
FREE DOM

ANNUAL REPORT 2018







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WE GIVE
COMPANIES
THE FREEDOM
TO BE SUCCESSFUL.

THE
OTRS
GROUP

The OTRS Group & Your Service Management Solution

The OTRS Group is the manufacturer and world's largest service provider of the service management suites **OTRS** and **OTRS On-Premise** as well as the source code owner of the free service desk software ((OTRS)) Community Edition.

The 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), OTRS do Brasil Soluções Ltda. (Brazil) and OTRS Magyarország Kft. (Hungary).

OTRS AG has been listed on the Frankfurt Stock Exchange since 2009 and has been part of the Basic Board segment since 1 March 2017 (ISIN: DE000A0S9R37, WKN: A0S9R3). **OTRS** and **OTRS On-Premise** are our answers to market demand for packages that are exclusively for professional use, consisting of individual features coupled with specially adapted services. The service portfolio includes process design, implementation, customizations, application support, corporate security and managed OTRS services.

OTRS is available in 38 languages and is used by more than 170,000 companies worldwide to optimize their service delivery with an integrated solution, increase customer satisfaction and reduce costs. Companies and organizations such as BSI (Federal Office for Security in Information Technology), Max Planck Institute, Toyota, Hapag Lloyd, Lufthansa, Airbus, IBM, Porsche, Siemens, and Banco do Brazil (Bank of Brazil) are among the customers. **OTRS** is in use at more than 40% of the DAX 30 companies.

More information about OTRS products and services can be found at www.otrs.com.

LETTER TO SHARE HOLDERS



Dear Shareholders,

I am pleased to present you the annual report for 2018 on behalf of OTRS AG, in which we would not only like to inform you about our positive financial performance, but also explain what factors have led to it. One area largely influenced the way we think and act. FREEDOM. It runs as a central concept through our history. We intend to always turn our idea of freedom into a reality – even if it takes quite a different form for each one of us. In this annual report, we show you what freedom specifically means at OTRS and how we manage to generate the maximum amount of freedom for everyone. For example, we face the challenges of the digital age and have a positive influence – on the joy of our employees in their participation and daily work, on our corporate culture, and of course on our customers and the development of the financial figures.

OTRS AG has continued to see significant growth in fiscal 2018. We generated revenue of EUR 8,314 thousand in the reporting year after EUR 7,645 thousand in the previous year. As a result, we have been able to meet our forecast, which predicted more than EUR 8,000 thousand in revenue. We have achieved a significant increase in the essential area of recurring revenue. After EUR 5,830 thousand in 2017, we generated EUR 6,914 thousand in fiscal year 2018, an increase of EUR 1,084 thousand or 18.6%. We were therefore able to slightly increase the previous year's growth momentum again. Recurring revenue accounted for 83.1% of total revenue. The positive development of earnings was even more pronounced. In fiscal 2018, EBITDA increased by 90.2% to EUR 970 thousand after EUR 510 thousand in the previous year. In the reporting year, EBIT increased to EUR 579 thousand as against EUR 128 thousand in the previous year. The number of active contracts increased by 54 from 715 to 769. The share of managed solution has increased from 30% to 38% of the total contract volume in 2018.

New Strategy for Sustainable Growth and More Freedom

All in all, fiscal 2018 was a very successful year for us. Our company has now reached a size where we can define our business model more clearly and differentiate it in a more selective way to continue our sustainable growth. We have therefore decided to focus on our fully managed cloud solution that after rebranding is now called "**OTRS**." Companies wishing to operate **OTRS** in their own data centers will still be able to do so with **OTRS On-Premise**. Both products are currently available in version 7. With ((OTRS)) Community Edition 6, previously OTRS Free, there is still a free version of the software. The change in strategy includes a delayed release policy. Thus, the features of the latest OTRS versions are included in the ((OTRS)) Community Edition with a delay of two years.

What Does This Have to Do with Freedom?

Our new strategy allows us a greater variety of revenue opportunities that will ensure that **OTRS** continues to develop with the highest quality and creativity standards. These increased opportunities and options also mean more freedom.

Freedom for Growth – the New Location in Budapest Is Already a Success

We are pleased that the OTRS Group continues to grow globally. Just after the rollout of our new product strategy in April, we opened our sixth international location in Budapest, Hungary in June. First, we are convinced that **OTRS**, as the only ticket system in Hungarian, will benefit from the growing Hungarian market. Second, the foray into the Hungarian market will help us to expand our activities in Eastern Europe. Another significant highlight was the publication of version 7 of **OTRS** in November. **OTRS 7** is key to digital transformation. We are meeting the increasing demands of our customers with a large number of new features for automation and a user-friendly customer interface.

