





















## Group principles

### Business model

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

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

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

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

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

### Group structure

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

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

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

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

## Targets and strategies

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

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

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

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

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

## Management system

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

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

## Research and development

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

## Economic report

### Macroeconomic economic conditions

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

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

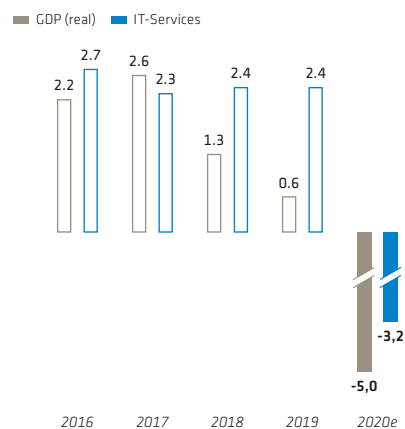
During the year, the coronavirus crisis caused an initial decline of -1.9 % in the first quarter followed by a particularly severe impact in the second quarter, as a result of the first lockdown, with a minus of 9.8 %. As a result of the further (partial) lockdown in November and its subsequent intensification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

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

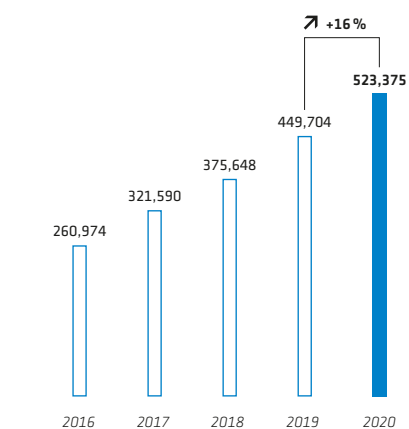
German economy but also to the very extensive packages of measures by the federal government to support the economy and stabilize incomes. The 2021 annual economic report states that almost EUR 80 billion has been in delivered in fiscal measures since the beginning of the crisis. In addition, an economic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

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

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



GROWTH IN SALES *in EUR k*



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

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

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

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

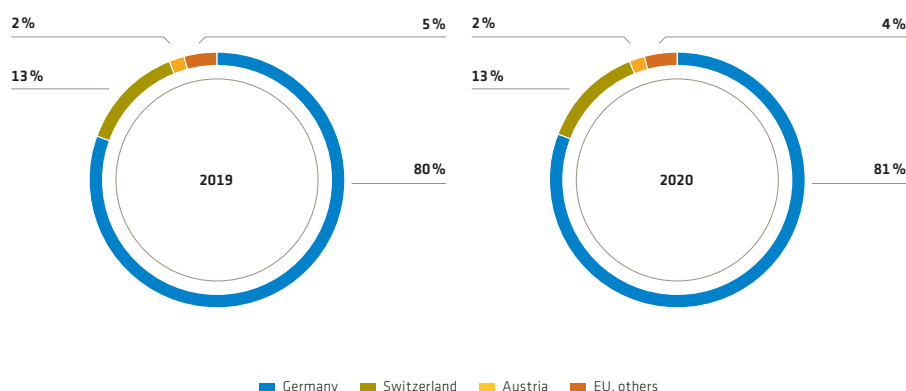
In view of the severe effects of the COVID-19 pandemic on the economic areas in which adesso mainly operates, the macroeconomic conditions in 2020 were considered to be significantly weaker than expected for business development. The original outlook for the year initially deteriorated drastically in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

## Industry-specific conditions

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

SALES BY COUNTRY

in %



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

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

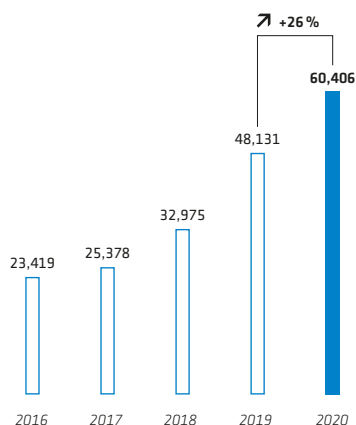
## Business performance

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

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

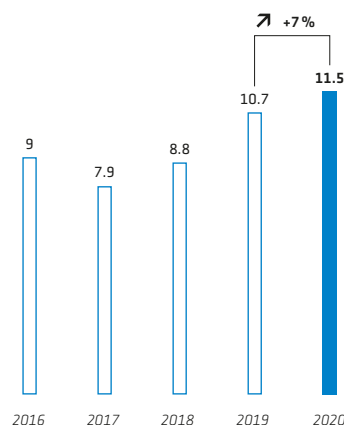
EBITDA

in EUR k



EBITDA MARGIN

in %



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

#### Overall statement on business performance by the management

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

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

## Position

### Profitability

#### Growth in sales

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

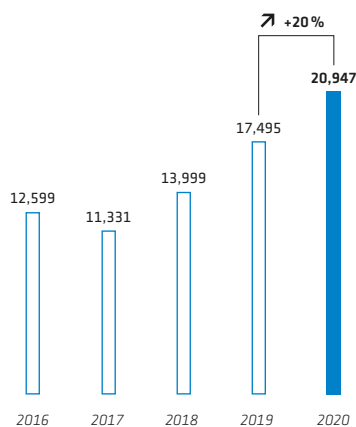
With weighted negative market growth, relevant to adesso, of -2.8 % for the industry, adesso, as it did in previous years, had significantly higher organic growth than the market in 2020.

