based in Constance, Germany, GFT Integrated Systems GmbH has expertise in the field of shop floor transparency and process integration for industrial clients. By acquiring the company, the GFT Group is accelerating its current industrial offensive, expanding its expertise and adding innovative IoT and Industry 4.0 solutions to its portfolio of products and services.

An amount of €7,161 thousand was paid in cash as final consideration for the acquisition of the shares in GFT Integrated Systems GmbH. The purchase price allocation was already completed as of 31 December 2020. In the course of preliminary purchase price allocation, intangible assets for software and client relationships were mainly recognised. The final goodwill amount of €5,545 thousand is non-tax-deductible and comprises non-separable intangible assets, such as employee expertise, and expected synergies.

The table below shows the final fair values of assets and liabilities as of the acquisition date:

Fair values on the acquisition date

in € thousand	
Other intangible assets	2,242
Property, plant and equipment	64
Inventories	61
Trade receivables	982
Cash and cash equivalents	33
Other financial assets	144
Other assets	239
Total assets	**3,765**
Deferred tax liabilities	650
Trade payables	7
Other financial liabilities	544
Other provisions	343
Other liabilities	605
Total liabilities	**2,149**
Net assets	**1,616**

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:

Carrying amount of goodwill

in € thousand	31/12/2021	31/12/2020
CGU		
Americas, UK & APAC	43,759	41,935
Continental Europe	80,664	78,078
	124,423	**120,013**

The increase in goodwill as of 31 December 2021 is due exclusively to currency effects and resulted mainly from the development of the British pound.

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 8.51% and 7.30% respectively (31 December 2020: 7.82% and 6.75%). The pre-tax interest rates for the CGUs *Americas, UK & APAC* and *Continental Europe* are 11.38% and 9.77% respectively (31 December 2020: 10.42% and 9.07%). 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 6.00% and 5.90% respectively between 2023 and 2026, based on planning for the financial year 2022, 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 2021 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 2021.

4.2 Other intangible assets

The development of other intangible assets of the GFT Group is presented on page 92/93.

As of 31 December 2021, other intangible assets totalled €10,645 thousand (31 December 2020: €15,734 thousand) of which an amount of €8,833 thousand (31 December 2020: €13,123 thousand) was mainly attributable to customer relationships, as in the previous years. The carrying amount of customer relationships has a remaining useful life of between 1.5 and 3 years.

Research and development costs of €9,012 thousand (2020: €6,014 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 2021. In the previous year, impairment charges of €535 thousand were recognised for software licences.

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) 2021

	Acquisition or manufacturing costs						Depreciation, amortisation and impairment					Carrying amount	
in € thousand	As at 01/01/2021	Currency translation	Additions	Disposals	Reclassifications	As at 31/12/2021	As at 01/01/2021	Currency translation	Additions	Disposals	As at 31/12/2021	As at 31/12/2021	As at 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	36,616	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**	**57,103**	**30,116**	**−51**	**4,983**	**−2,412**	**32,636**	**24,468**	**22,981**
Total	**240,605**	**6,651**	**7,002**	**−2,925**	**0**	**251,333**	**81,877**	**1,380**	**10,983**	**−2,443**	**91,798**	**159,536**	**158,728**

1 Adjusted

Development of intangible assets and property, plant and equipment (excluding right-of-use assets) 2020

	Acquisition or manufacturing costs							Depreciation, amortisation and impairment								Carrying amount	
in € thousand	**As at 01/01/2020**	**Currency translation**	**Change in consolidation scope**	**Additions**	**Disposals**	**Reclassifications**	**As at 31/12/2020**	**As at 01/01/2020**	**Currency translation**	**Change in consolidation scope**	**Additions**	**Impairment**	**Disposals**	**Reclassifications**	**As at 31/12/2020**	**As at 31/12/2020**	**As at 31/12/2019**
Intangible assets																	
Goodwill	120,659	−4,079	5,545	0	−112	0	122,013	2,000	0	0	0	0	0	0	2,000	120,013	118,659
Other intangible assets	68,231[1]	−2,794	2,255	490	−2,281	0	65,901	46,104[1]	−1,527	13	6,874	534	−1,831	0	50,167	15,734	22,127
	188,890	**−6,873**	**7,800**	**490**	**−2,393**	**0**	**187,914**	**48,104**	**−1,527**	**13**	**6,874**	**534**	**−1,831**	**0**	**52,167**	**135,747**	**140,786**
Property, plant and equipment																	
Land, leasehold rights and buildings	21,186[2]	−292	17	612	−2,939	−12	18,572	6,574[2]	159	15	1,860	0	−2,142	−7	6,459	12,113	14,611
Equipment, operating and office equipment	35,314[2]	−1,171	441	3,179	−2,498	−132	35,133	24,308[2]	−752	380	3,737	275	−3,364	−73	24,512	10,622	11,006
Prepayments and assets under construction	0	0	0	247	0	0	247	0	0		0	0	0	0	0	247	0
	56,500	**−1,463**	**458**	**4,038**	**−5,437**	**−144**	**53,952**	**30,883**	**−593**	**395**	**5,597**	**275**	**−5,506**	**−80**	**30,971**	**22,981**	**25,617**
Total	**245,390**	**−8,336**	**8,258**	**4,528**	**−7,830**	**−144**	**241,866**	**78,987**	**−2,120**	**408**	**12,471**	**809**	**−7,337**	**−80**	**83,138**	**158,728**	**166,403**

1 Adjusted
2 Adjusted due to change in allocation of technical building equipment under “Land, leasehold rights and buildings”, previously under “Equipment, operating and office equipment”.

4.3 Property, plant and equipment

Property, plant and equipment in the consolidated balance sheet with a carrying amount of €56,339 thousand (31 December 2020: €67,543 thousand) also includes right-of-use assets of €31,872 thousand (31 December 2020: €44,562 thousand) in connection with lessee accounting.

The development of the GFT Group's property, plant and equipment is shown on page 92/93.

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 no non-scheduled depreciation on property, plant and equipment (without right-of-use assets) due to impairment (2020: €275 thousand).

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 mainly include an investment of €696 thousand (31 December 2020: €0 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. The determination of fair value as of 31 December 2021 takes into account the existing contractual provisions regarding the shares.