We Give Employees the Freedom for Social Involvement

As revenue increases, so too does our social responsibility. We have therefore decided to enable our employees to get involved in social projects during their working hours. Many employees have an issue close to their hearts and we give them the freedom to get involved where necessary. Corporate social responsibility is becoming increasingly important in a world of increasing digitization. We have to act in a sustainable manner to pave the way for a successful future for future generations.

OTRS Is Committed to the Future

The way in which we communicate, produce and consume is rapidly changing. Digital transformation questions business models and allows new ones to be created. As a software company, we intend to be a reliable partner for our customers in these times that have changed and are still changing and that offer us numerous opportunities. We intend to seize them decisively. With our innovative software solution, our many years of expertise and our clear strategy, we are optimally positioned to benefit from dynamic market growth. This is reflected in a forecast by the IT market research company Gartner. Experts expect that the global market for cloud computing services will grow to USD 278.2 billion by 2021. In 2017, it amounted to USD 145.2 billion.

With our product strategy, the release of **OTRS 8** in fall 2019 and our further international expansion, we are broadly and optimally positioned for a successful fiscal 2019.

For fiscal 2019, we are therefore expecting total revenue of EUR 9 million.

I would like to take this opportunity to express my appreciation and thanks to all employees. Success is always the result of team work. I would also like to thank you, our shareholders, for the trust you have placed in us.

Yours sincerely,



André Mindermann
CEO

“Whoever does not strive for greatness will never attain greatness.”

“The value of a dialog depends primarily on the diversity of competing opinions.”

“Chance favors the prepared mind.”



André Mindermann
CEO & Founder



Sabine Riedel
Member of the
Management Board
Marketing & Human
Resources



Christopher Kuhn
Member of the Management
Board & COO

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WHEN DAILY ROUTINES ARE
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FREEDOM

WHY
EMPLOYEES
STRATEGY
CUSTOMER
SOFTWARE

WHY IS FREEDOM SO IMPORTANT TO US?

This year's annual report is dedicated to the topic of freedom, a central theme on which our company is based. It is both a complex and simple topic that permeates our actions and thinking, our strategy, our communication, and even our entire set of business processes. For our company, it impacts the product we manufacture, the way we do so and how we bring it to market. And, it also guides the principles that are fundamental to interacting with our customers.

Why did we choose this topic of all things? Because we have found that freedom is always at the heart of how we think. Regardless of whether we are thinking about megatrends, digital transformation or its consequences, the ability to deal with social developments is always tied to our personal sense of freedom:

How committed do we feel to existing structures? To what extent do we feel restricted by guidelines, rules and conventions? How "free" can we be from prejudices and supposed expectations in order to be open to upcoming changes?

Set against the backdrop of various topics, we will show in the following text how we at OTRS realize the idea of freedom in a variety of ways in order to meet the challenges of the digital age in the best possible way, and we will even use it to set one or two benchmarks for the future.

MEGATREND NEW WORK

Freedom & Employees

Megatrends can often feel like **avalanches in slow motion**. When such avalanches are “kicked off,” it is important to recognize how they may strengthen each other; this is particularly true when they transform culture and economy, because in these cases both the old and new must coexist. From this opposition, a highly innovative synergy can emerge. At the same time, however, it can represent a challenge for us as we question value systems, routines and experiences – and possibly even redefine them.

Especially in the areas of organizational development, leadership and employee retention, new rules apply.

What We Want

New Work ultimately means freedom at work, often through the digitalization of processes. In order to be able to live and use this freedom, certain skills are required. It is therefore important for us to enable all employees, regardless of department, area of responsibility and management level, to cope well with the challenges of advancing digitization. This also means cognitively, socially and culturally promoting **digital literacy**. Dealing efficiently with an abundance of information, breaking new ground in virtual global human interaction and thereby opening oneself to a changed way of communication are indispensable necessities. In doing so, we accept that processes and projects, as well as individual backgrounds, are in a constant state of change – a quasi-permanent beta phase.

*“Life is not divided into work and leisure.
It is all lifetime!”*

Götz W. Werner, dm-Founder

One of the expectations of the new generation of employees is that work and private life will merge (be able to merge). Today, this is described by the term **life work blending**. This highlights the measures we must take to ensure that a seamless transition between different areas of life and work can take place, allowing people to manage working hours as flexibly as possible so that professional and private needs can be reconciled.

Design working-time models in such a way that they almost lose their status because they are handled as personally as the employee wishes them to be handled. Define task areas together with employees so that they ensure maximum satisfaction and further development.

