

ANNUAL REPORT
2016



IN EVERYTHING WE DO, WE HAVE ONE CONSTANT GOAL:

USING OTRS TO STRUCTURE COMMUNICATION PROCESSES.

OUR AIM IS TO REVEAL WHAT MAKES OUR CUSTOMERS HAPPY TODAY AND WHAT THEY WISH FOR IN THE FUTURE. SOLUTIONS THAT FACILITATE THEIR COMMUNICATION AND OPTIMIZE THEIR CUSTOMER CONTACT. ON EVERY LEVEL – INTERNATIONALLY AND ACROSS CULTURES.

SERIOUS, BINDING, RELIABLE AND TRUSTWORTHY.

OUR ANNUAL REPORT 2016 SHOWS HOW WE LAID THE FOUNDATION FOR TOMORROW YESTERDAY.



THE OTRS GROUP

The OTRS Group & Its Service Management Solutions

OTRS Group is the vendor and world's leading provider of the open source OTRS Service Management Suite OTRS. The OTRS Group consists of OTRS AG and its five subsidiaries: OTRS Inc. (USA), OTRS S.A. de C.V. (Mexico), OTRS ASIA Pte. Ltd. (Singapore), OTRS Asia Ltd. (Hong Kong) und OTRS Do Brasil Soluções Ltda. (Brazil).

As of 2009, OTRS AG is listed in the Basic Board (formerly Entry Standard) of the Frankfurt Stock Exchange (ISIN: DE000A0S9R37, WKN: A0S9R3). The OTRS product suite includes the OTRS Service Desk Software and the ITIL® V3-compatible, PinkVERIFY™-certified IT Service Management Module OTRS::ITSM and, expanding upon the former, the OTRS Business Solution™ and the cloud-based OTRS Business Solution™ Managed for professional use in business environments. OTRS is available in 38 languages and is used by more than 170,000 companies worldwide to increase the efficiency of their service management while saving costs and resources with an integrated solution. The OTRS Group is the source code owner and supports companies worldwide with its solutions. Its service portfolio includes process design, implementations, customization, application support, corporate security, and OTRS managed services. The OTRS Business Solution™ and the OTRS Business Solution™ Managed are our response to market trends such as exclusive packages for professional usage consisting of individual features combined with specially customized services. Key customers include industry-leading companies and organizations such as Bayer Pharma AG, the BSI (German Federal Office for Information Security), the Max Planck Society, Toyota, Huawei, Hapag Lloyd, Lufthansa, Airbus, IBM, Porsche, Siemens, and Banco do Brazil (Bank of Brazil). OTRS is used by more than 40% of the DAX 30 companies. Find out more about OTRS and our services at: www.otrs.com

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Dear shareholders and friends of OTRS AG.

On my behalf and on behalf of my colleagues of the board, it is my pleasure to present our annual report for the year 2016. Our great success has one key component: people. This is both the starting point and goal of our overall corporate activity. However, by this – being developers of open source software in the B2B field – we don't only mean our developers, software designers or administrators, but also our more than 170,000 satisfied customers and users, and of course you, our shareholders, who have placed your trust in us during this past year.



André Mindermann

LETTER TO THE SHAREHOLDERS

Today, "open source" stands for outstanding architecture and interoperability and it is an engine for innovation. Open source software is already an established part of the IT workplace and symbolizes the greatest possible freedom, connectivity and participation – while the traditional software industry is viewed as increasingly restrictive. This kind of freedom promotes creativity, leads to completely new forms of cooperation – both national and international – and motivates us to continuously develop our products. And it doesn't matter if the impulse comes from our own developers, our customers, or the members of our community. This is our understanding of freedom, an ideal that we keep getting closer and closer to thanks to our passion and conviction.

Our financial success shows that we are on the right track and that our customers value our open source spirit and the resulting software solutions and their benefits.

In the fiscal year 2016 our revenues amounted to EUR 7,254 thousand, thus meeting our expectations. The revenue growth of EUR 883 thousand (13.9%), compared to the prior year's revenue (EUR 6,371 thousand), is the result of our company's strategy of sustainable growth. We are also extremely satisfied with the development of recurring revenues on the basis of our **OTRS Business Solution™**, which expands the OTRS standard version with special features, security and software updates. This is satisfying for two reasons: Firstly, the reliable predictability of this source of revenue enables a high degree of planning security and creates a solid foundation for our business model. Secondly, the long-term nature of these contracts shows the enormous trust that our customers have placed in us. For us, trust is the hardest currency of all.

Recurring revenues grew by EUR 714 thousand (16.1%), from EUR 4,442 thousand to EUR 5,156 thousand, and currently amount to 71.1% of total revenue (in the previous year: 69.7%). Earnings before interests, taxes, depreciation and amortization (EBITDA) in the fiscal year 2016 amounted to EUR 534 thousand, which shows a growth of 16.6%. This means we registered an operative cash flow of EUR 981 thousand. In the previous year, this figure was EUR 828 thousand. Earnings before interest and taxes (EBIT) increased to EUR 131 thousand compared to EUR 58 thousand in the previous year.

In conclusion, I would like to point out that we not only fully reached our goals for 2016, but actually exceeded them. This success and the way it was achieved should continue to determine our future corporate activities. To us, this means both making promises and keeping those promises. That is the basis for a relationship of trust with our customers and shareholders.

What does the future hold for OTRS AG? The world is becoming more and more closely connected, and business models have to take the international approach. The digital transformation is its own driving force, and the Internet of things is advancing and taking over an ever wider range of daily life. The increasing linkage of production and communication processes has already lead to a sustainable change in working environments during the past decades, and it is now moving steadily towards a fully digitalized tomorrow.

We see this as a chance. In the future, we will continue to deliver innovative open source software products that not only meet increasingly complex customer needs, but also offer answers to the questions of tomorrow. With the **OTRS Business Solution™** and the **OTRS Business Solution™ Managed** we offer dynamic, flexible and most of all established software solutions. It is our ambition to not only benefit from the increasing demand for innovative service desk solutions, but also to shape the step forward to a higher level of digitalization worldwide – to give it the OTRS stamp.

Global names such as MAN, Philipps and Sony, Fujitsu, Hewlett Packard, Burger King, Boeing and 40% of the DAX 30 companies already use OTRS solutions. Our worldwide operating customer base proves that there is a need for an innovative IT service management solution that enables successful and precise communication across borders. Our further expansion into the Latin American market with the opening of a subsidiary in Brazil, and into the Asian market with the foundation of OTRS Asia Ltd., are important steps towards introducing our products to an even larger and more international customer base. We are ready to accompany our customers into a digital future. We are ready to seize the chances that the future is offering us, right now!

Finally, I would like to thank our employees for their tireless dedication and extraordinary loyalty. Without them, OTRS would not be as successful as it is. I am well aware that – especially in these fast-moving times – their commitment and identification with OTRS as their place of work/life cannot be taken for granted.

And last of all I would like to once again thank you, our shareholders, for the trust you continue to place in us.

André Mindermann

Chairman of the Managing Board

OTRS 20 IN NUMB3RS 16

735,000

59 releases

79 employees

Sanguages

40,000,000 unit tests

5000 Soncurrent agents

38,810 tickets in the Portal

THE MANAGING BOARD



Christopher Kuhn
COO and Member of the
Managing Board

Sabine Riedel

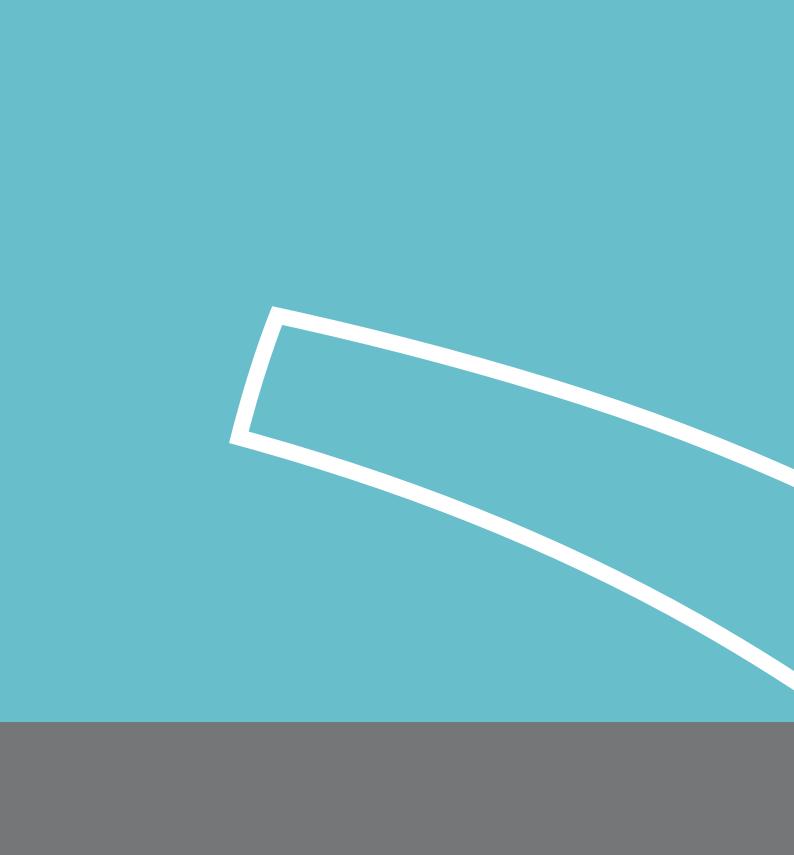
Member of the

Managing Board

Marketing & Human

Resources

André Mindermann CEO and founder





CUSTOMER QUOTES

"It doesn't matter if you have to deal with 100 or 1,000 tickets a day – the scalability and flexibility of OTRS are unbeatable!"

Cedric Mally, Technical Support / cap Produkttechnik GmbH & Co KG

"OTRS offers incredible configuration possibilities and is always stable no matter how high the workload!"

Thomas Tuschl, IT Systems Supervisor / "Aktuell" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.

"... The Managed Service module convinced us..."

Silvan Müller, Director HR Services / Feldschlösschen Getränke AG

"OTRS is a slim, adaptable and very flexible system, with extremely good connectivity options via interface. Thanks to the open structure, it can be used in many different

Michael Dipper, Team Leader IT Infrastructure / EURONICS Deutschland eG scenarios."

"Our employees are very convinced of OTRS and nobody could now imagine the daily working without the system. We needed a fast implementation and support of experienced consultants -OTRS supplied a good relationship and a fast Go-Live."

Olaf Giesker, Head of EDP / Derby Cycle AG

"The Software is fantastic."

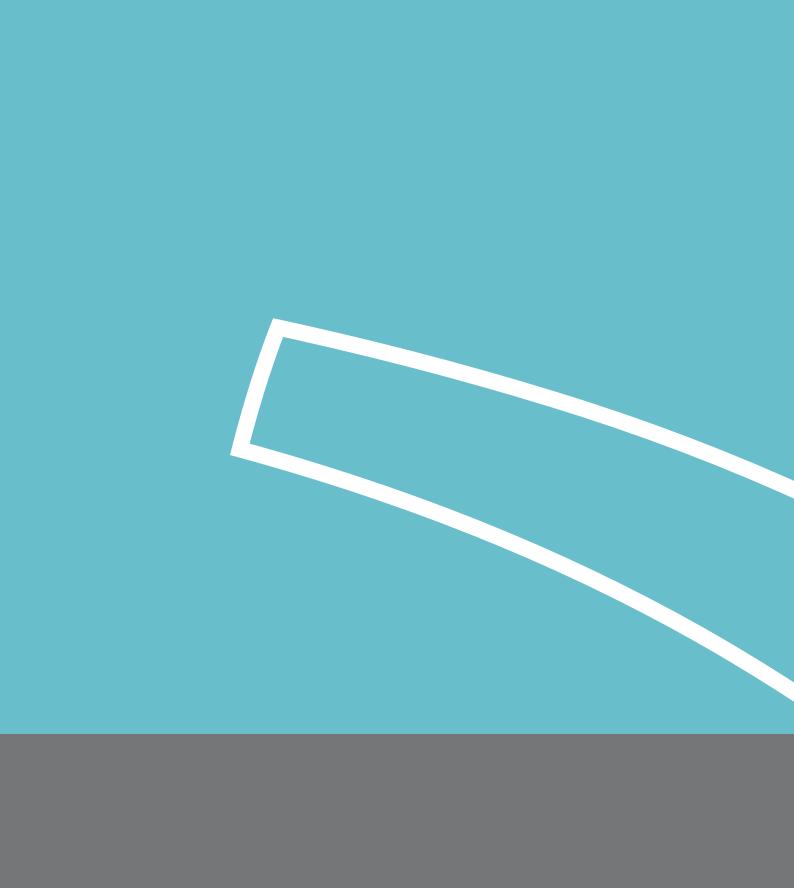
Ian McKenzie, Unix Systems Administrator / Canadian Bank Note Company, Limited

"The system's stability never ceases to amaze us – it runs so smoothy! We have never had any problems with updates and upgrades."

Karmela Vellguth, Head of IT Support / Technische Universität München

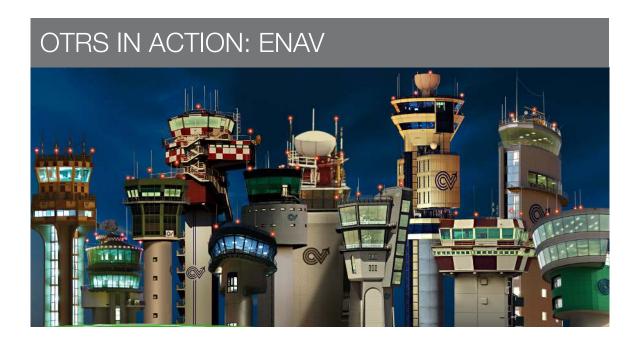
"With OTRS Group we have real experts on our side, supporting our organization 24 hours a day with highly flexible and reliable service at a competitive price!"

Tony Barber, Head of GÉANT Operations Centre / GÉANT





SUCCESS STORIES



ENAV needed a help desk software with integration possibilities to record and speed up internal processes

ENAV is the Italian air navigation service provider, ensuring safety and reliability 24/7 for 1.8 million flights yearly from the control towers of 43 airports and 4 area control centers. With a workforce of 4,200, the company provides air navigation services to its numerous customers: airlines flying in Italian airspace. ENAV uses OTRS for improving its information security processes and the activities of its Security Operation Center.



IT service management of ENAV's information security processes improved with the OTRS Business Solution™



Problem: Previous service desk software unable to efficiently support internal information security processes

At the beginning of 2014 ENAV started to evaluate a new service desk software for their Security Operation Center in order to substitute the former system. On the one hand, the new system had to meet security-specific requirements and implement ENAV information security processes and activities, among them incident, change and fault management, security checks (vulnerability assessment and penetration tests) and security intelligence, as well as identity and access management. Additionally, a suitable support tool was required for risk analysis

and risk treatment. On the other hand, it had to be simple to use and provide several integration possibilities, as Giovanni Mellini, security engineer at ENAV explains: "We looked for systems that are easy to patch and integrate with other security systems via well documented APIs".

Solution: Activities are now quickly verifiable and ready for reliable statistic exports

"OTRS already helped us to improve and speed up the existing Security Operation Center's internal activities and to keep track of all the activities in an easy but efficient way, even for external audit purposes", reports Mellini. Besides, ENAV now has the possibility to create fast and reliable statistics for management reporting. The usage of the new service desk soon proved to be not only useful for the Security Operation Center, but also for more areas of the company, as Mellini explains: "OTRS met all the original requirements and very soon boosted our efficiency significantly.

It has even had a positive influence on the mentality of the users, helping them to make even smarter and more professional decisions. So the aim of OTRS in other departments was mostly to improve existing albeit manual processes and make them more efficient. Plus, teamwork in general has also improved in a very positive way since OTRS was introduced."





The fact that we are expanding OTRS to other departments is proof that security made the right choice; it's fast, flexible, reliable and easy."

Giovanni Mellini, Security Engineer at ENAV S.p.A.



Why OTRS?

Thanks to its intuitive use, OTRS has already convinced several departments to use tickets for their daily work, saving costs and facilitating easy documentation



ENAV chose OTRS after an extensive trial of the free open source version. "We made this choice for different reasons: OTRS has a simple and professional interface, and it is easy to learn, design, create and customize workflows. It also facilitates integration with other systems via APIs. And last but not least, we chose it for the excellent commercial support: In a very limited timeframe after the signing of the contract with OTRS AG, we were able to get the platform fully up and running with the first processes designed in cooperation with the OTRS specialist", says Mellini. He sees the benefits of OTRS compared to other service desks in the speed and the intuitive

interface that adapts easily to different scenarios. "Another big pro is how easy it is to acquire the skills for managing the whole system internally, from the creation of very complex processes to day-to-day operations." After the initial system installation and configuration, and thanks to the support provided by OTRS AG, the OTRS Service Desk was finally extended to support other functions within security such as physical security system maintenance, quality level services with the security guards company, including task lists for operators, cooperation with military and civil entities, security surveys and audits, as well as license and project management.

The first email exchanges with other departments triggered their curiosity regarding a potential use in other areas, and they started asking for demonstrations and experiments. "We worked on processes, queues and permissions with colleagues and very soon other departments were able to start using OTRS for daily activities, with clear improvements in efficiency, compliance, tracking and the documentation of critical processes in a very cost-effective way", states Mellini regarding the further development of OTRS at ENAV. Because of its advantages, OTRS was even implemented in other departments and for activities not intended at the beginning of the project, e.g. in the quality department, auditing, nonconformity management, several safety departments, and the air space management department. "With OTRS we reduced the recurring costs of service desk software, and the project ROI is very high because the software is now used in different departments, for a wide range of applications outside the security domain."



Europe-wide use of OTRS in IT services helps employees create and process enquiries

Olympus is one of the world's leading producers of optical and digital products in the areas of medical technology and audio and video systems. Their products include endoscopic and microscopic equipment for medical and industrial use as well as cameras and audio devices. Founded in Japan in 1919, Olympus currently has subsidiaries at 36 locations in the EMEA region.



More transparency thanks to consistent email communication possibilities and predefined processes

Problem: The assignment of emails to tickets across systems is not possible and the configuration of request-templates is limited

In the past, Olympus used two different systems: one for incident tickets (TrackIT) and another for the service desk (LotusNotes). However, email communication between these tools often failed to work correctly, and the connection between incoming emails and tickets was flawed. It was also not possible for end-users to adapt templates for creating requests, which often lead to unclear enquiries or phone calls and more questions. "There was only one single entry form for all requirements for service enquiries and we couldn't divide it into different sections. Our requesters were confused by all the irrelevant information and this often meant additional work for our IT department," explains Christina Wartisch, Total Quality Manager at Olympus.

Solution: OTRS replaces legacy system and creates clear, individually configurable processes

"Now that the process-type for enquiries is generic, requests can be created much more easily because they are self-explanatory. Before, there was only one process for all types of enquiries, but now every process is

defined separately. Now, every connection to a different system has its own process, e.g. the SAP system. The entry form has thus been streamlined significantly, as before it was necessary to list the selection possibilities for every single process. Workflows have become faster and less complicated since OTRS. We now have process management and incident and ticket handling all in one system!" summarizes Wartisch happily. Incompatibilities and difficulties when communicating between different systems has long become a thing of the past.



The free configuration possibilities are especially great and allow OTRS to be used very flexibly. This really convinced us and it works perfectly! The ticketing system provides us with a solid basis, is easy to handle and can be adjusted easily to our needs thanks to its modular system."

Christina Wartisch, Total Quality Manager at Olympus Europe

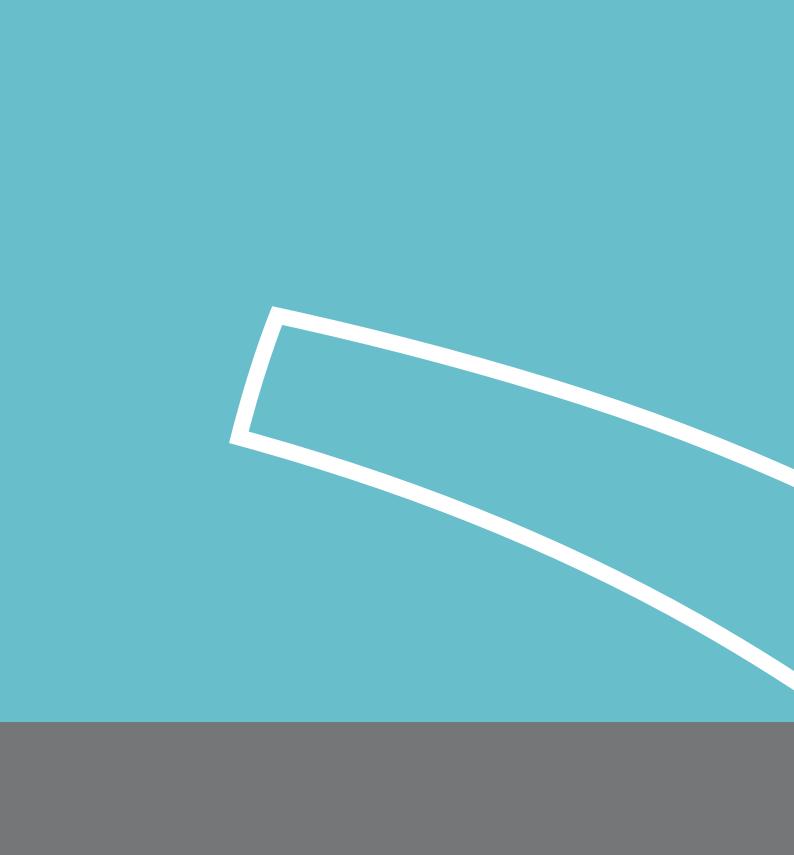


Why OTRS?