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

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

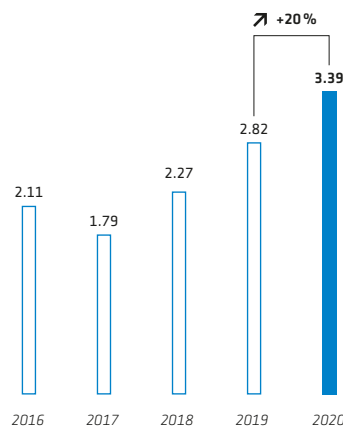
CONSOLIDATED EARNINGS

in EUR k



EARNINGS PER SHARE

in EUR



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

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

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

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

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

#### MULTI-PERIOD OVERVIEW OF EARNINGS SITUATION

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



### Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Order development

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

#### Employee indicators

The leading performance figures for employees developed as follows:

#### Financial position

##### Financial management principles and objectives

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

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

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

#### EMPLOYEE INDICATORS

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

## DEVELOPMENT OF CASH AT BANK AND FINANCIAL LIABILITIES

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

## DEVELOPMENT OF LIQUIDITY

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

## DEVELOPMENT OF THE FINANCIAL POSITION

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

### Capital structure

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

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

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

### Investments, acquisitions and divestments

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

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

### Liquidity

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

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

## MULTI-PERIOD OVERVIEW OF ASSETS AND LIABILITIES

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

## FINANCIAL PERFORMANCE INDICATORS

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

Table source: adesso Group figures

## PERFORMANCE INDICATOR INVERSE UTILISATION RATE

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

Table source: adesso SE

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

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

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

#### Assets and liabilities

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

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

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

#### Overall statement

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

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

#### Financial and non-financial performance indicators

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

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

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

## PERFORMANCE INDICATOR BOOKING INTENSITY

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

Table source: adesso SE

## PERFORMANCE INDICATOR T&amp;M DAILY RATE

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

Table source: adesso SE

## PERFORMANCE INDICATOR FIXED-PRICE PROJECTS

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

Table source: adesso SE

## PERFORMANCE INDICATOR RECRUITMENT AND TURNOVER

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

Table source: adesso SE

## PERFORMANCE INDICATOR SOFTWARE PRODUCTS

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

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

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

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

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

*Booking intensity (average of billed hours per project day)*

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

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

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

*Average daily rates achieved*

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

*Calculated daily rates and budget overruns for fixed-price projects*

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

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

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



*Recruiting performance figures and turnover*

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

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

## Forecast, opportunities and risk report

### Forecast report

#### Future macroeconomic situation

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

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

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

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

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

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

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

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

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

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

#### Outlook for the industry

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

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

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

#### Future development of the Group

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

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

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

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

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

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

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

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

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

#### Anticipated sales and earnings situation

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

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

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

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

#### Financial outlook

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

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

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

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

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

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

## Risk report

### Risk management system

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

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

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

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

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

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

### Primary risk carriers

#### COVID-19 pandemic

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

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

#### Project risks

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

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

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

#### Risks from a shortfall in planned sales

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

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

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

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

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

### Financial risks

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

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

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

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

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

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

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

There were no notable risks from financial instruments.



### Personnel risks

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

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

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

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

### Risks from business activities in other legal systems

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

### Risks from the development of new products and solutions

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



### Risks from technical infrastructure

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

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

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

### Other risks

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

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

### Overall Statement Concerning the Group's Risk Situation

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

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

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

## Opportunities report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Takeover-relevant information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Supplementary report on the individual financial statements of adesso SE

### Business activity

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

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

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

### Employees

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

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

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

## Economic situation

### Profitability

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Assets and liabilities

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

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

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

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

#### Investment analysis

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



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

#### Financial position

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

#### Liquidity and financing analysis

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

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

## Overall statement on business performance by the management

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

## Outlook

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

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



## Remuneration report

### Principles of the remuneration system

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

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

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

### Remuneration of members of the Executive Board

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

#### Variable, performance-based remuneration

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

### Long-term remuneration

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

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

## Supervisory Board remuneration

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

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

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

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

## Appendix

### Report on equal opportunities and equal remuneration

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

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

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

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

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

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