What We Do

In concrete terms, this means that, wherever possible, we do not give employees starting times, core working hours or weekdays, but we allow it to be their own responsibility to decide how and when tasks are to be completed. This presupposes that there is transparency about the goals to be achieved and the steps leading to them. And this must be the case not only for the individual employee, but also for the interaction and cooperation between teams and departments. It also requires a solid cultural framework that transports the mission, as well as supports motivations and the resulting actions, for the purpose of fulfilling the entrepreneurial demands under the framework conditions mentioned.

We actively support the fact that departments no longer differentiate themselves, but are permeable and open to inspiration from other departments and tasks. In the understanding of the systemic nature of a company, which is about the effective interaction of different competences and perspectives, this means diversity, simultaneous optimization, the further reduction of hierarchical levels, and a shift in the concept of a department itself. The resulting “mixed teams” are complex, heterogeneous and dynamic. A study by the Institute for Small and Medium-Sized Business Research has shown that it is precisely their diverse perspectives that lead to better results.

“Harmonious systems are stupid systems. In nature, patterns of order are always the result of contradiction, not harmony.”

Prof. Dr. Peter Kruse, Psychologist

This approach generates a high degree of freedom and makes it possible, in a variety of ways, to take personal preferences into account in the professional context and to have one’s own generous decision-making space. This, however, is accompanied by **complexity** and, above all, a high degree of **uncertainty**.

Complexity as a significant component of our digitalized online world can be seen in the confusing amount of information and the multifaceted interconnection of information threads. For professional tasks, this means that decisions seem to be made with a greater **uncertainty factor** than ever before, since “sufficient knowledge to make a decision” is increasingly becoming fictitious.

This increasingly fluid knowledge requires us to be able to react quickly to changes and unforeseen events. For example, it requires systemic thinking that enables contextualization as well as profound (inter-) human qualities.

How It Works

Management has a special role to play in leadership. The aim is to identify and promote potential, but also to create and adapt framework conditions. It is important to deal responsibly with the independence and autonomy that has been achieved, i.e. to allocate one’s own working time and area of responsibility profitably, to set priorities and to then work accordingly, without

neglecting the team context, because freedom exists only as long as the freedom of another is not restricted.

Let Go But Don't Leave Alone...

...for us, this means using two leadership models in parallel: Creating meaning and inspiration as an essential part and empowering and promoting self-management as a counterpart. This makes it possible to create tension between inspiring freedom and advisory support. This also includes replacing the performance reviews between our superiors and employees with modern approaches such as an employee-superiors' diary and "speedbacks." Feedback is given at the right time in all directions and can have a motivating and supportive effect; it is also efficient at the same time. Above all, management facilitates and maintains dialog, which is important for meaningful exchange, understanding and inspiration.

Like a Mantra: Our Mission and Strategy

Experience has shown us that it is necessary to put the content and understanding of the mission and strategy to the test again and again. And, these must be present at all times so that considerations and decisions are supported by our core ideas. Only in this way can they function as a link and orientation to the framework of our cultural work.

Freedom International

The international orientation of our company is of particular importance. Interculturality is a demanding learning field in which different value systems, experiences, behavioral patterns and much more meet. Here we are allowed to practice our idea of freedom in a special way, because it shows different manifestations around the globe. We encourage our subsidiaries to become independent, and at the same time it is important for us to manifest our mission and strategy within the different cultures of our subsidiaries. Here, too, our managers are called upon to provide their intercultural teams with the time and space to discuss the differences, derive consequences and define binding yet flexible standards. However, this is not a one-off process; it requires constant observation, reflection and adaptation.

That Has Changed (Already)

Synergies can be achieved by bundling various competencies. This is why we have established a large number of so-called cross-departmental projects, i.e. projects that are carried out across departments and, in some cases, also internationally. In this way, we are gradually dissolving silo thinking and ensuring transparency and diversity. An important example is the Quality Management Team which is made up of employees from all departments. This enables us to develop a far-reaching quality awareness for all tasks that arise. This has a positive effect on the efficiency of our processes as well as on the further development of our products and services. Dealing with topics that are not related to our field of expertise means that tasks are looked at from new perspectives, which gives the resulting solutions new insight and energy.

At the same time, we give preference to new formats when conducting meetings or other gatherings to encourage innovative thinking.

For example, we always design the meeting “rooms” differently by visiting inspiring places.

We use design thinking methods, i.e. a strong user-oriented approach, to increase creativity. We actively support and encourage employees to think outside the box by creating a kind of “playground” to try out new ideas.