Employees throughout Europe benefit from access rights management, simple request-templates and a fast overview of process statuses



"We wanted to move away from our legacy systems towards a single system for managing access rights as well. With OTRS we can now individually define different rights for our "IT agents" according to queue, role, group, etc. We were slightly in awe at the beginning because of how comprehensive the system is, but this quickly gave way to positive surprise thanks to OTRS's configurability and usability" states Wartisch regarding the first steps with OTRS. "Even our employees are extremely enthusiastic! They dealt with the first IT requests with IT.ServiceNet from our intranet quite easily and now they can check on the status of their enquiries on their own with the OTRS Customer Portal." Furthermore, a complex interface to the system of the external services provider for Olympus Europe level 1 support is currently in the works. This will definitely be another interesting step for our employees, who are looking forward to an increasing simplification of the communication involved in their working processes.





A LOOK BACK &
A LOOK FORWARD

YESTERDAY – TODAY – TOMORROW

As a company that is both small (number of employees) and large (number of installations) at the same time, OTRS faces a series of challenges, just like every company geared for growth – every year, every month, every day. Of course, there are many strategies, recommendations and also consultants that seem to perfectly outline the path towards growth; but the step from theory to practice is a big one and from our point of view, this step has to take into account more than anything the individual history of a company. In our case, we've come from being practically a "One-Man-Show" to being a multinational corporate group. What has remained from those days and how does it shape our vision for the future of OTRS? This and many others are questions for our management.

An interview with:



André Mindermann
CEO and founder



Burchard SteinbildChairman of the Supervisory Board and Founder



Sabine RiedelMember of the Managing Board
Marketing & Human Resources



Christopher Kuhn
COO and Member of the
Managing Board



Gabriele Brauer
Vice President of Global Finance



Manuel Hecht Vice President of Global Software Development

From your point of view, what are the most significant characteristics of OTRS – the ones that turned it into the company it is today and that will help it grow tomorrow?





André Mindermann, CEO and founder:

I could definitely give you a very long answer, but I think that a list presents the "significant characteristics" much better. Therefore:

- Our work environment is very positive and respectful and it fosters loyalty.
- All of our employees call each other by their first names it's a very familiar environment.
- We don't control where and when our employees have to work. They decide that on their own.
- We have highly interesting projects with customers all around the world (Maldives, Sudan, New Caledonia and China, to name a few).
- Working together with many different cultures is a major motivation.
- Our organic growth is financed by equity capital, which means: All of us have made OTRS what it is today, through our work and dedication. This is a great source of pride for us!

And:

The sky is not the limit!





Burchard Steinbild, Chairman of the Supervisory Board and Founder:

Some highly important features for me are openness, individuality and personal freedom – combined with the common will to do good and honest work. Take, for example, our mobile workplaces. Since the beginning, we have tried at OTRS to provide freedom of choice regarding the workplace (if only because the founders also lived pretty far away from each other). Today OTRS is a globally active company where this same approach still works wonderfully.



Christopher Kuhn, COO and Member of the Managing Board:

OTRS puts into practice the basic idea of an open society – we promote and demand diversity: diversity of opinions, ideas and thinking patterns, diversity of cultures and languages. Since our foundation, this idea had guided us and allowed us to adapt to new or changing markets; enabling a smooth integration of new employees from different cultures and facilitating our expansion to new countries.



Sabine Riedel, Member of the Managing Board Marketing & Human Resources:

With our vision for OTRS we sought from the beginning to create a solid foundation for a highly creative software design company. We wanted to create working conditions that offer a maximum of freedom and at the same time the space for developing one's maximum potential. Of course, this doesn't just work by itself and it entails specific demands and requirements. It was important for us for the work environment to convey a sense of security – that we will still be here tomorrow and the day after tomorrow – and at the same time to provide a salary that is materially satisfying.

These thoughts have been bearing fruit and they have a fixed place in today's culture. Employees who desire flexibility, be it mental, work-related or regarding their job site or area of responsibility, are still offered a wide range of possibilities, even though in the meantime we have professionalized our company and created clear processes and structures. Generally, we move in a middle ground between seeking to maintain what has proven worthwhile and also integrating new ideas that will lead us safely into the future. Therefore, we need to consider every step and change carefully, to make sure it matches our vision of OTRS tomorrow and the day after tomorrow.



Gabriele Brauer, Vice President of Global Finance:

For me, the outstanding feature that has shaped OTRS is the development capacity in all areas: from the product to the business model, from the employees across the working environment to our daily business. A small business was able to develop into an internationally operating group which continues growing in response to new challenges. This challenge is taken on gladly by management as well as by the employees. We benefit from the creative ideas of each individual and implement these ideas responsibly. This approach helps OTRS move forward at an incredible pace. Everyone is a part of it and we can feel the company spirit that motivates us every day.



Manuel Hecht, Vice President of Global Software Development:

Both the OTRS company and software were created very "openly" from the beginning. With the OTRS software, this openness is represented by the open source concept, meaning that every user not only has insight into our capital funds and the source code, but also the possibility to change and improve our software. We do this because we aren't afraid of revealing our work, i.e. our source code. We believe in our users and we want to give them the chance to participate in the development of OTRS. OTRS the company shows this by the way we work, exchanging thoughts and questioning ourselves – as well as our culture of dealing with setbacks and always looking ahead together, motivating ourselves and making progress. This open culture allows diverse characters, the creative minds and the analysts, to work efficiently and with fun and dedication towards the same goals.

Has your vision for the development of the company OTRS been realized so far and where does this vision take you within the next 5 to 10 years?

Well, a vision is not conceived to be realized – it shows the direction in which a company should develop. From this point of view, I'm highly satisfied with the development of OTRS. We have achieved crucial victories in improving the quality and stability of our software. Furthermore, we have succeeded in become a serious and internationally recognized provider for solutions in the customer service, IT service management and corporate security areas.

But I am especially pleased that we are an appealing employer. Our fluctuation rate is far below the German average, as well as our rate of illness.

In addition to the path we've chosen in terms of the technological innovation of our solutions, in the next 5 to 10 years we'll increase our focus on international expansion. OTRS has an enormous potential on the world market and we want to successfully realize this potential!



André Mindermann
CEO and founder

In the past you have dealt intensively with the ethical principles of corporate management. How many of your initial ideas have been implemented and how relevant are ethics in today's economic world?

The aim of ethics is the elaboration of universal values and norms. These seek to provide answers to the question: "How should I behave in this or that situation?" I am a keen adherent of Karl Popper's idea of an open society. This mean being respectful towards our employees and customers, as well as creating the freedom for critical discourse. OTRS as an organization will only improve and be successful on the market if we permanently question our actions and decisions and open them up to criticism. An open society also means giving the employee the choice of where and when to work

Being a stock-listed company, we have to carry out a balancing act between the interests of our shareholders, customers and employees. It's not always easy to accept compromises in matters of ethics.

I still believe that in today's economic world, the role of ethics is far too weak. The urge for profit maximization is still greater than the desire for a life-work balance. We spend most of our life working and I think that working should be fun. And if you have fun, success comes automatically!

OTRS was not the first company you started. Have you benefitted from your experience founding other companies and, if yes, what knowledge helped you with OTRS?

Of course you benefit from the experience of having started other companies when building up a new one. When building a second house, you focus on the mistakes you made building the first one and try not to repeat them. You can't say that you "learn" how to build a company and that it becomes second nature – that's not how it works. But you understand that you can't decide everything on your own and so you're more open to the creativity of all participants. Other significant advantages of being an "old hand" are the experience with investors and banks and having a good eye for what's feasible and what's not.



Burchard SteinbildChairman of the Supervisory Board and Founder

In the past 15 years, OTRS has clearly shifted away from its start-up beginnings. Was this a natural process of change or a conscious decision? How much is just the organic growth of a company and how much is necessary market adjustment?

People who think they know what their company will look like in 15 years are deceiving themselves. A timeframe of 5 years is more realistic. As with most things in life, it's all about the right mix. You have a goal, but you can't completely predict the path. To meet these challenges, there is a simple strategy: recognize and accept your own mistakes, learn from them and take the next step in the right direction. Little by little, those steps will automatically grow. The real asset of a company, from my point of view, is the sum of all mistakes from which you have learned, but that your competitors haven't made yet. The basic idea at OTRS hasn't changed since the very beginning: With the software OTRS we create a market where OTRS the company can be the best service provider by far. So I wouldn't say that OTRS has changed a lot, but that we've grown very solidly and healthily. We didn't adjust to the market, we created one for us – and we're extremely proud of that!

Artificial intelligence, digital transformation, industry 4.0: a lot of trends that have a massive influence on the development of information technologies. How can OTRS make sure it's prepared for the future?

In accordance with our open-company culture, OTRS as a software was also designed to be open at an early stage of development. Already a few years ago we created with the implementation of the OTRS generic interface a way to exchange information between OTRS and third-party solutions via web service. There are no limits to imagination, and we are already very well organized regarding integration. In addition, we are continuously enhancing the modularization of the software and thus the possibility to use OTRS for different application scenarios. Besides that, we watch the developments of the IT market very carefully and critically. We've already responded to the changing communication structures e.g. with the "Omnichannel Communication" set of features.



Christopher Kuhn
COO and Member of the Managing Board

The original business model of OTRS AG has changed. How did customer inquiries and the sales strategy change with the OTRS Business Solution™? How would you describe today's approach?

In the past we already offered complimentary services for the OTRS software. With the release of the **OTRS Business Solution**TM, we provided a holistic solution for the first time as the best possible combination of software + service. The positive response of our customers shows that we made the right choice. Since the **OTRS Business Solution**TM is seen as a direct competitor for the big five of the ITSM market, we find ourselves confronted with more complex and therefore more demanding selection processes on the part of the customer. So in addition to our established strategy, it's clear that the implementation of an active sales channel is also necessary.

In recent years, the expansion strategy of OTRS AG has led to the founding of several subsidiaries in interesting markets within a short period of time. Which challenges do you face when recruiting new employees and how can you assert yourself as an employer on a market that has changed into an employee market?

As an employer, our search profile and range of services makes us something of a niche, and the people we are looking for to fill different positions are well aware of that. We are a small company, and yet are globally active at an impressive level. Flat hierarchies enable an easier and more dynamic personal growth than larger companies that are already too inflexible to adapt to their employee's individual characters. This means we don't necessarily have to look around the typical employee market to find the right young talents. We are an ideal employer for "generation y" because we can offer exactly what this generation desires: value-based, responsible and challenging tasks within a team that wants to go beyond the typical vanity and power games.



Sabine Riedel
Member of the Managing Board
Marketing & Human Resources

What marketing strategy do you use to position OTRS in the different markets where you are active?

Very simple: with a highly individualized one. Even though OTRS the solution doesn't have to adapt to different markets from a global perspective, because the deployment scenarios are mostly the same on the different continents; when we take a closer look at it, we'll find that it does, in fact, adapt. Why else would OTRS continuously be translated into new languages? To make communication easier. And in the end, it's the same in marketing. Our marketing strategy aims at making our concept understandable for all the different players. We have to take into account a lot of details – that's why we changed our concept from "one website fits all" to individual landing pages that meet country and user-specific demands.

What are the biggest challenges you face when positioning OTRS globally?

In a service company, a global perspective means the possibility of flexibly deploying employees in different societies and countries. The major challenge here is to develop – in accordance with country-specific laws and tax regulations – a reasonable transfer pricing concept that offers maximum flexibility, a fair balance between the parent company and the subsidiary and that meets the requirements of government authorities.



Gabriele Brauer
Vice President of Global Finance

Every company has its own core competencies and must therefore develop its own system of indicators. What criteria do you follow?

The criteria for our system of indicators are that they reflect our business model and make the development of our company readable in every field of business activity, regarding both costs and revenue, so we can guide OTRS towards a successful future with a solid basis. In addition to the usual system of indicators, we've defined specific ones that enable us to estimate and control the development of our recurring revenue.

OTRS is programmed in Perl. How important is the programming language for innovative software development? Where do opportunities open up and where are the boundaries?

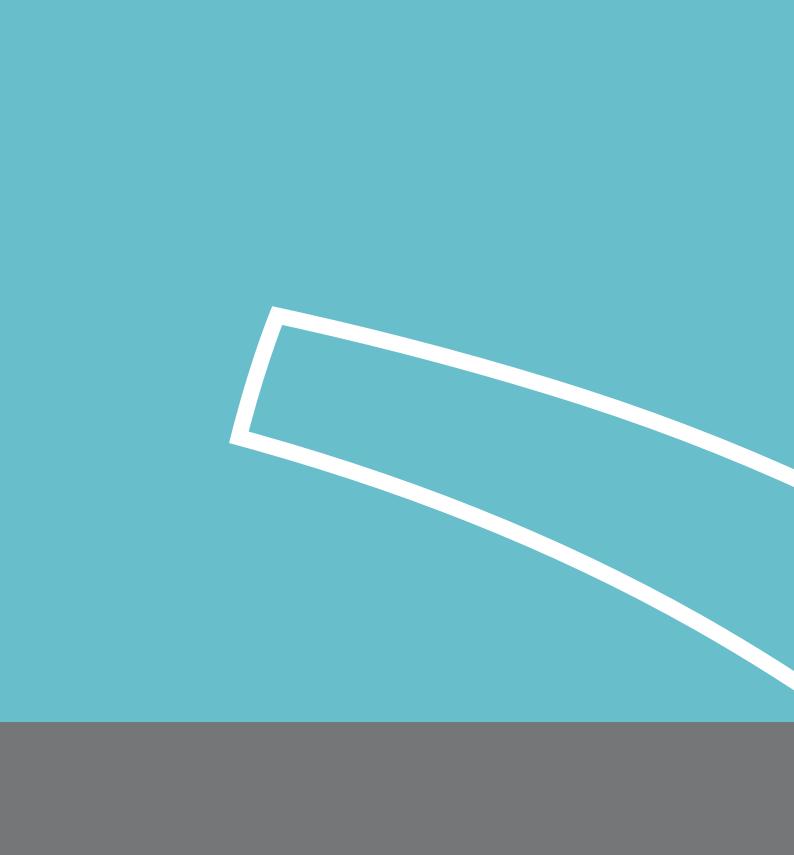
The huge advantage of Perl is at the same time its biggest problem. Compared to other web programming languages, Perl has already been around for quite a while. Since Perl was "born" back in 1987 and has been consistently and continuously developed ever since, we are dealing here with an extremely low-error and high-performance software, which is extremely diverse thanks to its numerous extension modules. It's the perfect basis for a reliable business application like OTRS in a field where precisely these advantages are respected and required. However, Perl's age also carries with it liabilities that the Perl community has to continuously work on. Luckily, since Perl is one of the ten most popular programming languages worldwide, this modernization and adaptation is carried out by a wide base of developers. We OTRS developers use the advantages of Perl to translate challenging and highly complex requirements into the range of functions of OTRS. But we also contribute as part of the open source community to resolving Perl's problems by making additional contributions ourselves.



Manuel Hecht
Vice President of Global Software Development

How attractive is such a large software project like OTRS to developers? Aren't they more interested in greenfield projects?

Every single developer who has worked intensively with the software OTRS is enthusiastic about its holistic approach. OTRS is far more than just the interface agents use to work on their tickets. Technically speaking, OTRS contains everything a grown-up web framework provides nowadays, and in some areas, even more: from user and group administration, to extremely flexible configuration, setup and package mechanisms – from the possibilities of asynchronous process execution, to highly developed interfaces connecting with technologies such as SOAP, REST, email and LDAP directories. For this reason, OTRS developers call the OTRS software simply "the framework". Within this comprehensive technological basis every OTRS developer can move freely, using his or her creativity and individual strengths to contribute to the further evolution of OTRS.





THE MEANING OF INTERNATIONALIZATION

04 THE MEANING OF INTERNATIONALIZATION

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Given that our roots are in open source, it goes without saying that OTRS is globally aligned and pursues an approach without borders. By cultivating a cross-cultural spirit, the highly committed community contributes to the steady improvement of the software and its translation into a growing number of languages. This international alignment reflects the future-oriented distribution of the software and at the same time stands for the expansion strategy of the OTRS Group.

One of the core tasks within the framework of our company's growth process is to continually search for suitable opportunities to enlarge our share of the market. In addition to assessing **new target groups**, this also means determining new locations for successfully positioning OTRS.



See also 8.2.1.3 Customer Structure

Manufacturing companies often shift their production to foreign countries for cost reasons, hoping for better capacity utilization and cheaper procurement opportunities. As the majority of our "production", viz. our software developers live and work in Germany, this enables us to guarantee the outstandingly high standards and absolute reliability of our software. Within a heterogeneous customer environment, we are committed to providing high-quality service and consulting "Made in Germany" to our customers all over the world, customized to their specific needs by our employees on site. This is our guiding principle and the motivation that drives us.

4 Meaning of Internationalization

4.1 Challenges & Risks - Knowledge, Communication and Culture

Challenges

As shown by numerous studies, the greatest challenges for small and medium-sized companies are:

- Tapping into suitable new markets,
- Acquiring the necessary knowledge as a critical success factor,
- Central vs. decentral decisions,
- Competence in internal and external communication.

Tapping into suitable new markets

The various target markets exhibit very different paths of growth. Often they are influenced by unforeseeable events such as political change (Brexit etc.) or natural catastrophes. Both affect the economy and therefore influence the development of internationally operating companies. Despite these difficulties, small and medium-sized companies are strongly represented abroad.

The conclusion of the KPMG Investment Report 2016: "Even though Germany can't keep up with the foreign sales of the large US companies, the Germany economy is at least as widely set up internationally as the United States."

Longstanding growth markets such as China, Russia and Brazil are undergoing major changes. Goals such as consolidation and restructuring are paramount and are confronting German companies with huge challenges. It is therefore important to observe and predict the development of crucial markets.

Knowledge as a critical success factor

Trends such as digital transformation, which bring along various other topics such as industry 4.0 and IoT (Internet of Things), are resulting in game-changing upheavals. Customers are moving away from virtual contacts toward real service. As the necessary cross-sectional technologies will be deployed across all sectors, companies need to be prepared to invest. The concrete objective is to acquire knowledge about technology and its future. Only state-of-the-art companies and not mere copycats can compete in the long term. It is thus in the interests of OTRS to deliver relevant impetus through tailor-made solutions that reflect the IT zeitgeist.

Apart from technological know-how, economic expertise is also of major importance. Setting up a subsidiary on the "right" market, i.e. the market which is suitable for the company, requires more than just a good knowledge of the country's history and potential. A solid understanding of employment law, tax and other legal and cultural aspects is essential when it comes to successfully implementing a global company network.

Decentralization versus centralization

Global markets exhibit different characteristics and developments, many of them due to their cultural background. This raises the question of the extent to which decisions should be dictated by the headquarters and which decisions should be taken by the subsidiaries. Here are some general statements to provide a comparison with the situation at OTRS:

- Sales are steered decentrally as a logistic challenge with a local focus by the majority of companies.
- Marketing is managed locally in the respective markets by almost 50% of companies.
- The innovation strategy is firmly anchored centrally.
- In general, large companies organize themselves more locally than smaller companies.

OTRS has followed a non-centralized organizational structure since its foundation. Even prior to the existence of our first international subsidiary, our organizational development concept was based on a non-centralized strategy – something which we have implemented very successfully. Interestingly, this is contrary to the policy practiced with our subsidiaries. Here, decisions are mainly taken by the headquarters. Only slowly and with the successful growth and expansion of the individual subsidiaries have strategic decisions regarding product, sales and marketing been delegated to the local managers at the subsidiaries. It is a concept which has proved its worth.

Of course, there are pros and cons to both approaches. Mark Sievers, Head of Consumer Markets at KPMG: "One advantage of strategic decisions is that responsibilities are clearly defined. Therefore, in difficult times you can negotiate quickly. Furthermore, it's easier to establish a unified image of company-owned brands. Decentralized decision makers on the other hand know the existing markets best and are therefore more flexible and able to react more appropriately to difficult times. In addition, they are more familiar with the preferences of customers. Products, marketing and sales can be tailored accordingly."

At OTRS, there is a smooth and ongoing process from centralized governance to the decentralization of subsidiaries. The independence of the subsidiaries grows with their success on the local market.

