Shaping
the future
of digital
business

Annual Report 2020

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, such as cloud engineering, artificial intelligence, mainframe modernisation and the Internet of Things for Industry 4.0.

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

Banking | **Insurance** | **Industry**

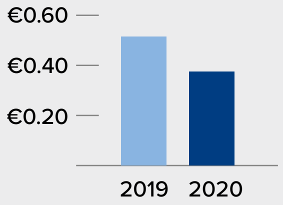
Founded in 1987, GFT has been at the forefront of technological progress for over 30 years. As a family company, we value continual collaboration with our clients, partners, employees and shareholders.

Our vision

"We believe in a digital world in which the intelligent use of IT is a key success factor. As a globally networked technology partner, we are spearheading this trend and unlocking the enormous potential of new technologies for our clients."

— Marika Lulay, CEO of GFT Technologies SE

Content

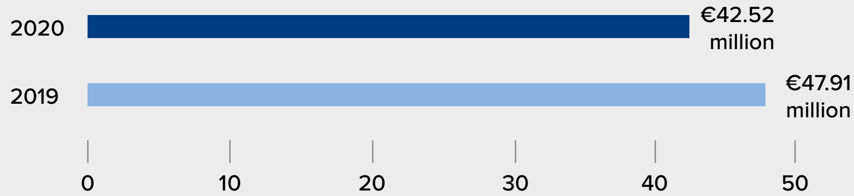


€0.38

Earnings per share

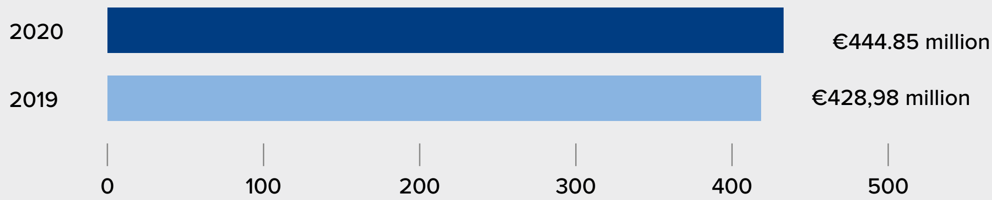
€42.52 million

EBITDA adjusted



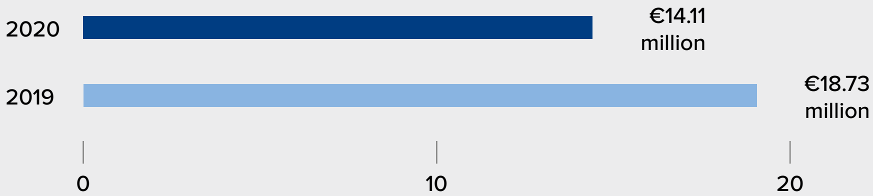
€444.85 million

Revenue



€14.11 million

EBT

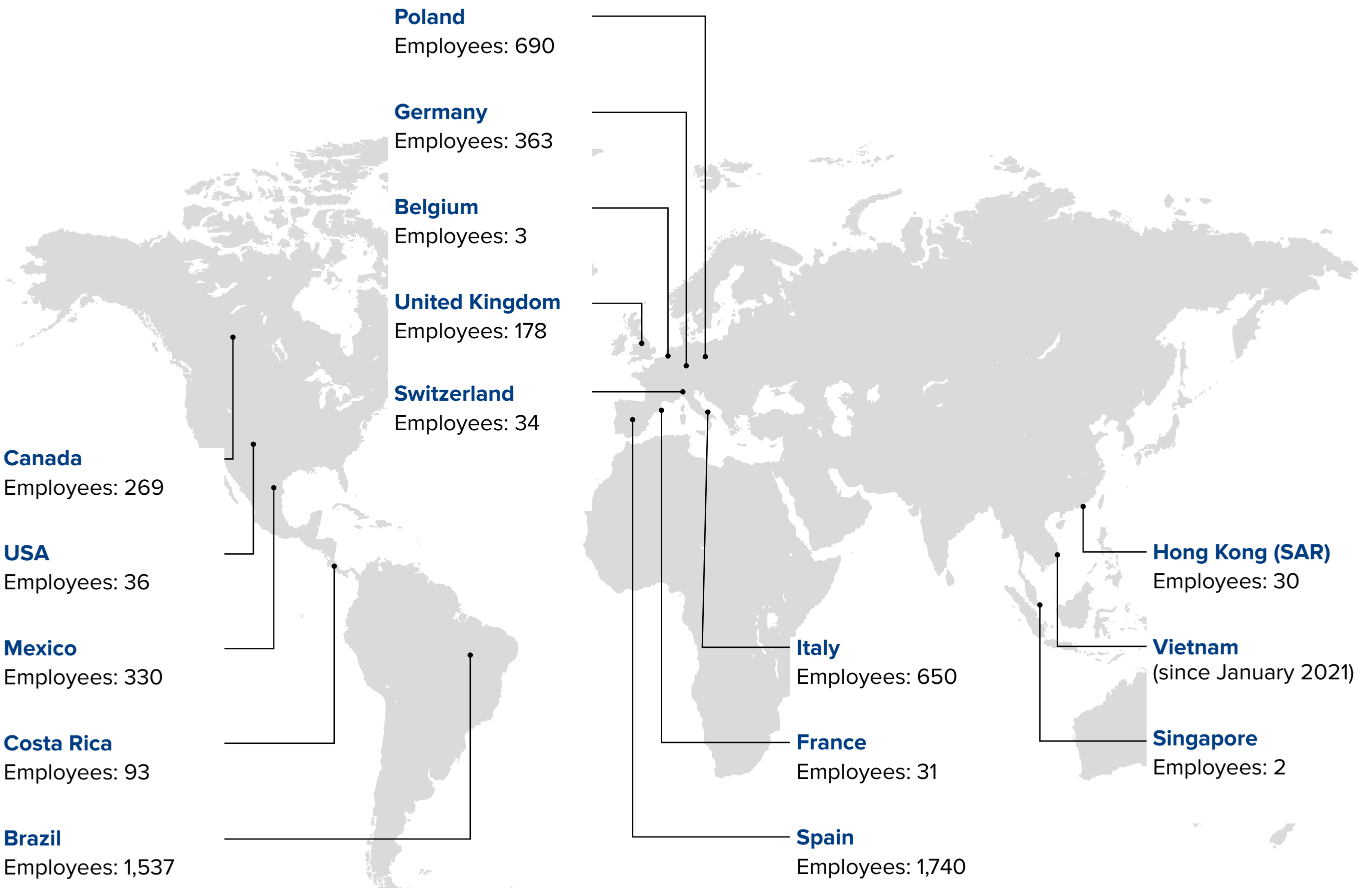


€0.20

Dividend per share

Global footprint

GFT is located in over 15 markets to ensure close proximity to its clients. We pool our expertise and deploy employees across national boundaries to work together on projects. Our Global Delivery Model makes us an attractive partner for clients with regard to know-how, costs and flexibility.



Attractive investment

A sustainable business model, stable shareholder structure and a dividend policy based on continuity – learn more about the GFT share as an attractive investment here

› GFT in the capital market

54
qualified
new clients*

70 +
nationalities
in
GFT team

+44%
Revenue
fast-growing
technologies**

+23%
Revenue
insurance

900
cloud experts

+86%
Revenue
cloud technologies

* Qualified new clients: annual revenue > €100 thousand and without prior-revenue
** Fast-growing technologies: DLT/blockchain, artificial intelligence, data analytics, cloud, DevOps

"Throughout its history, GFT has constantly evolved and successfully adapted to change. In 2020, we were able to continue the stable development of our business while at the same time taking advantage of growth opportunities."

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

Stability during the pandemic

Working from home expanded within 48 hours to secure

100%

delivery capability

Reliable base: our corporate values

Approximately 6,000 employees form the core of GFT. Creative and result-oriented, they work together as a strong global team. The basis is provided by our corporate culture with its binding values.

“GFT is benefiting from new technologies and the ongoing digitalisation trend. In 2021, we plan to accelerate our growth once again.”

— Marika Lulay, CEO of GFT Technologies SE

Letter to our shareholders

Dear shareholders,

An eventful year lies behind us – a year of major challenges, but also of enormous opportunities. Apart from all the hardship, 2020 was also a year for digital transformation across all industries. The pandemic has proven to be an accelerator for a variety of digital trends and has strengthened moves towards digitisation. Many companies are now addressing the transformation process more comprehensively and, above all, more strategically.

GFT was able to benefit from this trend. Our business model and our internal structures have proved to be extremely resilient – especially in such a challenging year as 2020.

The past financial year demonstrated that our portfolio of products and services is ideally suited to serve the market's needs. Once again, we proved that we can adapt quickly to change and also prosper in a difficult environment, with compelling offerings. The decisive factors are our technological edge – we already moved our IT infrastructure to the cloud years ago – and our corporate culture, in which each individual is encouraged to be creative and take responsibility for their actions. Thanks to our extensive technology expertise – firmly anchored in our DNA – we have long embraced the principles of successful digitisation. This proved to be a clear competitive advantage once again in 2020.

Delivery capability secured, opportunities taken

We helped steer our clients from the banking, insurance and industrial sectors reliably and securely through a difficult period. As a well-coordinated, international team, we responded to the challenges swiftly and with a clear focus– enabling us to maintain our services in full at all times. Not only that, we succeeded in winning new projects, expanding our services for existing clients and bringing highly skilled employees on board, in spite of the numerous restrictions necessitated by the pandemic. I am proud of the outstanding performance of our team and would like to thank all employees for their dedicated efforts. Many of them have surpassed themselves in recent months.

Our decision to introduce remote working throughout the Group at a very early stage of the pandemic – also at those GFT sites not yet affected by the restrictions – is a reflection of our responsibility as a company. We rigorously adhered to this strategy over the summer months and played our part in protecting employees while also helping to reduce infection rates.

Guidance exceeded

Let us now turn to our financial performance in 2020. At €444.85 million, revenue was 4% up on the previous year (€428.98 million). Without consideration of our top-2 clients, the increase was 14%. Adjusted EBITDA amounted to €42.52 million (previous year: €47.91 million). Earnings before taxes (EBT) reached €14.11 million (previous year: €18.73 million). GFT thus exceeded its revenue guidance of 19 June 2020 for the financial year 2020 – and even significantly exceeded its guidance for earnings.

These figures reflect the heterogeneous development of our markets in 2020: while there was an expected decline in revenue with our top-2 clients in the UK and Germany, we succeeded in maintaining our growth trajectory with other clients and markets. With the onset of the pandemic, our clients in the industrial sector significantly reduced their business activities; by contrast, insurance companies and banks made further strong investments in digitisation projects in 2020. Above all, new technologies proved to be the main growth drivers across all sectors.

Dynamic growth with fast-growing technologies

In 2020, we significantly increased the revenue share of so-called fast-growing technologies – such as artificial intelligence (AI), cloud, DLT/blockchain, DevOps and data analytics – for the fifth year in a row: by 44% to 42% of total revenue (previous year: 30%). In particular, the strong upward trend of cloud-based applications continued with revenue growth of 86%. Against the backdrop of consistently high demand, we almost doubled the number of certified cloud experts to 900 in 2020. As a result, we are well placed to fully exploit the potential of this fast-growing cloud business in the coming years.

Further sector and client diversification

We successfully continued our diversification strategy in 2020. Business with our clients in the insurance sector accounted for 14% of consolidated revenue, corresponding to year-on-year growth of 23%. This means that we already reached the target set before Covid-19 in 2020 and anticipate further progress in this sector. In particular, demand for Guidewire solutions in North America and Europe remains strong – as does the trend towards digital solutions, which we were able to serve with innovative applications once again in 2020. One example is IDE, an AI-based system for the automatic detection and assessment of damage to cars, which is attracting considerable interest among our clients.

In our core market, the banking sector, we were able to reduce the proportion of total revenue generated with our top-2 clients to 21% (previous year: 28%) by achieving further strong growth with other clients. We succeeded in expanding our customer base with attractive offerings while at the same time strengthening our business with existing clients. In 2020, digital banking solutions played a particularly important role. In the Asia-Pacific region, we took further important steps towards tapping the local market with the establishment of the first purely virtual bank, MOX in Hong Kong, and the opening of a new GFT nearshore site in Vietnam. The Asian banking sector is currently experiencing a genuine digital revolution with a multitude of new, digital financial institutions. Thanks to its close customer proximity, GFT is ideally positioned to benefit from the dynamism and magnitude of the Asia-Pacific market.

Our business with industrial clients was significantly impacted by the effects of the pandemic in 2020. After stepping up our expertise in shop floor transparency and process integration with the acquisition of software provider in-integrierte informationssysteme GmbH at the beginning of the year, the expansion of our business activities was significantly delayed in 2020. Nevertheless, we still managed to implement several highly promising projects for our clients in the automotive, logistics and energy management sectors – from drones which automatically check warehouse utilisation, to solutions for the autonomous management of all consumers and generators of electricity. With our contribution to omlox, a new tracking standard for in-house localisation in industrial environments, we have demonstrated that GFT can play a leading role in large-scale innovation projects in the sector.

Strong network

We are convinced that the enormous potential of new technologies can only be fully exploited with the right partners at our side. In 2020, we therefore strengthened our strategic partnerships with leading platform providers. In the banking sector, we successfully implemented cloud projects with Amazon Web Services, Google and Microsoft. In the insurance sector, GFT is now one of the top ten Guidewire service providers worldwide. According to the market research institute Gartner, Guidewire's offering is regarded as the most innovative solution for property insurers. This expertise, for example, enabled us to execute a major implementation in Europe in 2020 and we expect further implementation projects in this fast-growing market. In order to safeguard our technological expertise over the long term, we have expanded our network and are now working closely with providers of cloud-native core banking technology, such as Mambu and Thought Machine – an area with huge growth potential.

Next phase of digitisation

Dear shareholders, let us look ahead. Digitisation is radically transforming the economy. This trend has been intensified by Covid-19 and will continue to gather speed. The current digitisation trend is still nowhere near its peak. Our path to the digital future is paved with new technologies, and the intelligent use of these technologies will become an increasingly important success factor. The demand for one-stop digital solutions will increase across all sectors and company sizes, and this growth will be sustainable.

GFT is ideally positioned to benefit from this development and to accelerate growth once again in the current financial year. We have aligned our portfolio with the relevant growth fields and are capable of exploiting emerging opportunities quickly and efficiently. The dynamic development of our business inspires us to continue along the path we have chosen.

Outlook: GFT benefiting from new technologies and transformation drive

In 2021, we will systematically drive forward our successful sector and client diversification strategy. We will continue to expand our global footprint and, in particular, exploit the potential of the South American and Asian markets.

In addition, we aim to maintain our growth trajectory with applications based on DLT/blockchain, artificial intelligence, data analytics, DevOps and above all cloud and expect to further increase the revenue share of these technologies from 42% in 2020 to 50% in the current financial year.

Fast-growing technologies will remain a key growth driver – especially in banking, a pioneering sector for digitisation projects driven by the pressure on costs and from consolidation. In view of the strong underlying demand and comparatively high level of maturity, we expect high double-digit growth rates with cloud solutions over the years ahead. In the field of cloud technology, we have many years of experience as well as innovative reference projects and can draw on strong partnerships with leading cloud providers. In 2021, we plan to realise further innovative banking projects in the dynamic Asia-Pacific market. To support our growth there, we set up a development centre in Vietnam at the beginning of 2021, focusing on cloud technologies and new core banking solutions.

The digitisation trend among insurance companies remains strong; the sector is making great strides on its path to the digital future. In recent years, GFT has successfully established itself as a digitisation partner for large insurance companies. Demand for solutions for the digital transformation of the insurance sector is set to grow significantly. We expect further strong growth in this field in 2021 and plan to increase our revenue share from insurers to 18% in the current financial year.

With regard to our business with industrial clients, we are expecting double-digit growth rates for 2021. The revenue share of the 'Industry & Others' sector is expected to increase further to 13% in the current financial year. For many industrial companies – especially German SMEs – the digitisation of their production and business processes with the aid of IoT platforms and the shortage of experienced IT experts remain key issues. We expect a large number of major strategic transformation projects to be implemented in the medium term and aim to generate 20% of our revenue with industrial clients in the medium term.

In order to secure our position as a technology partner, we will continue to invest in our own know-how and expand our partnerships. Technology expertise, sector knowledge and successful international cooperation are – and will remain – the pillars of our success.

Target: further revenue growth and significantly improved earnings

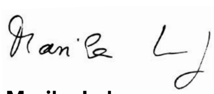
We want to grow twice as fast as the market in the medium term and at the same time increase our profitability year for year. We aim to achieve this by moving into more profitable market segments as well as by adopting alternative pricing models.

In the financial year 2021, we anticipate revenue growth of 8% to €480 million and an increase in adjusted EBITDA to €50 million. This corresponds to a percentage increase in EBITDA of 18% compared to 2020 and reflects our revenue growth, improved margins and the successful implementation of measures to enhance efficiency. We expect EBT to reach €24 million, up 70% on the previous year.

In accordance with our dividend policy based on continuity, we aim to maintain our payout ratio of 20% to 50% of net income in the financial year 2020 and again propose a dividend of €0.20 per share.

Dear shareholders, GFT is firmly established as a technology partner for key IT developments of the future and is setting the pace with its clear focus. I would like to thank you for your trust and invite you to accompany us on the next step of this journey.

Best regards



Marika Lulay
CEO of GFT Technologies SE

“GFT has been shaping technological progress for many years now. In 2020, we once again safely guided our clients into the next phase of digitisation.”

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

Administrative Board's Report to the Annual General Meeting

The following report describes the work of the Administrative Board in the financial year 2020:

The Administrative Board of GFT Technologies SE once again performed the duties incumbent upon it in the financial year 2020.

In the course of its work, the Administrative Board regularly discussed in detail the impact of the COVID-19 pandemic on the business performance of GFT Technologies SE and the GFT Group. The Managing Directors routinely provided the necessary information for this purpose. This approach enabled the Administrative Board to adopt the necessary resolutions – even at short notice if required.

Moreover, the Administrative Board's deliberations focused on strategic issues and key individual measures in the financial year 2020. It dealt in particular with the strategic alignment of the GFT Group and the further development of its portfolio of services. The appointment of Jens-Thorsten Rauer, who is responsible for the GFT Group's operating business in the Central and Western Europe region, expanded the group of Managing Directors.

Cooperation between the Administrative Board and the Managing Directors

In the financial year 2020, due care was again taken to ensure that the Administrative Board was able to perform its duties diligently and promptly at all times.

The Managing Directors regularly informed the Administrative Board – in written and verbal reports – about the current state of business, the earnings trend, any deviations from planned developments and major projects. 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 written documents and oral explanations provided. After detailed discussion, the Administrative Board adopted the necessary resolutions.

Meetings of the Administrative Board as well as discussions held outside of meetings

The Administrative Board held nine meetings and conference calls in the financial year 2020. With the exception of two resolutions by written circulation, all resolutions were adopted in the course of these meetings and conference calls. The average attendance rate was 100 percent.

Individualised disclosure of participation in meetings and conference calls of the Administrative Board of GFT Technologies SE in the financial year 2020:

	Attendance
Ulrich Dietz (Chairman)	9/9 (100%)
Dr Paul Lerbinger (Dep. Chairman)	9/9 (100%)
Dr-Ing Andreas Bereczky	9/9 (100%)
Maria Dietz	9/9 (100%)
Marika Lulay	9/9 (100%)
Dr Jochen Ruetz	9/9 (100%)
Prof Dr Andreas Wiedemann	9/9 (100%)

Meetings of the Administrative Board in the financial year 2020

In a **conference call** on **4 March 2020**, the Managing Directors informed the Administrative Board about the preliminary results of the financial year 2019. In addition, the Administrative Board decided to amend the Declaration of Compliance with the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG of 10 December 2019.

At its **meeting** on **24 March 2020**, the Managing Directors presented the detailed results of the financial year 2019. The Administrative Board also dealt in detail with the effects of the COVID-19 pandemic on the GFT Group. Furthermore, the members of the Administrative Board discussed the further development of the compensation system for the Managing Directors.

The **balance-sheet meeting** was held on **7 April 2020**. The Administrative Board conclusively examined in detail the annual financial statements of GFT Technologies SE, the consolidated financial statements and the combined management report, 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 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 2019 of GFT Technologies SE and the consolidated financial statements 2019 as prepared by the Managing Directors. The annual financial statements 2019 of GFT Technologies SE were thus formally adopted.

At the same meeting, the Administrative Board also examined in detail the separate non-financial group report. There were no objections.

Furthermore, the Administrative Board was informed about the impact of the COVID-19 pandemic on the GFT Group and discussed the situation in detail. It also appointed Jens-Thorsten Rauer as a Managing Director of the company with effect from 1 May 2020 and resolved, in the absence of the Managing Directors, to conclude service agreements with Dr Jochen Ruetz and Jens-Thorsten Rauer. Moreover, in the absence of the Managing Directors, it adopted a resolution regarding the target achievement of the Managing Directors, Marika Lulay and Dr Jochen Ruetz, for the financial year 2019 with regard to their variable compensation.

At the **meeting** in Stuttgart on **4 May 2020**, the Managing Directors presented the results for the first quarter of 2020 and the quarterly statement. In addition, the Administrative Board once again discussed at length the effects of the COVID-19 pandemic on the GFT Group. It was also informed in detail about the course of business in Germany and Switzerland.

Furthermore, the Administrative Board adopted the agenda for the Annual General Meeting 2020, including the proposals on the allocation of net income and the election of auditors. The auditors proposed for election had previously confirmed that there were no circumstances which might cast doubt on their independence.

At its **meeting** on **23 June 2020**, the Administrative Board discussed the Annual General Meeting taking place on the following day. Moreover, it discussed operating business in the USA and the UK, as well as the GFT Group's HR management.

In the absence of Ulrich Dietz, the Administrative Board voted by written circulation on **9 July 2020** to acquire a stake in 1886 Ventures GmbH. At this time, Ulrich Dietz was the sole managing director of 1886 Ventures GmbH.

The results for the first six months of 2020 and the half-year financial report were the topic of the **meeting** on **3 August 2020**. These were discussed in detail by the Administrative Board together with the Managing Directors and the chief auditor.

In a **conference call** on **28 September 2020**, 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 its **meeting** on **9 November 2020**, the Administrative Board discussed in detail the results for the first nine months of 2020 and the quarterly statement. The Administrative Board was also informed at length about the further development of the GFT Group's solution portfolio, also in connection with cloud computing.

At the **meeting** held on **14 December 2020**, the Managing Directors reported on their budget proposal for the financial year 2021, including the financial, investment and personnel planning. The Administrative Board discussed the proposals in detail and subsequently adopted the Budget 2021. In addition, the Administrative Board issued the Declaration of Compliance with the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG and concluded the scheduled self-assessment of its own activity and the activities of its committees.

Committees

The Administrative Board has set up a committee to decide on matters concerning a consultancy agreement between GFT Technologies SE and RB Capital GmbH. The sole managing director of the latter company 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 Paul Lerbinger and Dr-Ing Andreas Bereczky.

Apart from this particular case, the Administrative Board refrains from forming any committees. Due to the low number of its members, it was felt that no committees were needed to ensure the efficiency of the Administrative Board's activities. All members of the Administrative Board are fully informed and involved in all decisions.

The committee met twice in the financial year 2020, on 4 May 2020 and on 14 December 2020. All members attended both committee meetings. The committee subsequently informed the Administrative Board in detail about its work.

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 2020. 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 available online at www.gft.com/corporate-governance-statement.

On 4 March 2020, the Administrative Board amended the Declaration of Compliance with the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG of 10 December 2019. At its meeting on 14 December 2020, the Administrative Board issued its scheduled declaration on the German Corporate Governance Code according to section 22 (6) SEAG in conjunction with section 161 AktG. It is published on the company's website www.gft.com/declaration-of-compliance and also included in the Corporate Governance Statement.

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, at the meeting on 23 June 2020, the company presented to the Administrative Board members the latest trends in the field of Group-wide HR management. During the meeting on 3 August 2020, the chief auditor informed Administrative Board members about the latest developments with regard to the auditing of annual financial statements. In addition, the company provided information about the latest trends in cloud computing on 9 November 2020.

Annual financial statements and consolidated financial statements 2020

The annual financial statements of GFT Technologies SE as at 31 December 2020, the consolidated financial statements as at 31 December 2020, 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 signed the independent auditor's report for the first time. 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 signed the independent auditor's report for the consolidated financial statements for the first time.