4.5 Other assets

The composition of other financial assets and other assets disclosed in the consolidated balance sheet as of 31 December 2021 is shown in the following table:

Other assets

in € thousand	31/12/2021	31/12/2020
Non-current other financial assets		
Deposits	1,781	1,416
Government grants	25	26
Subtotal	**1,806**	**1,442**
Non-current other assets		
Government grants	4,732	4,271
Subtotal	**4,732**	**4,271**
Current other financial assets		
Government grants	2,696	1,915
Deposits	279	173
Creditors with debit balance	160	59
Receivables from employees	150	258
Subtotal	**3,285**	**2,405**
Current other assets		
Accruals	6,004	5,519
Government grants	3,080	3,682
Claims for VAT and other tax refunds	2,519	2,746
Receivables from social insurance fund	0	34
Other	99	80
Subtotal	**11,702**	**12,061**
Total	**21,525**	**20,179**

4.6 Income taxes

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

Income tax claims

in € thousand	31/12/2021	31/12/2020
Deferred tax assets	12,526	9,904
Long-term current income tax claims	342	384
Short-term current income tax claims	6,853	7,266
Total	**19,721**	**17,554**

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

Income tax liabilities

in € thousand	31/12/2021	31/12/2020
Deferred tax liabilities	3,242	4,123
Current income tax liabilities	4,476	3,071
Total	**7,718**	**7,194**

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

Deferred tax assets

in € thousand	31/12/2021	31/12/2020
Intangible assets and property, plant and equipment	1,286	665
Receivables and other assets	3,809	1,983
Tax loss carry-forwards and tax credits	6,692	5,230
Provisions for pensions	2,860	2,647
Other provisions	4,008	2,417
Contract liabilities and other liabilities	1,543	1,047
Subtotal	**20,198**	**13,989**
Offsetting	–7,672	–4,085
Deferred tax assets	**12,526**	**9,904**

Deferred tax assets for property, plant and equipment include deferred tax assets of €528 thousand (31 December 2020: €569 thousand) from lease accounting pursuant to IFRS 16.

Deferred tax liabilities

in € thousand	31/12/2021	31/12/2020
Intangible assets and property, plant and equipment	4,474	5,133
Receivables and other assets	3,406	2,139
Provisions for pensions	229	65
Contract liabilities and other liabilities	2,805	870
Subtotal	**10,914**	**8,207**
Offsetting	–7,672	–4,084
Deferred tax liabilities	**3,242**	**4,123**

There are corporate tax loss carryforwards for GFT Group companies of €17,281 thousand (31 December 2020: €27,054 thousand), of which €11,415 thousand is attributable to foreign Group companies (31 December 2020: €12,966 thousand). There are loss carryforwards for trade tax and local taxes outside Germany of €10,180 thousand (31 December 2020: €19,187 thousand), of which €9,552 thousand is attributable to foreign Group companies (31 December 2020: €9,932 thousand).

There are corporate tax loss carryforwards abroad of €1,226 thousand (31 December 2020: €13,932 thousand) and loss carryforwards for local taxes outside Germany of €1,017 thousand (31 December 2020: €9,828 thousand) for which no deferred tax assets were recognised, as recognition of the tax claim is not probable on the basis of tax planning for a time horizon of 5 years. Loss carryforwards for which no deferred tax assets were formed are forfeitable within a time horizon of either 5 or 20 years according to the local tax regulations.

In addition, there are tax claims for research and development totalling €7,231 thousand (31 December 2020: €8,085 thousand), of which an amount of €3,037 thousand (31 December 2020: €3,396 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 2021 amounted to €6,692 thousand (31 December 2020: €5,230 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 €5,483 thousand as of 31 December 2021 (31 December 2020: €5,016 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. These are shown in the consolidated balance sheet as shown in the table below:

Deferred tax assets and liabilities

in € thousand	31/12/2021	31/12/2020
Deferred tax assets	12,526	9,904
Deferred tax liabilities	−3,242	−4,123
Net amount of deferred tax assets	**9,284**	**5,781**

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 €17 thousand (31 December 2020: €30 thousand) include an amount of €17 thousand (31 December 2020: €30 thousand) for raw materials and supplies and otherwise order backlogs from purchase price allocations of €0 thousand (31 December 2020: €12 thousand).

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	31/12/2021	31/12/2020
Receivables from customer contracts (gross carrying amount)	134,041	94,601
Value adjustments	−2,538	−1,497
Carrying amount (net)	**131,503**	**93,104**

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

As of 31 December 2021, there were no receivables from associated companies (31 December 2020: €93 thousand).

The value adjustments include quantity discounts of €2,266 thousand (31 December 2020: €947 thousand) and expected credit losses of €272 thousand (31 December 2020: €550 thousand).

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

Value adjustments on trade receivables

in € thousand	31/12/2021	31/12/2020
Balance as of 1 January	**550**	**445**
Net additions	156	434
Drawings	−33	0
Reversals	−421	−322
Exchange rate effects and other changes	20	−7
Balance as of 31 December	**272**	**550**

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.

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 (major clients)

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**	

in € thousand	31/12/2020			
Credit rating	Weighted average loss rate	Gross carrying amount	Value adjustment	Impaired credit-worthiness
A+	0.05%	4,434	–2	No
A–	0.06%	2,340	–1	No
BBB	0.16%	15,346	–25	No
BBB–	0.25%	17,774	–44	No
		39,894	**–72**	

Expected credit losses (other clients)

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**		

in € thousand	31/12/2020			
	Gross carrying amount	Value adjustment	Average loss rate	Impaired creditworthiness
not overdue	49,689	–196	0.39%	No
1 to 30 days overdue	1,116	–5	0.48%	No
31 to 90 days overdue	1,940	–30	1.55%	No
91 to 180 days overdue	336	–9	2.60%	No
181 to 360 days overdue	299	–64	21.36%	Yes
more than 360 days overdue	380	–174	45.65%	Yes
	53,760	**–478**		

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

Notes to the consolidated financial statements

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	31/12/2021	31/12/2020
Receivables included in trade receivables	131,503	93,104
Contract assets	16,122	9,829
Contract liabilities	46,120	37,236

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 2021 is affected by an impairment of €4 thousand (31 December 2020: €4 thousand). Contract assets are reclassified as receivables when the rights become unconditional. This usually happens when the GFT Group issues an invoice to the client. 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 €37,236 thousand (1 January 2020: €38,840 thousand) disclosed under contract liabilities at the beginning of the period was recognised in full as revenue in 2021, 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 2021 and 2020 (see page 69).

Subscribed capital

As of 31 December 2021, 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 2021, there was therefore unused authorised capital of €10.00 million (31 December 2020: €10.00 million).

Conditional capital

With a resolution adopted by the Annual General Meeting of 31 May 2017, the Administrative Board was authorised until 30 May 2022 (inclusive) to grant or issue on a one-time-only or repeated basis convertible and/or warrant bonds and/or profit participation rights with conversion and/or option rights and/or conversion or warrant obligations (or a combination of these instruments) made out to the bearer with a total nominal amount of up to €300.00 million with or without a limited term (bonds) and the creditors of bonds conversion or warrant rights and/or conversion or warrant obligations to subscribe to a total amount of up to 10,000,000 new no-par value bearer shares of the company with a proportionate amount of share capital of up to €10.00 million in accordance with the more detailed provisions of the terms and conditions of the bonds. The bonds may also have a variable interest rate, whereby the interest rate may depend in whole or in part on the amount of the annual net income, the balance sheet profit or the dividend of the company.