Competence in internal and external communication

The process of internationalization means that the parameters of our company's communication are changing. Rather than being relevant at just the national level, these parameters now extend beyond regional, national and cultural borders. The success of our intercultural cooperation is no longer solely determined by products and technologies, it is also dependent on our intercultural skills and communication.

This concerns both internal and external communication. **Internal** insofar that employees in the subsidiaries have a special need for information and it must be ensured that messages are not only transmitted but are actually understood correctly. The management's instructions have to be transparent and understandable and adapted to the cultural sphere of activity.



Communication





External in terms of "How is media used to provide information of the public". This also includes marketing aimed at reaching potential and existing customers. The general question here is how to master the balance between the standardization and localization of external communication.

OTRS is breaking new ground by pursuing its own approach in order to cover these two aims. We continuously strive to find a well-balanced mix of standardization and localization. We achieve localization by cooperating with local external service providers to guarantee that the communication complies with the cultural requirements and local characteristics. Standardization is ensured to the level necessary for maintaining the culture and individuality of OTRS.

In the long term, the task will be to optimally coordinate all areas such as research and development, marketing and sales with the necessary activities across borders. As a company operating with five subsidiaries worldwide, it is particularly important to focus our attention on how we provide our resources to meet exactly these needs.

4.2 Challenges & Opportunities on Our Target Markets

4.2.1 Latin America

Latin America is once again being seen as a growth market, which may be due to the fact that democracy is beginning to take root in all countries. The special challenge for German companies is to recognize the heterogeneity of this "pool of countries" and to take the individual situations and risks of each country into account. Our subsidiary in Mexico City enjoys a huge potential, as indicated by customer reactions again and again.

Chances	Risks
Medium-sized countries such as Colombia and Peru have significantly stabilized and are now growing strongly.	Corruption and drug cartels are still weakening the political institutions.
Mexico is gaining importance as production a center for the US market and the domestic market is also becoming more interesting. The population is continuously growing and offers excellent sales opportunities in the long term.	Many countries still tend to have high public debt; state bankruptcy such as recently in Argentina are still a risk.
Population is still growing; market offers excellent sales opportunities in the long term.	

Source: KPMG Investment Report 2016

Chances	Risks
Greatest market potential by far in South America – with more than 200 million inhabitants.	Corruption and nepotism prevent the necessary economic reforms.
Despite the crisis the GDP per head in Brazil is still higher than in China.	Brazil is traditionally heavily dependent on international commodity prices – an unpredictable risk.
New president Michel Temer is urgently calling for reforms to put the country back on track for growth.	Strong protectionist tendencies in politics endanger the free flow of capital and goods.

Source: KPMG Investment Report 2016

4.2.2 Brazil

Despite the deep depression, the first upward trend has been observed in Brazil and for 2017 there seems to be another slightly increased growth rate. As a market with more than 200 million inhabitants, Brazil is seen as having great potential in the long term. What is required here is stamina and a long-term strategy to ensure success.

When weighing up opportunities and risks, it is clear where exactly the challenges lie for companies.

Chances	Risks		
High growth, low inflation, little unemployment – the economy is stable and dynamic.	GDP very low; market reacts in a price-sensitive manner, quality only takes second place.		
Population is still growing; market offers good sales opportunities in the long term.	Strong competition from Asia striving to defend their market share.		
Labor costs are very low; region is increasingly replacing China as a global factory.			

Source: KPMG Investment Report 2016

4.2.4 USA

US companies are classified as pioneers in digitalization, which also makes them particularly interesting for German companies. The focus of German companies continues to lie on Greenfield projects, even though the tendency is slightly shifting toward M&A projects. The American market is almost impossibly large for German companies, making it necessary to precisely analyze market segments and customer groups. Moreover, German companies have to invest more in marketing than is usually necessary in all other markets.

American consumers attach great value to excellent service. Their expectations by far exceed what German companies usually associate with service. Furthermore – and unusual to Europeans – the USA is an extremely fast-moving market which operates with shorter product life cycles, requiring greater flexibility from us with regard to software development.

Professor Dr. Stefan Schmid, holder of the chair for international management at the ESCP Europe, still sees the USA as the most important economic partner for Germany.

4.2.3 South East Asia

South East Asia is a market of extremes, making it very heterogeneous and at the same time especially attractive. With low labor costs in Malaysia, Thailand, Vietnam and the Philippines, a lot of companies can assert themselves against the competition with increasing cost pressure. For us, Singapore as a financial and logistical hub is an excellent starting point for conquering the South East Asian market. Singapore is also credited as an attractive center of research and development as well as high-end production.

German companies can find very interesting conditions in this heterogeneous region to achieve substantial sales increases on the growing business market.

Chances	Risks
Medium-term stable annual growth rates of more than 2 percent.	Strong dollar raises the price of investments and increases currency risk.
Technological leadership in future-oriented topics such as digitalization, cloud computing and Big Data.	If TTIP fails, there is a danger that the USA will focus more on Asia.
Largest economy in the world offers immense market potential.	Uncertainty regarding the future economic and trade policy of the new US government.

Source: KPMG Investment Report 2016



4.3 Discussion With Our Local Managers

What are the biggest challenges for OTRS on the global markets and how can they be overcome?

Francisco Cruz Montes de Oca, General Manager of OTRS S.A. de C.V. in Mexico City, answered this question as follows:

"From my point of view, adjusting processes and established approaches is the biggest challenge. While these have proven successful for the company's growth in Germany, they don't necessarily suit the subsidiaries in the target markets. Here flexibility is needed and also the involvement of the locally responsible persons. That's how some of the workarounds which we created as an exception to the rules have now become the norm in our daily business."

Udo Kampelmann, Managing Director OTRS APAC, sees this even more critically:

"We tend to make wrong assumptions; what is believed to be correct in Germany doesn't necessarily have to be right in the APAC region. Companies and customers react completely differently. We have to make much more effort to move things forward. Dependable relationships based on trust take a lot of time to establish and maintain. The behavior of customers is not predictable in the same way as in Germany."

Matheus Assis Baeta, Managing Director OTRS Do Brasil Soluções Ltda.: "With Brazil as a new territory in the OTRS subsidiary world, we are moving slowly but steadily forward to achieving a consensus with the headquarters. The established processes were tailored for the German economy and have no connection to Brazil. Again, the magic word here is flexibility."

Matt McIntosh, Operations Manager OTRS Inc.: "It requires a certain workforce to adequately implement the processes established in Germany. The cultural differences are enormous; especially within marketing we have to work with completely different messages."

Which part of the OTRS product portfolio is most promising internationally and should be developed further?

The answers to this question once again reveal the heterogeneous nature of global customer interest.

Francisco Cruz

"The freely selectable features are especially important for our sales concept, because they help us to clearly differentiate between OTRS Free and OTRS Business Solution™. The further expansion of the OTRS Business Solution™ and its features means that the differences are continuously growing. The OTRS Business Solution™ is definitely a core product and offers customers the opportunity to flexibly choose what is best for their needs while simultaneously receiving support from the service team wherever it is needed."

A similar picture is painted by Matt McIntosh: "Also for the American audience the OTRS Business Solution™ is still a fantastic product, especially the on-premise solution on the contract level "Professional". Many inquiries result from the wish to not have software in a cloud."

Udo Kampelmann: "Our current communication channels mean we are comprehensively equipped with a focus on the future. For the Chinese market, what is also essential and more important than email is WeChat. From my point of view, it's a good investment to extend OTRS in this direction."

Matheus Assis Baeta: "Authorities and government institutions are particularly attractive and interesting customer groups, especially in Brazil. Most of them have specific requests regarding IT Service Management, which we can serve brilliantly with our OTRS::ITSM module."

What is particularly interesting about a German company for customers of the subsidiaries?

As a German company, we are proud of values such as precision and reliability. After all, there's a reason why everyone uses the term "German workmanship". Especially within the field of software development and also with regard to service quality, we place the highest demands on ourselves. But how's that received by our customers?

Matt McIntosh says: "German product development still enjoys an excellent reputation over here, even despite the Volkswagen scandal. It is associated with attributes such as quality, reliability and precision."

The same applies to Latin America: "Germany has a very good reputation and is synonymous with high quality standards. That puts OTRS in an excellent position", says Francisco Cruz.

In Brazil a similar perception exists. "Due to the cultural legacy, German products and the attitude to work are highly rated", notes Matheus Assis Baeta.

However, the situation is different in the Asian region. Udo Kampelmann observes that "Made in Germany" is still seen as a quality seal, but many also orient themselves toward China, which in their eyes is seen as being in the fast lane. At the end of the day, for the other APAC countries a successful market presence in China is a clearer sign of quality than "only" Made in Germany.

Which hurdles does OTRS have to overcome in order to conquer international markets?

The problems that arise when founding a new subsidiary in a different cultural area are well known.

But how exactly does this look for OTRS as a company with a business based on open source?

Matt McIntosh often notices that open source is not accepted to the same degree as it is in other countries. "It is often mistakenly equated with freeware, which only results in low-quality inquiries. In addition, the USA is home to the largest competitors in this market such as BMC and Service Now. The marketing costs and market entry barriers are significantly higher than in other countries."

Francisco Cruz sees grey market suppliers and OTRS Free as important factors influencing the growth of OTRS in foreign markets. "In many cases people were using OTRS for free until they have discovered the full potential of our solution and contacted us. It is an advantage for us when we are able to cover the internal processes of a customer as an on-site provider and react to their specific needs because a local presence is wanted."

For Matheus Assis Baeta political and economic instability are risk factors; nevertheless, he is convinced that on the basis of OTRS Free, which has been strongly positioned for many years, OTRS can hold its ground very successfully against the competition.

The situation in APAC is the most complex, as **Udo Kampelmann** describes:

"HQ has to be aware of the fact that a "one-size-fits-all" model isn't successful in such a heterogeneous region like APAC, which means clever product diversification is needed. The founding of a new subsidiary is always only the first step; far more significant is the transformation process which the parent enterprise has to master on the way to becoming a multinational group. This includes the fact that all teams need a global focus. The particularities in APAC particularly lie in the following challenges: multiple ethnic groups that have to be approached in different ways; risks of changes within the political and religious climate or changes in laws which influence and may impair the economic situation."

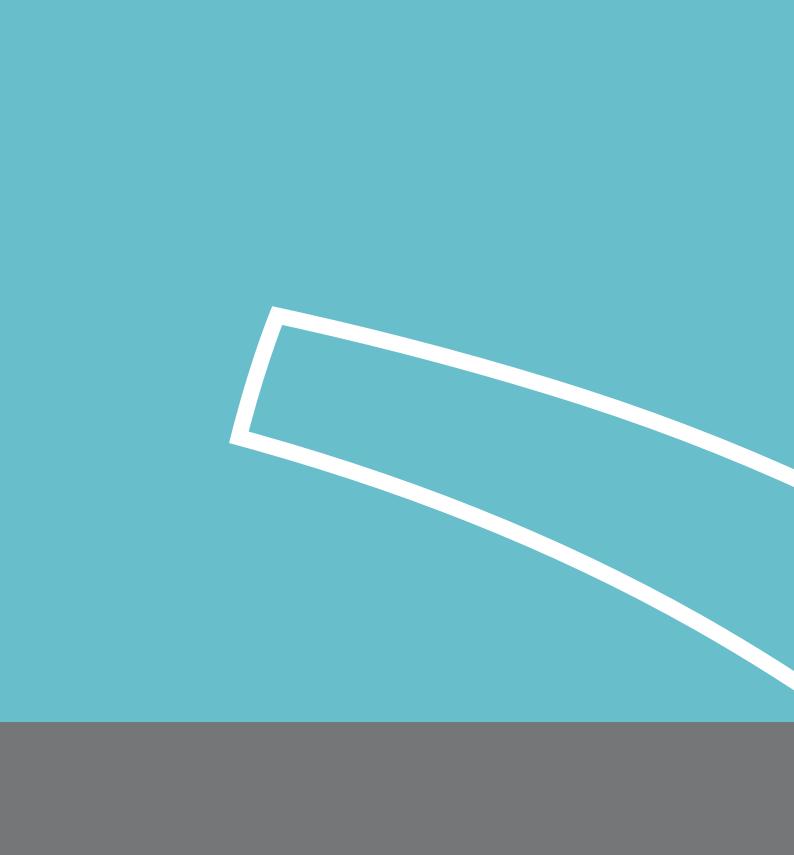
SUMMARY RESUMEN 摘要

4.3.5 Summary

We have achieved our growth and our customer base in a mainly organic way. This represents a fantastic basis to further build upon and move forward. The **OTRS Business Solution™** was a huge step for establishing a recognized difference between our open source version and our commercial offer. The attractiveness of the **OTRS Business Solution™** grows with every new feature. The consolidation of LATAM and APAC with 100% subsidiaries has moved us into a strong position for implementing global strategies and campaigns.

We have come a long way since OTRS 3.0. We have proved that our software is of a high technological standard and that our structures are that of a professional company which has progressed beyond the nursery stage. We stand for absolute commitment, dedication and the will to strive for continuous improvement.

Of course, there are many challenges and difficulties in leading subsidiaries to success and only a handful of these are mentioned above. Nevertheless, by overcoming them and with the potential harbored by the OTRS solutions, this will enable us to access new markets, achieve sustainable growth and secure the future of the OTRS Group.





GAINING EMPLOYEES & CREATING LOYALTY

05 GAINING EMPLOYEES & CREATING LOYALTY – RETENTION MANAGEMENT

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5 Gaining Employees & Creating Loyalty - Retention Management

5.1 Introduction

Our vision influences our culture, our culture influences our employees and our employees, in turn, influence our culture. In this cycle, or let us call it continuous coordination process, we grow to become what OTRS represents: a value-oriented community that enjoys working together and using its motivation and passion to achieve outstanding goals.

We know that there are people who would fit well at OTRS, so we need to find them and keep them for the long term. This is not just a task for management, but a general mandate that is guided by a focus on sustainability and accompanied by numerous other factors. We pay special attention to our employees; they are at the heart of any successful company, and employer branding, talent management, women's quota, agility are all exciting topics that OTRS approaches with its own characteristic style.



Retaining employees, aka retention management, is hugely important and not only because of the shortage of specialists. In most cases, to lose an employee means restarting the search and the training process, which carries with it additional costs and the risk that it might not be the right candidate. Another significant aspect is the burden on existing teams caused by the departure of a colleague and the integration of a new one. A high fluctuation rate or a high number of absent days as a sign that somebody has already quit on the inside have a negative impact on the remaining work force and lower productivity.

Retention management starts with the search and is reflected in a strategic employer branding process. The long-term retention of employees takes place on different levels and depends on factors such as career chances and personal development, good benefits to increase employees' sense of moral commitment, a sense of belonging, loyalty as an emotional bond, and the values and ethical guidelines of a company as a rational link.

5.2 The Search

The recruitment of new employees is a huge challenge for many companies. For us as well, because at a company like OTRS, technical expertise is only one part of the equation. As a decentralized business, we offer – but also expect – a lot from our employees personally. And we aren't alone on the job market in this sense – many companies offer their applicants a whole variety of cherries on top of the employment contract cake. At OTRS, we also like to add a great deal of warmth, openness, directness and an extra helping of unconventionality in order to make our newbies a part of the family.

5.2.1 Employer Branding – A Star in the Human Resources Sky

Presenting oneself as an attractive and authentic employer is a strategic and marketing task for HR management.

We permanently strive to make the positive aspects of employment with OTRS visible and understandable for our applicants. These include:

- Our identity and values,
- The intrinsic value and attractiveness of our products,
- Our strengths as an employer (e.g. salary, culture, career opportunities etc.) as well as our integrity.

One important communication tool is our website, but we also use different social media channels. This helps us achieve good results and we normally don't have to wait long to fill a vacant position. And one thing that is particularly important for us: We receive a lot of applicants through word-of-mouth recommendations from our own employees! This is an important distinction that adds a special shine to our employer brand.

5.2.2 Recruiting and Why Headhunters Can't Do it Better Either



Kathrin Triebel
Senior Manager of Human Resources

Although we exclusively recruit employees for our headquarters ourselves and search for our new colleagues "without any detours", we do refer to external support when it comes to our subsidiaries.

For an explanation of why this is so, we turn to Kathrin Triebel, Senior Manager of Human Resources.

Ms. Triebel, you yourself worked for a job recruitment agency for many years and you know the meaning of "power recruiting". Do you also use these strategies today at OTRS? What is different?

"I think that I've mostly left behind the strategies from my days at a recruitment agency, but thanks to my work in the area I can fall back on a wealth of experience that is also beneficial at OTRS. To be honest, I have to say that everything is different at OTRS – luckily! At an agency, it's all about seeing if a candidate matches the technical requirements of the customer as fast as possible. For us, it's much more than that. Professional and personal competence are equally important. We never "only" look for a software developer, we always look for people who suit us and who can add something to the mix that we might be lacking at that point in time. Of course, this means we need to identify potential and assess it correctly at a very early stage. Will this individual be able to develop together with us at our company? Will he or she come to terms with our dynamic working environment and both integrate seamlessly into existing teams and work independently when necessary? These fundamental questions don't exist in the world of a recruitment agency."

What kind of mistakes do many personnel service providers make from your point of view?

"First of all, they don't bother to get to know and understand the culture within a company. In most cases, there's not even time for this since a large number of customers, candidates and job ads need to be taken care of simultaneously. In the end, the (pre)selection carried out by an external agency will always be relatively superficial. In my opinion, the biggest mistake a recruiting agency can make is to send out candidate profiles unsolicited, just because they saw a job ad on a company's' website. It makes me wonder how this approach could ever be successful. Are there actually companies that like this type of strategy? I don't only question this from a company or HR point of view. We're talking about the information and data of individual people in search of a new professional challenge, and it's just being randomly thrown about. In my opinion, their expectations and aspirations should be treated with more respect."

Why is it more difficult to find employees for subsidiaries? Isn't your website accessible worldwide?

"That's true – and it definitely facilitates initial contact with candidates –, but the challenge begins during the preliminary and final selection stage, i.e. when it comes to understanding the qualities of an applicant. Since we can't see the personality of a candidate directly in most cases, we have to trust our intuition. In addition, there are intercultural differences in interviews and between the approaches of different candidates that need to be considered. We try to master these challenges by having an exchange with people from our network prior to our search to benefit from their experience. This exchange helps us to be successful when recruiting for a particular subsidiary."

Can you name some examples of cultural differences in the process of recruiting?

"Depending on the country, it can be extremely important to deal with certain idiosyncrasies in advance to prepare for every situation. In the USA, for example, one should never ask for an application photo or the date of birth of a candidate. In China, on the other hand, it's common to already include a "desired age" in the job ad, something that is completely unimaginable in Germany.

Last but not least, recruiting is affected by change and the current zeitgeist. The way of addressing candidates has changed, the media channels have changed, and expectations have shifted. And finally, the layout of job postings is totally different now, as is shown in the following example."

OTRS Job Posts

2013



OTRS is the leading open-source service innovation suite. The OTRS product suite comprises a Help Desk, an ITIL V3-certified IT service management (ITSM) solution, ar associated iPhone App and an underlying technology platform. OTRS Group provides world-wide enterprise support, consulting and engineering including process design, implementation, customization, application support, and fully managed hosting.

For our office in Bad Homburg we are looking for an

OTRS Sales Manager

The Sales Manager is responsible for a broad range of tasks in the OTRS Sales organization. This person is part of the global sales organization and responsible for managing strategic, high value customers of OTRS, improving existing networks and relationships with clients at all levels at the client organization. The Sales Manager develops new revenue opportunities with existing customers as well as generating new potential accounts out of leads. The Sales Manager is responsible for setting up metrics to measure account profitability, customer satisfaction and revenue forecasts. This person works with our global delivery organization to define service offerings and structures that are appropriate for large clients.

Key areas of responsibility

- Responsibility for managing strategic accounts
- Profit responsibility for accounts selling the right products and services
- Develop new business opportunities as well as existing ones
- Represent client interests inside OTRS being the customer advocate
- Establish customer relationship on all levels
- Lead proposal teams
- Create the internal structures to support key accounts

Are you interested? Please apply through email only at jobs@otrs.com
For questions please contact Kathrin Triebel +49 / (0)6172-1807651

2016



Apply for the job you deserve - not for the one you can get!