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 2020, 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 24 March 2021. 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.

The Administrative Board examined itself all documents submitted on the annual and consolidated financial statements, including the audit reports of the auditors, and discussed any issues – especially with regard to the key audit matters – at length with the Managing Directors and the chief auditor. It is the firm belief of the Administrative Board that these documents 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 24 March 2021, it approved the annual financial statements for 2020 of GFT Technologies SE and the consolidated financial statements of the GFT Group for 2020, 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 €0.20 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.

The quality and independence of the auditors was checked by the Administrative Board, especially in connection with discussions on the consolidated financial statements and annual financial statements, as well as the half-year financial report. The chief auditor reported on additional services rendered in the financial year 2020 as well as those contractually agreed for the financial year 2021.

Personnel changes

Jens-Thorsten Rauer was appointed as Managing Director with effect from 1 May 2020. As of this date, GFT Technologies SE has three Managing Directors, namely Marika Lulay as Chief Executive Officer (CEO), Dr Jochen Ruetz and Jens-Thorsten Rauer.

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 hard work and performance in the financial year 2020 – a year that was dominated in particular by the challenges of the COVID-19 pandemic.

Stuttgart, 24 March 2021

For the Administrative Board

Ulrich Dietz
Chairman of the Administrative Board

Members of the Administrative Board

Name	Profession	Year of birth	Member since	Appointed until**	Seats held on mandatory supervisory boards or comparable committees in Germany (as of: 31 December 2020)
Ulrich Dietz Chairman	Chairman of the Administrative Board of GFT Technologies SE	1958	18/08/2015	2021	Drees & Sommer SE, Stuttgart, 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*	2021	Minimax Management GmbH, Bad Oldesloe, Germany (Chairman of the Supervisory Board)
Dr-Ing Andreas Bereczky	Former Production Director ZDF	1953	31/05/2011*	2021	Software AG, Darmstadt, Germany (Chairman of the Supervisory Board), until 30 June 2020
Maria Dietz	Member of the Administrative Board of GFT Technologies SE Former Head of Purchasing for the GFT Group	1962	18/8/2015	2021	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), since April 2020
Marika Lulay	Chairwoman of the Managing Directors of GFT Technologies SE, CEO Responsible for Strategy and Business Development, Markets, Communication, Marketing, Technology and Innovation	1962	18/8/2015	2021	Wüstenrot & Württembergische AG, Stuttgart, Germany (Member of the Supervisory Board) EnBW Energie Baden-Württem-berg AG, Karlsruhe, Germany (Member of the Supervisory Board)
Dr Jochen Ruetz	Managing Director of GFT Technologies SE Responsible for IT Infrastruc-tures, Human Resources, Finance, Legal Affairs, Internal Audit, Investor Relations and Mergers & Acquisitions	1968	18/8/2015	2021	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	18/8/2015	2021	Georg Nordmann Holding AG, Hamburg, Germany (Chairman of the Supervisory Board) Jowat SE, Detmold, Germany (Chairman of the Supervisory Board) Brose Verwaltung SE, Coburg, Germany (Member of the Administrative Board until 28 February 2021) Brose Verwaltung SE, Bamberg, Germany (Member of the Administrative Board until 28 February 2021) Brose Verwaltung SE, Würzburg, Germany (Member of the Administrative Board until 28 February 2021)

* 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.
** The term of office ends on expiry of the Annual General Meeting of the year stated.

GFT in the capital market

The stock market year 2020

In January and February 2020, the strongly positive market performance of the previous year was continued and in some cases new highs were reached. This trend changed drastically with the global outbreak of the Covid-19 pandemic. The imposition of lockdown measures in March and the accompanying decline in trade and economic activity, coupled with rising unemployment figures, led to severe turbulence and record price falls. Governments and central banks around the world responded by introducing comprehensive fiscal and monetary policy measures, resulting in a recovery as of spring. By the end of the year, the positive momentum had continued to gather and in some cases prices returned to or even exceeded their levels from the beginning of the year. The German benchmark index DAX closed the year with growth of 4%, the SDAX rose by 18% and the TecDAX by 7%. The US technology exchange Nasdaq was up 49% on the year.

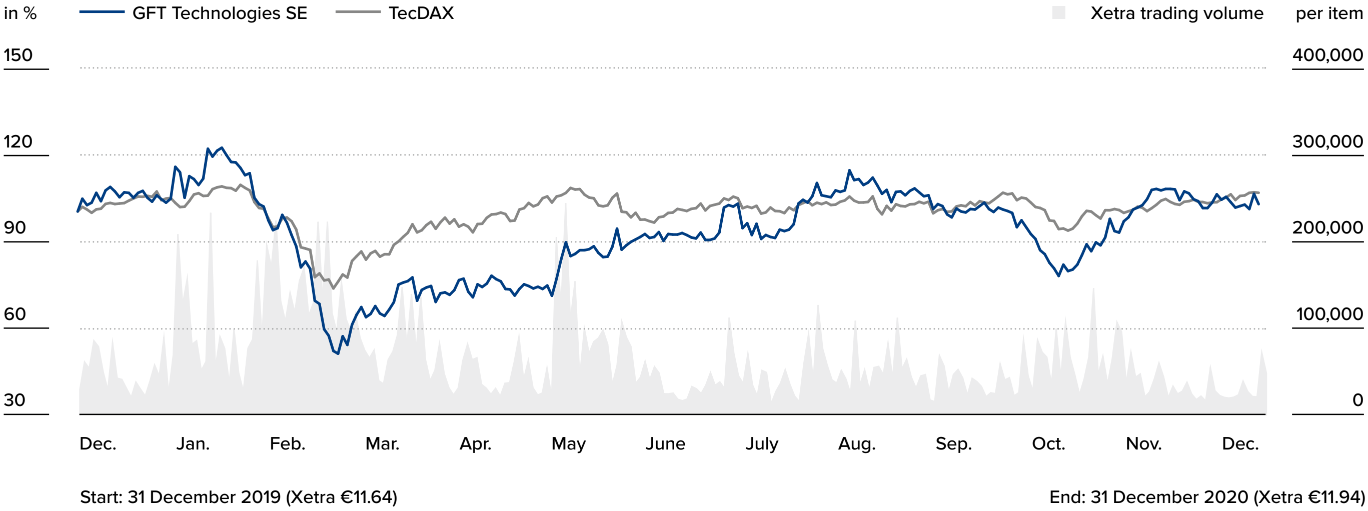
GFT share performance in 2020

The acquisition of in-integrierte informationssysteme GmbH (in-GmbH) in early January marked a further important milestone in GFT's industry strategy. With its own software solution and expertise in the area of shop floor transparency and process integration, in-GmbH complements the GFT Group's offerings for its industrial clients. Buoyed by a positive market environment, the share reached its year-high in February. Shortly afterwards, however, the GFT share price was also impacted by the Covid-19 pandemic and fell to its lowest level of the year in March. Due to the uncertainties surrounding the duration and consequences of the global crisis, the guidance for 2020 was suspended in April. Over the remaining weeks of spring, however, the share price gradually steadied. Thanks to the swift implementation of measures, the Group's ability to deliver was maintained right from the start of the crisis. In addition, the trend towards digitisation in GFT's markets continued to intensify. With the announcement of the updated outlook for 2020 in June, it became apparent that GFT was coping well with the crisis. This led to the share trading within a higher price corridor during the second half of the year, and by the end of the year it had exceeded its year-opening price by 3%. The share closed the year at €11.94, which corresponds to a market capitalisation of €314 million. The average daily Xetra trading volume in 2020 was 66,157 shares and thus significantly higher than the prior-year figure (2019: 52,892 shares).

Dividend

The dividend policy of GFT Technologies SE is based on 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 2019, after the original proposal of €0.30 per share was reduced to safeguard GFT's financial flexibility and stability during the Covid-19 pandemic. For the financial year 2020, the Administrative Board plans to propose a dividend of €0.20 at the Annual General Meeting. This corresponds to a payout ratio of 53% (2019: 39%) and a total dividend payout of €5.27 million (2019: €5.27 million).

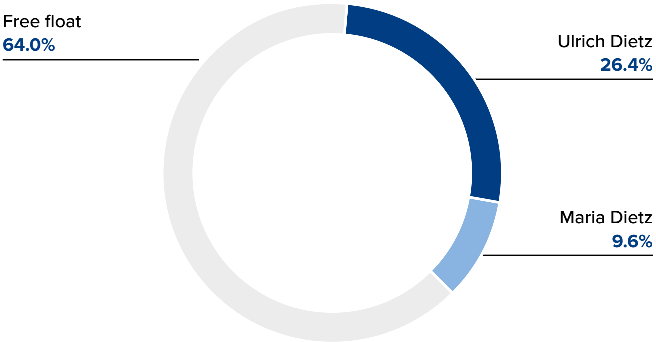
Share performance and trading volume in 2020



Shareholder structure

With stakes of 26.4% and 9.6%, respectively, company founder Ulrich Dietz and Maria Dietz are long-standing shareholders of GFT Technologies SE. The free float portion (according to the Deutsche Börse definition) amounted to 64.0% at the end of the year.

Shareholder structure on 31 December 2020
in %



Annual General Meeting

Due to the Covid-19 pandemic, GFT held its first-ever virtual Annual General Meeting on 24 June 2020. The possibility to submit questions in advance and to follow the Annual General Meeting live on the Internet was very well received by shareholders. A total of 55.10% of the share capital with voting rights was represented, corresponding to a slight increase over the previous year (2019: 53.38%). Shareholders adopted all resolutions proposed by the company's management with large majorities.

Capital market communication

The capital market communication of GFT Technologies SE is based on the principle of providing timely, comprehensive and transparent information about the Group's strategy and current development. Particular importance is attached to providing all addressees with 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 further development. In addition, GFT was presented to investors at ten national and international events. In the absence of traditional on-site events during the Covid-19 pandemic, numerous new virtual offerings and formats emerged. These possibilities were used extensively by investors and actually increased the reach of GFT's capital market communications. A comprehensive range of information on the company is available on the Investor Relations website www.gft.com/ir. It contains, for example, quarterly and annual reports, presentations, conference call recordings and analyst reports.

Information on the GFT share

	2020	2019
Prior year-closing quotation (Xetra closing price on the last trading day)	€11.64	€6.70
Year-closing quotation (Xetra closing price on the last trading day)	€11.94	€11.64
Percentage change	3%	74%
Year-high (daily closing prices Xetra)	€14.24 13/02/2020	€12.82 10/12/2019
Year-low (daily closing prices Xetra)	€5.84 19/03/2020	€6.23 26/08/2019
Number of shares on 31 December	26,325,946	26,325,946
Market capitalisation on 31 December	€314 million	€306 million
Average daily trading volume in shares (Xetra)	66,157	52,892
Adjusted earnings per share from continued operations	€0.65	€0.76
Earnings per share from continued operations	€0.38	€0.52
Operating cash flow per share	€2.28	€1.38
Dividend per share	€0.20	€0.20

Source: Nasdaq
Initial stock market quotation: 28/06/1999
ISIN: DE0005800601
Market segment: Prime Standard

Your contact to GFT

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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 to innovate banking
- On-going industrial automation

Unique technology and sector expertise

- Longstanding expertise in digital transformation for financial institutions
- Strong focus on growth-potential technologies: Artificial Intelligence, Cloud, Blockchain, Data Analytics, DevOps
- Partnerships with market leaders: AWS, Google, Guidewire, Thought Machine
- Technology-driven diversification into IoT
- Proven client-focused onshore/nearshore staffing model

Highly attractive sales and earnings potential

- Accelerated growth due to underlying organic growth potential > 15%*
- Profit margins expected to improve considerably
- Attractive free cash flow generation with low capex (approx. 2% of sales)
- Solid balance sheet – equity ratio ≥ 30%
- Shareholder-friendly dividend policy at 20–50% of net profit

Sustainability and commitment

- Two top executives more than ten years with GFT
- Two anchor shareholders own 36% of shares
- Commitment to grow IT talent worldwide

* 2021e, ex top-2 clients (DB and Barclays)

"We successfully continued our diversification and growth in 2020 – while maintaining a solid balance sheet and low net borrowing."

— Dr Jochen Ruetz. CFO der 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. Amounts are rounded using standard commercial methods.

1.2 Business model

Business operations
The GFT Group is a globally operating 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 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.

In the banking sector, 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 supports the digitisation 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 more modern 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 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 customer-facing differentiation options. The acquisition of in-Integrierte Informationssysteme GmbH (in-GmbH) in early 2020 significantly strengthened the Group's expertise, for example, in the field of shop floor transparency, process integration and sustainable energy management, including the company's own open and cloud-capable IoT platform.

Segment overview
Reflecting its internal management set up, the business activities of the GFT Group are divided into two segments. The *Americas, UK & APAC* segment targets clients in the field of investment banking and retail banking. In addition, the segment is characterised by its insurance activities in Canada. Initial clients in the industrial sector have also been gained, including major companies in the USA. The *Continental Europe* segment is dominated by 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.

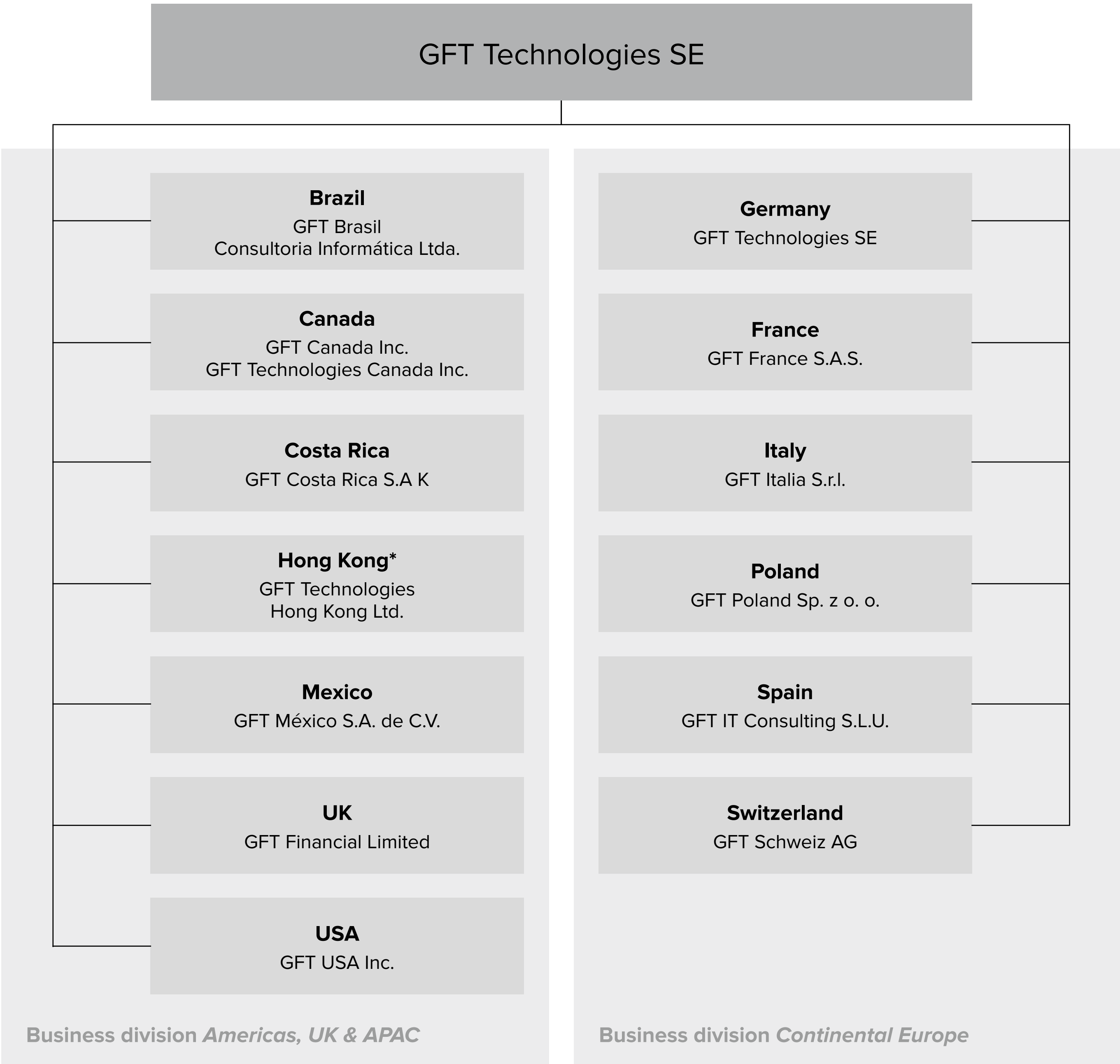
Global Delivery Model
With its tried and trusted Global Delivery Model, the GFT Group can supply its range of solutions to the core markets of Europe, the Americas and the Asia-Pacific region. The company's consultants and sales staff are generally in direct contact with clients (onshore) to provide 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 customer preference and cost sensitivity, 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 and Poland. Customers in the Americas are served by nearshore centres in Brazil and Costa Rica. In early 2021, the establishment of a new nearshore development centre in Vietnam for the Asia-Pacific region was announced. For the insurance sector, there are nearshore locations in Canada, Spain, Poland and Italy.

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 the 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 2020, the GFT Group was represented by 5,986 employees in 15 countries and controlled 30 subsidiaries either directly or indirectly. 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



* Special Administrative Region

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 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 Risk Report and Opportunity Report sections.

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/performancemeasures.

1.4 Research and development

Research and development expenses increased to a total of €6.01 million in the reporting period (2019: €3.08 million). Personnel expenses accounted for the major share, amounting to €5.45 million or 91% of total expenses (2019: €2.10 million or 68%). As in the previous year, expenses for external services were not material.

In the financial year 2020, research and development activities focused on the possibilities of new technologies, such as artificial intelligence, DLT/blockchain, automation (RPA), data analytics and cloud. One focus area was the provision of "Tranquility Base", a vendor-agnostic, open-source Datacenter as Code platform developed by GFT. This enables users to significantly accelerate their cloud migration, as it reduces the need for manual adjustment.

1.5 Personnel

The performance, skills and motivation of our employees are the main factor driving 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 employees.

The GFT Group's HR organisation is globally aligned. The Group defines standards for HR activities and adopts cross-company measures. These measures are then implemented in the respective countries by the local HR departments.

Headcount trend
As of 31 December 2020, the GFT Group employed a total of 5,986 people, and thus 14% more than in the previous year (31 December 2019: 5,242). In the *Americas, UK & APAC* segment, headcount rose by 40% to 2,473 (31 December 2019: 1,768). As a result of the dynamic business trend in Latin America with local banks and the subsidiaries of Spanish retail banks, headcount in Brazil rose by 61% and in Mexico by 17%. Strong demand in the insurance sector resulted in a further 13% increase in staffing levels in Canada. Expansion in the Asia-Pacific market led to an increase in staff in Hong Kong. Year-end headcount in *Continental Europe* was virtually unchanged at 3,396 (31 December 2019: 3,360). Whereas weaker business with the top-2 clients, and the resulting restructuring measures, was responsible for a decline in Spain and Germany, dynamic growth outside the top-2 clients led to an increase in headcount at the majority of European locations.

The holding company of the GFT Group employed 117 people at the end of the reporting period, corresponding to a slight increase of 3% on the previous year (31 December 2019: 114).

Headcount in Germany fell by 10% to 363 employees as of 31 December 2020 (31 December 2019: 405), due to both declining business with top-2 clients and restructuring measures.

Pandemic-related underutilisation of capacity in the first half of the year was addressed by various measures, such as restructuring, resulting in a significant improvement in utilisation in the second half of the year. As a result, the productive utilisation rate of 89% for the reporting period – based on the use of production staff in client projects – was unchanged from the previous year (2019: 89%).

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

Employees by segment

	31/12/2020	31/12/2019	Δ	Δ in %
Americas, UK & APAC	2,473	1,768	705	40
Continental Europe	3,396	3,360	36	1
Others	117	114	3	3
GFT Group	**5,986**	**5,242**	**744**	**14**

Employees by country

	31/12/2020	31/12/2019	Δ	Δ in %
Spain	1,740	1,833	−93	−5%
Brazil	1,537	953	584	61%
Poland	690	565	125	22%
Italy	650	610	40	7%
Germany	363	405	−42	−10%
Mexico	330	282	48	17%
Canada	269	239	30	13%
UK	178	153	25	16%
Costa Rica	93	102	−9	−9%
USA	36	39	−3	−8%
Switzerland	34	38	−4	−11%
France	31	18	13	72%
Hong Kong*	30	–	30	–
Belgium	3	5	−2	−40%
Singapore	2	–	2	–
GFT Group	**5,986**	**5,242**	**744**	**14%**

* Special Administrative Region

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 in the reporting period, Level 3 certification was once again confirmed. This certification level is achieved if 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 has a global data privacy framework, based on a Group-wide data privacy policy with a uniform level of data protection in compliance with the legal regulations. GFT's Chief Privacy Officer (CPO) heads a Group Data Protection Network, comprising Data Privacy Officers for the individual national subsidiaries and for the various 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.

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

1.7 Corporate Governance Statement

The Corporate Governance Statement (unaudited) to be submitted by GFT Technologies SE and the GFT Group pursuant to sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, HGB) is available online at www.gft.com/corporate-governance-statement.

1.8 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 end of March 2021 at www.gft.com/sustainability.

2 Economic report

2.1 General conditions

Macro-economic conditions
According to the International Monetary Fund (IMF), the global economy was strongly impacted by the severe consequences of the Covid-19 pandemic in 2020. Following a slump of historic proportions in the second quarter, especially in the major economic regions, there was a marked upward trend in the second half of 2020. As individual countries were affected by the pandemic at different times and to varying degrees, the recovery proceeded in different phases. Overall, global economic output fell by 3.5% in the reporting period. The decline was less severe than had been feared in October 2020, when economists had assumed −4.4%. In June 2020, the IMF had forecast −4.9%. The IMF cited the measures taken by governments and central banks to combat the pandemic-related crisis with massive aid programmes and low interest rates as reasons for the more positive development.

According to the European Central Bank (ECB), the countries of the eurozone also recorded an economic recovery in the third quarter following a slump in the first half of 2020. Despite a significant upturn, real gross domestic product (GDP) remained below the level of the prior-year quarter. The tightening of infection containment measures led to a renewed decline in economic activity in the fourth quarter. Economists put real GDP for the eurozone at −7.3% for 2020 as a whole.

According to estimates by Germany's central bank (Deutsche Bundesbank) in December 2020, the decline in German economic output of 5.5% in 2020 was significantly lower than expected in June, when economists were still expecting a decline of 7.1%. The strong recovery in the third quarter was driven by catch-up effects in previously depressed sectors. Despite the resurgence of the pandemic in many countries, German exports in particular proved to be a solid pillar of economic recovery in the fourth quarter.

Sector-specific conditions
According to the market research institute Gartner, the global IT market declined by 3.2% in 2020. The software sector was down 2.4%, while IT services decreased by 2.7% in the past financial year. Against the backdrop of the corona crisis, companies focused their IT spending primarily on business-critical technologies and services. According to Gartner, the dominant IT trend of the year was digital business models with categories such as cloud computing, core business applications, security and customer experience. According to the market research institute, cloud solutions proved to be particularly successful in 2020 due to their flexibility and stability during the pandemic. There was also dynamic growth in automation processes (RPA) in 2020. Although the strong pre-pandemic growth rates slowed in the past financial year, the pressure on many companies to automate their business processes increased in 2020. Everest Group analysts therefore expect significant growth in this field over the next two years.

According to Gartner, more than 700 million people were working from home in 2020 – compared to more than 1 billion people worldwide at the height of the lockdowns – leading to an unprecedented acceleration of digitisation in many areas.

The IT spending of financial institutions declined slightly by 0.2% (currency adjusted) in the past financial year, according to Gartner. While IT budgets in retail banking fell by 0.9%, spending by investment banks increased by 1.7% in 2020. In the insurance industry, IT investments decreased by 2.8% in 2020. There was an increased focus on the digitisation of the value chain in the insurance sector. Demand for personalised insurance products is strong, as is the pressure to make internal processes more efficient with the aid of automation. Applications based on new technologies play an important role, as does industry-specific standard software such as that of Guidewire, which Gartner considers to be the leading platform for property and accident insurers. The digital transformation process in the industrial sector (IoT) slowed significantly in 2020. According to Gartner, IT spending fell by 12.4%; in the automotive sector, there was a decline of 11.4%.