These can deal with the specific requirements of a department or they can be dedicated to the introduction and further development of entrepreneurial improvements.

“Fail early, fail often, but always fail forward.”

John C. Maxwell, Author & Coach

Everybody is talking about embracing a culture of learning from mistakes today, and we too want to make active use of the added value that results from carefully evaluating an error. On the one hand, this means confronting employees with the fact that every risk bears the danger of failure; on the other hand, without the risk and courage to try something new, a company cannot grow and improve. We have to work hard to ensure that making mistakes loses the stigma of apparent failure. A lot of persuasion is required here, because we are working against established behavioral patterns and beliefs.

Andreas Steinle, Managing Director of Zukunftsinstitut Workshop GmbH and an expert on communication and consumer trends, put it very well: Curiosity is the desire to be smarter afterwards than before. Security is the desire to be smarter before than after. With the desire for security, however, we don't go into unknown territory in the first place, we hardly get involved with the unknown.

We are working to find a middle ground that is acceptable to all so that we can give space to curiosity.

In addition to looking at our customers to best meet their needs and desires through our products and services, and looking at ourselves to provide the foundation, we also recognize our social responsibility. This goes beyond the fundamental ethics with which we conduct business management and is intended to have an impact within the framework of our Corporate Social Responsibility projects. Employees are given the freedom to engage in social activities during their working hours at the expense of and with the support of OTRS; we prefer team projects to individual activities.

WE'LL FREE OURSELVES!

Freedom & Strategy

2018 was the year for a decisive and drastic change of strategy. We decided that our free-based product would be the focus of our efforts in the future, freeing us from the (corporate) limitations that arise from regular releases of our open-source downloadable releases.

At first glance, a paradox seems to open up here: Turn away from the open-source business model in order to generate more freedom? Shouldn't the move to free software also make freedom possible?

This was a groundbreaking step after 15 years during which, not only OTRS, but also a very large worldwide community have benefited from our extensive investments in the software. At the same time, we also supported many OTRS service providers who have been able to build and secure their existence through use of our software.

In the midst of these competitors, our ability to differentiate ourselves through a USP became limited. With the original business model we could not generate the revenue that would allow us to build out the software with the latest technologies and offer an excellent user experience.

We have gained more freedom with the new business model. This has a particularly positive effect on the quality of our software. At the same time, it has a highly meaningful and identity-giving effect on our employees. These are aspects that have to be taken into account, especially in light of the increasing shortage of skilled workers and in promotion of good employee retention.

To make it clear through comparison: With our original business model, we took the passenger seat, but never really took off and were unable to freely determine our direction. With the change in strategy, we are now at the wheel with a wide range of attractive destinations ahead of us.

SOONER OR LATER WE'LL GET ALL OF YOU...?

Freedom & Customer

Many people may remember one of Danone's well-known advertising slogans from the 1990s: "Sooner or later we'll get you all." This slogan has regained its relevance, because today the customer is a more fiercely contested "object" than ever before. At a time when algorithms analyze and influence our buying behavior, customer acquisition and customer care are taking new paths and have acquired new attributes. Artificial intelligence (AI), speed and flexibility play an important role.

"Do you have satisfied customers? Yes? That's not enough!"

Edgar K. Geffroy, Author

Customer service and management handled by **AI** goes far beyond simple purchase recommendations, such as those found at Amazon. Chatbots can now not only answer standardized queries, but can also recognize customer moods. This is just one example, and only a marginal part of the potential, that artificial intelligence offers in customer service.

Processes must be standardized to the highest degree in order to generate answers within the **shortest possible time** and thus make customer care and service as seamless and time-efficient as possible. Connectivity is the keyword. With an "always on" mentality, customers expect companies to be just as accessible and networked as they are themselves, on exactly the channels they use themselves. They literally want to be able to make full use of the "new freedom" of mobility. The fact that service can be provided "freely" and location-independently is also an important future-oriented point for our customers in their function as employers: The massively increasing flexibility of the workforce is part of the remote culture, necessitating dynamic work locations and home offices, among other things.

All these aspects flow into the design of an optimized customer experience, but above all, the following trends decisively determine its success:

Customization

For a long time, we were busy bundling different customer expectations and combining them into products and services that met the needs of a large number of interested parties. This has changed. It is no longer the standardized product that is state of the art, but the one that gives the customer the opportunity to have it customized according to their wishes or, even better, the ability to individualize it themselves.