OTRS is not only world's leading provider of the open source help desk software, our career opportunities are also highly presentable! Being creator and source code owner of the OTRS product suite we are looking for new team members. Become a part of OTRS and apply now for the position of

OTRS Sales Manager

The OTRS Sales Manager is first point of contact in all customer requests and plays a key role in our company's success:

- You are part of an international team and attend customer projects from preparation o proposals to the contract conclusion
- You enable our customers to solve complex challenges with the help of OTRS
- You maintain business contacts and open up new sales channels

You are goal-oriented, dynamic and enthusiastic? We are sure you also fulfill the following requirements:

- You hold a bachelor's degree in Business, Marketing, or related field or equivalent experience
- Proven experience in software sales, preferably in CRM or enterprise applications
- Your English language skills are exceptional and you feel at ease in an international environment
 - Working with Microsoft Office applications is
- IT Services, Corporate Training, or Help-Desk experience preferred



Are you interested?
Please apply through email at career@otrs.com

5.3 On-Board(ing)

The workplace of the future stopped being just the office a long time ago. In fact, the majority of our employees work either from their mobile workplace or directly at the customer's office. Although the actual work is not carried out exclusively at HQ, onboarding takes place here to provide important information, to make the initial training more personal and to allow our newcomers to really feel the company spirit. This onboarding always include training in the use of OTRS and so-called "shadowing", i.e. accompanying our consultants on the customer side. In many cases, new colleagues will spend each day at a different department, to get a feel for what the "others" do. This strengthens cohesion and adds a good basis for understanding of each other despite decentralization.

5.4 Working@OTRS







IBM puts an end to home offices... The inventors of the home office, IBM, have now taken the exact opposite step and ordered many of their employees back to the office stating that more creative and productive work would be possible there.

We definitely won't be following this countertrend, already seen at Yahoo a few years ago, but we have taken other steps to offer a more "entrepreneurial home" to our employees and ensure that creativity and productivity have the right platform. Through regular, off-site "work togethers", which take place across departments and are accompanied by events, we support identification, a sense of belonging and exchange among and between the employees. This concept has had a clear positive effect. Furthermore, we provide a physical workplace for every employee who wants one.

In addition, we have countless different working-hour systems in order to meet the individual needs of our employees. They really appreciate this approach and it makes the "OTRS world of work" a highly dynamic one. This is very beneficial for employee retention and corporate success as well.

Internationality is very important at OTRS. It's true that working with many different cultures can be a huge challenge, both communication-wise due to the linguistic diversity and differences on a process level, and especially because of the geographical and time-zone distances. But at OTRS, interculturalism is at the same time a source from which we draw. To grant all employees access to this wide range of advantages, it is necessary to have a solid system of corporate communication.

We support the implementation of our corporate communication strategy through, alongside a variety of other activities, international company events at which employees have the opportunity to get together and exchange information. At the same time, these events function as a platform for corporate learning.

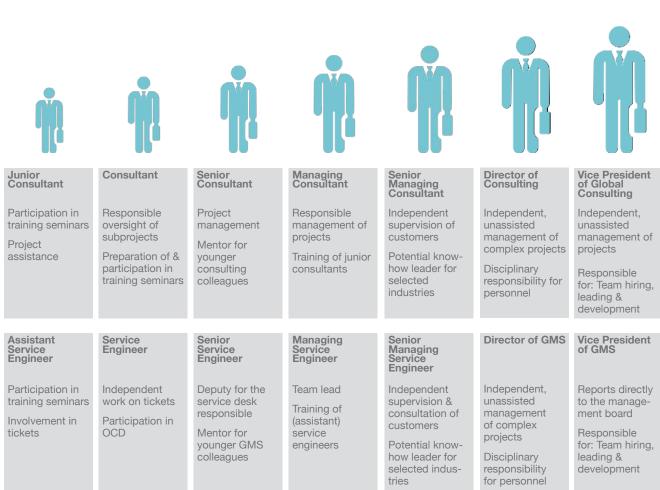
5.5 Career@OTRS

Career steps vs. hierarchy levels

OTRS is a company with a flat hierarchy. Titles really aren't that important, simply because we don't and can't have many given our structure. So careers are defined a little differently than in many other companies and revolve more around the individual freedom an employee has to grow and develop.

Nevertheless, we do have certain career steps which reflect the development trajectory of an employee, as well as his or her experience and responsibilities.

OTRS Career Steps:



Personnel development - on an individual basis

Our personnel development concept is far from being a standard procedure with textbook training programs and methods. It's much more important for us to identify and value individual personalities, considering both potential and core competencies. Thus, we decide on individualized continuing education measures together with our employees, matching their goals and finding the best solution for the company at the same time. This helps us ensure that motivation and loyalty, but most of all enthusiasm for OTRS are always on the rise.

Another aspect of our continuing education concept is that we offer our employees the opportunity to inform themselves at (international) trade fairs and conferences, to let them be inspired to develop new ideas and to receive new impulses for their own present or future tasks.







Parental leave - at our company an (almost) purely "male thing" ... sorry, "father thing"

The increasing trend of fathers taking parental leave can also be seen at OTRS. Partly more so because men still make up a greater percentage at OTRS. Generally speaking, our dads take time off for two months, while our moms tend to stay at home a bit longer.

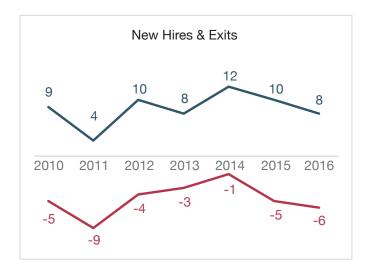
We support the sustainable trend of active fatherhood, because it belongs to our definition of a life-work-balance, which includes the family responsibilities of fathers. This is also reflected in the fact that there is no "stay-late" work culture at our company, because we know that this would be contrary to an active and family-friendly leisure time. In addition, our father-friendly HR policy is another aspect of our retention management strategy.

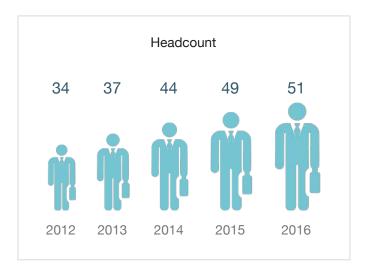
5.6 Figures

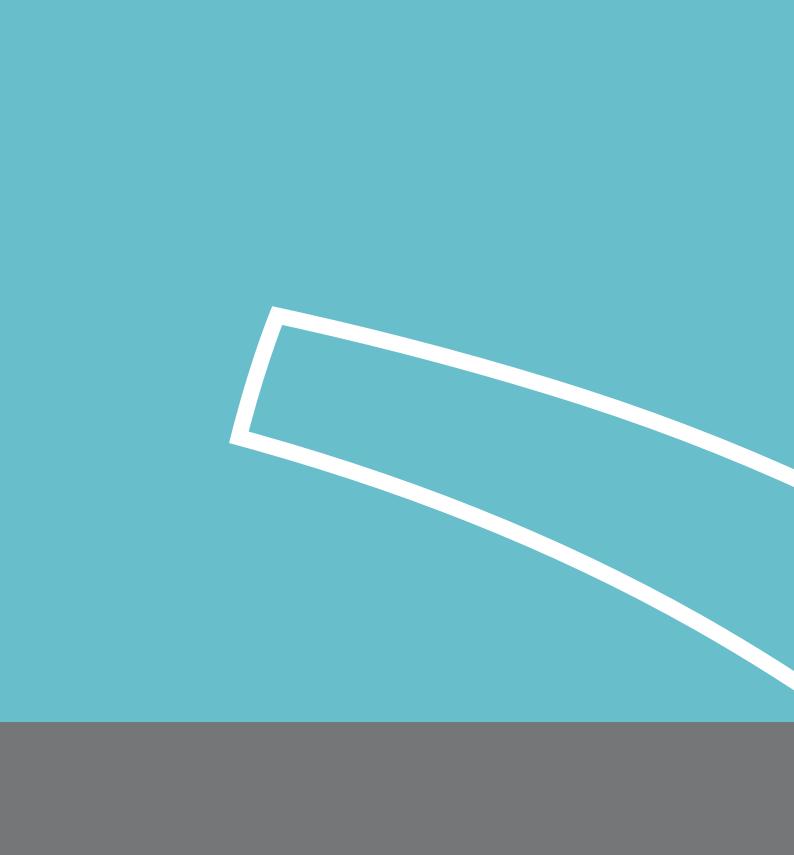
Good retention management pays off!

Low illness rates (in comparison with the national average), low levels of fluctuation, increasing headcount. The indicators for employee satisfaction are very positive.











REPORT OF THE SUPERVISORY BOARD

Dear shareholders.

The following report of the Supervisory Board informs you about its activities in the fiscal year 2016 and the audit result of the annual financial statements of OTRS AG in 2016.

In the last business year, the Supervisory Board performed all controlling and consultancy tasks that it is required



Burchard Steinbild

to perform by law and in accordance with the company's Articles of Association and rules of procedure. Moreover, the Supervisory Board advised the Managing Board and carefully supervised the management on the basis of written and oral board reports and joint meetings. In all decisions of fundamental and strategic importance, the Supervisory Board was always adequately involved in good time.

The Managing Board regularly informed the Supervisory Board in a comprehensive and timely manner about all important questions relating to current business performance, company's revenue, results of operations and financial position, relevant business planning aspects, including financial, investment and personnel planning, with regards to the strategic development of the company, changes to the company's exposure to risks and risk management. Events of particular significance for the position and development of the company and the group were always promptly discussed. All actions of the Managing Board which required the approval of the Supervisory Board were reviewed, advised on and decided. The cooperation between the Managing Board and Supervisory Board was characterized by an excellent level of trust.

The basis for the work carried out in the fiscal year 2016 was formed by the meetings of the Supervisory Board as well as the oral and written reports of the Managing Board. After comprehensive consultation and examination, the Supervisory Board voted on the reports and proposals of the Managing Board as required by law and in accordance with the Articles of Association. In individual cases, the Supervisory Board passed resolutions outside of the meetings using a written procedure.

The Chairman of the Supervisory Board maintained regular contact with the Managing Board in addition to the regular meetings and informed himself about the current business situation and important events. Due to the small size of the Supervisory Board consisting of just three members, there was once again no need to form committees in the fiscal year 2016.

Supervisory Board meetings and advisory focus

Over the course of the fiscal year the Supervisory Board held a total of four meetings. With the exception of the meeting on 6 October 2016, when Prof. Dr. Oliver Hein was absent for personal reasons, the meetings were held with all of the members of the Supervisory Board in attendance.

The Supervisory Board was regularly informed by the Managing Board about the situation of the company and its development as well as about important transactions. The reporting obligations required in Section 90 of the German Stock Corporation Act (AktG) were thus duly fulfilled. The meetings attended in person in the year 2016 were held on 2 March, 14 April, 31 August and 6 October.

Besides the current business performance, the focus of the advisory and monitoring activities of the Supervisory Board particularly referred to the strategic positioning of the company. Furthermore, important priorities of the work of the Supervisory Board in the reporting year were the planning for 2016 and 2017, the Annual General Meeting as well as the revenue, earning and liquidity development of the company.

The Supervisory Board also made detailed reports about the business development of the company a subject of the discussion. The board provided comprehensive advice on all matters concerning the group's strategic alignment. Throughout the reporting period, the Managing Board regularly informed the Supervisory Board about the company's revenue, results of operations and its risk management. Whenever deviations from earlier planning and projections occurred, they were explained at length.

In the meeting of 14 April 2016, the Supervisory Board audited and approved the annual financial statement and management report for the fiscal year 2015. Furthermore, the Managing Board reported in detail about the intended business policies, in particular the financial, investment and personnel planning of the company and its subsidiaries. Possible deviations from the actual development from earlier announced objectives were discussed on the basis of detailed reasons, in particular the course of business such as the revenue and results of operations of the company and its subsidiaries.

In the meeting of 31 August the new rules of the European Market Abuse Directive were presented and discussed in depth. Measures to ensure that legal requirements are fulfilled were then adopted and implemented internally. The main focus of the meeting on October 6th was to present and debate the name change and expansion of the subsidiaries in Asia (Malaysia and Hong Kong). Furthermore, the Managing Board reported about the development of the business, in particular revenue and the situation of the company and its subsidiaries.

Audit of the annual financial statement 2016

The audit company ifact WP GmbH audited the annual financial statement 2016, including the management report, prepared by the Managing Board in accordance with the requirements of the German Commercial Code (HGB) and issued an unqualified auditor's report in each case. The audit certificate was issued on 5 May 2017.

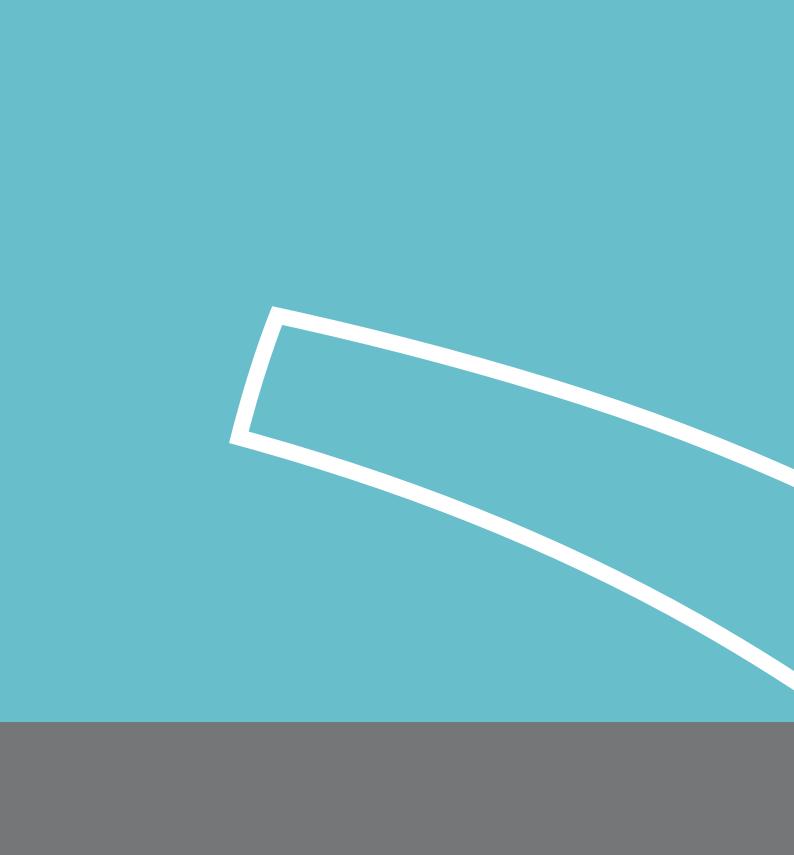
The Supervisory Board received the annual financial statement documentation and annual audit reports in good time and examined then extensively. The auditor reported in person to the Supervisory Board on 11 May about significant results in detail and was at the Supervisory Board's disposal to answer questions. The questions of the members of the Supervisory Board were answered sufficiently. The Supervisory Board examined the company's annual financial statement 2016 drawn up by the Managing Board, including the management report, as required by law. The audit gave no reasons for objection. On 11 May 2017, the Supervisory Board approved the annual financial statement in accordance with Section 172 sentence 1 AktG. The annual financial statement of OTRS AG was thus adopted.

The Supervisory Board thanks the Managing Board and all employees for their hard work and performance over the past business year. The Supervisory Board would also like to thank the shareholders for their interest and continuing trust in our company.

Burchard Steinbild

Chairman of the Supervisory Board

Oberursel, May 2017





2016 MILESTONES

LOOKING BACK AT THE YEAR 2016

For the OTRS Group, 2016 has been an eventful and thrilling year. Both internally and externally we have seen many positive developments regarding our customers and employees. In terms of the development of our products and the company, it has also been a highly successful year. Read on to find out what happened in detail.

First Quarter

The first quarter and especially January was dominated by the formation of our Brazilian subsidiary in São Paulo, **OTRS Do Brasil Soluções Ltda.**, a 100% subsidiary of OTRS AG. A translation of our software has existed for some time and Brazil has been among our top 5 download regions for years.

The foundation of our new subsidiary in Brazil marked the continuation of our expansion strategy in Latin America. In this region we have already been able to win well-known companies such as Banregio and Bursatec as OTRS customers in the financial sector and the Argentinean subsidiary of the petroleum company TOTAL. Starting on a small but effective scale, we sent an experienced colleague to Brazil who was also well versed in local business practices to lay the basis for the success of OTRS in Latin America.



See also 4 Internationalization

On 1 March, guests were invited to attend a kick-off event with a presentation of the core topics of OTRS, followed by two days of official OTRS training. The success of this event provided a strong start to actively selling the **OTRS Business Solution**TM, focusing on support for our established customers and winning new customers.







In **February**, we went live with another OTRS language. Thai is now the 36 language of the "polyglot" OTRS. The text was translated by the active translation community on the platform Transifex. In conjunction with this new language release, a call was sent out to our community to actively participate in the further development of the diversity of languages offered by OTRS. The focus is not necessarily on adding completely new languages, it is also about improving or optimizing existing translations.

The month of **March** brought us the thousandth pull request from one of our most active open source community members. Software developer Balázs Úr and his team at "OTRS-megoldasok" in Hungary contributed substantially to the promotion of OTRS: "OTRS is one of the most popular ticket systems in Hungary, especially because the Hungarian users can use it in their mother tongue. The OTRS-megoldasok team does its best to ensure all notifications and texts in the OTRS framework are translatable." The thousandth pull request enabled messages to be displayed in the agent interface.

Second Quarter











April: A transatlantic training break

The second quarter also started with a company first: the OTRS administrator training courses in Straubing and Atlanta took place at the same time. Enabled by a quickly installed direct connection from Straubing to Atlanta straddling 7,713.61 km (4,793 miles) and five time zones, the training groups met via Skype video for a short OTRS exchange.

In May, the long-awaited and well-prepared move from Bad Homburg to Oberursel took place. The goal of this relocation was to offer our customers an attractive training portfolio at our headquarters, to offer our employees an attractive alternative to their home office and to provide a solid and future-proof basis for the forecasted growth for the coming years. We are delighted that we have now found a modern industrial loft that meets our expectations.

OTRS goes Connexpo Tools

After an extended period of absence, we decided to increase our involvement in trade fairs two years ago. Following our return to the IT & Business in Stuttgart in 2014, our search for suitable events led us to **Connexpo Tools** in Berlin in **June 2016**.



Fast, digital and constantly changing companies are facing numerous challenges these days. The trade fair Connexpo Tools is dedicated to the

challenges these days. The trade fair Connexpo Tools is dedicated to this topic and presents new digital



tools that help companies to master the challenges of digital transformation. At the Connexpo Tools we presented the OTRS process management system and received very positive reactions from our visitors.

June saw two significant developments. Firstly, we created the position of **Manager Process & Organization Development** and assigned Norman Brix to the role, an experienced consultant with the necessary experience.
With a critical size of nearly 80 employees, OTRS is more than ready to put its professional structure on a solid basis of appropriate processes and take its organizational development forward. Norman Brix is a familiar face within the ranks of our management.

Secondly, we founded **OTRS Asia Ltd.** in Hong Kong. As a 100% OTRS subsidiary, the company offers our customers high-level products and services in the region.

Third Quarter

August: Fun and action at the OTRS Bootcamp 2016

Designed to give our training a special twist, the OTRS Bootcamp was held for the very first time in this quarter.



As fun and action make learning a whole lot easier, we extended the training session to include a number of physical challenges. The natural surroundings of Straubing offered the ideal setting. Over the course of five days, the participants were trained to become OTRS experts. At the end of their training, they were able to prove their knowledge in an exam to become OTRS certified administrators. A range of high-energy outdoor and indoor activities rounded off the training program. The participants were enthusiastic about the OTRS Bootcamp 2016 and our OTRS experts also had lots of fun. This huge success means that we will be repeating the training program again in 2017.

In **August**, we successfully opened our new training center at the OTRS headquarters in Oberursel. The first administrator training session was held from 15 to 18 August in the fully air-conditioned meeting rooms, all of which are equipped with state-of-the-art facilities. Our new offices also offer a beautiful view of the Taunus and Frankfurt's impressive skyline.

At the end of August, the campaign was launched for the patch level release **OTRS 5s**. This campaign served to announce and advertise four key areas of the new release:

- Calendar
- CERT
- WebRTC
- Web Services & Processes

September saw the 200 customer for our OTRS Business Solution™ 5. Our new customer EURONICS Deutschland eG decided to replace its existing high-maintenance system and thus saved time and costs. The bloated BMC Remedy solution was slowing down the internal IT helpdesk and causing cumbersome, rigid workflows. The ECONICS IT helpdesk benefited from our solution and, after a trial period of a few months, the OTRS Business Solution™ was extended to other departments.

Fourth Quarter

In **October**, we attended the IT & Business trade fair for the third time. Our focus was on the thrilling new features of **OTRS 5s** which was released in November 2016. We had already presented it in advance to numerous customers during live demos.



On 25 October, a CERT and security-specific OTRS user meeting was held for the first time at the OTRS headquarters in Oberursel. With more than 20 participants, the event was exceptionally well attended. A series of interesting presentations showed how security departments can display their processes with OTRS.

November: OTRS 5s – Obviously This's Really Smart

On 1 November, the extensive patch level release **OTRS 5s** went live, enriching the **OTRS Business Solution**™ as well as OTRS Free with additional features.

New in OTRS 5s is the calendar StayOrganized. In the OTRS Business Solution™, StayOrganized offers additional functions for resource planning and provides further interesting potential applications. The SecurityToolbox offers consistent encryption and decryption for ticket notifications, automatic decryption of incoming encrypted emails and much more.