The German digital sector coped better with the pandemic-related crisis than the economy as a whole last year. In the market for information technology, telecommunications and consumer electronics, revenues fell slightly by 0.6% to €169.8 billion. Information technology was down by 0.7%, IT services by 3.2%, and software by 1.0%. At the end of the year, the business climate in the sector was predominantly upbeat once again. In December 2020, the sentiment barometer 'Bitkom Ifo Digitalindex' climbed to its highest level since February. According to the digital association, the corona crisis has accelerated the digitisation process in many areas. The Bitkom study 'Digital Finance 2020', which sheds light on the ongoing transformation of the financial world through digitisation, states that the importance of digital banking offerings is growing.

Impact on the GFT Group

The pandemic-related crisis in 2020 has intensified the digital transformation process in many areas. In GFT's main target markets – the banking, insurance and industrial sectors – the digitisation of business processes continues to make progress. The technologies focused on by GFT play an important role in this trend and are proving to be growth drivers. As sector specialist and technology partner, GFT integrates new technologies into the business models of its clients and has thus established itself as a cross-sector partner for digitisation projects. The expansion of strategic partnerships, including those with the leading cloud providers Google, AWS and Microsoft, as well as software companies such as Guidewire, opens up a wide range of market opportunities.

2.2 Development of business

Overview of business development

In January 2020, GFT acquired the company in-GmbH. As a result GFT expanded its range of offerings for the industrial sector, adding further expertise in the areas of shop floor transparency and process integration, as well as its own cloud-capable IoT platform. The company was consolidated within the GFT Group for the first time on 1 January 2020. in-GmbH employed an average of 36 people in the financial year 2020 and contributed revenue of €4.85 million.

At the beginning of the Covid-19 pandemic in February 2020, the GFT Group set up an operational crisis team right from the start and closely monitored the impact on business in the individual countries. Measures taken included the development and implementation of a risk plan and the facilitation of remote working across the Group. This swift intervention helped protect the health of employees and their families, while maintaining the quality and scope of service provision. Against the backdrop of limited sales activity in the first half of the year and uncertain client behaviour due to the Covid-19 pandemic, the forecast of 4 March 2020 was withdrawn on 7 April 2020. Although clients in the industrial sector were extremely cautious and the acquisition of new customers was restricted, the cancellation of existing orders feared in the spring largely failed to materialise, as clients in the banking and insurance sectors proved to be resilient and the urgency of digitisation measures became increasingly apparent. On 19 June 2020, GFT issued a new forecast for the financial year 2020. This forecast was adjusted slightly on 12 November 2020 due to IFRS 16 effects.

Although the revenue trend was slowed in part by the Covid-19 pandemic, GFT achieved a 4% increase in revenue for the full year to €444.85 million (2019: €428.98 million), thus exceeding its own forecast of €440 million. With growth of 14%, the dynamic trend outside the top-2 clients* continued unabated. As expected, steps taken to diversify the business are taking effect and, as a result, the share of total revenue contributed by the top-2 clients decreased further to 21% (2019: 28%). Driven in particular by the positive trend in France and Canada, business with insurance clients rose by 23% to 14% of Group revenue (2019: 11%). Aided by the acquisition of in-GmbH, business with industrial clients made good progress – despite a subdued market environment – and achieved growth of 35% to reach a revenue share of 11% (2019: 9%).

Key earnings figures in the financial year 2020 were mainly burdened by the Covid-19 pandemic and fell short of the prior-year results. The resulting underutilisation of capacity was countered above all by restructuring measures. Expenses planned at the beginning of the year for the expansion of sales activities and technology expertise in order to prioritise revenue growth led to further burdens on earnings. As a result, adjusted EBITDA fell by 11% year on year to €42.52 million (2019: €47.91 million). Compared to the previous year, EBT decreased by 25% to €14.11 million (2019: €18.73 million), but was still 9% above the forecast of €13 million. Net income was down 27% at €9.94 million (2019: €13.66 million).

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

Cash flow from operating activities in 2020 resulted in a net cash inflow of €60.25 million (2019: €36.18 million). The rise in Group liquidity in the financial year 2020 is mainly due to working capital effects. These funds were used in particular to reduce financial debt, resulting in a significant decrease in net borrowings to €31.35 million (2019: €58.80 million). The equity ratio as at 31 December 2020 was unchanged at 31% (31 December 2019: 31%) and reflects the GFT Group's consistently sound capital and balance sheet structure.

Performance compared to guidance

KPIs in € million	Guidance FY 2020 (4/3/2020)	Guidance FY 2020 (19/6/2020)	Guidance FY 2020 (12/11/2020)	Results GJ 2020	Δ % (4/3/2020)	Δ % (19/6/2020)	Δ % (12/11/2020)
Revenue	455	440	440	444.85	−2%	1%	1%
Adjusted EBITDA	50	44	42	42.52	−15%	−3%	1%
EBITDA	48	42	40	39.70	−17%	−5%	−1%
EBT	20	13	13	14.11	−29%	9%	9%

Key figures by quarter

in € million	Q1/2020*	Q2/2020*	Q3/2020*	Q4/2020*	FY 2020
Revenue	112.48	108.57	105.99	117.81	444.85
Adjusted EBITDA	10.39	8.14	12.28	11.71	42.52
EBITDA	9.26	7.20	11.34	11.90	39.70
EBT	3.02	1.02	5.01	5.06	14.11

* unaudited

2.3 Development of revenue

Development of revenue with M&A effects

In the financial year 2020, the GFT Group generated total revenue of €444.85 million, corresponding to year-on-year growth of 4% (2019: €428.98 million). The company in-GmbH, acquired in January 2020, contributed €4.85 million to total revenue in 2020. As a result, the Group's organic revenue growth amounted to 3%.

Revenue in the financial year 2020 with M&A effects

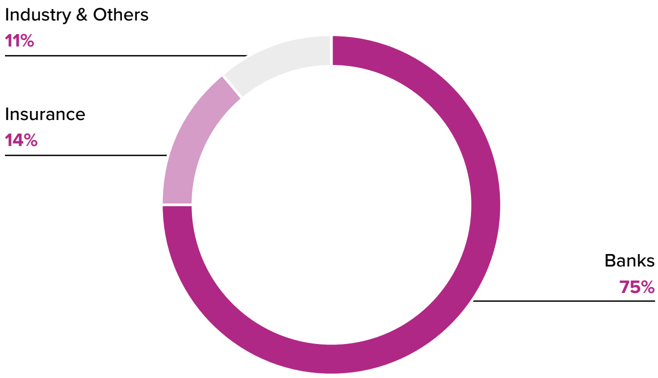
	2020		2019		
	€ million	share in %	€ million	share in %	Δ%
GFT organic	440.00	99%	428.98	100%	3%
in-GmbH*	4.85	1%	0.00	–	–
GFT Group	**444.85**	**100%**	**428.98**	**100%**	**4%**

* Revenue contribution as of 1/1/2020

Drive for sector diversification continued

The GFT Group continued to drive its client and sector diversification strategy in the financial year 2020. In its business with insurance clients, Guidewire implementation continued to grow strongly and helped generate a significant increase of 23%. This sector's share of Group revenue thus rose further to 14% (2019: 11%). Business with industrial clients, summarised below under Industry & Others, made further good progress – despite subdued client behaviour during the pandemic – and achieved growth of 35% to a revenue share of 11% (2019: 9%).

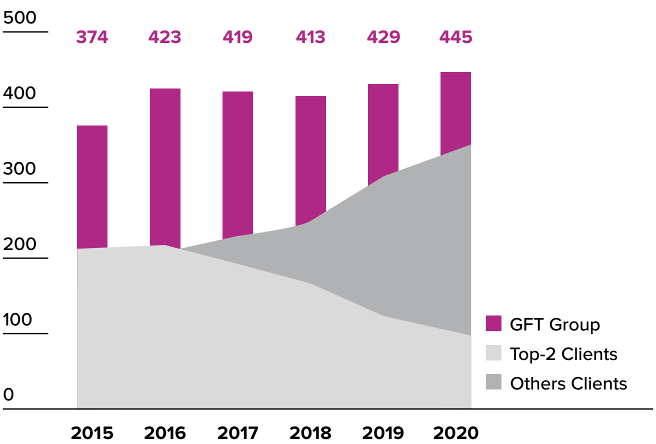
Revenue by sector 2020



	2020		2019		
	€ million	share in %	€ million	share in %	Δ%
Banks	335.43	75%	343.79	80%	−2%
Insurance	60.20	14%	48.79	11%	23%
Industry & Others	49.22	11%	36.40	9%	35%
GFT Group	**444.85**	**100%**	**428.98**	**100%**	**4%**

Steady improvement in client diversification since 2015
The GFT Group is systematically driving its client diversification and has continuously reduced its dependence on individual clients every year since 2015. As a result, the proportion of total revenue attributable to the top-2 clients fell from 57% in 2015 to 21% in 2020. At the same time, there has been a consistently strong growth trend outside the top-2 clients with an average growth rate (CAGR) of around 17% in the period 2015-2020.

Client diversification 2015 – 2020
in € million



Further revenue growth outside the top-2 clients in 2020
The positive trend in business outside the top-2 clients continued during the reporting period with a 14% increase in revenue generated by these clients. This growth was achieved in all sectors served by GFT. By contrast, revenue from the top-2 clients declined by 22% to a revenue share of just 21%.

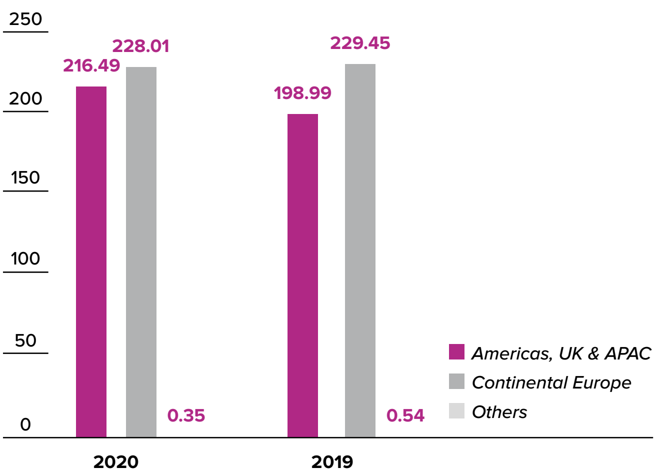
Revenue by clients 2020

in € million	2020	2019	Δ %
Top-2 clients	95.55	122.02	−22%
Other clients	348.95	306.43	14%
GFT Group (without Holding)	**444.50**	**428.45**	**4%**

Revenue by segment
Revenue in the *Americas, UK & APAC* segment was raised by 9% to €216.49 million (2019: €198.99 million). There was particularly dynamic growth in the Canadian insurance sector, in business with cloud solutions, and in business activities with local banks in Brazil. Moreover, GFT drove its expansion in the innovative Asian-Pacific banking market during the reporting period.

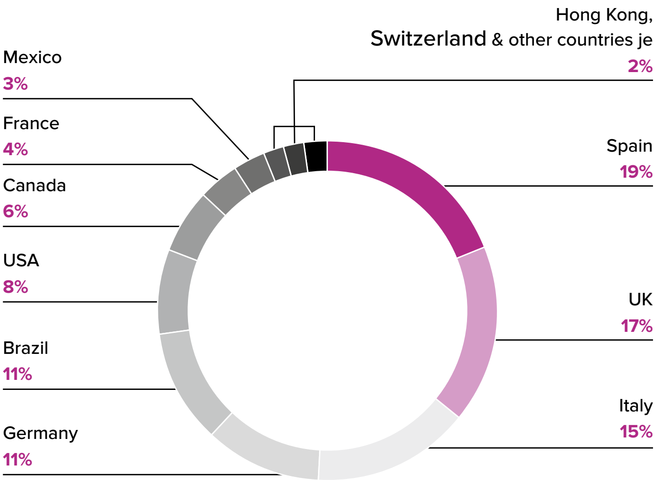
Revenue in the *Continental Europe* segment of €228.01 million was almost unchanged from the previous year (2019: €229.45 million) The expected decline in business with the top-2 clients, especially in Spain and Germany, was almost completely offset by growth with other clients. Demand for digitisation solutions in the retail banking sector remained strong, while insurance activities made good progress – especially in France.

Revenue by segment in the financial year 2020
in € million



	2020		2019		
	€ million	share in %	€ million	share in %	Δ%
Americas, UK & APAC	216.49	49%	198.99	46%	9%
Continental Europe	228.01	51%	229.45	54%	−1%
Others	0.35	0%	0.54	0%	−36%
GFT Group	**444.85**	**100%**	**428.98**	**100%**	**4%**

Revenue by country in the financial year 2020



	2020		2019		
	€ million	share in %	€ million	share in %	Δ%
Spain	85.56	19%	92.97	22%	–8%
UK	77.41	17%	81.67	19%	–5%
Italy	65.20	15%	63.44	15%	3%
Germany	50.89	11%	53.10	12%	–4%
Brazil	48.32	11%	33.54	8%	44%
USA	33.72	8%	35.40	8%	–5%
Canada	25.00	6%	15.69	4%	59%
France	17.40	4%	11.31	3%	54%
Mexico	15.93	3%	17.00	4%	–6%
Hong Kong*	8.41	2%	3.99	1%	>100%
Switzerland	7.62	2%	6.69	1%	14%
Other countries	9.39	2%	14.18	3%	–34%
GFT Group	**444.85**	**100%**	**428.98**	**100%**	**4%**

* Special Administrative Region

2.4 Earnings position

Earnings position of the GFT Group

Despite the positive revenue trend with growth of 4%, there was a significant decline in earnings of the GFT Group in the financial year 2020. **EBITDA** fell by 12% or €5.19 million to €39.70 million (2019: €44.89 million). In addition to planned expenses for the expansion of sales activities and technology expertise in order to prioritise revenue growth, earnings were burdened in particular by capacity adjustments aimed at raising operating profitability amounting to €8.82 million (2019: €4.13 million), as well as by capacity underutilisation – primarily as a result of the Covid-19 pandemic. In addition to severance pay and leave compensation for staff, expenses for capacity adjustments also include costs for legal advice.

In the financial year 2020, EBITDA was burdened by special items from M&A activities amounting to €2.82 million (2019: €3.02 million). Of this total, the acquisition of GFT Technologies Canada Inc. (formerly: V-NEO Inc.) in 2018 accounted for expenses of €2.72 million (2019: €2.75 million). Taking account of these effects, **adjusted EBITDA** totalled €42.52 million in the financial year 2020 (2019: €47.91 million).

EBIT was down year on year – with slightly lower depreciation and amortisation – by €5.00 million to €16.33 million (2019: €21.33 million). In the financial year 2020, earnings before interest and taxes benefited from positive IFRS 16 effects totalling €0.95 million (2019: €1.82 million).

Due in particular to the special items explained above, **EBT** fell by €4.62 million or 25% to €14.11 million (2019: €18.73 million). The operating margin decreased to 3.2% in the financial year 2020, compared to 4.4% in the previous year.

Net income for the financial year 2020 of €9.94 million was €3.72 million or 27% below the prior-year level (2019: €13.66 million). The **tax expense** of €4.16 million (2019: €5.07 million) corresponds to an imputed tax ratio of 30% (2019: 27%).

As a result of the decline in net income, **earnings per share** decreased to €0.38 (2019: €0.52), based on an unchanged volume of 26,325,946 outstanding shares.

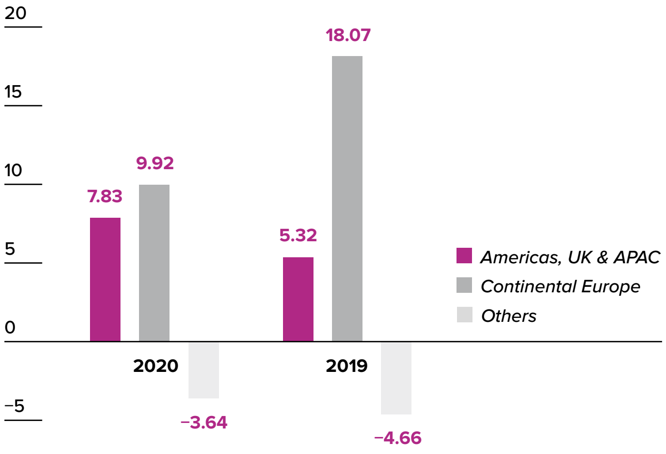
Earnings (EBT) by segment

In the ***Americas, UK & APAC*** segment, EBT improved strongly by €2.51 million (47%) to €7.83 million in the financial year 2020 (2019: €5.32 million). As a result of the expansion of business with clients outside the top-2, Group companies in Brazil and the UK in particular made significant contributions to consolidated earnings. The operating margin – based on external revenue – increased to 3.6% (2019: 2.7%). There were no major effects from the Covid-19 pandemic in this segment.

In the financial year 2020, EBT in the ***Continental Europe*** segment amounted to € 9.92 million and was thus a significant €8.15 million below the prior-year figure (2019: €18.07 million). This decline in segment earnings was primarily attributable to capacity adjustments aimed at raising operating profitability amounting to €7.89 million (2019: €2.69 million) as well as to capacity underutilisation in Germany and Spain – mainly as a result of the Covid-19 pandemic. The operating margin of 4.3% – based on external revenue – was thus also well below the prior-year level (2019: 7.9%).

Earnings of the ***Others*** category improved by €1.02 million to €–3.64 million in the financial year 2020 (2019: €–4.66 million), primarily as a result of increased Group allocations to the detriment of both operating segments. Prior-year earnings were also burdened by higher expenses due to capacity adjustments. 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 Group activities.

Earnings (EBT) by segment
in € million



Earnings (EBT) by segment in the financial year 2020

	2020		2019			
	€ million	margin in %	€ million	margin in %	Δ € million	Δ%
Americas, UK & APAC	7.83	3.6	5.32	2.7	2.51	47%
Continental Europe	9.92	4.3	18.07	7.9	–8.15	–45%
Others	–3.64	n/a	–4.66	n/a	1.02	–22%
GFT Group	**14.11**	**3.2%**	**18.73**	**4.4%**	**–4.62**	**–25%**

Earnings position by income and expense items

Other operating income of €12.54 million was slightly below the prior-year level (2019: €13.06 million). This item mainly comprises government grants of €7.69 million (2019: €6.61 million), especially for research and development activities in the UK, Canada and Italy, as well as currency gains of €2.98 million (2019: €2.41 million). The year-on-year decline is mainly due to the absence of various one-off effects which positively influenced the prior-year figure.

The cost of purchased services amounted to €49.47 million and was thus €3.04 million or 7% above the prior-year figure (2019: €46.43 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 was unchanged at 11% (2019: 11%).

Personnel expenses rose by 8% to €320.39 million in the reporting period (2019: €297.33 million). This trend is due in particular to the increase in average headcount as well as to capacity adjustments. These capacity adjustments burdened personnel expenses by a total of €8.82 million (2019: €4.13 million) and mainly concerned Germany and Spain. The increase in average headcount is primarily a result of the regional expansion of sales activities and technology expertise, but is also attributable to the dynamic revenue trend in certain countries, especially Brazil. The ratio of personnel expenses to revenue (the personnel cost ratio) rose to 72% (2019: 69%). The personnel cost ratio without capacity adjustments and plus the purchase of external services amounted to 81% (2019: 79%).

Depreciation and amortisation of non-current intangible assets and property, plant and equipment amounted to €23.36 million (2019: €23.56 million). Of this total, depreciation of right-of-use assets pursuant to IFRS 16 accounted for €10.08 million (2019: €10.96 million) and impairment expenses for €0.81 million (2019: €0.00 million).

Other operating expenses decreased by €5.72 million or 11% to €47.83 million in the financial year 2020 (2019: €53.55 million). The main cost elements were still operating, administrative and selling expenses, which totalled €36.22 million (2019: €44.92 million) The decrease in other operating expenses during the reporting period is mainly due to the fall in employee travel expenses, which is a direct consequence of travel restrictions brought about by the Covid-19 pandemic. Other operating expenses include currency losses of €3.76 million (2019: €3.56 million).

In view of reduced interest payments, there was a slight year-on-year improvement in the **financial result** to €−2.22 million (2019: €−2.59 million). This improvement was mainly due to lower effects from the discounting of lease liabilities within the scope of IFRS 16.

The reduced tax expense disclosed under **income taxes** of €4.16 million (2019: €5.07 million) was mainly due to the decline in pre-tax earnings. The imputed tax rate for the reporting period amounted to 30% (2019: 27%). The year-on-year increase in the tax rate was chiefly attributable to the distribution of earnings among the 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.

The Administrative Board will recommend to the Annual General Meeting on 10 June 2021 the distribution of a dividend of €0.20 per no-par share for the financial year 2020 (2019: €0.20). This corresponds to a payout of €5.27 million to shareholders (2019: €5.27 million) and a payout ratio of 53% (2019: 39%) in relation to the consolidated net profit for the year.

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 investment strategy which currently focuses exclusively on short-term periods. 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 several promissory note agreements to secure the long-term funding of the GFT Group. The syndicated loan agreement was concluded in the financial year 2015 and has a term of seven years. The loan amount of up to €80.00 million comprises two tranches, a Facility A credit line of up to €40.00 million and a Facility B revolving credit line of up to €40.00 million. At the end of the reporting period, the full amount of Facility A had been drawn. As of 31 December 2020, Facility B had not been drawn. The interest rate of the syndicated loan is variable: for both facilities it is set per calendar year depending on the GFT Group's level of debt with a fixed premium on the respective chosen Euribor rate – 1, 2, 3 or 6 months.

The promissory note agreements have terms of between one and four years. At the end of the reporting period, promissory note agreements totalling €52.00 million were drawn in full. Of this amount, €33.00 million are fixed-interest and the remaining €19.00 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 has an extremely sound financial structure. As of 31 December 2020, the GFT Group had unused credit lines of €56.10 million. The net liquidity of the GFT Group – calculated as the balance of disclosed cash and cash equivalents less financial liabilities – improved strongly from €−58.80 million in the previous year to €−31.35 million as of 31 December 2020. The development of net liquidity confirms that the payment behaviour of clients remained stable despite the Covid-19 crisis and overall even improved slightly.

Including currency effects, **cash and cash equivalents** increased by €14.73 million compared to year-end 2019 to €70.87 million at the end of the reporting period (31 December 2019: €56.14 million). The rise in Group liquidity during the financial year 2020 was mainly due to working capital effects as well as reduced capital expenditure. The increased funds were used in particular to reduce financial debt.

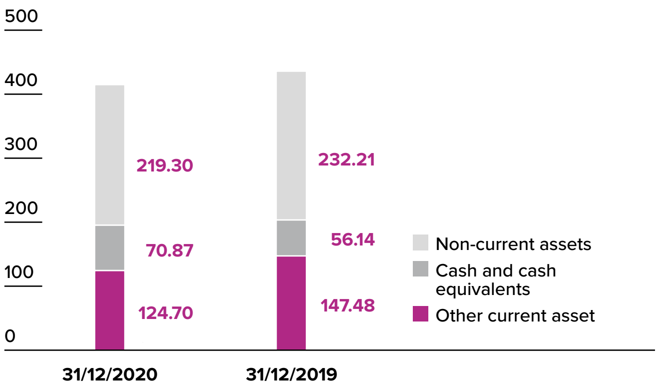
In the financial year 2020, **cash flow from operating activities** resulted in a cash inflow of €60.25 million (2019: €36.18 million). The increase in cash flow from operating activities of €24.07 million resulted mainly from the cash-effective decline in working capital. Within working capital, there was a particularly noticeable decline in trade receivables of €20.92 million (2019: €−18.63 million). This is mostly due to the solid business performance together with high payments from major clients in the last quarter of the financial year. In the previous year, payments made by major clients at the end of the financial year were much lower. Opposing effects during the reporting period resulted in particular from the 27% decline in net income to €9.94 million (2019: €13.66 million) and an increase in income tax payments of more than 100% to €8.03 million (2019: €0.57 million) due to the rise in taxable income of previous years.

With a cash outflow of €10.98 million, there was a year-on-year decrease in **cash flow from investing activities** in the financial year 2020 (2019: €13.89 million). The €2.91 million decline in cash outflow was mainly due to a reduced overall level of capital expenditure totalling €1.75 million. Compared to the previous year, there were also lower cash outflows for the acquisition of consolidated companies. In the financial year 2020, cash outflows for the acquisition of consolidated companies amounting to €6.90 million (2019: €7.63 million) related to the acquisition of in-GmbH on 1 January 2020.