Customer Journey

The so-called customer journey is successful if customer orientation is stringent in all phases of the process, from information gathering to contract conclusion. In the age of digitalization, this poses special challenges for companies because the customer can act quickly and effectively: In the event of waiting times or other dissatisfaction, a mouse click or touch screen is all it takes to end the process. And, the competitor is only one click away.

Multichannel and omnichannel have become increasingly important, drawing attention to the very professionalism that should accompany potential customers across all channels and media. This requires process automation more so than standardization.

Involvement in the Service Process

Customers welcome the opportunity to become active themselves. This is highlighted, for example, by the uptick in self-help offerings, such as knowledge bases, FAQs or customer communities. Customers can now decide when, by whom and in what form they need support and want to make use of it.

Above all, there is demand for an individualized and personalized approach. After all, customer satisfaction is all about timely and appropriate communication. Digitalization, and especially social media, have contributed to a considerable positive change in this area. The notion of making direct contact and possibly even obtaining solutions, i.e. carrying out communication in a transparent manner, has made a significant contribution to improving customer satisfaction.

Individuality in customer communication needs freedom: It needs time and space for creativity and the development of new approaches. It must not be overtaken by routine tasks and standard activities. Therefore, our mission is to make freedom possible by ensuring that our software relieves customers of these routine tasks.

We do not explain to our customers how to best deal with their own customers. However, with our products, we create the basis for our customers to gain time so that they may deal creatively with the really important topics. We provide them with a tool that frees them from time-consuming tasks that do not add value to the customer relationship. At the same time, our customers can ensure that consistent, stringent communication is established, at all times, in all places and on the preferred channel. With **OTRS**, our customers can create a positive customer experience for their customers.

FREE “FROM” ALSO MEANS FREE “FOR”

Freedom & Software

Freedom against the background of co-designing is a frequent point of discussion in software development. Here, the path to total autonomy when developing open source software is often propagated as the only possible path. In fact, according to Isaiah Berlin, “positive” freedom consists in the free decision for software that is available to everyone.

Digitalization means that almost the entire world of software is made accessible to virtually everyone, whether open source or not. So, it seems that the question of whether the product is an open source tool or not is becoming increasingly rare.

Perhaps this is because we need to make a greater effort to socialize and to shape our digital lives than to answer this question.

Today, it is about how, where and why these tools are used. And that brings into play other requirements that we have to take into account every day in our development work.

When we program software, we first and foremost focus on the well-being of our customers. We want them to receive a solution for their tasks with **OTRS**. And this solution should be pragmatic, fast and self-explanatory.

The work should be fun, even if the actual task is not so attractive. Fortunately, **OTRS** can help minimize these boring tasks through new releases and features, which improves satisfaction and means success for the software.



Freedom in Software Development Has Various Components for Us

Free from Extra Baggage

This is about freeing oneself from unnecessary **burdens**. In other words: **OTRS** always offers the customer exactly what they need. Instead of equipping them with a whole orchestra when they only want to play two notes, **OTRS** gives them an instrument that they can play the way they want. Maybe only two notes, or maybe a whole melody.

Agile Software Development

There are also trends in software development itself, such as **agility**, one of the top issues in 2018. Digital transformation requires companies to act more dynamically and to deal intensively with the traditional culture that has evolved. It is becoming increasingly important in software development that teams are agile and work in sprints, i.e. with smaller and faster development steps.

This approach also corresponds to the development work of **OTRS**: The roadmap is designed with many short-term milestones that dynamically-changing teams develop in a low-hierarchy and transparent working environment with a detailed UX (user experience) concept as the basis.

This agility helps us to react quickly, adapt, and at the same time pursue our goals sustainably.

For us, agility means freedom from rigid structures and long-term, unchanging projects.

Freedom Through Individualization

In addition, we offer our customers a “three-stage concept of freedom” through individualization when using **OTRS**: At the **setup stage**, there is a wide range of **configuration options** that allows every user to set up **OTRS** in a way that is most efficient for his or her work processes, including establishing individual preferences. For example, the user can define ticket views according to his or her requirements or add dashboard widgets that are specific to his or her needs.

In the **second step**, the **wide range of features** provides a degree of flexibility without weighing down the processes.

Depending on the need, features can be used, exchanged and adapted so that they provide the most necessary and helpful support for the respective work situation. If, for example, the simple service level management for measuring reaction and solution times reaches its limits, the feature “Advanced Escalation” can be activated as soon as the demand to implement a complex, fine-grained service level management process increases.

Custom engineering is the most complete option for adaptation if special wishes or requirements exist. Web service-based interfaces, for example, can be implemented in order to facilitate processes conveniently with systems from an additional service provider.