The bonds can be issued for cash or non-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. 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 31 May 2017 resolved to conditionally increase the share capital by up to €10.00 million (Conditional Capital 2017).

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 2021.

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 2021, a dividend of €0.20 per share totalling €5,265 thousand (2020: €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 2020 financial year.

A proposal will be made to the Annual General Meeting to distribute €9,214 thousand (€0.35 per share) to shareholders from the balance sheet profit of GFT Technologies SE for the financial year 2021.

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 (see page 68).

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 2021 for defined contribution plans to public and private pensions regulatory authority of €29,713 thousand (2020: €27,112 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 12 active managers (31 December 2020: 17), 18 managers who have left the company (31 December 2020: 13), as well as for a former managing director of a former subsidiary (31 December 2020: 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 2021 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 63 active insured parties as of 31 December 2021 (31 December 2020: 54 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:

Parameters for determining the actuarial values

	Germany		Switzerland		Italy		Poland	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Probability of fluctuation	–	–	BVG 2020	BVG 2015	10.00%	10.00%	13.10%	15.60%
Pensionable age	63	63	65/64	65/64	67	67	65/60	65/60
Salary increases	2.00%	2.00%	2.00%	2.00%	4.91%	4.2%	3.50%	3.50%
Pension increases	2.00%	2.00%	0.00%	0.00%	2.93%	1.5%	0.00%	0.00%
Actuarial interest rate	0.79%	0.50%	0.35%	0.25%	0.98%	0.34%	3.60%	1.20%

In calculating pension obligations, life expectancy for the German pension plans as of 31 December 2021 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 13.10%. The actuarial assumptions for mortality rates are prescribed by the Main Statistical Office (Główny Urząd Statystyczny, GUS) (GUS 2019: 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	31/12/2021	31/12/2020
Present value of defined benefit obligations	15,677	16,944
Fair value of plan assets	−7,970	−7,717
Underfunding (net debt)	**7,707**	**9,227**

Of the present value of the entitlements, €12,495 thousand (31 December 2020: €13,810 thousand) relates to pension plans that are financed completely or partially by plan assets and €3,182 thousand (31 December 2020: €3,134 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	31/12/2021	31/12/2020
Pension obligation as of 1 January	16,944	16,836
Current service cost	581	591
Past service cost	−1,107	−231
Interest expense/income	51	50
Restatements	−1,206	−124
Contributions to pension plan	1,801	925
Benefits paid	−1,903	−1,040
Exchange rate changes and other changes[1]	516	−63
Pension obligation as of 31 December	**15,677**	**16,944**

1 Exchange rate changes and other changes refer to business combinations amounting to €0 thousand (2020: €−112 thousand).

The fair value of the plan assets is reconciled as follows:

Fair value of plan assets

in € thousand	31/12/2021	31/12/2020
Fair value of plan assets as of 1 January	7,717	7,342
Income from plan assets (without interest income)	–107	11
Interest on plan assets	19	0
Premiums paid less benefits received	–517	–274
Contributions by employer	267	260
Contributions by entitled employees	267	260
Revaluations	0	86
Exchange rate changes	324	32
Fair value of plan assets as of 31 December	**7,970**	**7,717**

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 (2022), employer and employee contributions to the plan assets of €320 thousand (2020: €497 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 2021 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	31/12/2021	31/12/2020
Bonds	4,151	4,308
Shares	2,318	2,098
Property	942	747
Alternative investments	482	467
Cash and cash equivalents	77	97
Fair value of plan assets as of the balance sheet date	**7,970**	**7,717**

The weighted average maturity of the defined benefit obligations is 9.77 years (31 December 2020: 10.88 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.

Sensitivity analysis of the present value of pension obligations as of 31 December 2021

	Obligation in € thousand				Change in%			
	Germany	Switzerland	Italy	Poland	Germany	Switzerland	Italy	Poland
Present value of obligation	1,018	12,096	2,460	104				
Discount rate	0.79%	0.35%	0.98%	3.60%				
Increase of 0.5%	953	10,983	2,376	96	–6.42%	–9.20%	–3.41%	–7.36%
Decrease of 0.5%	1,091	13,390	2,550	112	7.17%	10.70%	3.65%	8.23%
Salary increase	n/a	2.00%	4.91%	3.50%				
Increase of 0.5%	n/a	12,192	2,465	113	n/a	0.80%	0.20%	9.26%
Decrease of 0.5%	n/a	11,987	2,456	95	n/a	–0.90%	–0.18%	–8.42%
Pension increase	2.00%	0.00%	2.93%	n/a				
Increase of 0.5%	879	12,676	2,520	n/a	3.75%	4.80%	2.43%	n/a
Decrease of 0.5%	816	n/a	2,402	n/a	–3.42%	n/a	–2.37%	n/a

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).

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 2021	**33,866**	**3,744**	**5,475**	**43,085**
Consumption	−31,353	−3,069	−3,663	−38,085
Reversals	−2,550	−466	−1,116	−4,132
Additions	51,050	7,689	4,582	63,321
Exchange rate effects and other changes	715	406	−170	951
Balance as of 31 December 2021	**51,728**	**8,304**	**5,108**	**65,140**

Provisions for personnel and social obligations mainly include expected expenses of the GFT Group for performance-based remuneration, anniversaries and severance payments as well as holiday entitlements.

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	31/12/2021	31/12/2020
Non-current provisions		
Performance-based remuneration	7,115	2,090
Employee benefits	340	301
Guarantee obligations	57	76
Subtotal	**7,512**	**2,467**
Current provisions		
Performance-based remuneration	26,239	17,695
Holiday obligations	14,057	10,752
Outstanding supplier invoices	8,304	3,744
Employee benefits	2,613	1,108
Severance pay	1,365	2,134
Other	5,050	5,185
Subtotal	**57,628**	**40,618**
Total	**65,140**	**43,085**

Share-based compensation

Other provisions contain obligations from share-based compensation agreements. The share-based commitments of the GFT Group are exclusively cash-settled.