Cash flow from financing activities in the financial year 2020 resulted in a net outflow of €29.05 million (2019: €27.05 million). The year-on-year change is largely attributable to higher net redemption of bank loans, resulting in a net outflow of €12.81 million (2019: €6.30 million). Compared to the previous year, however, there were reduced outflows for the dividend payment to shareholders of €5.27 million (2019: €7.90 million) and for the payment of lease liabilities under IFRS 16 of €10.98 million (2019: €12.85 million).

2.6 Asset position

Balance sheet structure – Assets
in € million



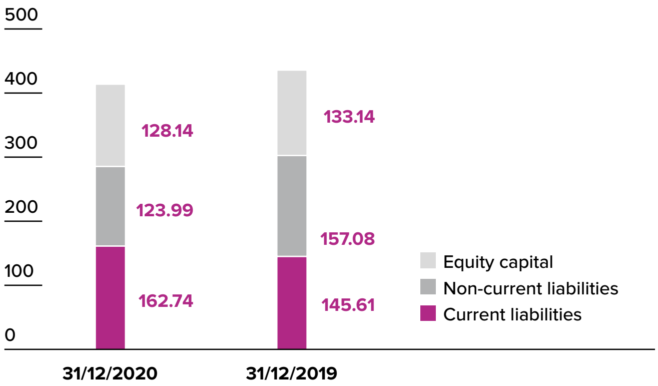
Assets in € million	31/12/2020	31/12/2019	Δ	Δ %
Non-current assets	219.30	232.21	−12.91	−6
Cash and cash equivalents	70.87	56.14	14.73	26
Other current assets	124.70	147.48	−22.78	−15
	414.87	**435.83**	**−20.96**	**−5**

Compared to 31 December 2019, the **balance sheet total** of the GFT Group declined by €20.96 million from €435.83 million to €414.87 million. The decrease is mainly due to lower receivables from client contracts, as well as reduced intangible assets and property, plant and equipment. There was an opposing effect in particular from the increase in Group liquidity caused by positive working capital effects. On the liabilities side, the main changes were a decline in financial liabilities and lower other financial liabilities.

At €219.30 million, **non-current assets** of the GFT Group were €12.91 million or 6% below the prior-year level (31 December 2019: €232.21 million). As of 31 December 2020, non-current assets still accounted for 53% of the balance sheet total. Non-current assets mainly comprise goodwill of €120.01 million (31 December 2019: €118.66 million), other intangible assets of €15.73 million (31 December 2019: €22.13 million) and property, plant and equipment of €67.54 million (31 December 2019: €76.78 million). The €1.35 million increase in goodwill to €120.01 million as of 31 December 2020 (31 December 2019: €118.66 million) resulted mainly from the acquisition of in-GmbH on 1 January 2020 as well as opposing currency effects. Property, plant and equipment decreased by €9.24 million to €67.54 million (31 December 2019: €76.78 million). In accordance with IFRS 16, right-of-use assets for land and buildings, as well as car parks and vehicles, amounting to €44.56 million as of 31 December 2020 (31 December 2019: €51.16 million) were disclosed in property, plant and equipment. The decline in right-of-use assets compared to year-end 2019 is mainly due to scheduled depreciation. Capital expenditure (without right-of-use assets) of €4.04 million in the financial year 2020 was below the prior-year level (2019: €4.62 million).

As of 31 December 2020, **current assets** decreased by €8.05 million to €195.57 million (31 December 2019: €203.62 million). This decline in current assets was mainly due to a fall in trade receivables of €20.92 million to €93.10 million (31 December 2019: €114.02 million). In addition, there was a decrease in contract assets of €5.90 million to €9.83 million due to closing-date effects (31 December 2019: €15.73 million). The item contract assets recognises 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. By contrast, there were increases in particular in cash and cash equivalents of €14.73 million to €70.87 million (31 December 2019: €56.14 million) and in other assets of €3.44 million to €12.06 million (31 December 2019: €8.62 million). Other assets mainly comprise prepaid expenses, as well as VAT and other tax refund claims.

Balance sheet structure – Equity and liabilities
in € million



Equity and liabilities in € million	31/12/2020	31/12/2019	Δ	Δ %
Equity capital	128.14	133.14	−5.00	−4
Non-current liabilities	123.99	157.08	−33.09	−21
Current liabilities	162.74	145.61	17.13	12
	414.87	**435.83**	**−20.96**	**−5**

Compared to 31 December 2019, the **equity capital** of the GFT Group decreased by €5.00 million or 4% from €133.14 million to €128.14 million – adjusted for currency effects, however, there was an increase of €4.90 million. Net income of €9.94 million (2019: €13.66 million) was offset in particular by negative currency effects of €−9.90 million (2019: €3.98 million) and the dividend paid to shareholders of €5.27 million (2019: €7.90 million). The negative currency effects resulted mainly from the devaluation of the Brazilian real and the Canadian dollar.

As a result of the decline in equity and simultaneous decrease in total assets, the GFT Group's **equity ratio** as 31 December 2020 was unchanged from the previous year at 31%. Adjusted for effects from lessee accounting pursuant to IFRS 16, the equity ratio as of 31 December 2020 amounted to 35% and was thus also unchanged from the previous year.

Non-current liabilities fell year on year to €123.99 million (31 December 2019: €157.08 million). This decrease of 21% or €33.09 million was mainly due to reduced financial liabilities of €67.82 million (31 December 2019: €98.44 million) resulting from the redemption of bank loans and reclassifications to current liabilities. Moreover, other financial liabilities decreased by €5.03 million to €38.44 million (31 December 2019: €43.47 million). Other financial liabilities include lease liabilities pursuant to IFRS 16.

Current liabilities of €162.74 million were up on the prior-year figure (31 December 2019: €145.61 million). The €17.13 million or 12% increase in current liabilities as of 31 December 2020 was mainly due to financial liabilities of €34.40 million (31 December 2019: €16.50 million) and other provisions of €40.62 million (31 December 2019: €36.36 million).The increase in financial liabilities of €17.90 million was primarily in connection with the reclassification of former non-current bank liabilities. The year-on-year rise in other provisions of €4.26 million is mainly due to capacity adjustments and higher holiday obligations. By contrast, there was a decline in particular of contract liabilities of 4% or €1.60 million to €37.24 million (31 December 2019: €38.84 million) due to closing-date effects. Contract liabilities comprise unrealised revenue as well as prepayments received, especially in connection with fixed-price agreements to develop tailored IT solutions and implement sector-specific standard software, as well as service agreements for the further development of business-critical IT solutions.

In the reporting period, there was an improvement in the ratio of net financial debt to equity (gearing) of 20 percentage points to 24% as of 31 December 2020 (31 December 2019: 44%). Net financial debt comprises disclosed cash and cash equivalents less bank liabilities.

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

2.7 Overall assessment

The development of business in 2020 was burdened by the Covid-19 pandemic, albeit to a lesser extent than anticipated in spring. All in all, there was a slight increase in revenue. Earnings were burdened by capacity underutilisation, restructuring measures, and by expenses planned at the beginning of the year for the expansion of sales activities and technology expertise. As a result, key earnings figures were down on the previous year but still well above expectations.

As of 31 December 2020, the equity ratio of 31% was unchanged from the prior-year level (31 December 2019: 31%) and reflects the consistently solid capital and balance sheet structure of the GFT Group.

3 Forecast report

3.1 Macroeconomic and sector development

Macroeconomic development

The corona crisis will maintain its grip on the global economy in 2021. Nevertheless, in its latest report published in January 2021, the International Monetary Fund (IMF) was upbeat in its outlook for the financial year 2021. According to the IMF, vaccines against the coronavirus and the prospect of restrictions on economic activity being eased are the main factors improving the global growth outlook. Against the backdrop of vaccination campaigns and expected state financial aid in some of the larger industrialised nations, the IMF's economists upgraded their forecast for global economic growth in 2021 to 5.5%. However, in view of the ongoing pandemic, new virus variants and the increase in the infection rate in many industrialised countries at the end of 2020, all forecasts are still subject to considerable uncertainty.

According to the ECB, measures to contain the infection will continue to dampen economic activity in the eurozone in the first quarter of 2021. Although some constraints are expected to remain, the ECB forecasts a renewed economic upswing in the course of 2021, with GDP growth in the eurozone of 3.9%. A steady easing of containment measures is anticipated, together with reduced uncertainty due to effective vaccination campaigns. Coupled with extensive monetary and fiscal support measures and a sustained recovery in foreign demand, this is expected to lead to a robust economic revival in the course of 2021.

According to the Bundesbank's January outlook, the German economy will gradually recover from the consequences of the corona crisis in 2021. In its forecast of December 2020, the Bundesbank forecast that real GDP will grow strongly again in the further course of the year following a renewed decline in the winter half-year 2020/21. For 2021, the central bank's economists expect economic growth of 3.0%. The economic recovery will be driven above all by consumer spending.

Sector development

The market research institute Gartner expects a further increase in global IT spending of 6.2% in 2021. Within the IT market, the experts forecast significant growth rates for business software with an increase of 8.8% in 2021. The IT services segment is also expected to grow strongly by 6.0% in the current financial year.

With regard to individual new technologies, the market research institutes issued the following estimates: Gartner expects global spending on cloud computing to increase by 18.4% in 2021. Cloud solutions emerged strongly from the crisis year 2020 due to their flexibility and stability and are becoming increasingly important for companies against the backdrop of high demands and simultaneously lower IT budgets. The Everest Group predicts dynamic growth of 45 to 50% for Robotic Process Automation (RPA) over the next two years. Due to the pandemic, the pressure on companies to automate their business processes has increased significantly. In the field of artificial intelligence, Forrester expects a massive increase in use cases in 2021. In the case of blockchain projects, Forrester's analysts expect 30% of all blockchain projects world-wide to go into production.

Digital transformation remains a high priority for the financial industry. According to Gartner, financial institutions will significantly increase their IT spending by 5.4% in 2021. Retail banks are expected to raise their IT spending by 6.2% and investment banks by 3.2%. According to Gartner, the insurance sector will invest 5.4% more in IT during the current financial year. The sector is thus stepping up the digitisation of its business processes. After a significant decline in IT spending in the previous year, the industrial sector is expected to invest more in the current financial year (1.4%), but will still lag behind the financial and insurance sectors in terms of momentum.

Following a temporary decline in revenue in 2020, the digital association Bitkom anticipates a return to growth for the German ICT market in 2021. In the current financial year, spending on information technology, telecommunications and consumer electronics is expected to increase by 2.7%. For information technology, the industry association predicts revenue growth of 4.2%. Spending on IT services, which also include IT consulting, is expected to grow by 1.1% and software spending by 4.1% in 2021. According to Bitkom, companies, the state and consumers are all investing in digital technologies; investments postponed in the past year are now expected to be made in 2021. According to the digital association, the fast-growing cloud business will maintain its steady trajectory. Infrastructure-as-a-Service, i.e. business with rented servers, network and storage capacities, is recording annual growth rates of up to 40%. According to Bitkom, digitisation is also leading to growing demand for labour. By the end of 2021, 20,000 additional jobs are expected to be created in the ICT market. Nevertheless, the lack of skilled workers continues to act as a brake on the digitisation trend and global competitiveness.

3.2 Expected development of the GFT Group

in € million	FY 2020	Guidance FY 2021	Δ %
Revenue	444.85	480	8%
Adjusted EBITDA	42.52	50	18%
EBT	14.11	24	70%

The successful expansion of client and sector diversification will continue in 2021. Thanks to its technological and sector expertise, attractive portfolio of services and proven partnerships with leading platform providers, the GFT Group is well placed to swiftly and efficiently exploit emerging business opportunities. Coupled with attractive market trends, GFT therefore anticipates further growth in its targeted sectors.

In the banking sector, there is consistently strong demand for IT solutions which can enhance efficiency and client benefit while at the same time meeting complex compliance requirements. High-growth technologies like artificial intelligence, cloud, DLT/blockchain, DevOps and data analytics offer tremendous potential for developing the business models of financial institutions. Out of these technologies, cloud solutions will display the highest growth rates due to the high degree of maturity and the dynamic development of demand. GFT has many years of cloud experience as well as innovative reference projects and can draw on strong partnerships with leading cloud providers. In addition, further innovative banking projects are to be realised in the dynamic and innovative Asia-Pacific market in the financial year 2021. To support this growth, a development centre was set up in Vietnam at the beginning of 2021, focusing on cloud technologies and new core banking solutions.

In the insurance market, where the digitisation of business models is gaining further momentum, further growth potential is anticipated in the financial year 2021. On the back of the huge success enjoyed by the standard software for property insurers offered by Guidewire, with whom GFT has a strategic partnership, further implementation projects spanning several years are expected in Canada and Europe. In addition, existing Guidewire solutions of British insurers are to be migrated to the cloud. The insurance sector's share of total revenue is expected to grow strongly again and reach 18% of Group revenue in 2021 (2020: 14%).

Following the expansion of its industrial business by means of an acquisition at the beginning of 2020, GFT now offers an attractive combination of sector expertise, technology know-how and delivery capability as well as its own IoT platform. Mid-sized companies in particular are attracted by the possibility to purchase from a single source, as well as by GFT's numerous innovative reference projects and partnerships with renowned clients and platform providers. GFT plans to implement new client projects and achieve further growth in its business with industrial clients in 2021. The revenue share of the Industry & Others sector is expected to increase further to 13% (2020: 11%).

At Group level, GFT expects the growth trend outside its top-2 clients to continue in the financial year 2021 and anticipates an increase of 15%. Due to further client diversification, the proportion of total revenue from the top-2 clients will decrease further to 16% (2020: 21%). Against this backdrop, the GFT Group forecasts an increase in revenue of 8% to €480 million for the full year 2021 (2020: €444.85 million). Together with improved margins and revenue growth, the measures implemented in the financial year 2020 to enhance operating efficiency will result in a significant increase in earnings figures: adjusted EBITDA is expected to grow significantly by 18% percent and reach €50 million (2020: €42.52 million). For EBT, the GFT Group even expects a strong increase of 70% to €24 million (2020: €14.11 million).

Overall statement
This forecast is based on the assumption that the effects of the Covid-19 pandemic will be largely overcome in 2021, possible consequences of a renewed crisis were not taken into consideration. The general digitisation trends in GFT's markets are intact and the Group is excellently positioned to benefit from market opportunities due to its extensive sector and technology expertise. Assuming that demand for digitisation solutions continues to grow, GFT expects a further increase in revenue and significant growth in earnings for the financial year 2021.

The forecast is based on the assumption that exchange rates will remain at the level of 30 September 2020.

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.

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.

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".

Potential impact	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.

	Potential impact		
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

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.

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.

In February 2020, the GFT Group already initiated appropriate measures to reduce the risks associated with the Covid-19 pandemic. The main focus was on 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. Staff were also given the opportunity to directly address issues relating to the pandemic.

The GFT Group assesses the occurrence of further 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.

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 2020, the GFT Group generated 70% (2019: 75%) 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, 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, so that in total these risks are classified as high.

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 Human workforce	Sales risks	Liquidity risks
Regulatory environment and legal requirements	Strategic business model	Attract, develop and retain employees	Project risks	Exchange rate and interest rate fluctuation risks
	Acquisition and integration risks		IT risks	Accounting risks
	Innovation and technological know-how		Guarantee and litigation risks	Tax risks

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 (e. g. regarding data privacy and information security) 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 not predominantly likely, their impact on the GFT Group may be significant however, and in total these risks are therefore classified as medium.

Information security and data privacy

As a result of the advancing digitisation 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 GFT Group's 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 largely probable, the impact on the GFT Group may be significant, so that these risks are to be classified as high overall.

4.3 Strategic risks

Sector and market risks

The GFT Group has a strong focus on the financial services sector. In the financial year 2020, 89% of revenue (2019: 92%) 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 our 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. The acquisition of in-GmbH in Constance, Germany, in the reportingyear enhanced GFT's industry portfolio with the addition of offerings for the integration, visualisation and managing of business processes. Germany remains the focus region for diversification in the industrial sector, as underlined by the purchase of a 10% stake in the open innovation platform 1886 Ventures. The acquisition and investment made in the reporting period has broadened GFT's client base in its growing industrial business in the direction of automotive, logistics and energy management.

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 – cloud-based core banking solution).

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 existing solutions 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 for our clients.

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 strengthened its 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 digitisation, 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 are regarded as moderate, so that these risks can be classified as low in total.

4.4 Personnel risks

International human workforce
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, personal space, attractive remuneration systems, tailored career models and extensive training. With the aid of targeted recruitment measures, the Group strives to attract new talent in order to enhance its positive image on the job market.

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 and not only helped protect employees and their families, but also ensured delivery capability and service quality. The introduction of flexible working conditions had a positive impact on the GFT Group's staff turnover rate.

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.

Attract, develop and retain 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.

These measures include a regular review of local working time and salary models, the further development of our career model, the performance assessment of employees, and the promotion of employees via internally initiated talent development programmes.

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 more moderate to significant, so that in total these risks are classified as high.

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.

Moreover, as a further risk-reducing measure in the field of operating activities, master contracts drafted by the Group's own legal department are used as far as possible. With the exception of companies in Italy, any deviations from the standards and the clients' own contracts are checked and negotiated by the Group Legal department of the GFT Group. The companies in Italy are supported by external legal advisors. These measures ensure that liability risks associated with the contracts (for example, warranties or industrial property rights) are regulated in a clear and transparent way and limited to a reasonable amount. The companies belonging to the GFT division in Italy are supported by external lawyers. Contractual provisions that go beyond the general requirements of the GFT Group (such as the assumption of unlimited liability or the agreement of excessive penalties) require the express approval of the Managing Directors.

The GFT Group estimates the probability of sales risks as likely. The impact on the GFT Group can be significant in individual cases, 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 likely. Their impact on the GFT Group can be significant in certain cases, and in total this risk is therefore classified as high and extensive methods and processes to manage project risks are employed.

Guarantee and litigation 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 a low risk.

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 can be significant in certain cases, so that in total these risks are classified as a medium risk.

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 2020, transactions in foreign currencies which were then translated into the Group's reporting currency, the euro, accounted for around 41% of consolidated revenue once again (2019: 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.

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, which uses financial instruments as required. In order to limit the risk of interest rate changes for a loan with a nominal amount of €40.00 million and variable interest, an interest cap was concluded until July 2020 with an upper interest rate of 1.00%. The derivative was included in hedge accounting. and underlying transaction form a valuation unit with regard to their offsetting value development. At the end of the reporting period 2020, there were no further significant financial instruments used for risk management purposes. For a more detailed presentation of financial instruments, see section 10.1 of the notes to the consolidated financial statements.

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 assessments 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 assessments 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's internal 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, although their impact on the GFT Group can be significant. All in all, these risks are therefore classified as medium.

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 or additions 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.

At the time of preparing this report, there are no recognisable risks that might jeopardise the existence of the GFT Group. No permanent or substantial impairment of the financial position and performance of the company is expected. The early warning system for the detection of risks implemented by the GFT Group is constantly evolving and will be reviewed by the external auditor in accordance with statutory requirements.

5 Opportunity report

Opportunity management
GFT defines opportunities as possible positive deviations from its guidance for the financial year 2021 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 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 also realigned accordingly.

Developments, trends or events which could have a positive impact on the financial position and performance in the financial year 2021 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, can also have a positive impact on client investment behaviour.

Opportunities from the regulatory environment and legal regulations
Changes in the regulatory environment and legal requirements may force the targeted client groups to adapt their IT systems, resulting in further demand and thus positively impacting GFT's business activities.

Strategic opportunities
Should the strategic external conditions listed below develop more favourably 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 to digitise business processes in all sectors and might provide an additional stimulus for demand.

GFT Technologies SE has targeted a further 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; the innovative Asia-Pacific banking market has been targeted since 2019, and a development centre was set up in Vietnam at the beginning of 2021. Further opportunities arise from the indirect sales of GFT partners such as Google, Amazon Web Services, Microsoft, Guidewire, DAML or Thought Machine.

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.

Opportunities from innovation and technological know-how
Opportunities for the GFT Group's business activities arise both from its 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. Business with the implementation of Guidewire's standard solution for insurers is making particularly strong progress. In order to meet the increasing demand for implementation projects, expert teams were established in Poland and Spain in the past, so that growth can be accompanied from nearshore locations. Opportunities may arise from stronger than expected growth of the partner Guidewire and from faster than expected capacity expansion.

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, cloud engineering, data analytics and artificial intelligence – technologies that the GFT Group is proficient in and is continuously expanding. An acquisition in the reporting period has expanded GFT's technological offerings with the addition of industry expertise and a proprietary IoT platform. Further opportunities for business in the industrial sector may arise if the targeted clients increase their IoT budgets and the reluctance to invest during the Covid-19 pandemic diminishes faster than expected.

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 engineering, DLT, 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 increasing prevalence of "working from home" during the Covid-19 pandemic offers the opportunity that client acceptance of nearshore development will rise further. By facilitating remote working models and offering a global network of sites, GFT has also enhanced its 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 shortage of skilled employees on the one hand, and the demand for nearshore development on the other, increase more strongly than expected, this could have a positive impact business activities.

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

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

6.1 General

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

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

In accordance with section 315 (5) HGB, 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 Research and development

Research and development activities were less intensive in the reporting period with a year-on-year decline in expenses to €0.92 million (2019: €1.47 million). Personnel expenses of €0.43 million accounted for 47% of this total (2019: €0.56 million or 38%).

6.3 Development of business

In the financial year 2020, **total revenue** declined by 16% or €13.72 million to €72.68 million (2019: €86.40 million) and thus fell short of the expectations published in last year's forecast report. Taking into account the change in work in progress and other operating income, **total performance** amounted to €78.50 million and was thus 10% below the prior-year figure (2019: €86.82 million).

Earnings before taxes (EBT) of GFT Technologies SE decreased by 43% or €6.54 million to €8.74 million (2019: €15.28 million) and were thus below the expectations mentioned in last year's forecast report. In the financial year 2020, EBT was mainly burdened by a decline in revenue from operating activities, as well as by underutilisation and restructuring expenses, especially as a result of the Covid-19 pandemic.

At 71%, the **productive utilisation rate** of operating business in Germany was only slightly above the prior-year level (69%).

6.4 Development of revenue

In the financial year 2020, GFT Technologies SE generated **revenue** of €72.68 million (2019: €86.40 million), corresponding to a year-on-year decrease of €13.72 million or 16%.

The revenue of GFT Technologies SE 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 down strongly on the previous year at €46.30 million for the financial year 2020 (2019: €61.27 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. The main reason for the decrease in revenue adjusted for Group-wide services in the financial year was the decline in orders of a major client.

Income from corporate services for subsidiaries included in total revenue amounted to €26.38 million (2019: €25.13 million). The year-on-year increase was mainly due to higher Group cost allocations for IT services.

6.5 Earnings position

Overview of earnings position
Earnings of GFT Technologies in the financial year 2020 were impacted by negative special items, mainly due to the Covid-19 pandemic. The change in the earnings position resulted in particular from a strong decline in revenue from a major client, one-off restructuring costs and a reduced financial result.

As a consequence, there was a year-on-year decrease in **EBT** of GFT Technologies SE of €6.54 million to €8.74 million (2019: €15.28 million). EBT was burdened by expenses for restructuring of €4.27 million. These restructuring expenses include severance pay and leave compensation for staff, as well as costs for legal advice.

The **productive utilisation rate** of operating business (without holding activities) of GFT Technologies SE improved only slightly by two percentage points from 69% to 71%. 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.

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.

Earnings position by income and expense items
Changes in inventories of work in progress decreased by €5.58 million to €−0.77 million in the financial year 2020 (2019: €−6.35 million). The reduction in changes in inventories of work in progress was mainly due to closing-date effects for projects already completed or accepted.

At €6.59 million, **other operating income** was largely unchanged from the previous year (2019: €6.77 million).

The **cost of purchased services** decreased by 6% or €1.70 million to €24.81 million in the financial year 2020 (2019: €26.51 million) due mainly to the decline in orders. The Spanish subsidiary GFT IT Consulting S. L.U. remained the most important supplier. The ratio of cost of purchased services to revenue increased to 34% (2019: 31%).

At €35.78 million, **personnel expenses** were down 2% on the previous year (2019: €36.44 million). This trend is mainly due to decline in average headcount. There was an opposing effect in the reporting period from expenses of €3.84 million for severance pay and leave compensation in connection with the restructuring process.