Another very-often-discussed topic is the use of **cloud services**, which are of great relevance to us as a provider of a fully-managed solution. With our **STORM** and **CONTROL** products in particular, we move into data scenarios that require special attention and security.

It is becoming apparent that hybrid cloud environments are establishing themselves as an option and that security concerns are becoming a natural part of deciding on digitalization projects.

Hybrid clouds are the concept of choice when it comes to different scenarios for our customers, and they decide whether they want to secure their data in a public or a private cloud.

In this, we support our customers who prefer a private cloud with our On-Premise solution (**OTRS On-Premise**).

This clean separation allows us to access customer data only through a protected connection, such as a VPN or IP unlocking. In parallel, we operate our cloud-based fully-managed solution (**OTRS**) which meets the highest security standards and thus offers our customers a comprehensive and secure service that promises a high degree of freedom in their daily operations.

Flex Releases – Freedom for Customization

By modernizing the customer interface, we have taken a further step towards optimizing the user experience. At the same time, we laid the foundation for Flex Releases in future OTRS versions. Instead of releasing a large number of new features at a fixed time, we are aiming for several smaller releases per year with fewer features per release. Among other things, this is necessary to perfect the modularization of the user interface so that changes and additions can be made quickly and easily.

With the introduction of Flex Releases, customers benefit more quickly from completed features while the time required for stabilizing and porting the software decreases – a win-win situation that offers everyone a bit of freedom.





MEGA TRENDS

UTILIZATION & FRAGMENTATION
CONNECTIVITY
ALGORITHMIZATION
GLOBALIZATION
INDIVIDUALIZATION
KNOWLEDGE CULTURE
SECURITY



Megatrends – Shaping the Future

Megatrends are said to bring about long-term global change and shape us sustainably, every single person. They encompass all levels and facets of our society.

Dealing with them is a prerequisite for shaping the future intelligently, so this is a good reason to take a closer look around.

What can these instruments of futurology tell us? Where and to what extent do they influence OTRS? We have asked our management team for their thoughts on **eight megatrends**.

About the Megatrends Utilization & Fragmentation

In times of digital transformation almost everything is used at almost any cost. Time is spent on self-optimization and self-presentation, and one's own resources are used as tools. In addition, our society is being broken up into countless sub-societies as a result of digitization. On the one hand, every group, however small, comes together; on the other hand, the multitude of these subgroups makes it more difficult to develop a holistically perceived identity.

With all this digitalization, we run the risk of losing and unlearning our humanity.

As Karl Marx noted, it is important that we not forget the producer behind a product. I see OTRS as a unit consisting of a large number of people – customers, employees and service providers – who, like a clock, depend on every cogwheel.

Every single one is equal and must be oiled with care so that it runs. As humans this means nothing more than that everyone deserves to be treated with respect and acknowledged. This also includes setting a sustainable and long-term course for the future and thus setting a counterpoint to trends that only determine our state in the short-term.

For me, OTRS is the foundation on which I not only create a social framework in which employees, customers and service providers can maintain and further develop their identities, but also a place that is sustainable and will thus exist for many future generations.

Burchard Steinbild

Chairman of the Supervisory Board & Founder

About the Megatrend Connectivity

For me personally, social media non-existence would be a very desirable luxury good. Facebook, Twitter, Snapdings or XingledIn – I give them no place in my life and communicate only via email and telephone. And yet I am aware that in times of digitalization, the networking of the world is taking on completely new dimensions.

The internet has become a natural companion and helper in everyday life. For companies, this means being present on the channels that reach the customer. The age of email is coming to an end, and a service desk like **OTRS** must take this development into account. Therefore we work intensively on the modernization of our software so that people have the freedom to communicate on the channel that is currently in demand.

Whereas in the past companies functioned efficiently primarily through predefined processes, today we need the ability to learn and the courage to do something new at every level. The challenge here lies in the synergy-creating interaction of structures, employees and the colleague “machine.”

For many of our users, this is everyday life – **OTRS** has long ceased to be a pure customer communication instrument. Our software controls processes in companies in a variety of ways. The basis for this is its enormous flexibility. It is not an “out of the box” product to which the customer has to adapt. **OTRS** gives companies the freedom to be the way they are and accompanies them on the path they want to take. The steps to be taken are usually connected (connectivity) to existing or new components in the company – be it AI software, a new department or a communication channel.

This connectivity concept is not new for **OTRS** – it has been practically part of the company since its infancy. It is not for nothing that we have been calling **OTRS** “glueware” internally for many years. Seen this way, the megatrend “connectivity” is actually old hat for us.