Notes to the consolidated financial statements

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 2021 and 31 December 2020 on the grant date, which corresponds to the measurement date:

Valuation parameters

	LTI 2021	LTI 2020
Fair value of a virtual share (in €)		
31 December 2021	46.34	46.40
31 December 2020	n/a	12.04
Weighted average share price (in €)		
31 December 2021	27.79	n/a
31 December 2020	n/a	10.60
Share price on the measurement date (in €)		
31 December 2021	46.15	46.15
31 December 2020	n/a	11.94
Expected dividend yield (in%)		
31 December 2021	0.76	0.76
31 December 2020	n/a	1.68
Expected volatility of the GFT share (in %)		
31 December 2021	48	52
31 December 2020	n/a	49
Expected term (in years)		
31 December 2021	3	2
31 December 2020	n/a	3
Risk-free interest rate based on government bonds (in %)		
31 December 2021	−0.62	−0.68
31 December 2020	n/a	−0.77

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 2021 amounted to 62,805 (31 December 2020: 85,796). As a result, there are a total of 148,601 virtual shares granted and at the same time outstanding as of 31 December 2021.

The expense recognised during the financial year 2021 for share-based payment transactions amounted to €5,859 thousand (2020: €1,033 thousand). As of 31 December 2021, the carrying amount of other provisions from share-based payment arrangements amounted to €6,892 thousand (31 December 2020: €1,033 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

	Remaining term		Total amount		
in € thousand	**up to 1 year**	**more than 5 years**	**31/12/2021**	**Thereof secured through liens and similar rights**	**Nature and form of the collateral**
Financing liabilities	21,341	0	68,841	8,000	Mortgage[1]
	(34,396)	(0)	(102,219)		
Other financial liabilities	18,621	6,291	44,802		
	(13,524)	(14,881)	(51,968)		
Trade payables	11,776	0	11,776		
	(9,876)	(0)	(9,876)		
Current income tax liabilities	4,476	0	4,476		
	(3,071)	(0)	(3,071)		
Contract liabilities	46,120	0	46,120		
	(37,236)	(0)	(37,236)		
Other liabilities	35,033	0	39,002		
		(0)	(25,927)		
	137,367	**6,291**	**215,017**		
	(122,121)	**(14,881)**	**(230,297)**		

1 The mortgage serves as collateral for a loan agreement expiring on 30 June 2024.

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:

Other liabilities

in € thousand	31/12/2021	31/12/2020
Non-current other financial liabilities		
Lease liabilities	26,181	38,444
Subtotal	**26,181**	**38,444**
Non-current other liabilities		
Wage tax liabilities	2,707	751
Deferred income	1,249	1,145
Other	13	13
Subtotal	**3,969**	**1,909**
Current other financial liabilities		
Lease liabilities	7,811	8,182
Payroll liabilities	10,801	5,073
Debtors with credit balances	9	43
Purchase price liabilities	0	226
Subtotal	**18,621**	**13,524**
Current other liabilities		
Wage tax, VAT and other tax liabilities	15,767	10,457
Liabilities to social security institutions	10,624	8,604
Deferred income	1,979	537
Other	6,663	4,420
Subtotal	**35,033**	**24,018**
Total	**83,804**	**77,895**

Current payroll liabilities include €3,668 thousand (31 December 2020: €0 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.

As in the previous year, there were no other liabilities due to associated companies as of the balance sheet date.

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.

Revenue

in € thousand	*Americas, UK & APAC* 2021	*Americas, UK & APAC* 2020	*Continental Europe* 2021	*Continental Europe* 2020	Reconciliation 2021	Reconciliation 2020	Total 2021	Total 2020
Geographical regions								
Brazil	81,299	48,318	0	0	0	0	81,299	48,318
Germany	1	471	55,472	50,066	236	351	55,709	50,888
France	0	67	15,748	17,338	0	0	15,748	17,405
UK	103,388	77,069	111	337	0	0	103,499	77,406
Hong Kong	10,892	8,407	0	0	0	0	10,892	8,407
Italy	0	0	73,485	65,199	0	0	73,485	65,199
Canada	45,861	25,002	0	0	0	0	45,861	25,002
Mexico	14,395	15,926	0	0	0	0	14,395	15,926
Poland	4,775	2,156	1,940	74	0	0	6,715	2,230
Switzerland	8	0	13,299	7,624	0	0	13,307	7,624
Singapore	8,955	1,626	0	0		0	8,955	1,626
Spain	0	28	83,507	85,531	0	0	83,507	85,559
USA	42,648	33,703	284	20	0	0	42,932	33,723
Other countries	5,866	3,721	4,024	1,816	0	0	9,890	5,537
	318,088	**216,494**	**247,870**	**228,005**	**236**	**351**	**566,194**	**444,850**
Type of contract								
Service contract	174,279	138,770	63,138	52,465	0	0	237,417	191,235
Fixed-price contract	121,564	75,371	167,375	150,823	0	0	288,939	226,194
Maintenance contract	22,244	2,353	16,817	23,694	0	0	39,061	26,047
Other	1	0	540	1,023	236	351	777	1,374
	318,088	**216,494**	**247,870**	**228,005**	**236**	**351**	**566,194**	**444,850**
Time of transfer of goods or services								
Transfer at a certain time	0	0	0	0	176	153	176	153
Transfer over a certain period	318,088	216,494	247,870	228,005	60	198	566,018	444,697
	318,088	**216,494**	**247,870**	**228,005**	**236**	**351**	**566,194**	**444,850**

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 €37,236 thousand, which were included in contract liabilities as of 1 January 2021.

As of 31 December 2021, it is expected that revenue of €38,429 thousand (31 December 2020: €30,407 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 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	2021	2020
Government grants	7,852	7,686
Foreign exchange gains	2,053	2,974
Reversal of value adjustments for operating receivables	338	281
Reversal of provisions	236	272
Gains on disposal of non-current assets	191	458
Other non-periodic income	11	119
Other	1,377	751
	12,058	**12,541**

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 €82,710 thousand (2020: €49,473 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	2021	2020
Wages, salaries and social security contributions	358,348	304,120
Expenses for pensions	3,458	3,840
Other personnel expenses	18,584	12,432
	380,390	**320,392**

5.5 Other operating expenses

The composition of other operating expenses is as follows:

Other operating expenses

in € thousand	2021	2020
Personnel-related expenses	11,577	8,888
Non-income taxes	8,762	5,520
Rent and maintenance expenses	8,742	9,095
Audit and consulting fees	8,090	6,270
Foreign exchange losses	3,781	3,760
IT and telecommunication expenses	3,468	3,909
Sales and marketing	3,296	2,550
Insurance expenses	1,125	985
Losses from the disposal of property, plant and equipment	422	331
Other non-periodic expenses	335	911
Expenses in connection with company acquisitions	138	44
Value adjustments for operating receivables	77	871
Other	4,544	4,695
	54,357	**47,829**

5.6 Research and development expenses

Research and development expenses of €9,012 thousand in the reporting period were significantly higher than in the previous year (2020: €6,014 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), automation (RPA), data analytics and artificial intelligence (AI).