In the reporting period, **other operating expenses** amounted to €22.78 million (2019: €25.58 million), and were thus 11% or €2.80 million lower than the prior-year figure. Other operating expenses mainly comprised expenses for rent and maintenance, services received, licence fees, legal and consulting fees, and sales expenses. The decline other operating expenses in the reporting period was mainly due to reduced travel expenses, which is primarily a direct consequence of travel restrictions brought about by the Covid-19 pandemic.

The **financial result** decreased by €2.86 million to €15.70 million (2019: €18.56 million). The deterioration resulted in particular from lower investment income of €14.53 million (2019: €18.25 million). Investment income in 2020 results from dividend payments of the Spanish, British, Italian and French subsidiaries. There was a negative effect in the reporting period from the impairment of financial assets totalling €0.44 million (2019: €0.00 million) as a result of exchange rate effects. This was offset in particular by increased income from profit transfer agreements of €1.48 million (2019: €0.36 million), mainly as a result of the acquired company in-GmbH.

The **income tax expense** results from taxes of the reporting period and at €0.03 million (2019: €0.02 million) is still at a low level due to tax loss carryforwards.

Annual net income declined by €6.55 million to €8.70 million (2019: €15.25 million) due to the above mentioned effects.

6.6 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 2020, **cash and cash equivalents** of GFT Technologies SE were up €5.68 million to €11.28 million (31 December 2019: €5.60 million). This increase in liquidity was mainly due to working capital effects as well as reduced capital expenditure. The increased funds were used in particular to reduce bank borrowing.

The **net liquidity** of GFT Technologies SE – a product of cash and cash equivalents disclosed in the balance sheet less bank borrowing – improved strongly from €−102.90 million in the previous year to €−84.76 million as of 31 December 2020.

The main cash outflows in the financial year 2020 resulted from the acquisition of in-GmbH on 1 January 2020, which involved purchase price payments of €6.94 million.

6.7 Asset position

The **balance sheet total** of GFT Technologies SE fell year on year by 7% or €13.92 million to €193.11 million (31 December 2019: €207.03 million). The main changes compared to the previous year are presented below.

Non-current assets decreased during the year by €9.83 million to €152.95 million (31 December 2019: €162.78 million). This was mainly due to a decrease of €8.15 million in financial assets, whose development was shaped by two opposing effects. On the one hand, the refinancing and repayment of intercompany loans resulted in a decrease in loans to affiliated companies of €15.43 million. On the other hand, the acquisition of in-GmbH on 1 January 2020 led to an increase in shares held in affiliated companies of €7.26 million.

Inventories fell year on year in line with the decrease in work in progress by €0.77 million to €3.01 million (31 December 2019: €3.78 million).

Current assets as of 31 December 2020 decreased by €4.33 million to €37.35 million (31 December 2019: €41.68 million). This decrease is due in particular to a €5.18 million reduction in receivables from affiliated companies in connection with the refinancing of intercompany loans. In addition, trade receivables declined by €4.01 million, from €9.25 million in the previous year to €5.24 million mainly due to closing-date effects. At the same time, cash and cash equivalents increased by €5.68 million to €11.28 million (see chapter 6.6 Financial Position).

On the liabilities side, **shareholders' equity** increased by 5% or €3.44 million to €75.96 million in the reporting period (31 December 2019: €72.52 million). Net income of €8.70 million (2019: €15.25 million) was opposed by the dividend payment to shareholders of €5.27 million (2019: €7.90 million).

The **equity ratio** at the end of the reporting period improved by four percentage points to 39% (31 December 2019: 35%), mainly as a result of the reduction in debt.

At €8.97 million, **provisions** were only marginally above the prior-year figure (31 December 2019: €8.92 million).

Liabilities as of 31 December 2020 decreased by 14% or €17.42 million to €107.73 million (31 December 2019: €125.15 million). The reduction is mainly due to the redemption of bank liabilities. As a result, bank liabilities were reduced by €12.46 million to €96.04 million (31 December 2019: €108.50 million). Within liabilities, there was also a decrease in liabilities due to affiliated companies of €3.56 million to €6.19 million (31 December 2019: €9.75 million). Furthermore, advance payments on orders declined by €1.19 million to €3.11 million (31 December 2019: €4.30 million). This development is related to the decrease in work in progress.

6.8 Risk and opportunity report

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

6.9 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 2021, revenue and EBT of GFT Technologies SE are expected to be well above the level of 2020. A strong increase in revenue is expected, due in part to further growth in business with industrial clients. The improvement in the operating will result mainly from measures to enhance operating efficiency implemented in the financial year 2020.

7 Takeover-relevant information

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

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

Restrictions on voting rights or the transfer of shares
Legal regulations, in particular section 136 (1) 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 percent of the voting rights
GFT Technologies SE is aware of the following shareholding that exceed 10 percent of the voting rights: as at 31 December 2020, Ulrich Dietz (Chairman of the Administrative Board of GFT Technologies SE), Germany, held 26.4% 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 13 June 2021 to increase the share capital of GFT Technologies SE 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).

The Administrative Board is authorised to exclude the legal subscription right of shareholders,

- to remove fractional amounts from subscription rights;
- in the case of capital increases for contribution in kind for the granting of shares to acquire companies, company divisions, interests in companies or other assets in connection with the aforementioned company acquisitions (even if a purchase component is paid in cash in addition to shares);

- in the case of a capital increase for cash contribution if the issue price of the new shares is not significantly lower than the stock exchange price and the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation. This restriction is to be applied to those shares which are issued during the term of this authorisation by utilising an authorisation for the disposal of treasury shares valid at the time this authorisation becomes effective in accordance with section 186 (3) sentence 4 AktG. This restriction is also to be applied to shares that have been, or will be, issued for the purpose of servicing convertible bonds/warrants if these bonds are issued during the effectiveness of this authorisation in accordance with section 186 (3) sentence 4 AktG; and

- in the case of a capital increase for the issue of employee shares if the total prorated amount of share capital attributable to the new shares, for which subscription rights are excluded, does not exceed 10% of share capital, neither on the effective date nor at the time of exercising this authorisation.

The Administrative Board is authorised to determine a start date for dividend rights which differs from the statutory regulations and to determine the further details of a capital increase and its implementation, in particular the issue amount and the fee to be paid for the new shares, as well as the granting of subscription rights by means of indirect subscription rights pursuant to section 186 (5) AktG.

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 €52 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) Mr Ulrich Dietz, Mrs 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, half-revolving credit line for a total amount of up to €80 million, of which €40 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.

GFT Technologies SE provides services under a master agreement with Deutsche Bank AG, which also grants Deutsche Bank AG the right to terminate the master agreement and the attendant separate agreements in the case of a change of control. Under this definition, a change of control occurs if (i) a competitor of Deutsche Bank AG buys shares in GFT Technologies SE, and/or an affiliated company which has concluded one or more separate agreements under the master agreement, to the extent that the competitor is able to assume decisive positions within GFT Technologies SE or (ii) a third person who is listed in the embargo list of Deutsche Bank AG purchases half or more of the shares in GFT Technologies SE, or one of the aforementioned affiliated companies, or gains control of their business.

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

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

8 Remuneration report

Principles of the compensation system
This report explains the principles of the remuneration system for the Supervisory Board and the Managing Directors of GFT Technologies SE. The remuneration report also provides the individual disclosures of the remuneration of the members of the Administrative Board and the Managing Directors.

Administrative Board
In accordance with section 15 of the articles of association of GFT Technologies SE, remuneration for the members of the Administrative Board is set by the Annual General Meeting. The Annual General Meeting may adopt a higher payment for the chair and deputy chair of the Administrative Board. Payment is due at the end of each financial year. Members of the Administrative Board who only served on the Administrative Board for part of the financial year, receive one-twelfth of annual remuneration for each month of their membership they commenced.

The Annual General Meeting of GFT Technologies SE on 14 June 2016 adopted a resolution that the Administrative Board members of GFT Technologies SE should receive fixed remuneration of €43,000.00, while the Chairman of the Administrative Board should receive €86,000.00 and the Deputy Chairman of the Administrative Board should receive remuneration of €64,500.00 – in each case for the respective financial year and in addition to the reimbursement of expenses and the reimbursement of any VAT due on the remuneration and expenses. Those Administrative Board members – including the Chairman and his Deputy – who have been appointed Managing Directors of the company do not receive any Administrative Board remuneration insofar as they already receive remuneration for their duties as Managing Directors. This compensation regulation applies until the Annual General Meeting decides otherwise.

Total compensation for the members of the Administrative Board in the past financial year amounted to €279,500.00 (2019: €279,500.00).

In the financial year 2020, an amount of €145,998.00 (2019: €254,168.65) was incurred for consultancy services provided by RB Capital GmbH, whose managing director is Ulrich Dietz. There were no other payments granted to members of the Administrative Board for personally rendered services, and in particular consultancy and referral services. There are currently no stock option programmes or similar securities-oriented incentive systems in place for the Administrative Board. No Administrative Board members were granted loans by the company or any affiliated company in the reporting period.

The members of the Administrative Board received the following compensation in financial year 2020 for their work on the Administrative Board of GFT Technologies SE (in euro):

Remuneration of the Administrative Board

	2020	2019
Ulrich Dietz (Chairman)	86,000.00	86,000.00
Dr Paul Lerbinger (Deputy Chairman)	64,500.00	64,500.00
Dr-Ing Andreas Bereczky	43,000.00	43,000.00
Maria Dietz	43,000.00	43,000.00
Marika Lulay	0.00	0.00
Dr Jochen Ruetz	0.00	0.00
Prof Dr Andreas Wiedemann	43,000.00	43,000.00
Total	**279,500.00**	**279,500.00**

Managing Directors
The compensation system, and the specific compensation for the Managing Directors is determined by the Administrative Board.

The compensation system is aimed at the long-term and sustainable increase of enterprise value via profitable growth. At the same time, the compensation system should enable internationally competitive remuneration for the Managing Directors.

Remuneration components
Total compensation comprises fixed and variable components.

Fixed compensation
Fixed compensation consists of the annual fixed salary and fringe benefits. The annual fixed salary is paid in monthly instalments. Fringe benefits can vary in amount each year depending on the person and the event. They comprise the non-cash advantage of a company car which is also available for private use, premiums for an appropriate accident insurance policy, and contributions to pension and health insurance to the usual extent, and in some cases the cost of maintaining a second household.

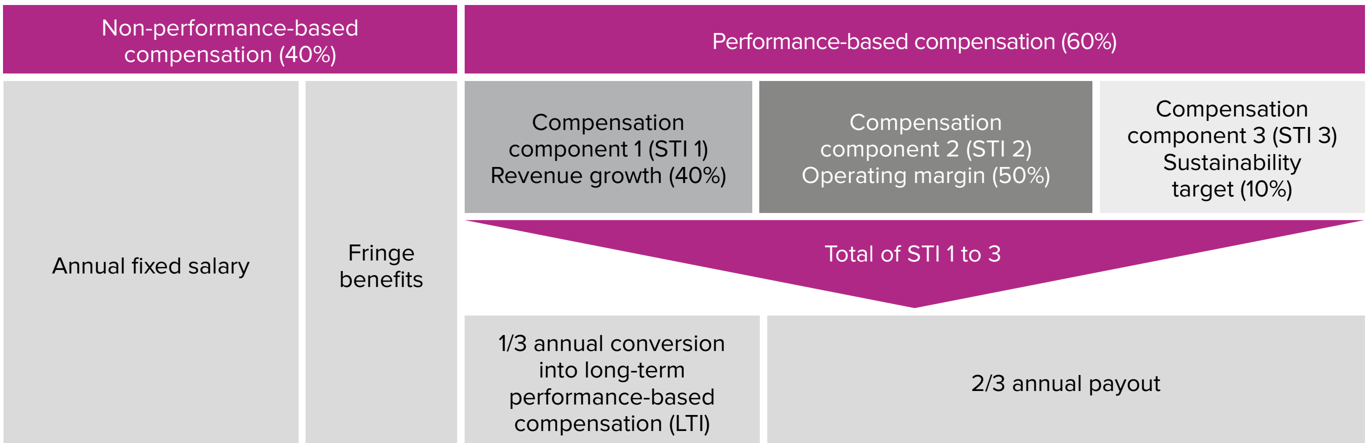
Variable compensation
Variable compensation comprises three components with a one-year assessment basis (the short-term incentives STI 1, STI 2 and STI 3) and a component which is derived – in part – from this total with a multi-year assessment basis (long-term incentive/LTI).

Short-term incentive (STI)
The one-year performance-based compensation components are based on three targets:

- Growth target
- Profit target
- Sustainability target

Growth target
The growth target describes the targeted percentage increase in revenue of the GFT Group compared to the previous financial year. Depending on the degree to which the target is achieved, the resulting amount can lie between zero and a defined maximum amount.

Composition of total target compensation (on 100% target achievement)



Profit target
The profit target describes the targeted ratio of EBT (earnings before taxes) of the GFT Group to revenue of the GFT Group. Depending on the degree to which the target is achieved, the resulting amount can lie between zero and a defined maximum amount.

Sustainability target
The Administrative Board agrees a sustainability target with individual Managing Directors. This describes a social or ecological target set annually by the Administrative Board. Depending on the degree to which the target is achieved, the resulting amount lies between zero and a defined maximum amount.

Calculation of the total short-term incentive, payout or partial conversion into the long-term incentive
The amounts resulting from the degree of achievement of the growth and profit targets, as well as the sustainability target, are added together.

Two thirds of the resulting total annual amount is paid out in cash.

The remaining third of the total annual amount is converted into the respective long-term variable compensation component (LTI) (conversion amount).

Long-term Incentive (LTI)
Every year, the Managing Director receives virtual shares for the conversion amount. The number of virtual shares is determined by dividing the conversion amount by the average share price weighted according to trading volume (Xetra) over the entire financial year prior to conversion (initial financial year).

The virtual shares are converted back after each period of three years. For this purpose, the number of virtual shares is multiplied by the average share price weighted according to trading volume (Xetra) in the entire third financial year after the initial financial year. The resulting amount is paid out to the Managing Director (payout amount LTI).

Special contractual provisions
In the event of extraordinary developments, the Administrative Board has the option to reduce the LTI payout amount to an appropriate extent or to grant a discretionary bonus.

The Administrative Board may, at its reasonable discretion, reduce the LTI payout amount in accordance with more detailed provisions in the service agreements, taking particular account of the individual performance of the Managing Director. This possibility only exists if extraordinary developments in a final financial year have had a particularly positive and lasting effect on GFT's share price. A reduction below the initial LTI amount plus interest at a rate of five percentage points above the base rate from the receipt of the corresponding allocation letter is not permitted.

In the event of extraordinary developments with a particularly negative impact on the variable compensation of the Managing Director, the Administrative Board may decide at its reasonable discretion to grant a discretionary bonus to the Managing Director. The discretionary bonus shall not exceed an amount agreed individually with each Managing Director. The Administrative Board is free to grant the discretionary bonus in whole or in part in cash or in virtual shares subject to the rules of the LTI.

Maximum compensation
A maximum compensation per financial year has been set for each Managing Director with whom a new service agreement has been concluded since the financial year 2020. This includes all compensation components.

The maximum compensation attainable for the financial year 2020 is €1,800,000.00 for the Managing Directors. The possible capping of the amount exceeding the maximum limit is effected at the time of payment of the LTI attributable to the relevant financial year and due for payment three years later.

In derogation of this, the agreement concluded with the Chairperson of the Managing Directors in financial year 2019 does not provide for maximum compensation, since, apart from all other compensation components, the value growth of the virtual shares (LTI) is not capped.

Benefits in the event of permanent disability or death
In the event of permanent incapacity to work, the company is entitled to terminate the service agreement with one month's notice to the end of the half-year. Permanent incapacity to work exists if the Managing Director is likely to be permanently (regularly for more than 12 months) unable to perform his/her duties for health reasons. In the event of permanent incapacity, the period of continued remuneration is to be no less than 12 months from the date on which the incapacity for work began. This means that, if necessary, the entire remuneration will continue to be paid beyond the premature termination of the employment relationship.

In the event of death, non-performance-based remuneration continues to be paid to the contractually defined surviving dependants in the month of death and in the following six months, but no longer than until the end of the contract.

Term of service agreements and benefits in the event of premature contract termination
Term of service agreements
Service agreements with the Managing Directors are limited in time. The maximum term is five years. In the case of an initial appointment as Managing Director, the term of the service agreement is usually three years.

Benefits in the event of premature contract termination
The service agreements contain a provision that leads to the termination of the service agreement in the event of the revocation of the appointment by the company (linkage clause). According to this clause, the service agreement ends automatically upon expiry of the statutory notice period (calculated from the end of the appointment) without the need for notice of termination. The same applies if the office of Managing Director ends by resignation.

Termination of the service agreement by mutual agreement and termination due to resignation from office by the Managing Director
No contractual provisions have been made for the case of termination of the service agreement by mutual consent or termination of the service agreement due to resignation from office by the Managing Director. In this case, the statutory provisions shall apply.

Termination of the service agreement due to revocation of the appointment as Managing Director
If the office as Managing Director ends due to revocation of the appointment by the company, which is not based on an important reason (entitling termination of the service agreement), and if the service agreement ends as a result, the Managing Director is entitled to a severance payment. This severance payment shall correspond to the contractual compensation that the Managing Director would have received from the time of the premature termination of the service agreement until its regular termination (remaining term), but for no longer than two years. If short-term variable compensation (STI) has already been converted into long-term variable compensation (LTI), the payment for Managing Directors with whom a new service agreement has been concluded since the financial year 2020 will only be made after the respective final financial year of the long-term variable remuneration in question.

Termination of the service agreement in the event of permanent incapacity to work or death
In the event of permanent incapacity to work, the company shall be entitled to terminate the service agreement with one month's notice to the end of the six-month period. A permanent incapacity to work is deemed to exist if the Managing Director is not expected to be able to fulfil his or her duties on a permanent basis (regularly more than 12 months) for health reasons. The duration of the continued payment of compensation in the event of permanent incapacity to work shall be at least 12 months from the time of the occurrence of the incapacity to work. This means that the entire compensation will continue to be paid beyond the premature termination of the service agreement, if applicable.

In the event of death, the fixed compensation shall continue to be paid to contractually defined surviving dependants in the month of death and in the following 6 months, but no longer than until the end of the service agreement.

Offsetting compensation for ancillary activities
The Managing Directors may only take on other professional activities in return for payment or in an honorary capacity with the prior consent of the Administrative Board. This applies in particular to the assumption of supervisory board mandates, a mandate in another supervisory body to be formed by law as well as other offices through which the interests of the company are affected. In making this decision, the Administrative Board also determines whether and to what extent compensation is to be offset against the compensation as Managing Director.

As a matter of principle, no separate compensation is granted for mandates within the Group. If compensation cannot be excluded on the basis of statutory regulations, it shall be offset against the compensation as Managing Director

Remuneration of the Managing Directors in the financial year 2020 acc. to HGB (benefits)
The Managing Directors received the following compensation (benefits granted acc. to HGB in euro):

in €		Marika Lulay		Dr Jochen Ruetz		Jens-Thorsten Rauer (appointed 1 May 2020)	
		2020	2019	2020	2019	2020	2019
Fixed compensation	Annual salary	450,000.00	380,000.00	356,666.68	316,666.68	222,869.95	0
	Fringe benefits	53,947.57	36,891.58	45,368.29	35,842.42	4,560.36	0
	Sub-total	**503,947.57**	**416,891.58**	**402,034.97**	**352,509.10**	**227,430.31**	**0**
Variable compensation	Short-term variable compensation	126,323.24	271,335.00	129,972.79	237,570.83	89,454.55	0
	Long-term variable compensation	247,000.00	85,000.00	248,000.00	80,000.00	136,000.00	0
	Sub-total	**373,323.24**	**356,335.00**	**377,972.79**	**317,570.83**	**225,454.55**	**0**
Total		**877,270.81**	**773,226.62**	**780,007.76**	**670,079.93**	**452,884.86**	**0**

Additional disclosures on share-based compensation in the financial year 2020
The LTI to which the Managing Directors are entitled is granted in the form of virtual shares.

In the reporting period, 56,513 virtual shares with a fair value of €682,000.00 were granted to the Managing Directors. The number of virtual shares also includes shares vested by Jens-Thorsten Rauer in the period from 1 February to 30 April 2020.

The following table shows the share-based payment expense per Managing Director recognised in the financial year 2020.

Expense for share-based compensation granted

in €	2020
Marika Lulay	247,000.00
Dr Jochen Ruetz	248,000.00
Jens-Thorsten Rauer	187,000.00*
Total	**682,000.00**

* Refers to the period from 1 February to 31 December 2020

D&O insurance for members of the Administrative Board and the Managing Directors
The company takes out D&O insurance for the members of the Administrative Board and the Managing Directors of GFT Technologies SE. It is concluded or prolonged annually. The insurance covers the personal liability risk in the event of claims for financial losses. The policy includes a deductible for the Managing Directors which complied, and continues to comply, at all times with the requirements of section 93 (2) sentence 3 AktG.

With regard to the D&O insurance, no deductible is agreed upon for those members of the Administrative Board who are also Managing Directors. The company is of the opinion that a deductible for members of the Administrative Board provides no additional incentive to carry out their activities with due diligence and in accordance with the statutory provisions.

Stuttgart, 24 March 2021

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


GFT

Consolidated financial statements

Consolidated balance sheet

as at 31 December 2020, GFT Technologies SE

Assets

in €	Note	31/12/2020	31/12/2019
Non-current assets			
Goodwill	4.1	120,013,331.55	118,659,143.65
Other intangible assets	4.2	15,734,379.74	22,126,664.83
Property, plant and equipment	4.3	67,542,952.10	76,779,652.91
Financial investments		10,000.00	0.00
Other financial assets	4.5	1,441,660.63	955,531.60
Deferred tax assets	4.6	9,904,178.28	9,241,308.85
Income tax assets	4.6	383,839.71	441,085.60
Other assets	4.5	4,270,727.75	4,012,128.46
		219,301,069.76	**232,215,515.90**
Current assets			
Inventories	4.7	29,782.59	171,676.80
Trade receivables	4.8	93,104,367.87	114,020,487.58
Contract assets	4.9	9,829,301.77	15,731,940.37
Cash and cash equivalents	8	70,872,920.04	56,143,932.27
Other financial assets	4.5	2,405,191.03	1,841,853.84
Income tax assets	4.6	7,266,062.00	7,093,039.20
Other assets	4.5	12,060,771.88	8,617,329.27
		195,568,397.18	**203,620,259.33**
		414,869,466.94	**435,835,775.23**

Equity and liabilities

in €	Note	31/12/2020	31/12/2019
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	72,486,275.79	67,590,439.82
Other reserves	4.10	−12,823,318.77	−2,922,395.55
		128,136,685.17	**133,141,772.42**
Non-current liabilities			
Financing liabilities	4.13	67,822,936.64	98,444,626.79
Other financial liabilities	4.14	38,443,861.35	43,470,371.89
Provisions for pensions	4.11	9,227,304.35	9,494,464.32
Other provisions	4.12	2,467,048.25	1,332,487.21
Deferred tax liabilities	4.6	4,122,662.74	4,342,460.83
Other liabilities	4.14	1,909,429.46	0.00
		123,993,242.79	**157,084,411.04**
Current liabilities			
Trade payables	4.13	9,875,722.70	9,499,521.75
Financing liabilities	4.13	34,396,394.01	16,500,000.00
Other financial liabilities	4.14	13,523,893.84	14,074,187.51
Other provisions	4.12	40,618,259.97	36,357,594.23
Income tax liabilities	4.6	3,071,078.70	4,532,531.35
Contract liabilities	4.9	37,236,228.76	38,840,153.83
Other liabilities	4.14	24,017,961.00	25,805,603.10
		162,739,538.98	**145,609,591.77**
		414,869,466.94	**435,835,775.23**

Consolidated income statement

for the financial year 2020, GFT Technologies SE

in €	Note	2020	2019
Revenue	5.1	444,849,910.97	428,979,446.33
Own work capitalised		0.00	157,247.48
Other operating income	5.2	12,540,907.88	13,059,950.10
Cost of purchased services	5.3	49,473,254.17	46,426,500.03
Personnel expenses	5.4	320,392,174.69	297,326,607.50
Other operating expenses	5.5	47,828,850.45	53,554,362.98
Result from operating activities before depreciation and amortisation		**39,696,539.54**	**44,889,173.40**
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7	23,364,442.65	23,563,445.64
Result from operating activities		**16,332,096.89**	**21,325,727.76**
Interest income		275,230.59	575,147.58
Interest expenses		2,502,197.41	3,168,550.91
Financial result	5.8	**−2,226,966.82**	**−2,593,403.33**
Earnings before taxes		**14,105,130.07**	**18,732,324.43**
Income taxes	5.9	4,162,256.59	5,072,210.86
Net income for the year		**9,942,873.48**	**13,660,113.57**
Earnings per share – basic	5.10	0.38	0.52

Consolidated statement of comprehensive income

for the financial year 2020, GFT Technologies SE

in €	Note	2020	2019
Net income for the year		**9,942,873.48**	**13,660,113.57**
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit plans	4.11	266,715.48	−1,710,418.12
Income taxes on remeasurement of defined benefit plans	6	−48,563.79	337,341.29
Items that may be reclassified to the income statement			
Currency translation	6	−9,900,923.22	3,981,328.16
Other comprehensive income		**−9,682,771.53**	**2,608,251.33**
Total comprehensive income		**260,101.95**	**16,268,364.90**

Consolidated statement of changes in equity

as at 31 December 2020, GFT Technologies SE

in €	Note	Share capital	Capital reserve
Balance at 1 January 2019*		**26,325,946.00**	**42,147,782.15**
Effect from adoption of IFRS 16		–	–
Balance at 1 January 2019 adjusted		**26,325,946.00**	**42,147,782.15**
Net income for the year		–	–
Other comprehensive income	7	–	–
Total comprehensive income		**–**	**–**
Dividends to shareholders		–	–
Balance at 31 December 2019		**26,325,946.00**	**42,147,782.15**
Balance at 1 January 2020		**26,325,946.00**	**42,147,782.15**
Net income for the year		–	–
Other comprehensive income	7	–	–
Total comprehensive income		**–**	**–**
Dividends to shareholders	4.10	–	–
Balance at 31 December 2020		**26,325,946.00**	**42,147,782.15**

* The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparative information is not restated.