Exclusively included in the **OTRS Business Solution™ 5s** is the integrated audio and video chat **EasyConnect**. Audio and video calls are possible within the browser without installing additional software. **Ready2Adopt** completed the release with predefined process templates and ready-to-use web services.

In **November**, an internal **business process management work-together** represented a decisive step in the direction of professionalizing OTRS's business processes. These processes ensure the quality, traceability, transparency and replicability of crucial procedures within our daily workflows. The result of the work together: **120 identified and described processes!**

In **December**, the kick-off event for the newly established OTRS Asia Ltd. was held in Hong Kong. Around 35 guests participated in the "Get to know OTRS" event.

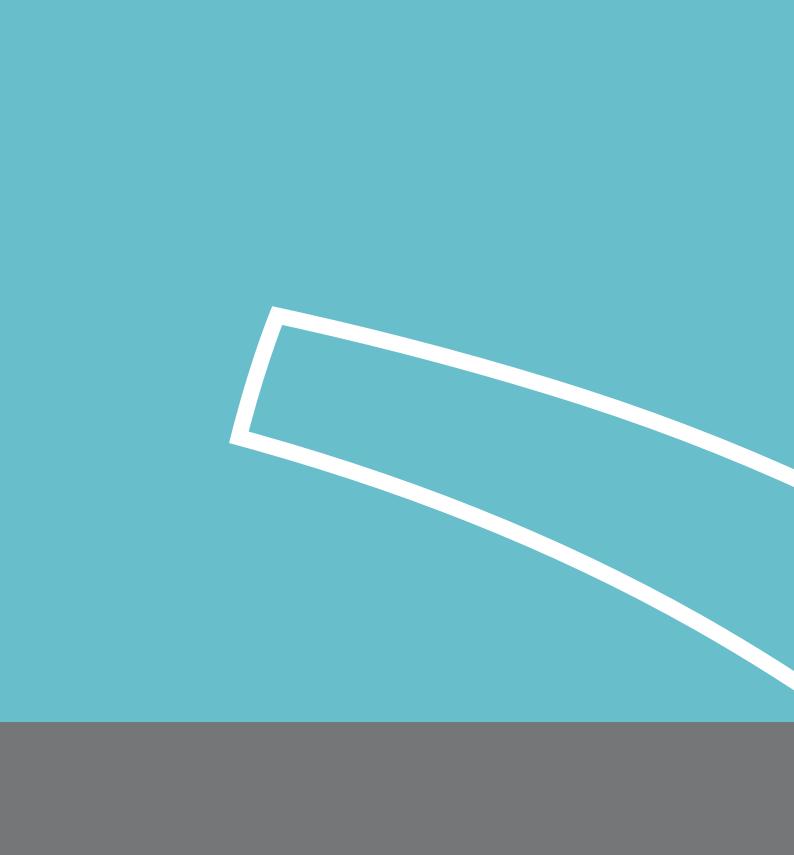






In his opening speech, CEO André Mindermann stressed the importance of the Asian market for the future expansion of the company. Udo Kampelmann, the Managing Director, led the event, accompanied by speeches from Christopher Kuhn, COO of the OTRS Group, and Jens Bothe, Director Global Consulting. Among the guests was Bo Feng, General Manager of Xi'an Dian Tong Software Co Ltd. and his team, who support OTRS with their excellent market knowledge and expertise on software in mainland China. Also present were Kozo Sakurai (CEO, IO Architect Inc.) and Tomohisa Hirami (CTO, IO Architect Inc.) from our partner IO Architect Inc. in Japan.

This event marked the conclusion of a particularly successful year in the history of OTRS.





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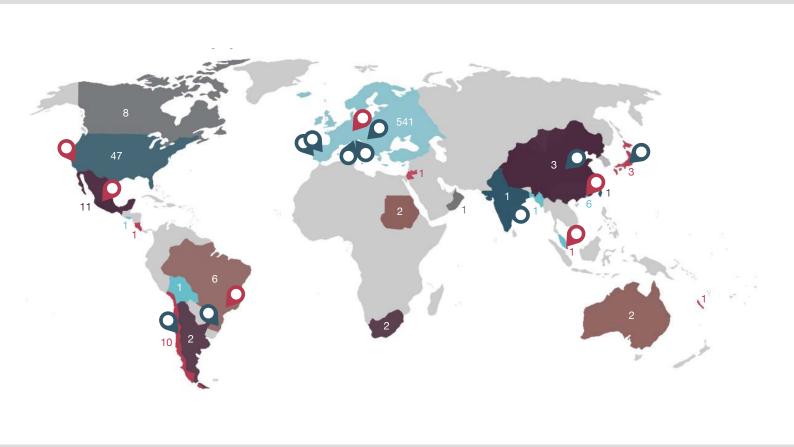
8.1 Basics of the OTRS Group

8.1.1 Locations

At OTRS we are growing – internationally and worldwide – for our mission and thus for our customers. Each (new) location brings the opportunity to place our product portfolio and spirit in a new business context and culture and thus meet the individual requirements of the respective country.

... and we are growing successfully...

Number of Customers worldwide



Q SUBSIDIARIES

OBERURSEL	STRAUBING	CUPERT	ΓΙΝΟ	MEXICO CITY
SING	APORE	HONG KONG	SÃO PAULO	0
				Status 2017
Q PARTNER				
SANTIAGO	PORTO ALEGRE	LISBON	MADRID	BOLZANO

BANGALORE

XI'AN

TOKYO

PÉCS

PADUA

8.1.2 Mission Statement: WHY | HOW | WHAT

WHY

We give companies the freedom to be successful.

We believe that companies must be flexible to stay successful. When daily routines are embedded in reliable and transparent structures, it creates freedom for the creativity that helps companies grow.

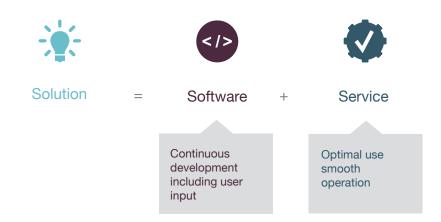
HOW

- OTRS brings structure in ever evolving business worlds.
- OTRS is customizes to the requirements of the company, not the company adapts to OTRS.
- OTRS is DNA for companies and supports the natural evolution of their processes.

WHAT

We offer our customers Solution as a service.

By this we mean, to choose from a variety of configuration options and supplementary features exactly the ones, the customer needs for his individual needs, complemented by consulting services and training.



Our core competences are

- Customer Service
- ITSM and
- Corporate Security

Goals

In accordance with the strategic orientation of the OTRS Group, we pursue several objectives in parallel:

Software

We strive to update the software permanently and adapt it to the requirements arising in its different areas of application. In doing so, we consider whether there are short-term trends or major changes in IT development. Because OTRS is designed for the long haul, we also assess trends in sustainability for us and our customers.

In principle, it is necessary to differentiate between changes to the OTRS cores, which are decisive for the performance of the software, and its add-on functionalities that can be used to meet different customer requirements. As a rule, a new release provides customization on both levels.

Market development

We are in line with our goal of international orientation through the structured expansion of our worldwide network of branch offices. In the decision for setting up a subsidiary, the market opportunities that will result for OTRS solutions are decisive. As an option, we also strengthen our network of partners, drawing on expertise and experience with local conditions.

Organizational development

In addition to the further development of a globally attractive product range and the correspondingly expanded sales channels, international growth also requires the foundation of a comprehensive organizational culture with dedicated processes that make planning, implementation and control comprehensible and reproducible.

Topics such as corporate communication, process management and employer branding are the main focus here.

This allows us to implement – internally and externally – our goal as a company, which is to create a reliable structure in dynamic corporate environments.



8.2 Business and Framework Conditions

8.2.1 Core Business & Markets

8.2.1.1 Introduction

OTRS AG is the leading provider of (IT) service management solutions based on the open source software OTRS (Open Ticket Request System). The company advises customers worldwide in the implementation, further development or ongoing operation of these solutions.

OTRS is a service desk system that is developed as an open source project and is licensed under the A-GPL v3 (Affero General Public License v3) free license. The OTRS Service Desk system is designed to efficiently manage email inboxes and phone inquiries in companies with high volumes of electronic or telephone inquiries. The installation and use of the OTRS software is free of charge and the source code, of which OTRS AG remains the owner, is accessible to everyone.

The complexity of the software and its application in each company, as well as the specialized knowledge necessary for optimal operation, make advanced know-how and support necessary for an efficient use. As the source code owner of the open source project OTRS. org, OTRS AG therefore provides its customers with comprehensive business support in addition to the software solutions.

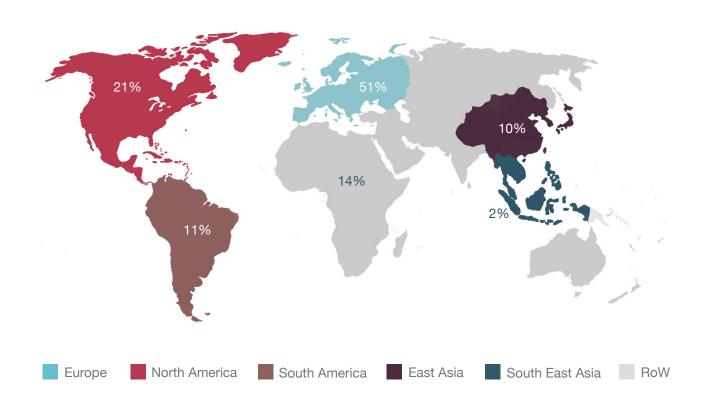
OTRS AG also provides IT service management solutions ("ITSM"). We advise and support our customers with regard to the integration, optimization and further development of ITSM solutions as well as to software-supported business process optimization. A further offer in the portfolio for OTRS AG customers is the outsourcing of complete IT-supported business processes in technical, personnel and professional terms.

OTRS users include companies, government agencies and organizations from all sectors and from all countries. To date, OTRS has been installed more than 170,000 times in 38 languages.

40% of the DAX 30 companies use Best Practice Service Management solutions based on OTRS Service Desk and OTRS::ITSM. 23% of the software downloads are from Germany and 16% from the USA. The remaining 61% are spread out over the rest of the world. In total, OTRS has been downloaded from its own servers over 1,700,000 times. This is only a fraction of the actual download numbers since the OTRS software (open source) can also be downloaded via other OTRS servers.

8.2.1.2 Downloads - Countries

With the launch of the **OTRS Business Solution™**, download figures as a key decision-making element for the OTRS strategy have moved into the background. We have understood that, since that point in time, the success of the OTRS Group in no longer in direct correlation with the download figures. However, in an international comparison of countries, these figures are a relevant factor for decisions that can indirectly influence the development of the company and its consequent success.



In principle, high downloads show an increased interest in our products and are thus a good opportunity for customer acquisition. In order to promote or support this, various measures can be taken:

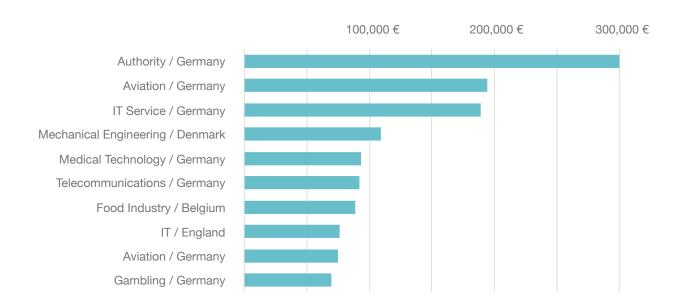
- Translation of OTRS into the language of the country, to facilitate access to the software and make our offer more attractive.
- Search for suitable companies, which we integrate into our partner concept. In this way, we are already giving smaller companies the opportunity to expand their know-how through training and individual assistance, thus actively supporting our sales channels and our sales concept accordingly.
- Establishing our own subsidiary as a wholly-owned subsidiary with the aim of offering a solution with the "Made in Germany" seal on the market, thus not only generating sales through direct market presence, but also enhancing our international reputation.

8.2.1.3 Customer Structure

The OTRS Group's customer base is very heterogeneous. Through our broad portfolio of services, we can support companies of all branches and sizes with our solution. We are the right partner for organizations that build their success around concepts such as structure, processes and communication.

High or low sales volume, many or few agents – this makes no difference to our service quality. The great variety of our customer structure can best be demonstrated by the two following graphics.

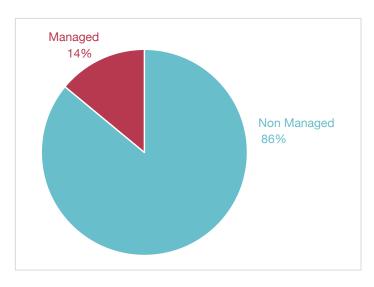
Top 10 customers 2016 (by revenue)



Top 9 customers 2016 (by number of tickets per month)

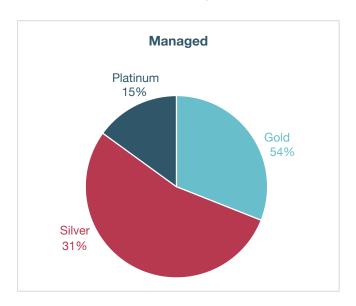


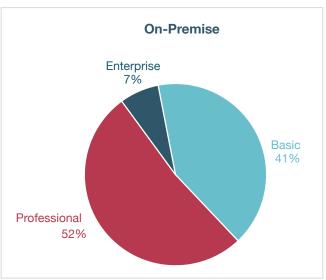
Distribution by operator model



Distribution according to contract level

Particularly noteworthy is the fact that 31% of the revenue of all contract customers is generated through a customer share of 14% managed solutions contracts. In addition, the termination rate is once again significantly lower than for customers of on-premise solutions.





8.2.1.4 The Development of the Economy as a Whole and the Information Technology Sector

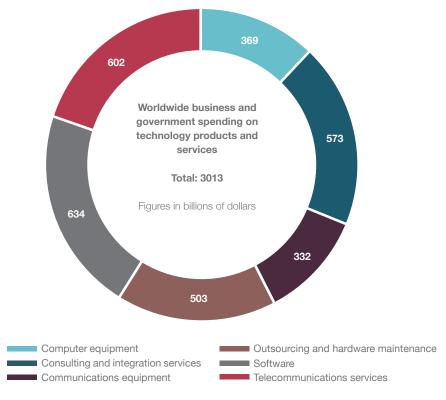
Digitalization – the magic word of the present and the future? No sector, no area of economic life can dissociate itself from digitalization and the associated demand for digital transformation. Although, the interactions between economic changes and trends are complex and difficult to predict, the visible trends – for us in the IT sector in particular – are a common thread that serves as a guide regarding the strategic development of solutions, services and, equally important, of individual functionalities. But this also applies to the internationalization of the OTRS Group. It is precisely here that the tendencies in the direct economic environment are important for us to initiate targeted measures that support the achievement of our goals. At the same time, we keep our eye on developments in the global economy that may influence our expansion strategy.

In the past fiscal year, the economic situation in Germany was characterized by solid economic growth, despite varying degrees of economic turmoil and certain decisive changes. In the information technology, telecommunication and consumer electronics sectors, revenue exceeded the 160 billion euro mark for the first time in 2016 and thus fulfilled the growth forecast of 1.7% for the German market*.

Information technology was the main driver, with an increase of 3.6%. Revenues from IT services, which to a large extent resulted from orders related to companies' digitalization, rose by 2.7% to 38.2 billion euros.

The macroeconomic forecast for the years 2017/2018 also provides for a substantial increase in IT spending. With software and telecommunication services as the largest item, in 2017 companies and government agencies will spend more than three trillion dollars, according to Forrester.

According to Bitkom President Thorsten Dirk, the ICT market in the USA is growing at a rate double that of our region. In order to keep pace, companies must invest heavily in digital technologies. For OTRS, this is a signal to push forward again in the American market and increase marketing activities there.



Worldwide outlook for 2017 to 2018; source: Forrester Research

^{*}Source: Digital Association Bitkom

8.2.2 Research & Development8.2.2.1 Trends in Software Development

There are many trends in the IT industry, and each year brings new key concepts to the forefront of IT decision-making. For its part, OTRS focuses on topics that are in the general interest of current and potential customers. It is important to recognize trends that: bring value to the product and the customer in the long term, fit into the existing framework of the OTRS software, and represent a promising and forward-looking continuation of the company's approach.

For OTRS, several streams are emerging in parallel, and we tap into them both in the context of the current releases, as well as for our upcoming releases and their functionalities.

Customer Service

Customer service, a key trend that is essential for almost every organization, will also become more and more important in the future.

However, the framework will change:

Multichannel or Omnichannel Communication? We opted for Omnichannel Communication, because this way all information is gathered together, allowing a uniform and comprehensive customer profile – irrespective of the communication channel chosen by the customer. The requirement is that all channels are interconnected so that the "customer journey" remains consistent, even if the customer changes the channel. This also avoids the formation of an information silo.

Personal and proactive customer contact with social media:

Studies show that customers increasingly demand personal contact, direct answers and short response times. Companies that succeed in successfully communicating with their customers via social media achieve a 20% to 40% increase in the length of stay in customer contact – an important prerequisite for optimal sales success.

As part of our Omnichannel Communication strategy, we have decided to integrate – in addition to SMS – Twitter and Facebook into our channel portfolio. This complements a process we already began with **OTRS 5s** and our video chat based on WebRTC technology.

Corporate Security

Capgemini's latest trend study, published in 2017, identifies IT security as the most important issue from the CIO's point of view in DACH. The EU Data Protection Code is a key driver here, placing many security issues at the forefront of the agenda of CIOs. If IT security was already of great importance as early as 2016, this importance has once again increased significantly.

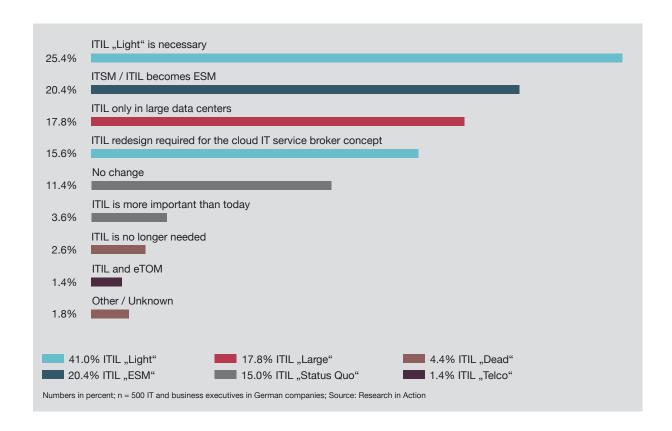
The **SecurityToolbox** of **OTRS 5s** meets these expectations with different functions, such as full encryption, the rapid acquisition of information via relevant data and an improved overview, which is particularly important in time and security-critical situations

In the pipeline for 2017 we have a product specially designed for use in the CERT environment. We will also offer this product – with the corresponding adjustments – to our other customers at a later stage.

IT Service Management

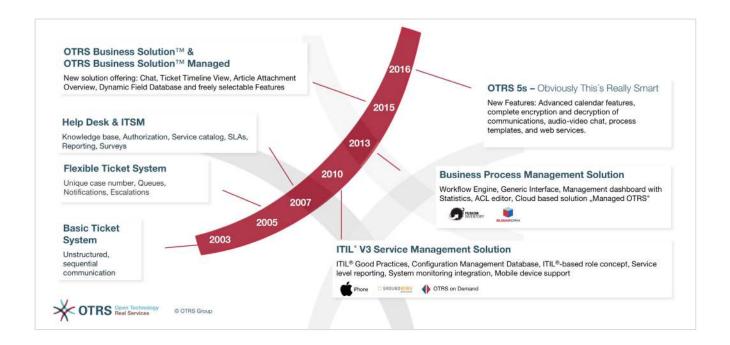
IT service management has firmly taken root in today's companies. Approximately 90% of large and mediumsized enterprises use ITIL (IT Infrastructure Library) and its importance in the market is increasing. According to a recent study, German customers increasingly tend to become middle-tier software producers when it comes to ITIL, the most important standard for IT service management.

These are important reasons for OTRS to dedicate itself to the further development of the ITIL modules, especially since OTRS can score particularly well in the "ITIL light" area.



8.2.2.2 OTRS Evolution

Open source has had many founders and roots and can now look back on an impressive history. Since the 1980s at the latest, it has firmly established its relevance in the development of software. OTRS can also look back on more than 15 years of experience, with numerous improvements and innovations that have shaped the software and made it one of the most successful tools in the field of IT service management.



OTRS is an open source software licensed under the GNU Affero General Public License v3 (A-GPL v3), providing free public access to the source code, as long as the transfer of third-party versions are also subject to the GNU General Public License (GPL). OTRS AG manages access to the software and the source code, checks input from external users and decides which functionalities are to be included in the product – after modifying quality assurance parameters or eliminating errors, if necessary.