Of the total costs for research and development expensed in profit or loss an amount of €7,083 thousand (2020: €5,445 thousand) was attributable to personnel expenses and €1,929 thousand (2020: €569 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 2021 amounted to €19,874 thousand (2020: €23,364 thousand) and includes depreciation of right-of-use assets in accordance with IFRS 16 *Leases* amounting to €8,890 thousand (2020: €10,083 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	2021	2020
Interest on cash at banks	579	110
Interest on refunds	0	118
Other interest income	13	47
Interest income	**592**	**275**
Interest on financing liabilities	−1,012	−1,567
Compounding of lease liabilities	−383	−832
Other interest expenses	−50	−103
Interest expense	**−1,445**	**−2,502**
Interest result	**−853**	**−2,227**

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	2021	2020
Current tax expense	13,937	5,416
Deferred tax income	–3,795	–1,254
Tax expense	**10,142**	**4,162**

The current tax expense for the financial year 2021 includes expenses relating to other periods of €1,213 thousand (2020: €150 thousand).

The composition of deferred tax expense/income is shown in the following table:

Deferred income taxes

in € thousand	2021	2020
From temporary differences	2,333	2,148
From tax loss carryforwards and tax credits	1,462	–895
Tax income	**3,795**	**1,253**

Deferred taxes of €181 thousand (2020: €49 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% (2020: 25.00%) 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	2021	2020
Earnings before income taxes	40,027	14,105
Expected tax expense	11,938	3,526
Non-deductible expenses and tax-free income	1,982	–963
Effects from permanent differences	–3,721	867
Effect from use of loss for tax claims not recognised in the previous year	–28	–304
Recognition adjustments for deferred taxes	–1,181	935
Tax rate differences	–2,141	699
Aperiodic effects	5,212	289
Tax rebates	–1,764	–510
Other tax effects	–155	–377
Effective tax expense	10,142	4,162
Effective tax rate	**25.34%**	**29.51%**

Value adjustments on deferred tax assets had to be recognised in 2021 and 2020. 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 €	2021	2020
Basic earnings per share	1.14	0.38
profit for the period considered	29,885,533.17	9,942,873.48
number of ordinary shares considered	26,325,946	26,325,946
Diluted earnings per share	1.14	0.38
profit for the period considered	29,885,533.17	9,942,873.48
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 €3,329 thousand in the reporting period (2020: €–4,008 thousand) and relates entirely to currency translation effects. Net investments comprise long-term loans to the subsidiaries GFT UK Limited, GFT Brasil Consultoria Informática Ltda. and 9380-6081 Québec Inc.

7 Explanations on items of the cash flow statement

Financing liabilities and the hedging instruments used in this connection changed as follows in the financial year:

Financing liabilities

in € thousand	As of 01/01/2021	Changes affecting cash flow	Changes not affecting cash flow: Currency effects	Fair values	Reclassifications	As of 31/12/2021
Non-current financing liabilities	67,823	−20,000	0	0	−323	47,500
Current financing liabilities	34,396	−13,378	0	0	323	21,341
Assets used to hedge non-current financing liabilities	0	0	0	0	0	0
Total	**102,219**	**−33,378**	**0**	**0**	**0**	**68,841**

Cash and cash equivalents disclosed in the cash flow statement break down as follows:

Cash and cash equivalents

in € thousand	31/12/2021	31/12/2020
Cash at banks	70,761	70,864
Cash on hand	9	9
Total	**70,770**	**70,873**

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:

- UK
- Canada
- Mexico
- Singapore
- Hong Kong Special Administrative Region of the People's Republic of China
- USA
- Vietnam

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

- Belgium
- Germany
- France
- Italy
- Poland
- Switzerland
- Spain

Segment reporting complies with the accounting principles set out in IFRS 8 and is based on the Group's internal controlling and reporting structures. 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. Transactions between segments are conducted at market prices and on an arm's-length basis.

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 2021 and 2020 is presented in the table shown below.

Information on business segments

	Americas, UK & APAC		*Continental Europe*		Total segments		Reconciliation		GFT Group	
in € thousand	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External revenue	318,087	216,494	247,854	228,005	565,941	444,499	253	351	566,194	444,850
Intersegment revenue	7,680	10,015	76,134	57,224	83,814	67,239	−83,814	−67,239	0	0
Total revenue	**325,767**	**226,509**	**323,988**	**285,229**	**649,755**	**511,738**	**−83,561**	**−66,888**	**566,194**	**444,850**
Segment result (EBT)	**23,906**	**7,834**	**24,572**	**9,916**	**48,478**	**17,750**	**−8,451**	**−3,645**	**40,027**	**14,105**
thereof depreciation and amortisation	−7,726	−8,630	−10,591	−12,655	−18,317	−21,285	−1,557	−2,079	−19,874	−23,364
thereof interest income	587	235	84	207	671	442	−79	−167	592	275
thereof interest expenses	−1,025	−1,346	−715	−1,478	−1,740	−2,824	295	322	−1,445	−2,502

8.2 Reconciliation

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	2021	2020
Total segment revenue	**649,755**	**511,738**
Elimination of inter-segment revenue	−83,814	−67,239
Occasionally occurring revenue	253	351
Group revenue	**566,194**	**444,850**
Total segment earnings (EBT)	**48,478**	**17,750**
Non-allocated expenses/income of Group HQ	−8,267	−3,192
Other	−184	−453
Group net income before taxes	**40,027**	**14,105**

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 2021:

Clients accounting for over 10% of revenue

in € thousand	Revenue 2021	Revenue 2020	Segments in which this revenue is generated 2021	Segments in which this revenue is generated 2020
Client 1	90,433	95,269	*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

	Revenue from sales to external clients[1]		Non-current intangible and tangible assets	
in € thousand	**2021**	**2020**	**31/12/2021**	**31/12/2020**
Brazil	81,299	48,318	5,928	4,437
Germany	55,709	50,888	54,950	60,707
France	15,748	17,405	49	75
UK	103,499	77,406	38,627	38,325
Hong Kong	10,892	8,407	10	6
Italy	73,485	65,199	30,441	35,859
Canada	45,861	25,002	20,070	20,951
Mexico	14,395	15,926	760	951
Poland	6,715	2,230	7,793	8,512
Switzerland	13,307	7,624	301	390
Singapore	8,955	1,626	13	3
Spain	83,507	85,559	23,771	24,690
USA	42,932	33,723	8,024	7,728
Other countries	9,890	5,537	670	657
Total	**566,194**	**444,850**	**191,407**	**203,291**

1 By client location

9 Other disclosures

9.1 Financial instruments

Carrying amounts and fair values of financial instruments

The table on page 114/115 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.

Trade receivables, contract assets and 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.