Retained earnings	Other reserves	Total equity
	Currency translation	
65,544,266.23	**−6,903,723.71**	**127,114,270.67**
−2,343,079.35	–	−2,343,079.35
63,201,186.88	**−6,903,723.71**	**124,771,191.32**
13,660,113.57	–	13,660,113.57
−1,373,076.83	3,981,328.16	2,608,251.33
12,287,036.74	**3,981,328.16**	**16,268,364.90**
−7,897,783.80	–	−7,897,783.80
67,590,439.82	**−2,922,395.55**	**133,141,772.42**
67,590,439.82	**−2,922,395.55**	**133,141,772.42**
9,942,873.48	–	9,942,873.48
218,151.69	−9,900,923.22	−9,682,771.53
10,161,025.17	**−9,900,923.22**	**260,101.95**
−5,265,189.20	–	−5,265,189.20
72,486,275.79	**−12,823,318.77**	**128,136,685.17**

Consolidated cash flow statement

for the financial year 2020, GFT Technologies SE

in €	Note	2020	2019
Net income for the year		9,942,873.48	13,660,113.57
Income taxes	5.9	4,162,256.59	5,072,210.86
Interest result	5.8	2,226,966.82	2,593,403.33
Income taxes paid		–8,025,415.55	–573,584.58
Income taxes received		2,356,253.28	0.00
Interest paid		–1,708,613.84	–1,757,947.88
Interest received		255,715.42	37,151.47
Depreciation and amortisation of intangible assets and property, plant and equipment	5.7, 10.2	23,364,442.65	23,563,445.64
Net proceeds on disposal of intangible assets and property, plant and equipment		302,670.08	373,598.53
Net proceeds on disposal of financial assets		–433,059.99	0.00
Other non-cash expenses and income		267,212.98	488,881.73
Change in trade receivables		20,916,119.71	–18,629,600.88
Change in contract assets		5,902,638.60	–1,648,462.35
Change in other assets		–4,609,613.91	2,857,440.60
Change in provisions		5,151,364.03	2,642,504.85
Change in trade payables		376,200.95	–4,202,357.02
Change in contract liabilities		–1,603,925.07	6,262,203.71
Change in other liabilities		1,408,272.62	5,445,652.64
Cash flow from operating activities		**60,252,358.85**	**36,184,654.22**
Proceeds from disposal of property, plant and equipment		25,096.71	12,839.28
Proceeds from disposal of financial assets		433,059.99	0.00
Capital expenditure for intangible assets	4.2	–490,505.76	–1,657,307.24
Capital expenditure for property, plant and equipment	4.3	–4,038,025.41	–4,621,507.71
Capital expenditure for financial investments	4.4	–10,000.00	0.00
Cash outflows for acquisitions of consolidated companies net of cash and cash equivalents acquired	3.2, 8	–6,901,736.91	–7,625,123.26
Cash flow from investing activities		**–10,982,111.38**	**–13,891,098.93**
Proceeds from borrowing	8	2,000,000.00	9,000,000.00
Cash outflows from loan repayments	8	–14,806,894.60	–15,299,216.49
Cash outflows from repayment of lease liabilities	10.2	–10,979,928.78	–12,849,531.14
Dividends to shareholders	4.10	–5,265,189.20	–7,897,783.80
Cash flow from financing activities		**–29,052,012.58**	**–27,046,531.43**
Effect of foreign exchange rate changes on cash and cash equivalents		–5,489,247.12	–672,818.23
Net increase in cash and cash equivalents		**14,728,987.77**	**–5,425,794.37**
Cash and cash equivalents at beginning of period		56,143,932.27	61,569,726.64
Cash and cash equivalents at end of period	**8**	**70,872,920.04**	**56,143,932.27**

1 General information

The consolidated financial statements of GFT Technologies SE and its subsidiaries for the financial year ending 31 December 2020 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 2020 were approved and released for publication by the Administrative Board on 24 March 2021.

2 Accounting methods

2.1 Basis of preparation of the financial statements

The consolidated financial statements of the GFT Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

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 2.3.

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

Changes to the accounting methods in these consolidated financial statements result from the initial application of new accounting regulations resulting from new and amended IFRS standards and interpretations. The IFRS pronouncements to be applied in the EU for the first time as of 1 January 2020 are presented below:

- Revisions to Conceptual Framework *Amendments to References to Conceptual Framework in IFRS Standards,*
- Amendments to IAS 1 and IAS 8 *Definition of Material,*
- Amendments to IFRS 3 *Definition of a Business,*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform.*

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 2020.

In the second quarter of 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 *Covid-19-Related Rent Concessions*, which aimed to provide practical relief to lessees when accounting for rent concessions as a result of the Covid-19 pandemic. The GFT Group waived the application of these relief regulations for lessees.

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

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.

		Rate on reporting date		Average rate	
in €		**31/12/2020**	31/12/2019	**2020**	2019
BRL	Brazil	6.3735	4.5157	5.8015	4.4103
CAD	Canada	1.5633	1.4598	1.5280	1.4855
CHF	Switzerland	1.0802	1.0854	1.0703	1.1125
GBP	UK	0.8990	0.8508	0.8885	0.8769
HKD	Hong Kong	9.5142	8.7474	8.8372	8.7696
MXN	Mexico	24.4160	21.2224	24.3430	21.5471
PLN	Poland	4.5597	4.2568	4.4406	4.2966
USD	USA	1.2271	1.1234	1.1394	1.1193

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.

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 60 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 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 2020 and 2019 that had a dilutive effect, diluted earnings per share in these years correspond to basic earnings per share.

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 2020.

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

	IFRS pronouncement	Mandatory for financial years beginning on or after
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 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 2020.

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

	IFRS pronouncement	Mandatory for financial years beginning on or after
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, IAS 41, IFRS 16	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 • IAS 41 – Taxation in Fair Value Measurements	1 January 2022
Amendments to IFRS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 17	Insurance Contracts	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 2020:

	31/12/2020	31/12/2019
Consolidated subsidiaries	30	30
domestic	6	5
foreign	24	25
Associated companies accounted for using the equity method	1	1
domestic	1	1
	31	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 85). 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 2020 include the following subsidiaries (fully consolidated):

- GFT Real Estate GmbH, Stuttgart, Germany
- SW34 Gastro GmbH, Stuttgart, Germany
- GFT Experts GmbH, Stuttgart, Germany
- GFT Invest GmbH, Stuttgart, Germany
- GFT Smart Technology Solutions GmbH, Karlsruhe, Germany
- 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
- GFT Technologies (Ireland) Ltd., Dublin, Ireland
- 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
- GFT Appverse S.L.U., Sant Cugat del Vallès, Spain
- 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
The GFT Group holds a 20% stake in CODE_n GmbH, Stuttgart, Germany.

As in the previous year, there were no results from financial investments accounted for using the equity method in the reporting period. Since the financial year 2018, the acquisition costs of the investment have been fully absorbed by shares in losses.

Changes to the consolidated group
With effect from 1 January 2020, the GFT Group acquired all shares in the company in-Integrierte Informationssysteme GmbH, Constance, Germany (in-GmbH). Please refer to section 3.2 below for further information and the effects of the acquisition on the consolidated financial statements.

With a shareholders' resolution of GFT Technologies Singapore Pte. Ltd., Singapore, Singapore, GFT Technologies Vietnam Limited, Ho-Chi-Minh City, Vietnam, was founded on 5 November 2020. The share capital amounts to TVN$995,020.

Moreover, there were the following departures from the consolidated group in the financial year 2020:

- Merger of GFT Holding Italy S.r.l., Milan, Italy, with GFT Italia S.r.l., Milan, Italy, as of 31 May 2020.
- Liquidation of V-NEO USA Inc., Newark, USA, as of 4 November 2020.

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 31/12/2020	Net income 2020
I. Direct investments			
Domestic			
GFT Real Estate GmbH, Stuttgart, Germany[1]	100	425	11
SW34 Gastro GmbH, Stuttgart, Germany[1]	100	533	0
GFT Experts GmbH, Stuttgart, Germany[1]	100	30	0
GFT Invest GmbH, Stuttgart, Germany[1]	100	25	0
GFT Smart Technology Solutions GmbH, Karlsruhe, Germany	100	1,408	−2,112
in-Integrierte Informationssysteme GmbH, Konstanz, Germany[1]	100	70	8
CODE_n GmbH, Stuttgart, Germany	20	−717	−152
1886 Ventures GmbH, Stuttgart, Germany	10	1,217	−156[2]
Foreign			
GFT Schweiz AG, Zürich, Switzerland	100	−1,550	−636
GFT UK Limited, London, UK	100	30,605	1,879
GFT Technologies S.A.U., Madrid, Spain	100	37,564	6,225
GFT Italia S.r.l., Mailand, Italy	100	23,677	3,738
GFT Technologies (Ireland) Ltd., Dublin, Ireland	100	0	0
9380-6081 Québec Inc., Montreal, Canada	100	3,782	−2,402
GFT France S.A.S., Paris, France	100	1,986	1,632
GFT Technologies Hong Kong Ltd., Hong Kong, China	100	360	387
GFT Technologies Singapore Pte. Ltd., Singapore, Singapore	100	−243	−238
II. Indirect investments			
Foreign			
GFT IT Consulting, S.L.U., Sant Cugat del Vallès, Spain	100	15,510	4,638
GFT Brasil Consultoria Informática Ltda., Barueri, Brazil	100	7,932	5,392
GFT USA Inc., New York, USA	100	10,638	346
GFT Appverse S.L.U., Sant Cugat del Vallès, Spain	100	−37	−5
Med-Use S.r.l., Mailand, Italy	100	558	104
GFT Financial Limited, London, UK	100	10,360	6,117
GFT Canada Inc., Toronto, Canada	100	616	56
GFT Poland Sp. z o.o., Łódź, Poland	100	5,756	2,204
GFT Costa Rica S.A., Heredia, Costa Rica	100	553	−509
GFT México S.A. de C.V., Mexiko-Stadt, Mexiko	100	4,779	941
GFT Peru S.A.C., Lima, Peru	100	20	0
GFT Technologies Canada Inc., Québec, Canada	100	8,581	1,832
GFT Technologies Toronto Inc., Québec, Canada	100	1,076	525
GFT Technologies Belgique S.A., Brussels, Belgium	100	207	40
GFT Technologies Vietnam Limited, Ho-Chi-Minh City, Vietnam	100	35	0[3]

1 There is an profit and loss transfer agreement between the company (profit and loss transferring company) and GFT Technologies SE.
2 Covers the period from 23 Juli to 31 December 2020.
3 Covers the period from 5 November to 31 December 2020.

3.2 Business combinations

Company acquisition in the reporting period
With economic effect as of 1 January 2020, the GFT Group acquired 100% of shares in the company in-integrierte Informationssysteme GmbH (in-GmbH) via GFT Technologies SE. Based in Constance, Germany, in-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.

In the period from 1 January to 31 December 2020, in-GmbH employed an average of 36 people and contributed revenue of €4,846 thousand and a profit of €1,277 thousand to consolidated pre-tax earnings (EBT) in the financial year 2020.

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

The GFT Group incurred costs of €44 thousand in connection with the business combination for legal advice, due diligence and purchase price allocations. The costs were recognised in income as other operating expenses.

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**

Trade receivables measured at fair value include gross amounts which were estimated to be recoverable in full as of the acquisition date.

Company acquisition in the previous year
On 28 June 2019, the GFT Group – via GFT Technologies SE – concluded an agreement concerning the complete takeover of shares in GFT Smart Technology Solutions GmbH (until 23 July 2019: AXOOM GmbH), a company with cross-segment IT and industry expertise based in Karlsruhe, Germany. The shares were transferred with economic effect on 1 July 2019. The acquisition represented an acceleration of the GFT Group's industry drive and an expansion of its industrial expertise. In addition to Stuttgart, the new location in Karlsruhe also provided a further foothold with close customer proximity in the south of Germany. The long-standing cooperation with the selling company, TRUMPF GmbH + Co. KG, Ditzingen, Germany, was also strengthened by the acquisition.

An amount of €7,429 thousand was paid in cash as final consideration for the acquisition of the shares in GFT Smart Technology Solutions GmbH. Purchase price allocation has been completed. The non-tax-deductible goodwill amounts to €1,997 thousand and represents synergy potential.

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	31/12/2020	31/12/2019
CGU		
Americas, UK & APAC	41,935	44,109
Continental Europe	78,078	74,550
	120,013	118,659

The increase in goodwill as of 31 December 2020 – adjusted for currency effects – resulted from the acquisition of in-GmbH (see note 3.2). The goodwill resulting from initial consolidation of in-GmbH amounting to €5,545 thousand was allocated to the CGU *Continental Europe*.

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 7.82% and 6.75% respectively (31 December 2019: 8.81% and 8.31%). The pre-tax interest rates for the CGUs *Americas, UK & APAC* and *Continental Europe* are 10.42% and 9.07% respectively (31 December 2019: 11.64% and 10.93%). Regarding the cash flow forecasts for the CGUs *Americas, UK & APAC* and *Continental Europe*, management assumes that business with existing and new clients will increase by an average of 8.17% and 4.93% respectively between 2022 and 2025, based on planning for the financial year 2021, and then 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 2020 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 be no impairment need as of 31 December 2020.

4.2 Other intangible assets

The development of other intangible assets of the GFT Group is presented in the table 'Development of intangible assets and proberty, plant and equipment' (see page 88/89).

As of 31 December 2020, other intangible assets totalled €15,734 thousand (31 December 2019: €22,127 thousand) of which an amount of €13,123 thousand (31 December 2019: €18,306 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 month and 4 years.

Research and development costs of €6,014 thousand (2019: €2,801 thousand) were expensed as they do not meet the recognition criteria for intangible assets.

In the reporting period, impairment charges of €535 thousand (2019: €0 thousand) were recognised for software licences.

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

4.3 Property, plant and equipment

Property, plant and equipment in the consolidated balance sheet with a carrying amount of €67,543 thousand (31 December 2019: €76,780 thousand) also include right-of-use assets of €44,562 thousand (31 December 2019: €51,163 thousand) in connection with lessee accounting.

The development of the GFT Group's property, plant and equipment is shown in the table 'Development of intangible assets and property, plant and equipment' (see page 88/89).

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.

Non-scheduled depreciation on property, plant and equipment (without right-of-use assets) due to impairment amounted to €275 thousand (2019: €0 thousand).

Note 10.2 Leases shows the composition of right-of-use assets and contains additional information in connection with lessee accounting.

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

	Acquisition or manufacturing costs						
in € thousand	As at 01/01/2020	Currency translation	Change in consolida-tion scope	Additions	Disposals	Reclassifi-cations	As at 31/12/2020
Intangible assets							
Goodwill	120,659	−4,079	5,545	0	−112	0	122,013
Other intangible assets	68,231[1]	−2,794	2,255	490	−2,281	0	65,901
	188,890	**−6,873**	**7,800**	**490**	**−2,393**	**0**	**187,914**
Property, plant and equipment							
Land, leasehold rights and buildings	21,186[2]	−292	17	612	−2,939	−12	18,572
Equipment, factory and office equipment	35,314[2]	−1,171	441	3,179	−2,498	−132	35,133
Prepayments and assets under construction	0	0	0	247	0	0	247
	56,500	**−1,463**	**458**	**4,038**	**−5,437**	**−144**	**53,952**
Total	**245,390**	**−8,336**	**8,258**	**4,528**	**−7,830**	**−144**	**241,866**

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”.

Development of intangible assets and property, plant and equipment (excluding right-of-use assets) 2019

	Acquisition or manufacturing costs					
in € thousand	As at 01/01/2019	Currency translation	Change in consolida-tion scope	Additions	Disposals	As at 31/12/2019
Intangible assets						
Goodwill	114,994	2,372	3,293	0	0	120,659
Other intangible assets	64,460	1,276	119	1,657	−122	67,390
	179,454	**3,648**	**3,412**	**1,657**	**−122**	**188,049**
Property, plant and equipment						
Land, leasehold rights and buildings	16,252	188	0	632	−1,421	15,651
Equipment, factory and office equipment	37,851	199	358	3,990	−1,549	40,849
	54,103	**387**	**358**	**4,622**	**−2,970**	**56,500**
Total	**233,557**	**4,035**	**3,770**	**6,279**	**−3,092**	**244,549**

	Depreciation, amortisation and impairment								Carrying amount	
	As at 01/01/2020	Currency translation	Change in consolida-tion scope	Additions	Impairment	Disposals	Reclassifi-cations	As at 31/12/2020	**As at 31/12/2020**	As at 31/12/2019
	2,000	0	0	0	0	0	0	2,000	120,013	118,659
	46,104[1]	−1,527	13	6,874	534	−1,831	0	50,167	15,734	22,127
	48,104	**−1,527**	**13**	**6,874**	**534**	**−1,831**	**0**	**52,167**	**135,747**	**140,786**
	6,574[2]	159	15	1,860	0	−2,142	−7	6,459	12,113	14,611
	24,308[2]	−752	380	3,737	275	−3,364	−73	24,512	10,622	11,006
	0	0		0	0	0	0	0	247	0
	30,883	**−593**	**395**	**5,597**	**275**	**−5,506**	**−80**	**30,971**	**22,981**	**25,617**
	78,987	**−2,120**	**408**	**12,471**	**809**	**−7,337**	**−80**	**83,138**	**158,728**	**166,403**

	Depreciation, amortisation and impairment					Carrying amount	
	As at 01/01/2019	Currency translation	Additions	Disposals	As at 31/12/2019	As at 31/12/2019	As at 31/12/2018
	2,000	0	0	0	2,000	118,659	112,994
	37,763	527	7,030	−57	45,263	22,127	26,697
	39,763	**527**	**7,030**	**−57**	**47,263**	**140,786**	**139,691**
	4,078	76	1,409	−1,059	4,504	11,147	12,174
	23,439	124	4,169	−1,353	26,379	14,470	14,412
	27,517	**200**	**5,578**	**−2,412**	**30,883**	**25,617**	**26,586**
	67,280	**727**	**12,608**	**−2,469**	**78,146**	**166,403**	**166,277**

4.4 Financial assets

Financial assets refer to a 10% shareholding of GFT Technologies SE in 1886 Ventures GmbH, Stuttgart, Germany, amounting to €10 thousand, acquired in the financial year 2020. The GFT Group has no significant influence on this financial investment, which is held as a long-term strategic investment. The equity investment is recognised at fair value through profit or loss.

The determination of fair value as of 31 December 2020 takes into account the existing contractual provisions regarding the shares. No adjustments were made to the fair value in the financial year 2020.

4.5 Other assets

The composition of other financial assets and other assets disclosed in the consolidated balance sheet as of 31 December 2020 is shown in the following table:

Other financial assets and other assets

in € thousand	31/12/2020	31/12/2019
Non-current other financial assets		
Deposits	1,416	956
Government grants	26	0
Subtotal	**1,442**	**956**
Non-current other assets		
Government grants	4,271	4,012
Subtotal	**4,271**	**4,012**
Current other financial assets		
Government grants	1,915	1,315
Receivables from employees	258	158
Deposits	173	107
Creditors with debit balance	59	259
Other	0	3
Subtotal	**2,405**	**1,842**
Current other assets		
Accruals	5,519	4,807
Government grants	3,682	0
Claims for VAT and other tax refunds	2,746	3,011
Receivables from social insurance fund	34	566
Contract costs	0	27
Other	80	206
Subtotal	**12,061**	**8,617**
Total	**20,179**	**15,427**

Current other assets include contract fulfilment costs of €0 thousand (31 December 2019: €27 thousand).

As in the previous year, there were no impairment expenses with respect to contract fulfilment costs.

4.6 Income taxes

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

Income tax claims

in € thousand	31/12/2020	31/12/2019
Deferred tax assets	9,904	9,241
Long-term current income tax claims	384	441
Short-term current income tax claims	7,266	7,093
Total	**17,554**	**16,775**

Deferred tax assets include tax credits for research and development of €3,396 thousand (31 December 2019: €3,659 thousand).

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

Income tax liabilities

in € thousand	31/12/2020	31/12/2019
Deferred tax liabilities	4,123	4,342
Current income tax liabilities	3,071	4,533
Total	**7,194**	**8,875**

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

Deferred tax assets

in € thousand	31/12/2020	31/12/2019
Intangible assets and property, plant and equipment	665	859
Receivables and other assets	1,983	2,659
Tax loss carry-forwards and tax credits	5,230	7,730
Provisions for pensions	2,647	1,715
Other provisions	2,417	3,204
Contract liabilities and other liabilities	1,047	143
Subtotal	**13,989**	**16,310**
Offsetting	−4,085	−7,069
Deferred tax assets	**9,904**	**9,241**

Deferred tax assets for property, plant and equipment include deferred tax assets of €569 thousand (31 December 2019: €628 thousand) from lease accounting pursuant to IFRS 16.

Deferred tax liabilities

in € thousand	31/12/2020	31/12/2019
Intangible assets and property, plant and equipment	5,133	6,090
Receivables and other assets	2,139	1,874
Provisions for pensions	65	80
Contract liabilities and other liabilities	870	3,367
Subtotal	**8,207**	**11,411**
Offsetting	−4,084	−7,069
Deferred tax liabilities	**4,123**	**4,342**

There are loss carryforwards for GFT Group companies of €26,643 thousand (31 December 2019: €10,848 thousand) for which no deferred tax assets were recognised, as recognition of the tax claim is not probable on the basis of current tax planning. Of this total, €11,410 thousand (31 December 2019: €9,097 thousand) is attributable to foreign Group companies and €15,234 thousand (31 December 2019: €1,751 thousand) to domestic Group companies. Loss carryforwards for which no deferred tax assets could be formed are either non-forfeitable or forfeitable within a time horizon of 10 or 20 years respectively. In addition, there are tax claims for research and development totalling €8,085 thousand (31 December 2019: €7,150 thousand), of which an amount of €3,396 thousand (31 December 2019: €3,659 thousand) has been capitalised as a deferred tax asset.

In total, deferred tax assets carried for loss carryforwards and tax credits for research and development as of 31 December 2020 amounted to €5,230 thousand (31 December 2019: €7,730 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.

Purchase price allocations due to the acquisition of in-GmbH resulted in deferred tax liabilities of €650 thousand, to be expensed in instalments, from the initial recognition of assets.