Worldwide, up to 4,000 OTRS users are actively involved in the improvement of the software. As early as 2013, the introduction of GitHub helped us make it even easier for the OTRS community to provide ideas, changes or bug fixes.

However, OTRS AG itself plays a decisive role in the further development of the software, and tailors it significantly to the needs and wishes of its customers.

As announced, OTRS AG invested 25% more, or 16% of its revenue, in the development of the software than in the previous year, thus meeting the increased demand for an expansion of the software with more functionalities on the one hand, and the consolidation and modernization of core functions on the other.

On 1 November 2016, we released with **OTRS 5s** an attractive patch level release with various functional packages. It is the link between major releases 5 and 6 and it also provides the foundation for the major changes to come in version 6. Additionally, it offers base functionalities that will be further enhanced and perfected with the upcoming release.

As always, further improvements and adjustments are carried out on all levels of our product lines. Since we have already worked on the development of the following releases, we are also giving an outlook on the release to come this year.

8.2.2.3 OTRS 5s Free

In OTRS 5s Free, the freely available version of the OTRS software, various adaptations have been made, which, among other things, are reflected in improved scalability and performance.

Scalability & Performance

- Notification lists can now be used to process notification types.
- The system speed has increased through the use of intelligent caching when processing notification events.

Security

- OTRS 5s Free offers the possibility to operate OTRS via emails with full encryption. This was achieved by adding signing and encryption for ticket notifications.
- Encrypted emails can now be filtered because they can be decrypted in the postmaster filter.
- Improved application sandboxing* of file extensions (bug fix for a security problem: Advisory 16-2).

Cooperation with external systems

 With OTRS 5s Free an automatic retrieval of S/MIME certificates via LDAP is possible.

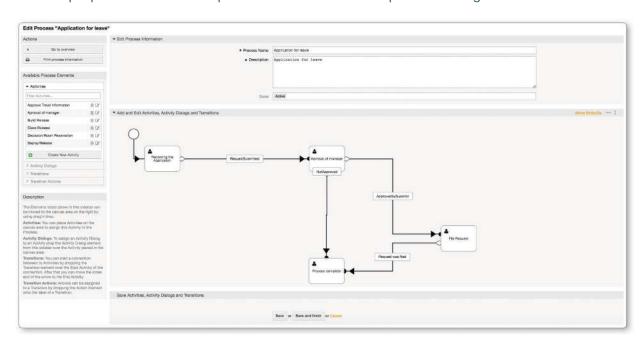
Installation & Administration

- The debugging of incorrectly processed emails is facilitated by a new support data plug-in.
- A new alert notification before reaching the session limit per agent, and a new management feature to manage agents simultaneously logged in to the system.
- If console commands are executed in a terminal without UTF-8 support, a warning is issued.
- The lowest required and highest possible framework versions in OPM files can be defined from OTRS 5s Free.

^{*} The goal of application sandboxing is to improve security by using applications in an isolated way. This is to prevent malware, intruders, system resources or other external applications from interacting with the protected application.

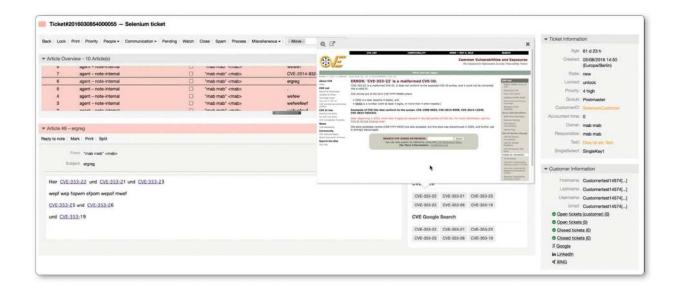
Productivity

■ The sample process "vacation request" has been extended to process management.

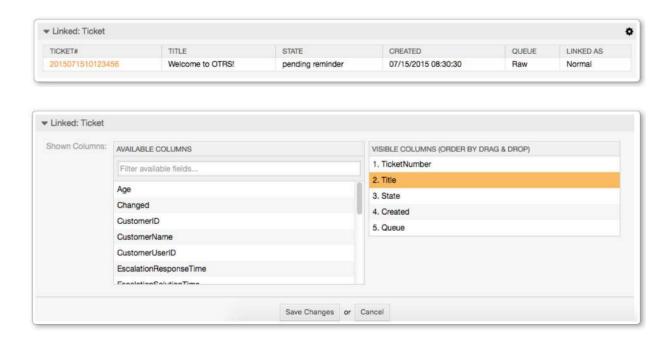




• For articles and dynamic fields, a new preview widget was introduced to save URLs to external systems.



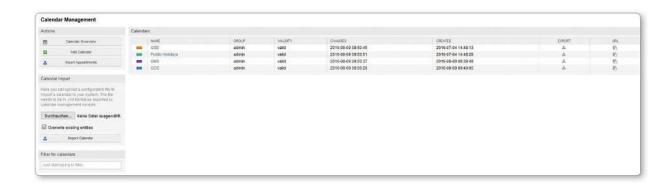
 Columns in the tables for "linked objects" in the ticket zoom are individually customizable for each user.

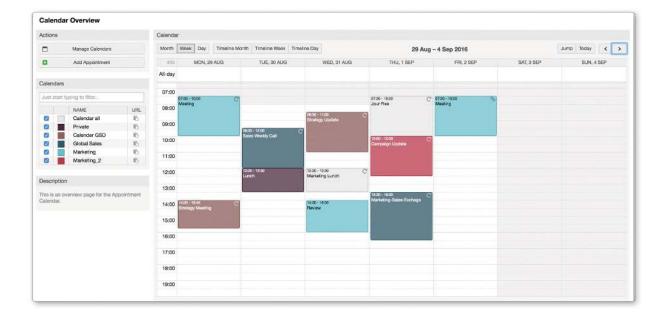


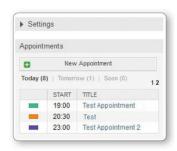
Appointment Calendar

The new calendar solution in OTRS is a separate module of **OTRS 5s** and is available in OTRS 5s Free, with additional functionalities reserved exclusively for the **OTRS Business Solution™ 5s**. The Appointment Calendar provides

- Multi-calendar support,
- An intuitive user interface,
- A mobile and flexible event overview through ICS data export and import function and
- The ability to subscribe to OTRS calendars in external calendar solutions.





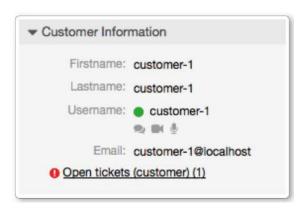


8.2.2.4 OTRS Business Solution™ 5s

The **OTRS Business Solution™ 5s**, our solution for professional use in the business environment, has benefitted from some exciting innovations, which lay the foundation for the integration of state-of-the-art technologies.

 An improved chat-start mechanism makes it easier for agents and customers to start communicating within the portal.

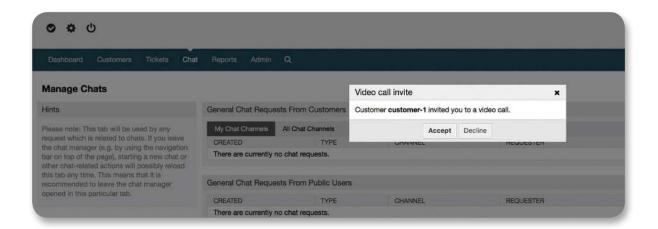






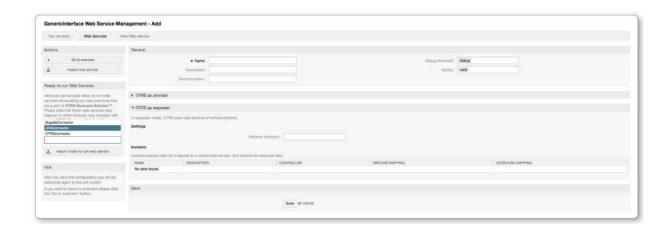
 WebRTC Technology, one of the current groundbreaking IT technologies, forms the basis for the new video chat, which is comparable to Skype but does not require a change of tools, starting directly from the OTRS system.

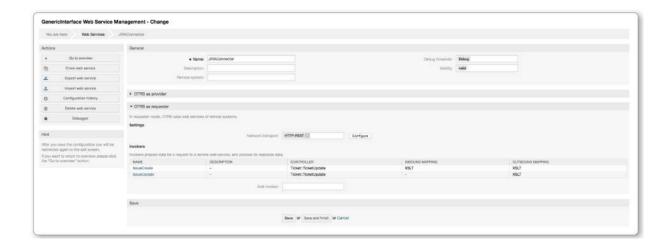




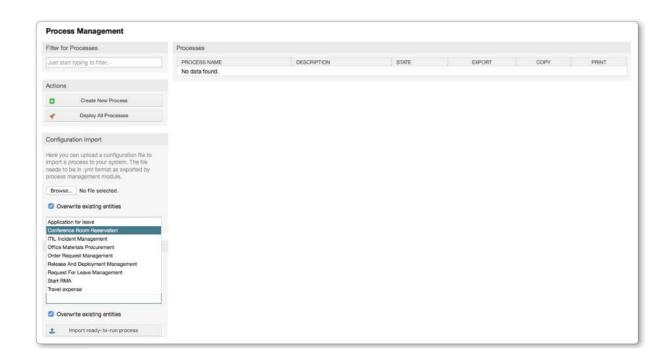


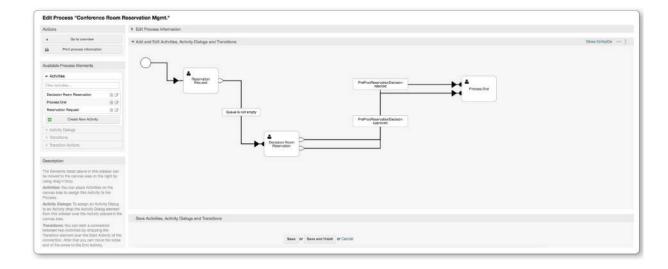
 Bugzilla, Jira and OTRS are the new, instantly running web service connectors. The additional modules required for their use are included in the contract level "Professional".



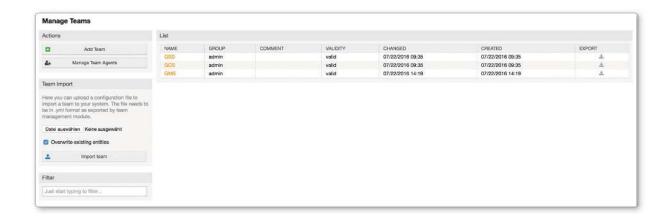


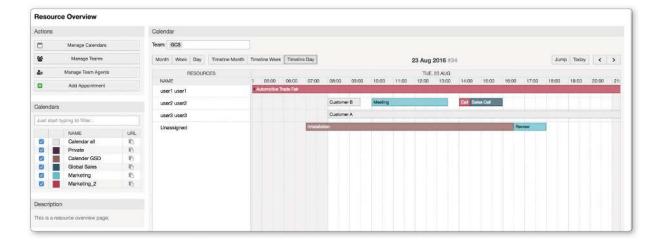
 The new sample processes (conference room booking, ITIL Incident Management, etc.) are immediately ready to run without further preparation.





• The OTRS Appointment Calendar package receives through the multiple team/resource support function an extension for scheduling teams and staff resources.





8.2.2.5 OTRS::ITSM 5s

The following functionalities are part of OTRS::ITSM 5s, which was released in its first stable version on 1 November 2016.

ITSM Core

 Adjustments to the code for OTRS 5s as well as improvements and bug fixes were made for OTRS::ITSM 5s.

ITSM Configuration Management

- "Config items" have been modernized.
- ITSM Configuration Management added the option of deleting config items.
- The console command in ITSM Configuration Management has been extended to delete old versions of config items.
- A new "config item delete" operation was added to the ITSM Configuration Management in the generic interface.
- The ITSM Configuration Management has been extended by a function that allows you to automatically change the status of a config item when a ticket of a particular type is linked.
- Improved performance in ITSM Configuration Management has been achieved through optimized caching.
- Configurable columns have been added for linked services and changes.

ITSM Change Management

The "change search input fields" have been modernized.

8.2.2.6 OTRS 6 – What to Expect Outlook for 2017 and 2018

After the release is before the release – as in any other business (and football) scenario, the before-and-after principle also applies to OTRS. And while we just released a new version, we are already working hard on further improvements and consequently on the next release. This is why we are not only able to provide an overview of the planning of desirable functionalities, but also to name what customers and prospective customers can expect in the next release.

Productivity

- Correct time zone support: Time zones can be configured system-wide and also per user.
- The zoom and print view in the customer interface can be restricted using ACLs.
- Dynamic fields are available for the customer and customer user objects.
- Encryption and signing of ticket notifications.
- Integration of instantly running web services and processes.
- Appointment Calendar as an integral part of OTRS 6 Free.
- Meta floaters.

Performance and scalability

- The performance of the generic agent is improved by deleting old execution times.
- Improved performance of the web upload cache.

Cooperation with external systems

- A new way to configure default headers for outgoing emails (Sendmail::DefaultHeaders) will be available.
- The ticket title can be changed via the postmaster filter.
- Auto-responses can be activated again in the postmaster filter by setting the header (X-OTRS-Loop = no/false).

Installation and configuration

- Optimization of the Maint::Ticket::InvalidUserCleanup command. It can unlock tickets and (optionally) change the status so that tickets are not overlooked.
- Modularization of agent ticket zoom with a widget system. Individual widgets can be added without having to adapt existing files.
- New configuration options control which ticket status types are displayed as crossed out in the table for linked objects.
- New email loop protection configuration per email address (PostmasterMaxEmailsPerAddress).
- Service IDs and SLA IDs are displayed as search attributes by default.
- A new console command displays a list of configured queues.

With our eyes set on the years 2017 and 2018, OTRS AG is planning major innovations with regard to the use of modern technologies.

We are currently working on a new **SysConfig**, which stores all settings centrally in the OTRS database. This significantly improves stability in clustered systems.

It also allows administrators to easily view and restore all historical system configurations, considerably reducing the time needed for troubleshooting. This is an important step to reduce negative impact on OTRS agents' productivity that can be caused by misconfiguring system components, or at least to reduce affected timeframes as much as possible.

The observation, verification and, if necessary, integration of current IT trends is a hallmark of OTRS, in particular with regard to the future viability of the software. Just as we are using **WebRTC** in an innovative way in the framework of the communication possibilities between OTRS portal users, our new development (working title: **Omnichannel Communication**) is also designed to simultaneously increase and simplify communication quality.

With this even balance of proven and innovative functionalities and their constant adaptation and optimization, we also address users and decision-makers. OTRS is just as reliable as it is innovative, as solid as it is avantgarde, and is thus the tool of choice for customer service, ITSM and corporate security, with a solid market position.

8.2.3 Business Performance

OTRS was successful for many years as a purely open source company, where the software was freely available for download, and users were able to decide when and to what extent they wanted to use the services such as custom engineering, support and consulting.

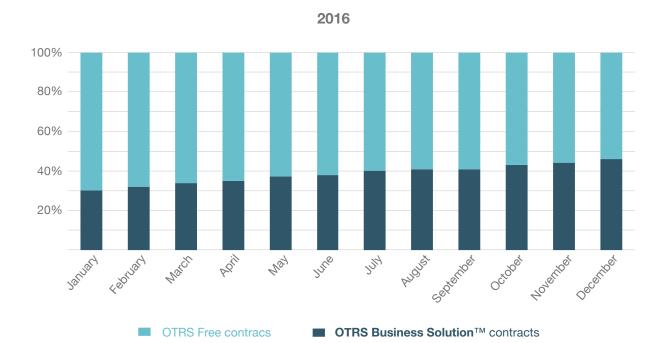
A business model that has proven its worth in times of tough competition between open and closed source.

OTRS, with its ticket system, has contributed to eliminating reservations about open source software. We have succeeded, together with other providers, in showing that open source can be state-of-the-art. In this way, we were able to significantly increase the perception and spread of open source software solutions. Many users today choose open source products as an alternative to licensed software (proprietary software).

After 18 years of open source movement, it has become firmly rooted in the market and earned its place there, especially when it comes to innovation and agile programming.

At the same time, we have learned that our solution addresses a wide range of interested parties, who are willing to invest when it comes to competing for their customers. In addition, many of the core topics in software development, in particular digital transformation with its various aspects, have strengthened our resolve to develop a solution that meets even the most demanding requirements in a professional business environment. With the **OTRS Business Solution**TM, we have met these requirements while providing access to new markets that systematically expand OTRS's field of impact.

The OTRS Business Solution™, as a meaningful next step in the evolution of OTRS, has without a doubt proven its success. The following graphic illustrates how we have achieved a stronger customer relationship in this sense, as the customer share of the "paid" free version has systematically shifted to our OTRS Business Solution™. At the same time, the number of our OTRS Business Solution™ Managed customers has grown steadily – further proof that our strategy of customer loyalty with OTRS Business Solution™ is successful.



In addition to the continuation of our OTRS evolutionary path, we are working sustainably on the global expansion of our company. It is important to not only develop different markets with regard to sectors or fields of application through horizontal or vertical diversification. Rather, the focus of OTRS AG has been on internationalization for many years. With our successive expansion of a worldwide network of branch offices, we are successfully positioning ourselves in other countries. The confirmation of this orientation can be seen in a revenue of approx. 35% generated through customers outside Germany.



See also 8.1.1 Locations + 8.2.1 Core Business and Markets

OTRS History



8.2.4 Employees

The average number of employees (excluding members of the Managing Board) rose from 49 in the previous year to 51 as of the balance sheet date 2016.

8.3 Net Assets, Financial Position and Results of Operations

8.3.1 Results of Operations

In fiscal year 2016, OTRS AG generated revenue of EUR 7,254 thousand as planned. The EUR 883 thousand (13.9%) increase in revenue compared to the previous year (EUR 6,371 thousand) is in line with the corporate strategy of sustainable growth. The perception of OTRS software as an extremely useful corporate governance tool is growing steadily.

STATEMENT

In fiscal year 2016, revenue was measured according to the provisions of the German Accounting Directive Implementation Act (Bilanzrichtlinien-Umsetzungsgesetz, BilRUG) for the first time. The previous year's figure was adjusted in accordance with Section 265 (2) Sentence 3 of the German Commercial Code (Handelsgesetzbuch, HGB). There was only one reclassification of other operating income of the previous year to previous year revenue, which amounted to EUR 10 thousand. To ensure comparability, the figures disclosed above and below always relate to the previous year figures adjusted according to BilRUG.

The greatest revenue growth was achieved in recurring revenue on the basis of our **OTRS Business Solution**™, which combines the OTRS standard version with special features, security and software updates, and support. This was increased by EUR 714 thousand (16.1%) from EUR 4,442 thousand to EUR 5,156 thousand. It now amounts to 71.1% of total revenue (previous year: 69.7%). Recurring revenue results from existing contracts with fixed terms, which are usually extended after they expire. Likewise, an increase in such contracts with existing customers indicates future revenue growth in this segment. This is also reflected in payments received, which are recognized on the balance sheet as deferred income and as revenue in the months following the balance sheet date. This deferred income, which represents future revenue, amounted to EUR 2,833 thousand as of the balance sheet date (previous year: EUR 2,348 thousand) and is recognized as revenue in the months of the underlying term.

The increase in recurring revenue gives OTRS considerably more planning certainty. In addition, income can thus be increased while the use of resources climbs at a slower rate, allowing the use of economies of scale and the increase of margins and gross profit.

Other revenue from customer-specific adjustments and development and consulting services in connection with the implementation of OTRS software also increased by 8.8% from EUR 1,929 thousand to EUR 2,097 thousand in fiscal year 2016.

OTRS AG generates most of its revenue with domestic customers. This increased by EUR 789 thousand (20.2%) from EUR 3,900 thousand to EUR 4,689 thousand. The ratio of revenue with domestic customers to total revenue therefore came to 64.6% in fiscal year 2016 (previous year: 61.2%). Revenue with foreign customers increased by EUR 94 thousand from EUR 2,471 thousand to EUR 2,565 thousand. However, it should be noted here that companies outside Europe often prefer local providers for the services offered by OTRS, so customer acquisition abroad and especially outside Europe is primarily a task for local subsidiaries.

Steady and sustainable growth requires the software features to be constantly updated and improved. Therefore, software development and improvement were driven forward again in the past fiscal year. EUR 1,166 thousand was invested in the enhancement of OTRS application software in the past fiscal year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 534 thousand in fiscal year 2016 (previous year: EUR 458 thousand). At the same time, operating cash flow of EUR 981 thousand was generated (previous year: EUR 828 thousand). Earnings before interest and taxes (EBIT) amounted to EUR 131 thousand compared to EUR 58 thousand in the previous year.

All expenses incurred in connection with the enhancement of OTRS software reduced EBITDA, EBIT and net income, as capitalization of internally generated intangible assets is not permitted. This is because OTRS software is open source software, which precludes capitalization in income.