Notes to the consolidated financial statements

Information on financial instruments according to measurement categorie and measurement hierarchy

		31/12/2021							31/12/2020						
		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	131,503	131,503	–	–	–	–	131,503	93,104	93,104	–	–	–	–	93,104
Contract assets	AC	16,122	16,122	–	–	–	–	16,122	9,829	9,829	–	–	–	–	9,829
Cash and cash equivalents	AC	70,770	70,770	–	–	–	–	70,770	70,873	70,873	–	–	–	–	70,873
Other financial assets[4]	AC	5,091	5,091	–	–	–	–	5,091	3,847	3,847	–	–	–	–	3,847
Measured at fair value															
Financial investments	FVTPL	–	–	706	–	706	–	706	–	–	10	–	10	–	10
Total financial assets		**223,486**	**223,486**	**706**	**–**	**706**	**–**	**224,192**	**177,653**	**177,653**	**10**	**–**	**10**	**–**	**177,663**
Financial liabilities															
Not measured at fair value															
Financial liabilities	AC	68,841	70,628	–	–	–	–	68,841	102,219	104,795	–	–	–	–	102,219
Other financial liabilities[5]	AC	44,802	44,802	–	–	–	–	44,802	51,968	51,968	–	–	–	–	51,968
Trade payables	AC	11,776	11,776	–	–	–	–	11,776	9,876	9,876	–	–	–	–	9,876
Total financial liabilities		**125,419**	**127,207**	**–**	**–**	**–**	**–**	**125,419**	**164,063**	**166,639**	**–**	**–**	**–**	**–**	**164,063**

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)

in € thousand	31/12/2021								31/12/2020						
	Meas-urement 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			
		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 costs (AC)		223,486	223,486	–	–	–	–	**223,486**	177,653	177,653	–	–	–	–	**177,653**
Financial assets measured at fair value through profit or loss (FVTPL)		–	–	706	–	706	–	**706**	0	0	–	–	–	–	**0**
Financial liabilities measured at amortised cost (AC)		125,419	127,207	–	–	–	–	**125,419**	164,063	166,639	–	–	–	–	**164,063**

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.

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, payroll liabilities due to employees 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.

Payroll liabilities due to employees and other financial liabilities were measured 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 114/115.

Measurement hierarchies
The table on page 114/115 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 2021.

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	2021	2020
Financial assets at fair value through profit or loss	**–765**	**436**
Impairments	–156	–434
Reversals of impairment losses	421	322
Exchange rate effects	–20	7
Financial assets measured at (amortised) cost	**245**	**–105**
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	2021	2020
Total interest income	592	157
Total interest expenses	–1,395	–2,399

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 (49% in 2021 and 59% in 2020), 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 the UK (accounting for 20% of total revenue; 2020: 17%) is invoiced in pounds sterling (12%, 2020: 11%) in euros (7%, 2020: 8%) and in Polish zloty (1%, 2020: 0%).
- Revenue generated with clients in Brazil (accounting for 14% of total revenue; 2020: 11%) 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.
- 6% (2020: 5%) of revenue generated with clients in the USA (accounting for 7% of total revenue; 2020: 8%) 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 8% of total revenue; 2020: 6%) 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 companies, 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 2% of total revenue, as in the previous year) 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 Singapore (accounting for 2% of total revenue; 2020: 0%) is invoiced mainly in Singapore dollars, which is the functional currency of the Group company, which also means that there is no exchange 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.

In the financial year 2021, exchange rate hedges between the British pound and the Polish złoty were carried out during the year using derivative instruments. Only unconditional forward exchange transactions (FX forwards) were used to hedge the exchange rates of intra-Group transactions between the UK and Polish companies. The forward exchange transactions covered 80% of the price risk of the UK subsidiary. There are framework agreements containing netting arrangements with those banks used to conclude derivative financial instruments. These are only applicable in the event of insolvency. No net disclosure for accounting purposes has therefore been made.

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 €3,329 thousand, currency translation effects recognised directly in equity increased by €6,990 thousand as of 31 December 2021. This was mainly due to the revaluation of the British pound and the Canadian dollar. The currency translation reserve presented as part of other reserves amounted to €–5,833 thousand as of the balance sheet date, compared to €–12,823 thousand in the previous year. As a rule, the GFT Group does not hedge against translation risks.

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, contract assets and other financial assets, most of which are short-term and non-interest-bearing. Variable-interest primary financing liabilities without hedging amount to €50,000 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 €500 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 2021.

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.

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 shows 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	31/12/2021	31/12/2020
Carrying amount	147,625	102,934
Concentration by customer		
Financial assets due from the five largest customers	55,015	45,424
Financial assets due from the remaining customers	92,611	57,510
Concentration according to region[1]		
Germany	16,919	9,530
Europe except Germany	83,489	67,403
Rest of the world	47,217	26,001

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 2021 and 2020, 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 2021, liquidity amounted to €70,770 thousand (31 December 2020: €70,873 thousand). In the financial year 2021, significant cash inflows of €52,995 thousand (2020: €60,252 thousand) were opposed in particular by cash outflows from financing activities of €47,857 thousand (2020: €29,052 thousand). In addition, there were cash outflows from investing activities of €7,572 thousand in the reporting period (2020: €10,982 thousand).

The maturity overview shown in the following tables illustrates how cash flows in connection with liabilities and irrevocable loan commitments and financial guarantees as of 31 December 2021 (including a comparison with the previous year) can influence the future liquidity situation of the GFT Group.

Maturity overview of financial liabilities

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**

in € thousand	Carrying amount 31/12/2020	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	102,219	0	2,078	32,318	67,823	0
Liabilities from leases[1]	46,626	682	1,364	6,137	23,562	14,881
Trade payables	9,876	9,876	0	0	0	0
Other financial liabilities[1]	5,342	5,342	0	0	0	0
	164,063	**15,900**	**3,442**	**38,455**	**91,385**	**14,881**

1 Liabilities from leases and other financial liabilities together constitute the non-current and current other financial assets 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 €47,500 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 2020: €80,000 thousand), two promissory note loan agreements totalling €22,000 thousand (31 December 2020: €52,000 thousand) as well as bilateral credit lines totalling €21,901 thousand (31 December 2020: €26,233 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:

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.

Right-of-use assets

in € thousand	Land, land rights and buildings	Plant, operating and office equipment	Total
Balance as of 1 January 2021	**41,407**	**3,155**	**44,562**
Additions	5,915	1,608	7,523
Disposals	10,995	328	11,323
Depreciation in the financial year	7,154	1,736	8,890
Balance as of 31 December 2021	**29,173**	**2,699**	**31,872**

The following amounts were recognised in the consolidated income statement in connection with leases in the financial year 2021:

Effects of lease arrangements according to IFRS 16 on the consolidated income statement

in € thousand	2021	2020
Depreciation of right-of-use assets	8,890	10,083
Interest expense for lease liabilities	383	832
Expense for short-term leases and leases of low-value assets	1,322	1,992
Total amount recognised in profit or loss	**10,595**	**12,907**

The GFT Group's total cash outflows for leases in the financial year 2021 amounted to €10,599 thousand (2020: €12,972 thousand) and are included in cash flow from financing 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 €2,903 thousand

(31 December 2020: €0 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 2021 are presented according to maturity below:

Other financial obligations are stated at their nominal value and mainly comprise obligations from fixed-term IT licence agreements amounting to €12,705 thousand (31 December 2020: €7,315 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 €1,415 thousand (31 December 2020: €1,315 thousand) relate in particular to licence and maintenance agreements.