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 €5,016 thousand as of 31 December 2020 (31 December 2019: €4,135 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	31/12/2020	31/12/2019
Deferred tax assets	9,904	9,241
Deferred tax liabilities	−4,123	−4,342
Net amount of deferred tax assets	**5,781**	**4,899**

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 €30 thousand (31 December 2019: €172 thousand) include an amount of €12 thousand (31 December 2019: €129 thousand) for order backlogs from purchase price allocations and otherwise raw materials and supplies of €18 thousand (31 December 2019: €43 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	31/12/2020	31/12/2019
Receivables from customer contracts (gross carrying amount)	94,601	115,924
Value adjustments	−1,497	−1,904
Carrying amount (net)	**93,104**	**114,020**

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

As of 31 December 2020, there were receivables from associated companies of €93 thousand (31 December 2019: €0 thousand).

The value adjustments include quantity discounts of €947 thousand (31 December 2019: €1,459 thousand) and expected credit losses of €550 thousand (31 December 2019: €445 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	31/12/2020	31/12/2019
Balance as of 1 January	**445**	506
Net additions	434	247
Drawings	0	−178
Reversals	−322	−89
Exchange rate effects and other changes	−7	−41
Balance as of 31 December	**550**	**445**

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

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

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

Expected credit losses (major clients)

in € thousand	31/12/2020			
Credit rating	Weighted average loss rate	Gross carrying amount	Value adjustment	Impaired creditworthiness
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**	

in € thousand	31/12/2019			
Credit rating	Weighted average loss rate	Gross carrying amount	Value adjustment	Impaired creditworthiness
A	0.06%	3,341	−2	No
A-	0.06%	4,440	−3	No
BBB	0.16%	22,863	−37	No
BBB-	0.24%	17,473	−42	No
		48,117	**−84**	

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

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

Expected credit losses (other clients)

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

in € thousand	31/12/2019			
	Weighted average loss rate	Gross carrying amount	Value adjustment	Impaired creditworthiness
not overdue	0.27%	59,656	−161	No
1 to 30 days overdue	0.77%	2,745	−21	No
31 to 90 days overdue	0.91%	1,644	−15	No
91 to 180 days overdue	1.23%	1,712	−21	No
181 to 360 days overdue	22.50%	80	−18	Yes
more than 360 days overdue	24.46%	511	−125	Yes
		66,348	**−361**	

Further information on financial risks and risk types is provided in note 10.1.

4.9 Contract balances

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

Contract balances

in € thousand	31/12/2020	31/12/2019
Receivables included in trade receivables	93,104	114,020
Contract assets	9,829	15,732
Contract liabilities	37,236	38,840

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 2020 is affected by an impairment of €4 thousand (31 December 2019: €5 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. The acquisition of the subsidiary in-GmbH had no impact on contract assets (see note 3.2).

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 €38,840 thousand disclosed under contract liabilities at the beginning of the period was recognised in full as revenue in 2020.

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 2020 and 2019 (see page 66).

Subscribed capital
As of 31 December 2020, 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 14 June 2016, the Administrative Board was authorised until 13 June 2021 to increase the share capital of GFT Technologies SE by up to €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). The new shares are to be offered to the shareholders for subscription (also by way of indirect subscription in accordance with section 186 (5) 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 2020, there was therefore unused authorised capital of €10.00 million (31 December 2019: €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 2020.

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. Revaluations from defined benefit pension plans and deferred taxes on these plans 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 2020, a dividend of €0.20 per share totalling €5,265 thousand (2019: €0.30 per share, totalling €7,898 thousand) was distributed to the shareholders of the parent company from the balance sheet profit of the parent company for the 2019 financial year.

A proposal will be made to the Annual General Meeting to distribute €5,265 thousand (€0.20 per share) to shareholders from the balance sheet profit of GFT Technologies SE for the financial year 2020.

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 65).

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 2020 for defined contribution plans to public and private pensions regulatory authority of €27,112 thousand (2019: €25,575 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 17 active employees (31 December 2019: 23), 13 employees who have left the company (31 December 2019: 7), as well as for a former managing director of a former subsidiary (31 December 2019: 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 2020 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 54 active insured parties as of 31 December 2020 (31 December 2019: 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 Previdenzia 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 are not made by the Italian subsidiaries of GFT Technologies SE.

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Probability of fluctuation	–	–	BVG 2015	BVG 2015	10.00%	10.00%	15.60%	16.60%
Pensionable age	63	63	65/64	65/64	67	67	65/60	65/60
Salary increases	2.00%	2.00%	2.00%	2.00%	3.00% + inflation	3.00% + inflation	3.50%	3.50%
Pension increases	2.00%	2.00%	0.00%	0.00%	1.5%	2.63%	–	–
Actuarial interest rate	0.50%	0.59%	0.25%	0.15%	0.34%	0.77%	1.20%	2.10%

In calculating pension obligations, life expectancy for the German pension plans as of 31 December 2020 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 2015).

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 2004). 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 15.60%. The actuarial assumptions for mortality rates are prescribed by the Main Statistical Office (Główny Urząd Statystyczny, GUS) (GUS 2017: multiplied by 60%). The actuarial assumptions for disability incidence rates are based on the table of the Polish Social Insurance Institution (ZUS 2008).

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	31/12/2020	31/12/2019
Fair value of plan assets	−7,717	−7,342
Present value of defined benefit obligations	16,944	16,836
Underfunding (net debt)	**9,227**	**9,494**

Of the present value of the entitlements, €13,810 thousand (31 December 2019: €12,297 thousand) relates to pension plans that are financed completely or partially by plan assets and €3,134 thousand (31 December 2019: €4,539 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	31/12/2020	31/12/2019
Pension obligation as of 1 January	16,836	13,905
Current service cost	591	684
Past service cost	−231	0
Interest expense/income	50	164
Restatements	−124	1,619
Contributions to pension plan	925	471
Benefits paid	−1,040	−765
Exchange rate changes and other changes*	−63	758
Pension obligation as of 31 December	**16,944**	**16,836**

* Exchange rate changes and other changes refer to business combinations amounting to €-112 thousand (2019: €312 thousand).

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

Fair value of plan assets

in € thousand	31/12/2020	31/12/2019
Fair value of plan assets as of 1 January	7,342	6,953
Income from plan assets (without interest income)	11	68
Premiums paid less benefits received	−274	−340
Contributions by employer	260	259
Contributions by entitled employees	260	259
Revaluations	86	−114
Exchange rate changes	32	257
Fair value of plan assets as of 31 December	**7,717**	**7,342**

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 (2021), employer and employee contributions to the plan assets of €497 thousand (2019: €569 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 2020 of the company. The expected income from plan assets of GFT Technologies SE results from interest and is insignificant.

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	31/12/2020	31/12/2019
Bonds	4,308	3,901
Shares	2,098	1,894
Property	747	745
Alternative investments	467	612
Cash and cash equivalents	97	190
Mortgages	0	0
Fair value of plan assets as of the balance sheet date	**7,717**	**7,342**

The plan assets in Germany amount to €250 thousand (31 December 2019: €250 thousand) and are invested as term deposits. There are no plan assets in Italy and Poland. In the next reporting period (2021), plan contributions of €497 thousand (31 December 2019: €569 thousand) are expected throughout the Group.

The weighted average maturity of the defined benefit obligations is 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 2020

	Obligation in € thousand				Change in %			
	Germany	Switzer-land	Italy	Poland	Germany	Switzer-land	Italy	Poland
Present value of obligation	2,249	12,175	2,422	98				
Discount rate	0.50%	0.25%	0.34%	1.20%				
Increase of 0.5%	1,922	10,960	2,338	90	−6.47%	−9.98%	−3.46%	−8.57%
Decrease of 0.5%	2,202	13,597	2,512	108	7.18%	11.68%	3.69%	9.70%
Salary increase	2.00%	2.00%	1.50%	3.50%				
Increase of 0.5%	n/a	12,269	2,426	108	n/a	0.77%	0.16%	10.13%
Decrease of 0.5%	n/a	12,073	2,417	89	n/a	−0.84%	−0.24%	−9.12%
Pension increase	2.00%	0.00%	1.50%	n/a				
Increase of 0.5%	2,179	12,211	2,482	n/a	6.04%	0.29%	2.47%	n/a
Decrease of 0.5%	1,942	11,639	2,364	n/a	−5.48%	−4.41%	−2.40%	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 2020	29,695	2,116	5,879	37,690
Consumption	−25,940	−1,917	−4,634	−32,491
Reversals	−1,316	−20	−705	−2,041
Additions	32,950	3,632	4,925	41,507
Exchange rate effects and other changes	−1,523	−67	10	−1,580
Balance as of 31 December 2020	**33,866**	**3,744**	**5,475**	**43,085**

Provisions for personnel and social obligations mainly include expected expenses of the GFT Group for employee commissions/bonuses, 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	31/12/2020	31/12/2019
Non-current provisions		
Performance-based remuneration	2,090	673
Employee social benefits	301	432
Guarantee obligations	76	74
Other	0	153
Subtotal	**2,467**	**1,332**
Current other provisions		
Performance-based remuneration	17,695	17,218
Holiday obligations	10,752	8,686
Outstanding supplier invoices	3,744	2,116
Severance pay	2,134	168
Employee benefits	890	2,519
Other	5,403	5,651
Subtotal	**40,618**	**36,358**
Total	**43,085**	**37,690**

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

As of the financial year 2020, the Managing Directors of GFT Technologies SE and the other members of the Group Executive Board (GEB) receive a long-term bonus as their variable compensation component with long-term incentive. The long-term bonus, or long-term incentive (LTI), is based on the total amount of annual variable compensation. Of this amount, two-thirds is paid out in cash. The remaining third of the total annual amount – taking into account any (prorated) discretionary bonus – is converted into the respective long-term variable compensation. For the annual conversion amount, the eligible persons receive virtual shares. The number of virtual shares is determined by dividing the conversion amount by the average GFT share price weighted by trading volume (Xetra) in the entire financial year prior to the conversion (initial financial year). On completion of three years, the virtual shares are converted back. For this purpose, the number of virtual shares is multiplied by the average share price (Xetra) weighted by trading volume in the entire third financial year after the initial financial year. The resulting amount is settled in cash, whereby an upper limit agreed individually with each beneficiary may not be exceeded.

In accordance with IFRS 2 *Share-based Payment,* the liability-based payment plans are measured at fair value at each balance sheet date until they are settled. The result to be considered in the reporting period corresponds to the addition to or release of other provisions between the balance sheet dates plus the compensation paid out in the reporting period and is disclosed in personnel expenses.

The fair value of the LTI due from the granting of virtual shares was determined using the Monte Carlo simulation model. Service and market-independent performance conditions associated with the business transactions were not taken into account in determining fair value.

The following parameters or input factors were used to determine the fair values of share-based payment plans as of 31 December 2020 on the grant date, which corresponds to the measurement date:

Valuation parameters

	31/12/2020
Fair value of a virtual share (in €)	12.04
Weighted average share price (in €)	10.60
Share price on the measurement date (in €)	11.94
Expected dividend yield (in%)	1.68
Expected volatility of the GFT share (in %)	49
Expected term (in years)	3
Risk-free interest rate based on government bonds (in %)	−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, and at the same time outstanding, at the end of the reporting period was 84,973 (2019: 0).

The expense recognised during the financial year 2020 for share-based payment transactions amounted to €1,023 thousand (31 December 2019: €0 thousand). As of 31 December 2020, the carrying amount of other provisions from share-based payment arrangements amounted to €1,023 thousand (2019: €0 thousand).

4.13 Liabilities

The following table shows the composition of liabilities by remaining term and type of collateral (values in brackets relate to the previous year):

Remaining term and collateral

in € thousand	Remaining term: up to 1 year	Remaining term: more than 5 years	Total amount 31/12/2020	Thereof secured through liens and similar rights	Nature and form of the collateral
Financing liabilities	34,396 (16,500)	0 (0)	102,219 (114,945)	8,000	Mortgage*
Other financial liabilities	13,524 (14,074)	14,881 (17,012)	51,968 (57,544)		−2,041
Trade payables	9,876 (9,500)	0 (0)	9,876 (9,500)		41,507
Current income tax liabilities	3,071 (4,533)	0 (0)	3,071 (4,533)		−1,580
Contract liabilities	37,236 (38,840)	0 (0)	37,236 (38,840)		
Other liabilities	24,018 (25,806)	0 (0)	25,927 (25,806)		
	122,121 **(109,253)**	**14,881** **(17,012)**	**230,297** **(251,168)**		**43,085**

* 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	31/12/2020	31/12/2019
Non-current other financial liabilities		
Lease liabilities	38,444	43,470
Subtotal	**38,444**	**43,470**
Non-current other liabilities		
Deferred income	1,145	0
Wage tax liabilities	751	0
Other	13	0
Subtotal	**1,909**	**0**
Current other financial liabilities		
Lease liabilities	8,182	9,937
Payroll liabilities	5,073	4,091
Purchase price liabilities	226	0
Debtors with credit balances	43	46
Subtotal	**13,524**	**14,074**
Current other liabilities		
Wage tax, VAT and other tax liabilities	10,457	13,000
Liabilities to social security institutions	8,604	6,840
Deferred income	537	839
Other	4,420	5,127
Subtotal	**24,018**	**25,806**
Total	**77,895**	**83,350**

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 categories: geographical region and type of contract for the provision of services or sale of goods.

Other revenue mainly includes revenue from activities in connection with the Group headquarters in Stuttgart.

Revenue

in € thousand	Americas, UK & APAC		Continental Europe		Reconciliation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Geographical regions								
Brazil	48,318	33,546	0	0	0	0	48,318	33,546
Germany	471	539	50,066	52,564	351	544	50,888	53,647
France	67	1,822*	17,338	9,486*	0	0	17,405	11,309
UK	77,069	81,150	337	517	0	0	77,406	81,667
Hong Kong	8,407	3,994	0	0	0		8,407	3,994
Italy	0	0	65,199	63,436	0	0	65,199	63,436
Canada	25,002	15,686	0	0	0	0	25,002	15,686
Mexico	15,926	16,997	0	0	0	0	15,926	16,997
Poland	2,156	1,462	74	135	0	0	2,230	1,596
Switzerland	0	0	7,624	6,688	0	0	7,624	6,688
Spain	28	193	85,531	92,780	0	0	85,559	92,973
USA	33,703	35,341	20	58	0	0	33,723	35,399
Other countries	5,347	8,255*	1,816	3,786*	0	0	7,163	12,041
	216,494	**198,985**	**228,005**	**229,450**	**351**	**544**	**444,850**	**428,979**

* Adjusted in the interest of appropriate disclosure

Revenue (continued)

in € thousand	Americas, UK & APAC		Continental Europe		Reconciliation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Type of contract								
Service contract	138,770	119,960	52,465	39,654	0	0	191,235	159,614
Fixed-price contract	75,371	70,124	150,823	157,605	0	0	226,194	227,729
Maintenance contract	2,353	8,901	23,694	27,652	0	0	26,047	36,553
Other	0	0	1,023	4,539	351	544	1,374	5,083
	216,494	**198,985**	**228,005**	**229,450**	**351**	**544**	**444,850**	**428,979**
Time of transfer of goods or services								
Transfer at a certain time	0	0	0	0	153	376	153	376
Transfer over a certain period	216,494	198,985	228,005	229,450	198	168	444,697	428,603
	216,494	**198,985**	**228,005**	**229,450**	**351**	**544**	**444,850**	**428,979**

Revenue under IFRS 15 includes revenue of €38,840 thousand, which were included in contract liabilities as of 1 January 2020.

As of 31 December 2020, it is expected that revenue of €30,407 thousand (31 December 2019: €47,527 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	2020	2019
Government grants	7,686	6,612
Currency gains	2,974	2,415
Income from the disposal of non-current assets	458	374
Reversal of value adjustments for operating receivables	281	89
Reversal of provisions	272	64
Other income relating to other periods	119	393
Other	751	3,113
	12,541	**13,060**

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 €49,473 thousand (2019: €46,427 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	2020	2019
Wages, salaries and social security contributions	304,120	284,406
Expenses for pensions	3,840	4,101
Other personnel expenses	12,432	8,820
	320,392	**297,327**

5.5 Other operating expenses

The composition of other operating expenses is as follows:

Composition of other operating expenses

in € thousand	2020	2019
Rent and maintenance expenses	9,095	5,093
Personnel-related expenses	8,888	19,323
Audit and consulting fees	6,270	4,879
Other taxes	5,520	3,923
IT and telecommunication expenses	3,909	3,535
Currency losses	3,760	3,564
Sales and marketing	2,550	4,228
Losses from the disposal of property, plant and equipment	331	374
Insurance expenses	985	1,524
Other expenses relating to other periods	911	453
Value adjustments for operating receivables	871	112
Expenses in connection with company acquisitions	44	207
Other	4,695	6,339
	47,829	**53,554**

5.6 Research and development expenses

Research and development expenses of €6,014 thousand in the reporting period were significantly higher than in the previous year (2019: €3,080 thousand). The GFT Group's research and development activities continued to focus in particular on exponential 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 €5,445 thousand (2019: €2,103 thousand) was attributable to personnel expenses and €569 thousand (2019: €977 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 2020 amounted to €23,364 thousand (2019: €23,562 thousand) and includes depreciation of right-of-use assets in accordance with IFRS 16 *Leases* amounting to €10,083 thousand (2019: €10,995 thousand). Further information on the depreciation of right-of-use assets can be found in note 10.2.

5.8 Interest result

The composition of the interest result is shown in the table below:

Interest result

in € thousand	2020	2019
Interest on refunds	118	414
Interest on bank balances	110	118
Other interest income	47	43
Interest income	**275**	**575**
Interest on financing liabilities	–1,567	–1,775
Compounding of lease liabilities	–832	–1,127
Other interest expenses	–103	–267
Interest expense	**–2,502**	**–3,169**
Interest result	**–2,227**	**–2,593**

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	2020	2019
Current tax expense	5,416	7,033
Deferred tax income	–1,254	–1,961
Tax expense	**4,162**	**5,072**

The current tax expense for the financial year 2020 includes expenses relating to other periods of €150 thousand (2019: €100 thousand).

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

Deferred income taxes

in € thousand	2020	2019
From temporary differences	2,148	1,540
From tax loss carryforwards and tax credits	–895	421
Tax income	**1,253**	**1,961**

Deferred taxes recognised directly in retained earnings related to actuarial gains/losses for pension obligations pursuant to IAS 19 of €-167 thousand (2019: €-174 thousand).

With regard to deferred tax assets from tax loss carryforwards, recognition adjustments for loss carryforwards amounting to €1,129 thousand were made in the financial year 2020 (2019: €20 thousand).

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 Group tax rate valid in the reporting period of 25% (2019: 28%) was multiplied with earnings before income taxes. The Group tax rate is calculated on the basis of the arithmetic mean of all Group tax rates.

Reconciliation of effective tax rate

in € thousand	2020	2019
Earnings before income taxes	14,105	18,732
Expected tax expense at 25% (2019: 28%)	3,526	5,245
Other non-deductible expenses and tax-free income	–963	1,294
Effects from permanent differences	867	967
Recognition of tax effects from tax loss carryforwards not yet considered	–304	–192
Losses of the current year for which no deferred tax asset was recognised	935	347
Tax rate differences	565	–674
Tax rate reduction	134	108
Aperiodic effects	289	–379
Tax rebates	–510	–1,124
Other tax effects	–377	–520
Effective tax expense	4,162	5,072
Effective tax rate	**29.51%**	**27.08%**

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 €	2020	2019
Basic earnings per share	0.38	0.52
profit for the period considered	9,942,873.48	13,660,113.57
number of ordinary shares considered	26,325,946	26,325,946
Diluted earnings per share	0.38	0.52
profit for the period considered	9,942,873.48	13,660,113.57
number of ordinary shares considered	26,325,946	26,325,946

6 Explanations on items of the statement of comprehensive income

Income taxes in other comprehensive income
The taxes recognised in other comprehensive income are allocated to the individual items of the consolidated statement of comprehensive income as follows:

Income taxes on items in other comprehensive income

	2020			2019		
in € thousand	**Amount before taxes**	**Income taxes**	**Amount after taxes**	Amount before taxes	Income taxes	Amount after taxes
Items that will not be reclassified to the income statement						
Revaluation of defined benefit pension plans	267	−49	218	−1,710	337	−1,373
Currency translation of net investments in foreign operations	−4,008	0	−4,008	2,179	0	2,179
Gains/losses from currency translation of foreign subsidiaries	−5,893	0	−5,893	1,802	0	1,802
	−9,634	**−49**	**−9,683**	**2,271**	**337**	**2,608**

Result from net investments in foreign operations
The result from the classification and measurement of net investments in foreign operations recognised directly in equity amounted to €-4,008 thousand in the reporting period (2019: €2,179 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.

In the previous year, as a result of the partial repayment and reclassification of the remaining loan of the UK subsidiary GFT Financial Ltd., the cumulative currency gain of €643 thousand previously recognised directly in equity was reclassified to the income statement in the reporting period.

7 Explanations on items of the consolidated statement of changes in equity

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

The actuarial gains/losses from the remeasurement of defined benefit plans amounted to €218,151.69 after tax in the financial year 2020 (2019: €-1,373,076.83).

8 Explanations on items of the cash flow statement

The cash flow statement shows how the cash and cash equivalents of the GFT Group changed during the reporting period. In accordance with IAS 7, the cash flow statement classifies cash flows during the period according to operating, investing, and financing activities. Cash flow from operating activities is derived from net income using the indirect method.

Interest paid and interest received is allocated to cash flow from operating activities.

Financial liabilities, or financing liabilities, and the hedging instruments used in this connection changed as follows in the financial year:

Financial liabilities

in € thousand	As of 01/01/2020	Changes affecting cash flow	Changes not affecting cash flow			As of 31/12/2020
			Currency effects	Fair values	Reclassifications	
Non-current financial liabilities	98,445	0	0	0	−30,622	67,823
Current financial liabilities	16,500	−12,726	0	0	30,622	34,396
Assets used to hedge non-current financial liabilities	0	0	0	0	0	0
Total	**114,945**	**−12,726**	**0**	**0**	**0**	**102,219**

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

Cash and cash equivalents

in € thousand	31/12/2020	31/12/2019
Short-term bank balances	70,864	56,139
Cash	9	5
Total	**70,873**	**56,144**

The net payments from the acquisition of consolidated companies are as follows:

Net payments from the acquisition of consolidated companies

in € thousand	Purchase price	Share of cash in the purchase price (in %)	Cash acquired	Other assets acquired	Liabilities assumed
Acquisition of companies	7,161	100	33	3,765	2,149
thereof					
Non-current assets				2,306	
Current assets				1,459	
Non-current liabilities					650
Current liabilities					1,499

See also note 3.2 for further information on business combinations.

9 Segment reporting

9.1 General information

The GFT Group has two reporting segments. As the chief operating decision-makers responsible for assessing the company's results of operations and allocating resources, the Managing Directors regularly assess the business activities of these two segments.

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

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

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 2020 and 2019 is presented in the table below.

Information about business segments

	Americas, UK & APAC		*Continental Europe*		Total segments		Reconciliation		GFT Group	
in € thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
External revenue	216,494	198,985	228,005	229,450	444,499	428,435	351	544	444,850	428,979
Intersegment revenue	10,015	5,656	57,224	58,729	67,239	64,385	−67,239	−64,385	0	0
Total revenue	**226,509**	**204,641**	**285,229**	**288,179**	**511,738**	**492,820**	**−66,888**	**−63,841**	**444,850**	**428,979**
Segment result (EBT)	**7,834**	**5,323**	**9,916**	**18,072**	**17,750**	**23,395**	**−3,645**	**−4,663**	**14,105**	**18,732**
thereof depreciation and amortisation	−8,630	−9,372	−12,655	−12,066	−21,285	−21,438	−2,079	−2,125	−23,364	−23,563
thereof interest income	235	527	207	32	442	559	−167	16	275	575
thereof interest expenses	−1,346	−1,626	−1,478	−1,320	−2,824	−2,946	322	−223	−2,502	−3,169

9.2 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	2020	2019
Total segment revenue	**511,738**	492,820
Elimination of inter-segment revenue	−67,239	−64,385
Occasionally occurring revenue	351	544
Group revenue	**444,850**	**428,979**
Total segment earnings (EBT)	**17,750**	23,395
Non-allocated expenses/income of Group HQ	−3,192	−4,210
Other	−453	−453
Group net income before taxes	**14,105**	**18,732**

9.3 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 and non-current intangible and tangible assets by country

	Revenue from sales to external clients*		Non-current intangible and tangible assets	
in € thousand	**2020**	2019	**2020**	2019
Brazil	48,318	33,546	4,437	6,486
Germany	50,888	53,103	60,707	54,467
France	17,405	11,309	75	112
UK	77,406	81,666	38,325	43,668
Hong Kong	8,407	3,994	6	0
Italy	65,199	63,436	35,859	34,685
Canada	25,002	15,686	20,951	23,816
Mexico	15,926	16,997	951	1,443
Poland	2,230	1,596	8,512	8,936
Switzerland	7,624	6,688	390	530
Spain	85,559	92,973	24,690	33,462
USA	33,723	35,399	7,728	8,802
Other countries	7,162	12,586	660	1,158
Total	**444,850**	**428,979**	**203,291**	**217,565**

* By client location

Revenue from sales to external clients which account for more than 10% of consolidated revenue developed as follows in the financial year 2020:

Clients accounting for over 10% of revenue

	Revenue		Segments in which this revenue is generated	
in € thousand	**2020**	2019	**2020**	2019
Client 1	95,269	120,393	*Americas, UK & APAC, Continental Europe*	*Americas, UK & APAC, Continental Europe*

As in the previous year, revenue was generated from the provision of services.