About the Megatrend Algorithmization

As a close ally of digitization, algorithmization is finding its way into all areas of society – and one gets the impression that it is simultaneously reconstructing and restructuring. We live with a permanent digital shadow that has not always been created with our consent. Everyone and everything is evaluated, measured and made transparent to everyone with competition as a leitmotif. The manipulative character of this approach is largely ignored. Of course, we have always been controlled by advertising, but in the context of information overload the control by algorithms has spread to such an extent that we more or less have to capitulate to the permanent over-stimulation by the superlatives.

Thoughts of freedom as a counterpoint to this movement must be understood as an instrument for not having to completely abandon the idea of being an independent individual. What the quantifying measurement by algorithms does is a staging of more or less, better or worse – the exact opposite of what we understand as freedom. At the same time, this universal measurement promotes hierarchical thinking.

For, according to Steffen Mau's thesis, the previously incomparable is suddenly made comparable and brought into a hierarchical relationship. With our understanding of freedom, we strive to create a space that allows individuality instead of focusing on the universal, and to neglect hierarchies in favor of promoting the development and potential of each individual.

OTRS is therefore not a place in which algorithmization may find a place. However, we are equally free enough to understand that in our professional field of activity this has significance and therefore cannot be neglected in the interest of supporting our customers.

Christopher Kuhn

Member of the Management Board & COO

About the Megatrend Globalization

At OTRS, globalization has been a topic we have been dealing with since the company was founded. And this is not only because a megatrend has motivated us to do so.

The focus today is on global generations, diversity and a new global culture. These are highly interesting for us as a company as we consider our development and culture.

We have always looked beyond our own horizons and searched for new markets, customers and thus employees and ideas. Our goal has always been to carefully spread risk and grow successfully at the same time.

With our subsidiaries, we live in a microcosm of globalization. In doing so, we try to put national ways of thinking aside and solve global challenges in the same way.

Cross-departmental work on a project basis ensures diversity, more comprehensive results and new, creative ideas that benefit our software.

Our global corporate culture is shaped by the idea of being a reference. It serves as an orientation for employees in all countries and branches and is the basis for discussions about differences and similarities. An open exchange is desired and leads to a common understanding.

Ultimately, I see globalization as an opportunity, a liberation, a reinvention, a trial and error, and a constant change.

About the Megatrend Individualization

In such a large team, spread across different countries, individuality is the nature of things. This is due to cultural differences, local legislation, and also quite simply to personal preferences and idiosyncrasies.

We appreciate and encourage the expansion of freedom and the possibilities of the individual. The employees themselves are also called upon to do this, because freedom of choice requires the compulsion to make decisions and actively participate in shaping them.

It is a challenge to combine individualization into a functioning whole.

Structures and clear processes, but also the freedom to design and shape them, to change them and in our case adapt them to country-specific conditions, help.

Experience teaches us time and again that communication is the mainstay of our commitment to our customers so that individuality can be lived. It is necessary to find and define common goals and values, taking into account individual possibilities.

We see a strong sense of “we” as confirmation of our successful efforts and strengthen this in our regular “work together.”

About the Megatrend Knowledge Culture

The megatrend knowledge culture is permanently present. Knowledge is naturally and constantly being expanded, and it can now be made available and accessed at any time, almost barrier-free and completely independent of location.

This megatrend has a significant influence on our development department.

With **OTRS**, communication can be coordinated and structured. The resulting and required information must be easily retrievable for later use. Until today it had been a challenge to make the enormous amounts of data quickly searchable and to present them to the user in such a way that he or she is able to work efficiently. In addition, the use of artificial intelligence will increase considerably in the coming years with **OTRS**. In addition to the human user, the aforementioned amounts of data must also be made comprehensibly accessible to mathematical algorithms. This is an enormous challenge for the development of **OTRS**, but we are already facing it with great enthusiasm.

With the increasing success of the OTRS software, the number of employees in the development department is also growing. We work on a very decentralized team and therefore need an infrastructure that enables productive, efficient and innovative collaboration without having to meet physically. It is essential to ensure that many developers can work simultaneously on a part of the software without interfering with each other. The constant testing of individual software components and the handling of test results are also essential for the success of the software.

Ultimately, it is no longer a challenge to build knowledge in today's world. Rather, it is about filtering, structuring and storing knowledge in such a way that human and machine can access it and work with it. It's like the famous search for the needle in the haystack, but there are many different needles in many haystacks that are constantly growing in size.

About the Megatrend Security

In fact, today we live in the safest of times. In an increasingly complex and networked world, however, absolute predictable security is becoming increasingly difficult or simply unrealistic.