As at 31 December 2021, there are contractual obligations from the acquisition of intangible assets of €10 thousand (31 December 2020: €147 thousand) and property, plant and equipment of €300 thousand (31 December 2020: €285 thousand).

Other financial obligations

in € thousand	31/12/2021	31/12/2020
Obligations from fixed-term leases		
due within one year	6,332	4,279
due between one and five years	8,171	4,543
due after more than five years (excluding open-ended obligations)	0	0
Annual obligations from open-ended leases	**1,415**	**1,315**

9.4 Related party disclosures

Related parties are associated companies and non-consolidated subsidiaries, as well as persons exercising significant influence over the GFT Group's financial and business policy. The latter include all persons in key positions as well as their close family members. For the GFT Group, 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. The terms and conditions of these transactions were customary in the market. Details on business transactions between the GFT Group and its related companies and persons are presented below.

Related parties

in € thousand	Goods and services rendered and other income 2021	Goods and services rendered and other income 2020	Goods and services received and other expenses 2021	Goods and services received and other expenses 2020	Receivables as of 31 December 2021	Receivables as of 31 December 2020	Payables as of 31 December 2021	Payables as of 31 December 2020
Associated companies	0	160	40	257	0	93	0	0
Other related companies	26	1	56	158	0	0	0	116
Related persons	11	3	0	0	0	0	0	0
Total	**37**	**164**	**96**	**415**	**0**	**93**	**0**	**116**

Associated companies
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 are attributable to Globe Fuel Cell Systems GmbH, Stuttgart, in which Ulrich Dietz, Chairman of the Administrative Board, indirectly holds an interest.

Goods and services received mainly relate to consulting services provided by 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 were no significant business relationships with related persons in the financial years 2021 and 2020.

In the years 2021 and 2020, no advances or loans to members of the Administrative Board or the Managing Directors were either 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	2021	2020
Short-term benefits	3,908	1,705
Share-based payments	3,777	685
Total	**7,685**	2,390

Total compensation for the Managing Directors in the financial year 2021 amounted to €7,237 thousand (2020: €2,110 thousand).

Total compensation for the Administrative Board without the remuneration of the Managing Directors amounted to €448 thousand in the financial year 2021 (2020: €280 thousand).

9.5 Employees

The average number of employees in the financial year 2021 was 7,097 (2020: 5,783). The average number of employees (headcount) by country is as follows:

Employees by country

	2021	2020
Belgium	2	4
Brazil	2,283	1,308
Costa Rica	113	91
Germany	351	410
France	44	24
UK	205	168
Hong Kong	5	14
Italy	720	641
Canada	347	273
Mexico	326	316
Poland	778	647
Switzerland	38	40
Singapore	5	2
Spain	1,772	1,807
USA	34	38
Vietnam	74	0
Average number of employees	**7,097**	**5,783**

The number of employees (headcount) at the end of the reporting period was 7,827 (31 December 2020: 6,075).

9.6 Auditing fees

At the Annual General Meeting of 10 June 2021, the shareholders of GFT Technologies SE elected the accounting firm KPMG AG Wirtschaftsprüfungsgesellschaft as auditors. The following table presents the fees of KPMG AG Wirtschaftsprüfungsgesellschaft for services rendered to GFT Technologies SE and its subsidiaries in the respective financial year:

Auditing fees

in € thousand	2021	2020
Auditing of financial statements	282	277
Other certification services	4	4
Tax consulting services	58	49
Other services	21	2
Total	**365**	**332**

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 (2020: €2 thousand).

Other certification services relate to the certification of key financial figures.

Tax consulting services mainly comprise tax advice regarding the declaration of income taxes and an assessment of individual tax items and include fees of €4 thousand for previous years (2020: €0 thousand).

Other services in the reporting period mainly relate 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 (formerly: GFT Experts GmbH, Stuttgart)
- GFT Invest GmbH, Stuttgart
- GFT Integrated Systems GmbH, Constance (formerly: in-Integrierte Informationssysteme GmbH, Constance)

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

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 issued its Declaration of Compliance on 7 December 2021 and made it permanently accessible to shareholders on the corporate website at www.gft.de/governance.

Stuttgart, 23 March 2022

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, 23 March 2022

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

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of GFT Technologies SE, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of GFT Technologies SE for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report. The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 2.5, 2.6 and 4.1 in the notes to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Information on the financial performance of the business segments can be found in section 2.4 of the combined management report.

The financial statement risk

As at 31 December 2021, goodwill amounted to €124.4 million and, at 27.5% of total assets, accounts for a substantial share of assets.

Goodwill is tested for impairment annually at the level of the "*Americas, UK & APAC*" and "*Continental Europe*" business segments. For the impairment test, the Company primarily determines the value in use using the discounted cash flow method and compares this with the respective carrying amount of the cash generating unit. The reporting date for the impairment test is 31 December 2021.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgment. These include the expected business and earnings development of the business segments for the next five years, the assumed long-term growth rates and the discount rate used.

As at 31 December 2021, GFT Technologies SE did not identify any impairment need as a result of the impairment tests performed.

There is the risk for the consolidated financial statements that impairment existing as at the reporting date was not identified. In addition, there is the risk that the related disclosures in the notes to the consolidated financial statements – in particular the disclosures on sensitivities to a reasonably possible change of the significant assumptions underlying measurement – are not appropriate.

Our audit approach

With the involvement of our valuation experts, we assessed the appropriateness of the significant assumptions and calculation methods of the Group, among other things. For this purpose we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the budget prepared by the managing directors and approved by the Administrative Board. Furthermore, we carried out an audit of the structure of the planning process for the following year.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. Since changes to the discount rate can have a significant impact on the results of impairment testing, we compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate and/or cash flows on the value in use (sensitivity analysis) by determining the value in use for alternative scenarios and comparing these with the values stated by the Company.

Finally, we assessed whether the disclosures in the notes to the consolidated financial statements regarding the impairment of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and data used for measurement are appropriate. The related disclosures in the notes to the consolidated financial statements are appropriate

Recognition of revenue from fixed price contracts (cost to cost method)

Please refer to note 2.5 in the notes to the consolidated financial statements for more information on the accounting policies applied.