Naturally for a service-focused company, the largest cost item was personnel costs. These amounted to EUR 3,936 thousand in 2016 (previous year: EUR 3,671 thousand), which equates to a personnel expenses ratio of 54.6% (previous year: 57.0%). The average personnel costs based on the average headcount including executives was nearly unchanged at EUR 72.2 thousand in fiscal year 2016 compared to EUR 72.5 thousand in the previous year. Revenue per employee increased year on year (previous year: EUR 126 thousand) to EUR 133 thousand.

Further disclosures on income statement items can be found in the notes under "Notes to the Income Statement".

STATEMENT

8.3.2 Net Assets and Financial Position

Total assets as of 31 December 2016 fell by 4.9% year on year from EUR 5,565 thousand to EUR 5,294 thousand. The convertible bonds issued in 2009 with a total nominal amount of EUR 2.5 million were repaid in the past fiscal years at a total of EUR 1,900 thousand. The remaining 66,300 convertible bonds with a total nominal amount of EUR 597 million were converted into shares, which were issued in the year under review. This increased the capital in accordance with Section 200 of the German Stock Corporation Act (AktG). The capital increase was submitted for entry in the commercial register at the start of 2017. Balance sheet equity increased from EUR 1,002 thousand to EUR 1,700 thousand as a result of the capital increase from contingent capital and the net income (EUR 101 thousand). As of the balance sheet date, the equity ratio was 32.1% (previous year: 18.0%). The quick ratio increased slightly to 68.0% compared to 65.7% in the previous year. The ratio measures the extent to which current liabilities are covered by cash and cash equivalents and current assets. Adjusted for the fact that the support contracts included in current liabilities as deferred income (EUR 2,833 thousand) will not lead to future cash flows but actually constitute future revenue, the quick ratio is 321.0% compared to 183.0% in the previous year.

Selected key figures:

R&D cost ratio

Key figure	2016	2015	2014	2013	2012
Revenue growth in % year on year	13.90%	20.90%	4.70%	20.60%	-2.10%
Capital structure					
Equity ratio*	32.10%	28.70%	20.50%	19.40%	17.80%
Equity to assets ratio*	60.70%	52.00%	32.00%	30.80%	27.80%
* incl. deferred equity from convertible bonds					
Financial/liquidity structure	100,000/	Top. 000/	70.000/	To. 1.000/	104 400/
Quick ratio	68.00%	65.80%	73.00%	91.90%	101.10%
Profitability					
EBIT (in EUR thousand)	131	58	147	257	-51
EBITDA (in EUR thousand)	534	458	484	586	288
Deferred income (in EUR thousand)	2,833	2,348	1,924	1,453	1,329
Revenue per employee (in EUR thousand)	133	125	115	138	123
Others					
R&D costs (in EUR thousand)	1,166	876	905	529	369

16.10% 13.80% 17.20% 10.50%

8.4 Risk, Opportunity and Forecast Report

8.4.1 Risk Report

As with all business activities, the (international) business of OTRS AG is not only associated with opportunities, but also with risks.

OTRS AG's risk-taking policy is aimed at the early recognition of the risks and/or material risks inherent to the company's existence and the responsible handling of these risks. The objective of OTRS AG is therefore to increase the company's value for its shareholders with the best possible risk-to-risk ratio. Because a company that knows its risks can also dare to seize its chances, risks identified by us are integrated and evaluated in our risk management system.

The controlling and monitoring of the individual areas of Consulting, Development and Global Managed Services as well as the areas not directly generating a cash flow, such as marketing and administration, are analyzed monthly and compared with company-specific plans and regularly updated forecasts. Where necessary, external indicators such as exchange rate fluctuations, interest rates or inflation rates are included in the analysis. Liquidity management includes a weekly status report to management. In the context of a risk early warning system, early warning indicators are defined in the form of key figures for risks that jeopardize the company's existence, and any changes in these risks are continuously monitored. In addition to the risk factors listed below, risks that are currently unknown or risks that are still considered insignificant could affect business activity.

External business risks

External business risks primarily concern the market acceptance of the business model and, in the view of management, primarily provide opportunities.

OTRS solutions offer users significant cost savings through the absence of license costs. The increasing popularity of the OTRS software and the growing market presence of the company make OTRS AG's portfolio increasingly attractive and allow every company access to the advantages provided by OTRS without any restrictions.

By introducing the **OTRS Business Solution**TM, which has given OTRS AG exclusivity and significantly improved its customer relationships, we have been able to restrict competition with external software service providers on their local markets and internationally.

Internal risks

The value chain of OTRS AG covers all steps of business activity from marketing, development, sales and consulting to maintenance and training. Disruptions within or between these areas could lead to problems all the way up to the temporary interruption of workflows in individual or multiple areas. Furthermore, rapid company growth puts administrative, organizational and process structures at risk of not being able to adapt at the same rate. Especially with regard to the further development of effective processes within the structure and process organization, we continually invest in and adapt to the needs of our growing company. Experienced employees, tried and tested management and control systems, targeted personnel and organizational development measures as well as the existing risk management system, which is continuously adapted to the latest developments and requirements, ensure the highest possible level of control.

Financial risks

A worsening of liquidity can lead to substantial or even life-threatening risks for companies. As of the reporting date, OTRS AG has good liquidity. In addition to medium-term financial planning, OTRS AG also draws up a monthly liquidity plan. From today's perspective, the company management believes that there are no risks regarding financing or other risks that could jeopardize the company's continued existence.

Bad debt risks

Defaults represent a latent risk. These can, in extreme cases, jeopardize the survival of a company. The risk of bad debts can increase in times of a financial market crisis. However, the economic success of OTRS AG does not depend on a few customers; on the contrary, OTRS AG has a large number of very important customers, which means that the risk of loss of receivables is limited. In general, we focus on a low-risk, heterogeneous customer structure, so we do not rely on a single specific sector or organizational variable, and can thus compensate for cyclical fluctuations.

Risks from exchange rate fluctuations

The international business activities of OTRS AG entail a payment flow in various currencies. However, most of the transactions are made in the euro area, which is why the currency risk is limited. Foreign operations are transacted accordingly through our branches so that exchange rate fluctuations in the respective countries are of minor significance for the OTRS Group.

8.4.2 Opportunities Report

In the context of its worldwide business activities, there exists a series of opportunities for OTRS AG. The following is an overview of possible opportunities for future development:

International expansion

Our international offices are successful and we are in a good situation to further expand our sales markets in line with the respective market situation and culture. In particular, the sales and service structure adapted to the locations has proved to be a promising strategy, which now also allows us to have a successful start with the new Brazilian start-up. We are increasingly recognizing – and the **OTRS Business Solution™** is a key factor here – that we will become more independent of the free version as the demand continues to grow from new customers who have not yet used OTRS. In the current fiscal year, we will continue to develop and expand our key markets. Against this backdrop, we have corrected our strategy for the Asian market, separating ourselves from our partners in Hong Kong and Malaysia and establishing a 100% OTRS subsidiary in Hong Kong and in February 2017 in Singapore.

Cloud Services

Cloud services refer to the possibility of using software and its functionalities without installing it on local computers (managed solution). The use of the software takes place, like a service, from the computer of the provider over the Internet (e.g. Google, Facebook, etc.). Billing is performed according to the capacity used. OTRS is thus also accessible to users who have little or no technical knowledge to download and install software themselves.

Our cloud offering was initially developed as an SaaS solution for the North American market, as demand in Europe and especially in Germany had not yet reached the international level. We have observed a trend change that has led us to successfully transform the development of the SaaS solution into a highly efficient managed solution. SaaS 2.0 was completed in November 2015 and has been in productive operation ever since. It was already possible to gain paid customers in the beta phase and after the completion of the system.

By the end of 2016, we were able to increase the number of customers of our managed solution to 90. The contract volume of our managed solution thus amounts to 31% of the total contract volume.

It is becoming increasingly clear that cloud computing (the successor to SaaS) is the future. In order to be successful in this area, new technologies are also needed. The highly complex process of deploying cloud services efficiently can easily overburden the corresponding company. Softshell CEO Gerald Hahn, for example, used the following example: In the case of cloud services, the "IT from the socket" is akin to "industrial high-voltage current". Just as most people would have their electric stove connected by a professional electrician, companies should definitely consult an IT specialist in these cases.

The role of the cloud provider and its consulting services are crucial for the success of an IT project and thus an important future market for OTRS.

8.4.3 Forecast Report

OTRS AG still has great potential for further growth. With the **OTRS Business Solution™** we have developed a completely new market, which gives us a very good reputation in the field of professional business solutions. This makes it necessary to work more intensively on the optimization of our functionalities in order to remain competitive. The solid foundation of our core functionalities allows us to build on it and (in the future) to compete with other professional solutions. The fact that OTRS is still an open source software and thus has access to input from the community has a positive impact in this sense.

The important step here is to no longer keep up with trends but rather to contribute to the development of trends themselves and thus become a pioneer. We have planned and implemented the necessary competencies of our development team in the long term for this purpose and can thus already tap into resources that make this decision viable.

In addition, we see a significant added value in the expansion of our global marketing activities, which combine the respective needs of the branch offices with a worldwide coordination. In this way, the individual requirements of each market are harmonized and implemented with a view to the marketing mix.

The sales revenues of the **OTRS Business Solution™ Managed** and the Cloud Services are to be increased again for the 2017 fiscal year. The projected total revenues for fiscal year 2017 amount to around 7.8 million EUR with a moderate increase in EBITDA.

The increase in our revenues will, to a large extent, be invested in the further development of our software. In 2017 we will increase investments once again by 11.5%.

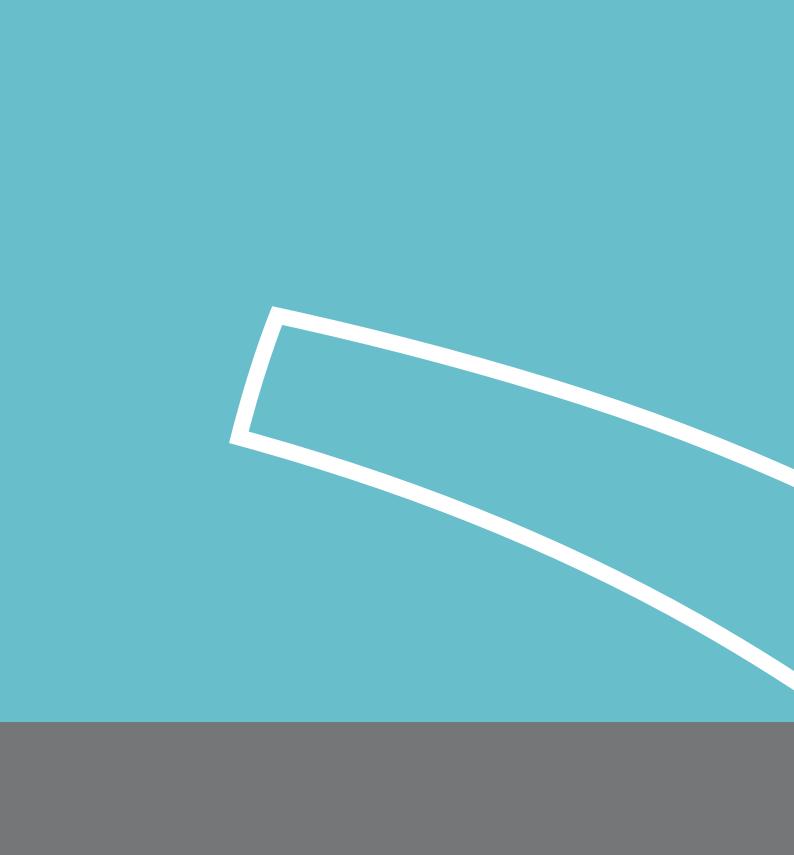
Investing in the software itself will continue to be an important factor for OTRS AG to remain competitive. This includes, among other things, ensuring a positive user experience.

To further improve the user experience we will, first of all, release in 2017 a series of functionalities that have been in development since 2016, for example our Omnichannel Communication function.

In this case, we have decided to first optimize already existing channels and integrate them in the context of Omnichannel Communication, as well as to make two further channels available.

In addition, we are working intensively to optimize so-called onboarding, i.e. customers' first moment of contact with our products on our website. This will help us to better attract the interest of individuals who are not techsavvy or aren't exactly sure what type of solution they are looking for in the first place. In this sense, a good product presentation with a demo version or free trial to directly test the software's capabilities is a crucial element of our marketing strategy.

Last but not least, we will also "renew" our software's interface. Just like any other tool or medium that is subject to trends regarding graphics, colors and structure, a piece of software also needs a facelift from time to time: on the one hand, because scientific research shows that the product experience is not only associated with use, but also with design; and on the other hand, because of drastic changes to the way in which digital products are being used. The desire to access data at any time from anywhere has created a market for a wide variety of end devices. This means developing new forms of usability that focus on streamlining and simplification, i.e. that are quick and easy to use. We aim to achieve this goal through the right interface design.





YEAR-END TABLES

BALANCE SHEET AS OF 31 DECEMBER 2016

ASSETS		31 Dec. 2016	31 Dec. 2015
A. Fixed assets	EUR	EUR	EUR
A. Fixeu assets			
I. Intangible assets			
Internally generated industrial and similar rights and assets			
Similar rights and assets	855,258.00		1,107,539.00
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets			
	786.00		2,935.50
3. Goodwill	534,517.00		629,796.00
		1,390,561.00	1,740,270.50
II. Tangible assets			
Other equipment, operating and office			
equipment	115,506.50		111,515.03
		115,506.50	111,515.03
III. Financial assets			·
1. Shares in affiliated companies	1,254,516.79		1,218,134.32
2. Loans to affiliated companies	40,428.35		0.00
3. Equity investments	2.00		1,242.99
- 4. 7		1,294,947.14	1,219,377.31
B. Current assets			
I. Inventories			
1. Orders in progress	2,983.50		43,914.00
2. Advance payments	2,181.51		0.00
		5,165.01	43,914.00
II. Receivables and other assets			
Trade receivables	993,101.77		957,542.26
Receivables from affiliated companies	549,014.54		530,673.09
3. Receivables from other investees and	,		,
investors	0.00		101,002.31
4. Other assets	50,793.89		28,718.65
4. Other assets	30,793.69	1,592,910.20	1,617,936.31
III. Cash-in-hand, central bank balances,		-,,	.,3.1,300101
bank balances and checks		0E0 700 E0	701 201 00
C. Prepaid expenses		850,728.59 43,683.11	791,391.66 41,055.27
O. Frehaid exhelises		· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·
		5,293,501.55	5,565,460.08

EQUITY AND LIABILITIES	=	31 Dec. 2016	31 Dec. 2015
A. Equity	EUR	EUR	EUF
I. Subscribed capital		1,916,300.00	1,850,000.00
II. Capital reserves - of which appropriations during the fiscal year EUR 530,400 (EUR 0) - of which withdrawals for the fiscal year EUR 740,400 (EUR 0)			
		0.00	210,000.00
B. Contribution paid in to implement the resolved capital increase from contingent capital (of which to nominal capital EUR 0 (EUR 66,300))		-216,955.00 0.00	-1,058,304.34 596,700.00
C. Provisions			
1. Other provisions		425,871.37	478,174.71
D. Liabilities			
1. Trade payables	96,141.92		122,801.59
- of which with a remaining term of up to one year EUR 96,141.92 (EUR 122,801.59)			
2. Liabilities to affiliated companies	3,790.91		31,647.89
- of which with a remaining term of up to one year EUR 3,790.91 (EUR 31,647.89)			
Liabilities to other investees and investors	0.00		2,767.95
- of which with a remaining term of up to one year EUR 0.00 (EUR 2,767.95)			
4. Other liabilities	235,357.75		984,075.66
- of which taxes EUR 194,404.66 (EUR 140,595.42)			,.
- of which social security EUR 3,095.54 (EUR 2,970.01)			
- of which with a remaining term of up to one year EUR 235,357.75 (EUR 681,519.18)			
- of which with a remaining term of more than one year EUR 0.00 (EUR 302,556.48)			
		335,290.58	1,141,293.09
E. Deferred income		2,832,994.60	2,347,596.62
		5,293,501.55	5,565,460.08

INCOME STATEMENT FROM 1 JANUARY 2016 to 31 DECEMBER 2016

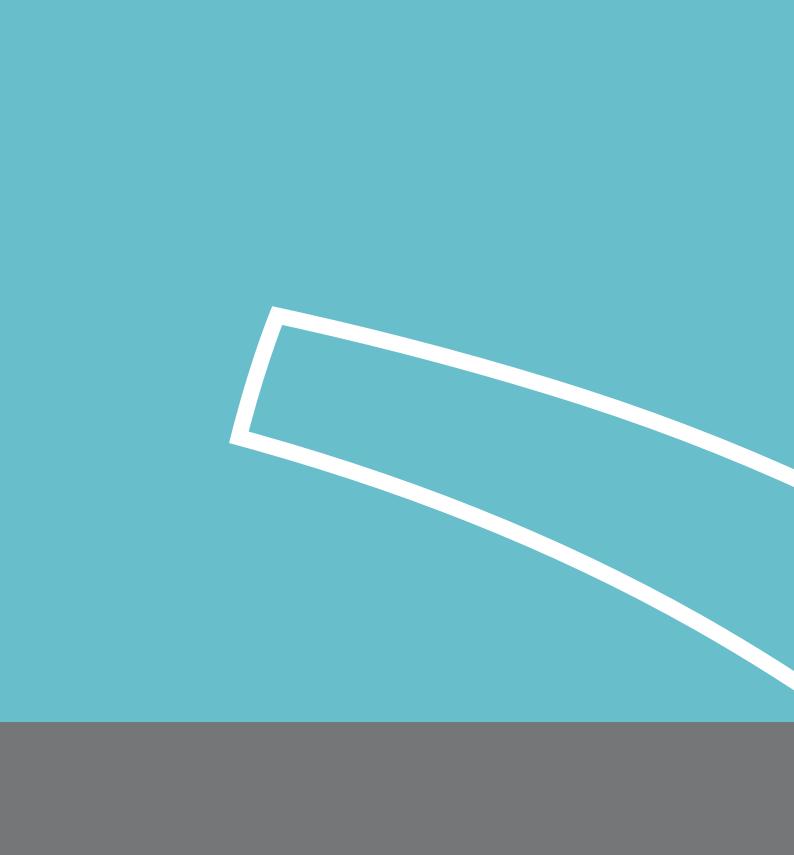
	EUR	31 Dec. 2016 EUR	31 Dec. 2015 EUR
1. Revenue	LOIT	7,253,615.42	6,371,109.04
Decrease in orders in progress		40,930.50	-9,909.25
3. Other own work capitalized		0.00	56,440.00
4. Other operating income		292,298.96	263,590.25
- of which income from currency translation EUR 1,037.50 (EUR 21,897.45)		232,230.30	200,000.20
5. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	07.00		
	-87.20		-4.64
b) Cost of purchased services	1,140,370.75		992,116.97
O. Davis and James and Jam		1,140,283.55	992,112.33
Personnel expenses Wages and salaries	3.440.018.60		0 100 000 40
b) Social security, post-employment	3,440,016.60		3,188,833.43
and other employee benefit costs	496,277.45		482,194.60
- of which for pensions EUR 15,551.15 (EUR 14,444.02)			
		3,936,296.05	3,671,028.03
7. Depreciation and amortization			
 a) On intangible fixed assets and tangible fixed assets 		404 705 00	001 007 07
		401,765.82	361,097.67
8. Other operating expensesof which expenses from currency translationEUR 15,194.68 (EUR 3,626.46)		1,885,327.69	1,573,498.61
9. Other interest and similar incomeof which from affiliated companiesEUR 570.57 (EUR 0.00)		2,128.40	285.49
Write-downs on financial assets and on securities classified as current assets		1,240.99	39,179.00
11. Interest and similar expenses		32,228.48	123,812.17
12. Taxes on income		0.00	-0.40
13. Earnings after taxes		109,969.70	-59,393.38
14. Other taxes		9,020.36	6,397.00
15. Net income for the year		100,949.34	-65,790.38
16. Loss carryforward from the previous year		4.050.004.04	200 510 55
17 Withdrawal from capital recorded		1,058,304.34	992,513.96
17. Withdrawal from capital reserves18. Net accumulated losses		740,400.00 216,955.00	0.00 1,058,304.34
10. Net accumulated losses		∠10,955.00	1,000,304.34

STATEMENT OF CHANGES IN FIXED ASSETS 2016

	Acquisition / production costs	Additions	Disposals	Acquisition / production costs	Cumulative de- preciation and amortization	Depreciation and amorti- zation in the fiscal year	Disposals	Cumulative de- preciation and amortization	Write-ups in the fiscal year	Carrying amount
	01 Jan. 2016			31 Dec. 2016	01 Jan. 2016			31 Dec. 2016		31 Dec. 2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets										
I. Intangible assets										
Internally ge- nerated industrial and similar rights and assets	2,109,383.01	0.00	0.00	2,109,383.01	1,001,844.01	252,281.00	0.00	1,254,125.01	0.00	855,258.00
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets										
	27,143.29	0.00	20,672.60	6,470.69	24,207.79	2,132.00	20,655.10	5,684.69	0.00	786.00
3. Goodwill	1,428,466.57	0.00	0.00	1,428,466.57	798,670.57	95,279.00	0.00	893,949.57	0.00	534,517.00
Total intangible assets	3,564,992.87	0.00	20,672.60	3,544,320.27	1,824,722.37	349,692.00	20,655.10	2,153,759.27	0.00	1,390,561.00
II. Tangible assets										
Other equipment, operating and office equipment	644,387.49	56,625.32	360,145.80	340,867.01	532,872.46	52,073.82	359,585.77	225,360.51	0.00	115,506.50
Total tangible assets	644,387.49	56,625.32	360,145.80	340,867.01	532,872.46	52,073.82	359,585.77	225,360.51	0.00	115,506.50
III. Financial assets										
Shares in affiliated companies	1,257,313.32	36,383.47	39,180.00	1,254,516.79	39,179.00	0.00	39,179.00	0.00	0.00	1,254,516.79
Loans to affiliated companies	0.00	40,428.35	0.00	40,428.35	0.00	0.00	0.00	0.00	0.00	40,428.35
3. Equity investments	1,242.99	0.00	0.00	1,242.99	0.00	1,240.99	0.00	1,240.99	0.00	2.00
Total financial assets	1,258,556.31	76,811.82	39,180.00	1,296,188.13	39,179.00	1,240.99	39,179.00	1,240.99	0.00	1,294,947.14

5,467,936.67 133,437.14 419,998.40 5,181,375.41 2,396,773.83 403,006.81 419,419.87 2,380,360.77

0.00 2,801,014.64





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

General disclosures

The annual financial statements of OTRS AG were prepared on the basis of the accounting regulations of the German Commercial Code (HGB) in accordance with the generally accepted principles of proper accounting.