10 Other disclosures

10.1 Financial instruments

Carrying amounts and fair values of financial instruments
The table on page 114 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.

Other financial assets
Other financial assets relate to investments in equity instruments, derivative financial instruments that are (not) included in hedge accounting and other financial assets.

Derivative financial instruments that are (not) included in hedge accounting comprise interest rate hedging contracts (such as interest rate caps) and are measured at fair value through profit or loss. The fair values of the interest rate hedging contracts are determined on the basis of discounted expected future cash flows. The market interest rates applicable for the remaining terms of the financial instruments are used.

Investments in equity instruments were also 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 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 in the table on page 114.

The table on page 114 contains the carrying amounts of derivative financial instruments included in hedge accounting.

Measurement hierarchies
The table on page 114 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 2020.

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	2020	2019
Financial assets at fair value through profit or loss	**436**	–263
Impairments	–434	–247
Reversals of impairment losses	322	89
Exchange rate effects	7	41
Financial assets measured at (amortised) cost	**–105**	**–117**
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	2020	2019
Total interest income	157	161
Total interest expenses	–2,399	–2,902

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 exclusively 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. Until July 2020, an interest cap was used to hedge interest rate risks. The table on page 114 shows the fair value as of the reporting date of the previous year for the transaction designated as a hedging instrument.

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.

Information on financial instruments according to measurement categorie and measurement hierachy

in € thousand	Measurement category acc. to IFRS 9	Not measured at fair value		Measured at fair value				Total
		31/12/2020						
					Fair value			
		Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	
Financial assets								
Not measured at fair value								
Trade receivables	AC	93,104	93,104	–	–	–	–	**93,104**
Contract assets	AC	9,829	9,829	–	–	–	–	9,829
Cash and cash equivalents	AC	70,873	70,873	–	–	–	–	70,873
Other financial assets[4]	AC	3,847	3,847	–	–	–	–	**3,847**
Measured at fair value								
Financial investments	FVTPL	–	–	10	–	10	–	10
Interest rate cap designated as hedging instrument[4,5]	–	–	–	–	–	–	–	–
Total financial assets		**177,653**	**177,653**	**10**	**–**	**10**	**–**	**177,663**
Financial liabilities								
Not measured at fair value								
Financial liabilities	AC	102,219	104,795	–	–	–	–	102,219
Other financial liabilities[6]	AC	51,968	51,968	–	–	–	–	51,968
Trade payables	AC	9,876	9,876	–	–	–	–	9,876
Total financial liabilities		**164,063**	**166,639**	**–**	**–**	**–**	**–**	**164,063**
Thereof aggregated acc. to the measurement categories IFRS 9								
Financial assets measured at amortised costs (AC)		177,653	177,653	–	–	–	–	177,653
Financial assets measured at fair value through profit or loss (FVTPL)		–	–	10	–	10	–	10
Financial liabilities measured at amortised cost (AC)		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 and the interest rate cap form together the total non-current and current other financial assets according to balance sheet disclosure.
5 The interest rate cap was designated as a hedging instrument with regards to its intrinsic value within the context of hedge accounting, while its fair value is separate.
6 The financial instruments comprise the non-current and current other financial liabilities according to balance sheet disclosure.

	31/12/2019						
	Not measured at fair value		Measured at fair value				
				Fair value			
	Carrying amount	Fair value	Carrying amount	Level 1[1]	Level 2[2]	Level 3[3]	Total
	114,020	114,020	–	–	–	–	114,020
	15,732	15,732	–	–	–	–	15,732
	56,144	56,144	–	–	–	–	56,144
	2,797	2,797	–	–	–	–	2,797
	–	–	–	–	–	–	0
	–	–	0	–	0	–	0
	188,694	**188,694**	**0**	**–**	**0**	**–**	**188,694**
	114,945	119,263	–	–	–	–	114,945
	57,545	57,545	–	–	–	–	57,545
	9,500	9,500	–	–	–	–	9,500
	181,989	**186,307**	**–**	**–**	**–**	**–**	**181,989**
	188,694	188,694	–	–	–	–	188,694
	0	0	–	–	–	–	0
	181,989	186,307	–	–	–	–	181,989

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 mostly generated in euros (59% in 2020 and 2019), 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 17% of total revenue; 2019: 17%) is invoiced in pounds sterling (11%, 2019: 16%) and euros (8%, 2019: 7%).

- Revenue generated with clients in Brazil (accounting for 11% of total revenue; 2019: 8%) 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.

- 5% (2019: 6%) of revenue generated with clients in the USA (accounting for 8% of total revenue, as in the previous year) was invoiced in US dollars, the functional currency of the operating US subsidiary, and 1% (2019: 2%) in euros, so that this results in only a marginal exchange rate risk.

- Revenue generated with clients in Canada (accounting for 6% of total revenue; 2019: 4%) 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; 2019: 4%) 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; 2019: 1%) is invoiced 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; 2019: 2%) is generally invoiced in Swiss francs, which is the functional currency of the Swiss national company, so that this also does not result in any exchange rate risk.

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 2020, 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 100% 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, and Hong Kong 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 €−4,008 thousand, currency translation effects recognised directly in equity decreased by €9,901 thousand as of 31 December 2020. This was mainly due to the devaluation of the Brazilian real and the Canadian dollar. The currency translation reserve presented as part of other reserves amounted to €−12,823 thousand as of the balance sheet date, compared to €−2,922 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 does not see any 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 €63,000 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 €630 thousand. Derivative interest rate instruments to hedge the general risk from interest rate fluctuations have not yet been used due to their minor impact.

In order to hedge against the interest rate risks of variable-interest liabilities to banks, GFT Technologies SE had concluded an interest cap agreement amounting to €40,000 thousand with a term of five years in the financial year 2015. The derivative, whose term ended in July 2020, was designated in a hedging relationship using hedge accounting. The market value of the derivative at the end of the previous year was €0 thousand.

No other financial instruments were used for risk management purposes as of the end of the financial year 2020.

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	31/12/2020	31/12/2019
Carrying amount	102,934	129,752
Concentration by customer		
Financial assets due from the five largest customers	45,424	52,187
Financial assets due from the remaining customers	57,510	77,565
Concentration according to region*		
Germany	9,530	12,523
Europe except Germany	67,403	93,264
Rest of the world	26,001	23,965

* 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 2020 and 2019, 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 2020, liquidity amounted to €70,873 thousand (31 December 2019: €56,144 thousand). In the financial year 2020, significant cash inflows of €60,252 thousand (2019: €36,185 thousand) were opposed in particular by cash outflows from financing activities of €29,052 thousand (2019: €27,047 thousand). In addition, there were cash outflows from investing activities of €10,982 thousand in the reporting period (2019: €13,891 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 2020 (including a comparison with the previous year) can influence the future liquidity situation of the GFT Group.

Maturity overview of financial liabilities

		Cash flows				
in € thousand	**Carrying amount 31/12/2020**	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*	46,626	682	1,364	6,137	23,562	14,881
Trade payables	9,876	9,876	0	0	0	0
Other financial liabilities*	5,342	5,342	0	0	0	0
	164,063	**15,900**	**3,442**	**38,455**	**91,385**	**14,881**

		Cash flows				
in € thousand	Carrying amount 31/12/2019	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	114,945	5,000	2,076	9,731	98,138	0
Liabilities from leases*	53,407	828	1,656	7,453	26,458	17,012
Trade payables	9,500	9,500	0	0	0	0
Other financial liabilities	4,137	4,137	0	0	0	0
	181,989	**19,465**	**3,732**	**17,184**	**124,596**	**17,012**

* Liabilities from leases and other financial liabilities together constitute the non-current and current other financial liabilities disclosed in the balance sheet.

The liquidity available, the credit lines and current operating cash flow give the GFT Group sufficient flexibility to cover the Group's refinancing needs. There is a concentration of risk regarding cash outflows in the period between one year and five years after the end of the reporting period. The cash outflow is mainly due to expiring bank loans. The total amount of outgoing liquidity during this period amounts to €67,823 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 concluded on 21 July 2015 totalling €80,000 thousand, several promissory note loan agreements concluded on 27 November 2017 totalling €52,000 thousand as well as bilateral credit lines totalling €12,000 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.

10.2 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 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 three and seven years. The agreements usually end automatically at the end of the term.

The above mentioned leases are recognised pursuant to the standard accounting model of IFRS 16.

The GFT Group has also concluded lease agreements for other office and business equipment, which have either a term of up to twelve months or a low value. In the case of these leases, the GFT Group applies the practical expedients available for short-term leases and leases of low-value assets.

Information on leases in which the GFT Group is a lessee is presented below.

Right-of-use assets in connection with rented land and buildings, office premises, car parks and vehicles are disclosed under property, plant and equipment (see note 4.3). The carrying amounts of these right-of-use assets recognised in the balance sheet in connection with leases and the changes during the reporting period are shown below:

Right-of-use assets

in € thousand	Land, land rights and buildings	Plant, operating and office equipment	Total
Balance as of 1 January 2020	48,229	2,934	**51,163**
Additions	11,283	2,182	13,466
Disposals	9,812	171	9,983
Depreciation in the financial year	8,293	1,790	10,083
Balance as of 31 December 2020	**41,407**	**3,155**	**44,562**

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 10.1.

The following amounts were recognised in the consolidated income statement in connection with leases in the financial year 2020:

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

in € thousand	2020	2019
Depreciation of right-of-use assets	10,083	10,955
Interest expense for lease liabilities	832	1,127
Expense for short-term leases and leases of low-value assets	1,992	1,280
Total amount recognised in profit or loss	**12,907**	**13,362**

The GFT Group's cash outflows for leases in the financial year 2020 amounted to €10,980 thousand (2019: €12,850 thousand) and are presented under 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).

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.

10.3 Other financial obligations

Other financial obligations of the GFT Group as of 31 December 2020 are presented according to maturity below:

Other financial obligations

in € thousand	31/12/2020	31/12/2019
Obligations from fixed-term leases		
due within one year	4,279	372
due between one and five years	4,543	106
due after more than five years (excluding open-ended obligations)	0	2
Annual obligations from open-ended leases	**1,315**	**1,699**

Other financial obligations are stated at their nominal value and mainly comprise obligations from fixed-term IT licence agreements amounting to €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 €1,315 thousand (31 December 2019: €1,699 thousand) relate in particular to licence and maintenance agreements.

As at 31 December 2020, there are contractual obligations from the acquisition of intangible assets of €147 thousand (31 December 2019: €280 thousand) and property, plant and equipment of €285 thousand (31 December 2019: €99 thousand).

10.4 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.

Associated companies
In the financial year 2020, GFT Technologies SE received services totalling €257 thousand (2019: €298 thousand) from CODE_n GmbH. Via GFT Real Estate GmbH, the GFT Group rendered services to CODE_n GmbH amounting to €160 thousand in the financial year 2020 (2019: €162 thousand).

As of 31 December 2020, the GFT Group's receivables due from CODE_n GmbH amounted to €93 thousand (31 December 2019: €0 thousand).

Other related companies
RB Capital GmbH, whose managing director is Ulrich Dietz, rendered consulting services to GFT Technologies SE amounting to €148 thousand in the financial year 2020 (2019: €254 thousand).

As of 31 December 2020, liabilities and provisions of €116 thousand (31 December 2019: 63 thousand) were recognised for outstanding purchase invoices of RB Capital GmbH.

Members of the Administrative Board and Managing Directors
Ulrich Dietz, Chairman of the Administrative Board, held 26.4% (31 December 2019: 26.4%) of GFT shares as of 31 December 2020. Maria Dietz, member of the Administrative Board, held 9.6% (31 December 2019: 9.6%) of GFT shares as of 31 December 2020.

Maria Dietz, member of the Administrative Board, did not conduct any business with the GFT Group in the financial year 2020. In the previous year, Maria Dietz provided consultancy services to GFT Technologies SE amounting to €22 thousand.

There are also service agreements with the Managing Directors. There were no other business relationships with members of the Administrative Board and the Managing Directors.

In 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	2020	2019
Fixed compensation component	1,413	1,049
Short-term variable compensation component	346	509
Long-term variable compensation component	631	165
Total	**2,390**	**1,723**

Total compensation for the Managing Directors in the financial year 2020 amounted to €2,110 thousand (2019: €1,433 thousand).

Total compensation for the Administrative Board without the remuneration of the Managing Directors amounted to €280 thousand in the financial year 2020 (2019: €280 thousand).

Further details on the remuneration system are contained in the remuneration report of GFT Technologies SE. The remuneration report is a component of the combined management report.

10.5 Employees

The average number of employees in the financial year 2020 was 5,783 (2019: 5,178). The average number of employees (headcount) by country is as follows:

Employees by country

	2020	2019
Belgium	4	5
Brazil	1,308	847
Costa Rica	91	107
Germany	410	449
France	24	19
UK	168	147
Hong Kong	14	0
Italy	641	600
Canada	273	211
Mexico	316	294
Poland	647	540
Switzerland	40	44
Singapore	2	0
Spain	1,807	1,880
USA	38	35
Average number of employees	**5,783**	**5,178**

The number of employees (headcount) at the end of the reporting period was 6,075 (31 December 2019: 5,307).

10.6 Auditing fees

At the Annual General Meeting of 24 June 2020, 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	2020	2019
Auditing of financial statements	277	249
Other certification services	4	52
Tax consulting services	49	25
Other services	2	0
Total	**332**	**326**

The fees for auditing services include the auditing of the consolidated financial statements, the auditing of the annual financial statements of GFT Technologies SE and GFT Smart Technology Solutions GmbH, a review of the interim statements, and an audit review of the half-yearly financial report. Auditing fees contain an amount of €2 thousand (2019: €0 thousand) for previous years.

Other certification services relate to the certification of key financial figures. In the previous year, the fees also included quality assurance services during the introduction of the ERP system SAP S/4HANA, and the review of the non-financial Group report.

Tax consulting services mainly comprise tax advice regarding the declaration of income taxes and an assessment of individual tax items.

10.7 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 Experts GmbH, Stuttgart
- GFT Invest GmbH, Stuttgart
- in-Integrierte Informationssysteme GmbH, Constance

10.8 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 14 December 2020 and made it permanently accessible to shareholders on the corporate website of the GFT Group at www.gft.com/governance.

Stuttgart, 24 March 2021

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, 24 March 2021

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 it subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, 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 2020. 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 2020. 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 2.6 and 4.1 of the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Disclosures 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 2020, goodwill amounted to EUR 120.0 million and, at 28.9% 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 2020.

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 2020, GFT Technologies SE did not identify any further 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 method 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

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

The income from fixed price contracts amounted to EUR 226.2 million in financial year 2020. Revenue from fixed price contracts as a share of total Group revenue was 50.8%.

GFT Group recognises revenue from fixed price contracts over the period by using the time of the transfer of control of assets to the customer. This involves revenue and results being recognised by reference to the stage of completion. The stage of completion is calculated in accordance with the input method in which costs already incurred are stated as a ratio of the total costs expected 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 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 recorded for the wrong 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 we also assessed whether costs were correctly allocated to projects for a sample selected using a statistical approach respectively a specific sample of 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 referred to in 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 in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file „GFT Technologies SE_KA & LB_2020-12-31.zip" (SHA256-Hashwert: 6a2d3a84b9508594a207e03b30656768c724a718ab63c73ecbacd99942e71d94) that can be downloaded by the issuer from the electronic client portal with access protection, 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 only extends 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 this reproduction nor any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable 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 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied 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 reproduction 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 the internal controls they consider 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 company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Administrative Board is responsible for overseeing the preparation of 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 of 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 electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 24 June 2020. We were engaged by the Administrative Board on 23 November 2020. 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).

German Public Auditor Responsible for the Engagement

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

Stuttgart, 24 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Cheung	**signed Wacker**
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Further information

Income statement according to HGB

for the financial year 2020, GFT Technologies SE

in €	2020	2019
1. Revenue	72,675,288.56	86,401,915.11
2. Decrease of work in process	–766,534.98	–6,351,471.59
3. Other operating income	6,592,074.07	6,767,410.12
4. Total performance	**78,500,827.65**	**86,817,853.64**
5. Cost of purchased services	24,807,089.15	26,512,833.46
6. Personnel expenses		
a) Salaries and wages	31,419,403.05	31,314,616.93
b) Social security, pension and other benefit costs	4,356,399.92	5,126,866.77
7. Amortisation and depreciation of intangible assets and property, plant and equipment	2,098,583.36	1,562,623.94
8. Other operating expenses	22,779,940.49	25,582,548.73
9. Result from operating activities	**–6,960,588.32**	**–3,281,636.19**
10. Income from equity investments	14,533,976.00	18,250,000.00
11. Income from profit and loss transfer agreements	1,482,538.16	362,489.57
12. Income from loans classified as fixed financial assets	1,729,592.43	1,830,124.86
13. Other interest and similar income	330,561.40	139,200.73
14. Write-downs of financial assets	435,041.65	0.00
15. Expenses from loss assumptions	417,182.10	404,401.79
16. Interest and similar expenses	1,527,078.99	1,616,620.96
17. Financial result	**15,697,365.25**	**18,560,792.41**
18. Earnings before taxes	**8,736,776.93**	**15,279,156.22**
19. Income taxes	26,818.23	20,715.80
20. Earnings after income taxes	**8,709,958.70**	**15,258,440.42**
21. Other taxes	6,205.18	8,446.33
22. Net income for the year	**8,703,753.52**	**15,249,994.09**
23. Profit brought forward from previous year	16,033,504.88	6,048,699.99
24. Distributable profit	**24,737,258.40**	**21,298,694.08**

Balance sheet according to HGB

as of 31 December 2020, GFT Technologies SE

Assets

in €	31/12/2020	31/12/2019
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,696,147.90	2,994,516.46
II. Property, plant and equipment		
1. Other equipment, furniture and fixtures	4,421,128.99	4,724,712.34
2. Prepayments	0.00	77,417.00
	4,421,128.99	4,802,129.34
III. Financial assets		
1. Shares in affiliates	62,154,341.83	54,890,505.99
2. Loans to affiliates	84,506,418.22	99,933,367.01
3. Equity investments	168,714.57	157,161.42
	146,829,474.62	154,981,034.42
	152,946,751.51	**162,777,680.22**
B. Current assets		
I. Work in process	3,014,109.37	3,780,644.35
II. Receivables and other assets		
1. Trade receivables	5,237,670.45	9,251,331.60
2. Receivables from affiliates	16,971,704.02	22,152,021.06
3. Other assets	852,424.36	896,490.75
	23,061,798.83	32,299,843.41
III. Cash on hand and bank balances	11,278,079.42	5,599,951.45
	37,353,987.62	**41,680,439.21**
C. Prepaid expenses	**2,810,339.94**	2,573,826.37
	193,111,079.07	**207,031,945.80**

Equity and liabilities

in €	31/12/2020	31/12/2019
A. Equity		
I. Share capital	26,325,946.00	26,325,946.00
II. Capital reserve	2,745,042.36	2,745,042.36
III. Other retained earnings	22,149,591.97	22,149,591.97
IV. Distributable profit	24,737,258.40	21,298,694.08
	75,957,838.73	**72,519,274.41**
B. Provisions		
1. Provisions for pensions	1,381,197.00	1,317,190.00
2. Tax provisions	0.00	52,735.00
3. Other provisions	7,585,082.42	7,554,198.49
	8,966,279.42	**8,924,123.49**
C. Liabilities		
1. Liabilities to banks	96,035,355.75	108,500,000.00
2. Prepayments received on account of orders	3,114,373.95	4,301,709.38
3. Trade payables	743,383.17	1,113,342.41
4. Liabilities to affiliates	6,192,171.81	9,746,299.55
5. Other liabilities	1,644,860.03	1,490,074.87
	107,730,144.71	**125,151,426.21**
D. Deferred income	**456,816.21**	437,121.69
	193,111,079.07	**207,031,945.80**

Financial calendar 2021

12 May 2021	Quarterly Statement as of 31 March 2021
10 June 2021	Annual General Meeting
12 August 2021	Interim Financial Report as of 30 June 2021
11 November 2021	Quarterly Statement as of 30 September 2021

Published on 31 March 2021

Service

Further information
Our Investor Relations team will be happy to answer any questions you may have. Or visit our website at www.gft.com/ir. There you can find further information on our company and the GFT Technologies SE share.

The Annual Report 2020 is also available in German on www.gft.com/ir.

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Key figures (IFRS)

GFT Group

in € million	2020	2019	Δ € million	Δ %	Q4/2020	Q4/2019	Δ € million	Δ %
Income statement								
Revenue	444.85	428.98	15.87	4%	117.81	113.03	4.78	4%
EBITDA adjusted	42.52	47.91	–5.39	–11%	11.71	13.13	–1.42	–11%
EBITDA	39.70	44.89	–5.19	–12%	11.90	12.69	–0.79	–6%
EBIT	16.33	21.33	–5.00	–23%	5.59	7.03	–1.44	–21%
EBT	14.11	18.73	–4.62	–25%	5.06	6.39	–1.33	–21%
Net income	9.94	13.66	–3.72	–27%	3.56	3.58	–0.02	–1%
Segments								
Revenue *Americas, UK & APAC*	216.49	198.99	17.50	9%	59.11	51.69	7.42	14%
Revenue *Continental Europe*	228.01	229.45	–1.44	–1%	58.61	61.21	–2.60	–4%
Revenue *Others*	0.35	0.54	–0.19	–35%	0.09	0.13	–0.04	–34%
Earnings before taxes (EBT) *Americas, UK & APAC*	7.83	5.32	2.51	47%	1.92	3.19	–1.27	–40%
Earnings before taxes (EBT) *Continental Europe*	9.92	18.07	–8.15	–45%	5.31	5.55	–0.24	–4%
Earnings before taxes (EBT) *Others*	–3.64	–4.66	1.02	22%	–2.17	–2.35	0.18	–92%
Share								
Basic earnings per share	0.38 €	0.52 €	–0.14	–27%	0.13 €	0.15 €	–0.02	–18%
Earnings per share adjusted	0.65 €	0.76 €	–0.11	–15%	0.21 €	0.22 €	–0.01	–3%
Average number of shares outstanding	26,325,946	26,325,946	0	0%	26,325,946	26,325,946	0	0%
Balance sheet								
Non-current assets	219.30	232.21	–12.91	–6%				
Cash and cash equivalents	70.87	56.14	14.73	26%				
Other Current Assets	124.70	147.48	–22.78	–15%				
Total assets	**414.87**	**435.83**	**–20.96**	**–5%**				
Equity	128.14	133.14	–5.00	–4%				
Non-current liabilities	123.99	157.08	–33.09	–21%				
Current liabilities	162.74	145.61	17.13	12%				
Total equity and liabilities	**414.87**	**435.83**	**–20.96**	**–5%**				
Equity ratio	31%	31%						
Cash flow statement								
Cash flow from operating activities	60.25	36.18	24.07	67%				
Cash flow from investing activities	–10.98	–13.89	2.91	21%				
Cash flow from financing activities	–29.05	–27.05	–2.00	–7%				
Employees								
Number of employees (FTE, as of 31 December)	5,986	5,242	744	14%				
Weighted utilisation rate	89.5%	89.4%						
EBT margin	**3.2%**	4.4%			**4.3%**	5.7%		
Tax rate	**29.5%**	27.1%			**29.7%**	44.0%		

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