The financial statement risk

Revenue from fixed price contracts, which is accrued as at the reporting date according to the cost to cost method, amounted to €288.9 million in financial year 2021. This revenue represents 51.0% of total group revenue.

GFT Group recognises revenue from fixed price contracts over the period in which the control of assets is transferred to the customer. This involves revenue and results being recognised by reference to the stage of completion. Provided maintenance agreements are not involved, the stage of completion is calculated in accordance with the input method whereby costs already incurred are generally stated as a ratio of the total expected costs to render the performance obligation (cost to cost method). In the opinion of GFT Technologies SE, this method best reflects the stage of completion and the transfer of assets to the customer. If an overall loss is expected to result from the contract, this loss is recognised in full.

The recognition of revenue from fixed price contracts over time using the cost to cost method is complex and subject to judgements. Estimation uncertainties exist particularly in respect of the total project costs to be estimated for the determination of the stage of contract completion; at the GFT Group these costs mostly consist of internal staff costs. In addition, there is the risk that costs are not recorded for the related projects.

There is the risk for the consolidated financial statements that the revenue and earnings from fixed price contracts are inaccurately allocated to the financial years.

Our audit approach
Based on our understanding of the process, we assessed the design, establishment and functionality of the identified internal controls, especially in terms of the correct allocation of costs to the individual projects. On the basis of a risk-oriented approach, for a representative sample and a specific selection of projects, we also assessed whether costs were correctly allocated to projects.

We examined the significant cases of judgement, such as the estimate of costs still due and the follow-up costs, and assessed their appropriateness. In addition, we discussed the fixed price contracts with the Company, inclusive of their existing risks (e.g. legal risks or warranty risks) and analysed the project costing.

Based on the knowledge already obtained, we assessed whether the respective stage of completion and the amount of revenue derived from this were properly determined, and evaluated how this was recognised in profit or loss.

Our observations
The Group's approach to the recognition of revenue and earnings from fixed price contracts is appropriate. The assumptions underlying the financial reporting are reasonable.

Other Information
Management and/or the Administrative Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the separate non-financial report, expected to be provided to us after the date of this auditor's report, which is referred to in the combined management report,
- the corporate governance statement included in Section 8 of the combined management report, and
- information extraneous to the combined management report and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the obtained other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Administrative Board for the Consolidated Financial Statements and the Combined Management Report
Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view assets, liabilities, financial position and financial performance

of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Administrative Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file GFT Technologies SE_KA & LB_2021-12-31.zip" (SHA256-Hashwert: 43C641438-A5DCDFE209340FE46C72B9AD6D8F6FDB43C64-DE0665135FD75D20E7) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for such internal control 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 of Section 328 (1) HGB for the electronic reporting format.

The Administrative Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

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 judgement and maintain professional scepticism throughout the assurance work. 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 assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance 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 made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and 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, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 10 June 2021. We were engaged by the Administrative Board on 24 October 2021. We have been the group auditor of GFT Technologies SE without interruption since financial year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Administrative Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

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 the examined ESEF documents. The consolidated financial statements and the combined management report converted to the XHTML format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings 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 assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Jack Cheung.

Stuttgart, 23 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signed] Cheung
Wirtschaftsprüfer [German Public Auditor]

[signed] Wacker
Wirtschaftsprüferin [German Public Auditor]

Service

Financial calendar 2022

12 May 2022	Quarterly Statement as of 31 March 2022
1 June 2022	Annual General Meeting
11 August 2022	Interim Financial Report as of 30 June 2022
10 November 2022	Quarterly Statement as of 30 September 2022

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 2021 is also available in German on www.gft.com/ir.

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Key figures (IFRS)

GFT Group

in € million	2021	2020	Δ	Δ %	Q4/2021	Q4/2020	Δ	Δ %
Income statement								
Revenue	566.19	444.85	121.34	27%	160.80	117.81	42.99	36%
EBITDA adjusted	64.79	42.52	22.27	52%	18.66	11.71	6.95	59%
EBITDA	60.75	39.70	21.05	53%	16.56	11.90	4.66	39%
EBIT	40.88	16.33	24.55	>100%	12.01	5.59	6.42	>100%
EBT	40.03	14.11	25.92	>100%	11.90	5.06	6.84	>100%
EBT margin	7.1%	3.2%			7.4%	4.3%		
Tax rate	25.3%	29.5%			26.1%	29.7%		
Net income for the year	29.89	9.94	19.95	>100%	8.80	3.56	5.24	>100%
Segments								
Revenue *Americas, UK & APAC*	318.09	216.49	101.60	47%	94.99	59.11	35.88	61%
Revenue *Continental Europe*	247.85	228.01	19.84	9%	65.72	58.61	7.11	12%
Revenue *Others*	0.25	0.35	−0.10	−28%	0.09	0.09	0.00	7%
Earnings before taxes (EBT) *Americas, UK & APAC*	23.91	7.83	16.08	>100%	7.00	1.92	5.08	>100%
Earnings before taxes (EBT) *Continental Europe*	24.57	9.92	14.65	>100%	8.76	5.31	3.45	65%
Earnings before taxes (EBT) *Others*	−8.45	−3.64	−4.81	< −100%	−3.86	−2.17	−1.69	−78%
Share								
Basic earnings per share	1.14 €	0.38 €	0.76	>100%	0.34 €	0.14 €	0.20	>100%
Earnings per share adjusted	1.41 €	0.65 €	0.76	>100%	0.43 €	0.18 €	0.25	>100%
Cashflow per share	2.01 €	2.29 €	−0.28	−12%	0.84 €	1.10 €	−0.26	−24%
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	52.99	60.25	−7.26	−12%	22.02	29.06	−7.04	−24%
Cash flow from investing activities	−7.57	−10.98	3.41	31%	−2.68	−2.05	−0.63	−31%
Cash flow from financing activities	−47.86	−29.05	−18.81	−65%	−2.40	−10.24	7.84	77%

in € million	2021	2020	Δ	Δ %
Balance sheet				
Non-current assets	211.52	219.30	−7.78	−4%
Cash and cash equivalents	70.77	70.87	−0.10	0%
Other current assets	169.48	124.70	44.78	36%
Total assets	**451.77**	**414.87**	**36.90**	**9%**
Equity	160.66	128.14	32.52	25%
Non-current liabilities	96.11	123.99	−27.88	−22%
Current liabilities	195.00	162.74	32.26	20%
Total equity and liabilities	**451.77**	**414.87**	**36.90**	**9%**
Equity ratio	36%	31%		
Employees				
Number of employees (FTE, as of 31 December)	7,718	5,986	1,732	29%
Weighted utilisation rate	90.4%	89.5%		

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

> gft.com