In addition to these rules, the regulations of the German Stock Corporation Act (AktG) were also observed.

The annual financial statements are **structured** according to the HGB and AktG provisions for corporations, especially Sections 266 and 275 HGB and Sections 150 to 161 AktG. Some use is made of size-related exemption options under HGB regarding structure and disclosure.

Due to the first-time application of the provisions of the German Accounting Directive Implementation Act (BilRUG), the previous year figures disclosed in these annual financial statements were also adjusted to allow better comparability.

The income statement was prepared using the nature of expense method.

According to class sizes stipulated in Section 267 HGB, the company is a small corporation. Some use is made of size-related exemption options for **small corporations**.

The company's shares were admitted for trading in the First Quotation Board of the Frankfurt Stock Exchange on 23 December 2009 and included in the Entry Standard of the Frankfurt Stock Exchange on 29 June 2012. Since 1 March 2017, the company's shares have been included in the Basic Board of the Frankfurt Stock Exchange.

Particulars of the company's identity according to the Registration Court

Name according to Registration Court:

OTRS AG
Headquarters according to Registration Court:

Oberursel

Registered in: Commercial Register
Register Court: Bad Homburg v. d. Höhe

Register No.: HRB 9452

Disclosure and explanation of adjusted previous year figures

The annual financial statements include individual items with values that are not comparable with previous year figures. In order to allow a time comparison of these items, the previous year values were adjusted. The adjustment comprised the following measures:

The income recognized in other operating income in the previous year, which must be recognized as revenue according to Section 277 (1) of the BilRUG version of HGB (EUR 10 thousand), was included in revenue in the comparative previous year figures and deducted from other operating income. Related expenses, which were recognized in other operating expenses in the previous year (EUR 7 thousand), were reclassified to purchased services accordingly.

Disclosures on recognition and measurement including tax measures

Changes in accounting policies compared to the previous year

The accounting policies previously applied in the annual financial statements were largely carried forward.

Accounting policies

The annual financial statements contain **all** assets, liabilities, prepaid expenses, deferred income, expenses and income, unless prescribed otherwise by law. The asset items were not set off against liability items, nor expenses against income or property rights against property charges.

Measurement was performed in accordance with the **going concern** principle. The assets and liabilities were **measured individually**. Measurement was **prudent**; namely, all foreseeable risks and losses that originated before the balance sheet date were accounted for, even if they only became known between the balance sheet date and the preparation of the annual financial statements.

Profits were only recognized if they were realized before the balance sheet date. Expenses and income of the fiscal year were recognized regardless of the date of payment.

Fixed assets only include items that are intended to be used for business operations on a permanent basis.

Internally generated intangible assets were capitalized at development cost provided the latter can be clearly allocated, defined and amortized.

Internally generated intangible assets are capitalized according to the option provided by Section 248 (2) Sentence 1 HGB at production cost in the form of development costs according to Section 255 (2a) HGB provided the latter can be clearly allocated and defined. Development costs that are incurred between the manifestation of technical feasibility and the completion of the intangible asset are included in the capitalization. Development costs include the direct costs, appropriate portions of production overheads and general administrative expenses that relate to the construction period. Internally generated intangible assets are amortized on a straight-line basis over their planned life cycle from the date of completion.

Purchased intangible assets are measured at acquisition cost plus incidental purchase costs, less any purchase price reductions and less scheduled amortization. Write-downs to their lower fair value as of the balance sheet date are made if the impairment is expected to be permanent.

In previous years, the difference by which the consideration paid to acquire an entity exceeded the value of the entity's individual assets less liabilities on the date of the acquisition was recognized as **goodwill**. It is amortized over the expected useful life.

Tangible assets were recognized at the cost of acquisition plus incidental purchase costs and, if depreciable, less depreciation.

Depreciation and amortization were recognized on a straight-line basis according to the expected useful lives of the assets.

Impairment is recognized if the impairment of fixed assets is expected to be permanent in order to recognize them at the lower of cost or market on the reporting date.

Movable fixed assets with a value less than EUR 410.00 are written off in the year in acquisition in line with the tax regulation of Section 6 (2) Sentence 1 of the German Income Tax Act (EStG).

Financial assets were recognized and measured as follows:

- Shares in affiliated companies and other investees and investors at cost
- Loans at nominal value

If required, the lower value at the balance sheet date was recognized.

Inventories are carried at acquisition or production cost. The market values were stated if they were lower on the balance sheet date.

Receivables, other assets and securities were measured in line with all identifiable risks.

Bank balances and cash-in-hand were recognized at nominal value.

Payments made before the balance sheet date were recognized as **prepaid expenses** if they represent expenses for a specific period after this date.

The **share capital** and **capital reserves** are recognized at nominal value.

Other **provisions** were recognized for all other uncertain liabilities. Provisions were carried at the necessary settlement amount according to prudent business judgment. They are measured so as to sufficiently account for all identifiable risks according to prudent business judgment.

Liabilities were carried at their settlement amount.

Income received before the balance sheet date was recognized as **deferred income** if it represents income for a specific period after this date.

Principles for translating foreign currency items into euros

The annual financial statements include items in foreign currencies that were translated into euros.

Receivables and liabilities in foreign currencies were measured at the middle spot exchange rate on the balance sheet date. The exchange rate on the date of the transaction was recognized if it was lower in the case of receivables or higher in the case of liabilities. Expenses and income from exchange rate differences were recognized in profit or loss.

Tax accounts and deferred taxes

Taxes are calculated on the basis of tax accounts that differ from the annual financial statements according to commercial law. The differences result firstly from the amortization of the goodwill recognized in previous years from the contribution/merger of OTRS GmbH and Enterprise Consulting Beratungsgesellschaft für Unternehmensorganisation und Informationsmanagement mbH into the company, which was recognized at carrying amount for tax purposes, and secondly from the capitalization and amortization of internally generated intangible assets according to Section 248 (2) HGB, which may not be capitalized for tax purposes.

The company exercises the size-related exemption options according to Section 274 a HGB and does not recognize deferred taxes from the above differences between accounting and tax carrying amounts and from tax loss carryforwards.

Disclosure and explanation of individual items of the balance sheet and income statement

Gross statement of changes in fixed assets for the individual items of fixed assets

The structure and development of asset values including the fiscal year depreciation and amortization of each balance sheet item are shown in the statement of changes in fixed assets on page 103.

Research and development expenses

Internally generated intangible fixed assets are capitalized according to the option provided by Section 248 (2) Sentence 1 HGB if and to the extent that they can be affirmed as assets and the development costs according to Section 255 (2a) HGB can be clearly defined and allocated. They are amortized over the expected useful life of five years.

In the year under review, research and development expenses totaled EUR 1,166 thousand. No development costs were capitalized in the year under review.

Amortization of goodwill

The goodwill purchased and capitalized in previous years is amortized over the useful life of 15 years expected in accordance with the business model. No impairment was necessary in the year under review.

Disclosures on affiliated companies and shareholdings in other companies amounting to at least 20% of the shares

	Carrying amount	Share	Profit/loss	Equity
	EUR	% E	UR thousand	EUR thousand
Affiliated companies				
OTRS Inc., Cupertino, USA	1,202,855.57	100.0	1) -125	1) -609
OTRS S.A. de C.V., Mexico	1,476.50	50.0	2), 3)	2), 3)
OTRS LAB S.A. de C.V., Mexico	2,201.25	75.0	2), 3)	2), 3)
OTRS Do Brasil Soluções Ltda	46,851.61	79.0	2), 3)	2), 3)
OTRS Asia Ltd.	1,131.86	100.0	2), 3)	2), 3)
	1,254,516.79			
Other investees				
OTRS Limited, Hong Kong	1.00	50.0	2), 3)	2), 3)
OTRS Shd Bdn, Malaysia	1.00	49.0	2), 3)	2), 3)
	2.00			

Legend:

^{1) =} Provisional

^{2) =} Value was not established when the balance sheet was prepared

^{3) =} Disclosure is of subordinate importance for the presentation of the net assets, financial position and results of operations, and can therefore be waived in accordance with Section 286 (3) Sentence 1 No. 1 HGB.

Disclosure on inventories

Die Vorräte betreffen zum Stichtag noch nicht abgerechnete in Arbeit befindliche Aufträge in Form erbrachter Dienstleistungen für Beratung und Entwicklung im Kundenauftrag.

Disclosure on receivables

Type of receivable	Total amount	Of which with a remaining term of		
as of 31 Dec. 2016	as of 31 Dec. 2016	less than 1 year	more than 1 year	
	EUR thousand	EUR thousand	EUR thousand	
Trade	993.1	993.1	<u>-</u>	
Affiliated companies	549.0	549.0	_	
Equity investments	0.0	0.0		
Other assets:				
- miscellaneous	50.8	50.8		
Total	1,592.9	1,592.9		

Other assets

The other assets item primarily includes receivables from the tax office of EUR 35.9 thousand (previous year: EUR 0.0 thousand), security deposits of EUR 8.7 thousand (previous year: EUR 8.7 thousand), loans to personnel of EUR 4.5 thousand (previous year: EUR 0.0 thousand) and miscellaneous other assets of EUR 1.7 thousand (previous year: EUR 0.3 thousand).

Payments made before the balance sheet date are recognized as **prepaid expenses** (EUR 43.7 thousand) if they represent expenses for a specific period after this date.

The deferral serves the reporting of profits on an accrual basis. The amounts are receivables by nature.

Equity

Disclosures on share classes

The share capital of EUR 1,916,300 is divided into:

		EUR	EUR
1,916,300 ordinary share	es		
	each with a notional value of	1.00	1,916,300.00
0 preference shares each with a notional value of		0.00	0.00
Total			1,916,300.00

The shares are bearer shares.

In the fiscal year, 66,300 bearer shares with a notional value of EUR 1.00 each were issued following the conversion of 66,300 partial debentures. The issue of these shares thus put the contingent capital increase into effect and increased the share capital accordingly. As the converted partial debentures were issued at a total value of EUR 596,700.00, EUR 530,400.00 was to be added to the capital reserves.

Disclosures on authorized capital

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 500 thousand in total by issuing new shares in exchange for cash or non-cash contributions on one or more occasions before 31 July 2017, whereby shareholders' subscription rights may be precluded (Authorized Capital 2012/I).

Disclosures on contingent capital

The share capital has been contingently increased by up to

- EUR 50 thousand by resolution of the Annual General Meeting of 14 December 2007 (Contingent Capital 2007/I) and
- EUR 137.5 thousand by resolution of the Annual General Meeting of 6 August 2009 with amendment by resolution of the Annual General Meeting of 30 August 2010 (Contingent Capital 2009/I), in both cases to serve subscription rights from the 2007 and 2009 stock option programs.
- In addition, the share capital was contingently increased by up to EUR 600 thousand by resolution of the Annual General Meeting of 6 August 2009 (Contingent Capital 2009/II) in order to grant conversion rights to the holders of convertible bonds, which the Annual General Meeting of 6 August 2009 authorized the Management Board to issue. Due to the issue of 66,300 new shares from Contingent Capital 2009/II in the fiscal year, this decreased to EUR 533,700.00. The change in the share capital and Contingent Capital 2009/II was entered into the company's commercial register on 17 March 2017.

Disclosures on capital reserves

During the fiscal year, EUR 530,400 was appropriated to the capital reserves in accordance with Section 272 (2) No. 1 HGB as a result of the conversion of the partial debentures. The resulting capital reserves for the fiscal year (EUR 740,400) were used in full to offset a loss carryforward in accordance with Section 150 (3) No. 1 and (4) No. 2 AktG.

Disclosure and explanation of provisions

Other provisions developed as follows in the fiscal year:

Provision for:	01 Jan. 2016	Utilization	Reversal	Addition	31 Dec. 2016
Outstanding invoices	64,847.62	48,591.17	16,256.45	41,342.58	41,342.58
Remaining leave	87,878.34	78,961.42	-	113,853.75	122,770.67
Management Board bonuses	87,000.00	87,000.00	-	88,250.00	88,250.00
Personnel costs	109,000.00	109,000.00	-	-	-
Employee bonuses / commissions	32,223.79	32,223.79	-	76,657.54	76,657.54
Interest	20,000.00	763.00	-	7,031.73	26,268.73
Duty to preserve records	16,896.00	-	-	1,584.00	18,480.00
Audit of annual financial statements	16,800.00	16,500.00	300.00	16,800.00	16,800.00
Costs of preparing the annual financial statements	12,000.00	11,246.55	753.45	12,000.00	12,000.00
Employer's liability insurance association	7,800.00	7,800.00	-	10,800.00	10,800.00
Supervisory Board remuneration	10,000.00	8,125.00	-	5,625.00	7,500.00
VAT of previous years	8,000.00	7,784.46	215.54	-	-
Financial accounting	5,728.95	5,728.95	-	5,001.85	5,001.85
Total	478,174.70	413,724.34	17,525.44	378,946.45	425,871.37

When provisions were recognized for the first time, the net method was used if they were to be discounted.

Disclosure on liabilities

The liabilities with a remaining term of up to one year amount to EUR 335,290.58 (previous year: EUR 1,141,293.09).

Type of liability	Total amount	of which with a remaining term of		g term of
as of 31 Dec. 2016	as of 31 Dec. 2016	less than 1 y	1 to 5 y	more than 5 y
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Trade	96.1	96.1	-	-
Affiliated companies	3.8	3.8	-	_
Equity investments	0.0	0.0	-	_
Other liabilities	235.4	235.4	-	-
Total	335.3	335.3	-	0.0

The total amount of liabilities secured by liens or similar rights is EUR 0.00 (previous year: EUR 0.00).

Other liabilities

The other liabilities primarily comprise VAT liabilities of EUR 134.6 thousand (previous year: EUR 88.5 thousand), wage and church tax liabilities of EUR 60.0 thousand (previous year: EUR 52.0 thousand) and employees' social security liabilities of EUR 3 thousand (previous year: EUR 3 thousand).

Deferred income

The deferred income item (EUR 2,832.9 thousand; previous year: EUR 2,347.6 thousand) includes payments received for support contracts and services with total terms of up to one year provided they relate to the following year.

Contingent liabilities from unrecognized liabilities in accordance with Section 251 HGB

There were no such contingent liabilities as of 31 December 2016.

Unrecognized other financial obligations

The other financial obligations mature as follows:

		Maturity		ity		
Type of obligation		2017	2018	2019	2020	
_	Obligations from rental agreements	143	133	133	96	
-	Obligations from leases	197	135	50	5	
Tot	al	340	268	183	101	

Breakdown of revenue

In accordance with Section 285 No. 4 HGB, revenue breaks down as follows, with previous year values adjusted according to the first-time application of BilRUG.

By business segment	2016	2015
	EUR	EUR
Managed IT Services and Support	5,156,226	4,442,218
Consulting Services	1,529,104	1,470,226
Customer Development	504,592	441,516
Other	63,693	17,147
Total	7,253,615	6,371,107

By geographically defined market	2016	2015
	EUR	EUR
Germany	4,688,995	3,900,490
Outside Germany	2,564,619	2,470,617
Total	7,253,615	6,371,107

Disclosures in continuation of net income

In the past fiscal year, the company generated net income for the year of EUR 100,949.34, which is set off against the remaining loss carryforward.

This results in the following in continuation of net income:

Appropriation of net profit items	2016	2015
	EUR	EUR
Net income for the year	100,949	-65,790
Loss carryforward from the previous year	-1,058,304	-992,514
Withdrawal from capital reserves	740,400	0.00
= net accumulated losses	-216,995	-1,058,304

Distribution restriction

The total amount that is subject to the distribution restriction according to Section 268 (8) HGB is EUR 855,258. This breaks down as follows:

Total distribution restriction	855,258	1,107,539
Capitalized internally generated intangible fixed assets	855,258	1,107,539
	EUR	EUR
	2016	2015

Other mandatory disclosures

Names of the members of the Management Board and Supervisory Board

During the past fiscal year, the following people were members of the Management Board:

Mr. André Mindermann (Chairman), Frankfurt, business graduate
Mr. Christopher Kuhn (member), Bogen, businessman
Ms. Sabine Riedel (member), Friedrichsdorf, business graduate

All Management Board members have sole power of representation with authority to conclude legal transactions on behalf of the company while acting as representative of a third party.

The Supervisory Board comprised the following members:

Mr. Burchard Steinbild (Chairman), Beckeln, businessman Mr. Thomas Stewens (Deputy Chairman), Bad Vilbel, businessman Prof. Dr. Oliver Hein (member), Frankfurt am Main, businessman

Total remuneration of the members of the Management Board and Supervisory Board

In accordance with Section 288 (1) HGB, the total remuneration of the members of the Management Board is not disclosed. The total remuneration of the members of the Supervisory Board amounts to EUR 5,625.

Advances and loans extended to members of the Management Board and Supervisory Board

A loan of EUR 4,448.50 was extended to the Management Board member Ms. Riedel. The interest rate is 2.00% p.a. The loan matures in June 2017. No collateral was posted for the loan.

No advances or loans were granted to the other members of the Management Board or the Supervisory Board.

Average number of employees in the fiscal year

The average number of employees at the company as per Section 267 (5) HGB was 51 (previous year: 49). As of 31 December 2016, the number of employees (not including Management Board members) was 50 (previous year: 51).

Bad Homburg v.d.H., 23 March 2017

André Mindermann Member of the

Managing Board

Christopher Kuhn Member of the

Managing Board

Sabine Riedel

Member of the

Managing Board

Auditor's Report

To OTRS AG

We audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the bookkeeping and the management report of OTRS AG for the fiscal year from 1 January to 31 December 2016. The bookkeeping and the preparation of the annual financial statements and management report in line with German commercial law are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the annual financial statements including the bookkeeping and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the generally accepted principles of accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit encompasses an assessment of the accounting principles applied and the material estimates by the legal representatives as well as an appreciation of the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

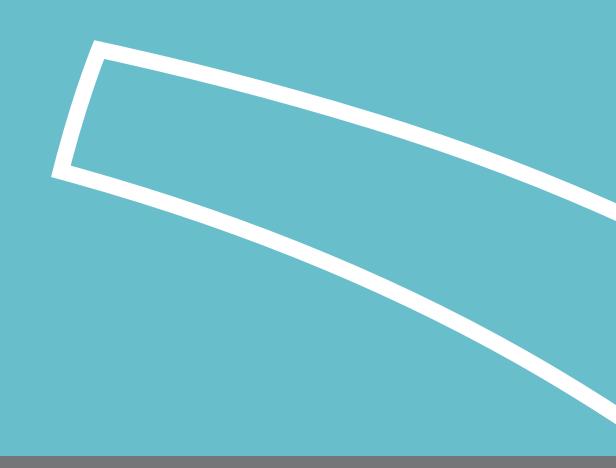
In our opinion, based on the findings of our audit, the annual financial statements comply with the legal provisions and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the generally accepted principles of accounting.

The management report is consistent with the annual financial statements, complies with legal provisions, and, as a whole, provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Munich, 5 May 2017

VEDA WP GmbH Wirtschaftsprüfungsgesellschaft (German public auditing firm)

Roland Weigl Wirtschaftsprüfer (German public auditor)



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