In addition, there are two sides to, or opposite needs for, security. In a world marked by digitalization and social networks, we are more-than-ever willing to make personal data available. We want to take advantage of the new freedom of the digital world. At the same time, we want to avoid the misuse of our data. Even though the legal regulations are being defined more and more precisely, security gaps can probably never be completely avoided. As a consequence, we become more cautious when we are on the move on the Internet. In case of doubt, we may decide against taking action and thus accept lost opportunities. We find ourselves in a permanent field of tension due to the simultaneous desire for freedom and control.

Security is assumed, but should not be rigid or constricting.

An essential part of the topic concerns operating systems and software used. With **OTRS**, we offer a cloud solution that implicitly requires a high degree of security. Therefore safety, privacy and security are our highest priorities. In Process & Organization Development, we deal with these areas, address current issues, such as C5 compliance, and establish corresponding processes and measures.

But security needs are constantly changing and go far beyond technology.

Our employees want to and should work flexibly. This requires personal responsibility and organization. High accessibility and decentralization are becoming challenges for the subjective feeling of security, but also for objectively measurable security indicators. It is important to strike a balance between the necessary corporate security, legal requirements and the desired agility and willingness to take risks. To this end, we develop ideas and measures in various projects, primarily in order to create an awareness of shared responsibility among our employees.





SUMMARY 2018

MISSIONS
SOFTWARE DEVELOPMENT

MILE STONES

2018 was eventful and exciting for the OTRS Group. Once again, we were able to achieve key targets for further development – both in the continuous optimization of the software and for the company itself.

2018 was not only successful, it was groundbreaking.

First Quarter

OTRS was already on the road in the first quarter of the financial year. For us, participation in conferences and trade fairs is an important part of exchanging experiences and researching trends. And worldwide, we were able to participate in two international events at which we presented our OTRS software and all other services.

At Pink 18 in Orlando in **February**, the focus was on Integrated Service Management, Agile & DevOps and Lean IT. Of particular interest were classic ITSM, IT security processes and the handling of vulnerabilities. The lecture by OTRS COO Christopher Kuhn on the risks of the Internet of Things (IoT) and the resulting attack vectors was a highlight of the event.

In **March**, our travels continued in Singapore. We exhibited at IoT Asia, an excellent platform that brings together technology minds, design architects, solution providers, engineers, academic institutions, investors and start-ups to examine the latest trends and partnership models in Asia. The event focused on four areas – Smart Cities, Industrial IoT, IoT Data Analytics and Enablers. By participating in the event, the OTRS brand was presented and our brand awareness in the Asian market was enhanced.



Second Quarter

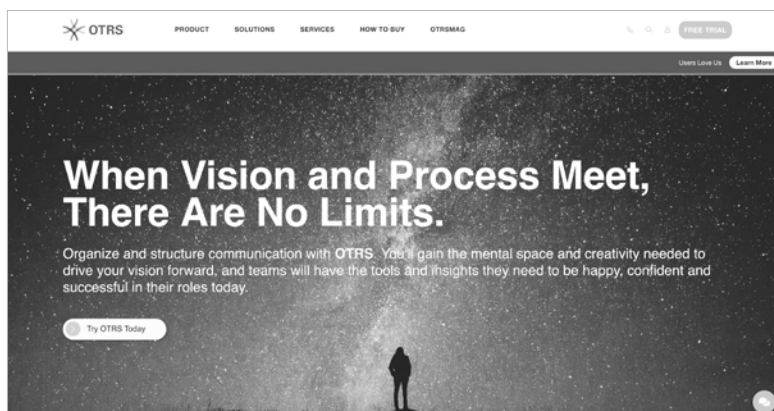
We took a groundbreaking step in **April**, both for the current financial year and for the future.

A new strategic direction for the company was announced. Since then, our focus has been on further developing and expanding the customer offering of the fully-managed solution. This is intended to maintain and further improve the high quality of the software. The previously named **OTRS Business Solution™ Managed** became **OTRS**; the former **OTRS Business Solution™** is called now **OTRS On-Premise**. The open source version OTRS Free was also renamed to ((OTRS)) Community Edition and will be further developed in the future. The publication of our new corporate strategy on **16 April** also saw a complete website relaunch.

In **June**, we again confirmed and expanded our international orientation: The sixth OTRS location was established in the Hungarian capital Budapest, where we had previously worked together with a local sales partner. In addition to the promising business potential in Hungary, we gained highly committed and professional employees with the new colleagues who know the software **OTRS** very well.

The London Olympic Stadium hosted the Service Desk & IT Support Show (SITS) from **05 - 06 June**. As an exhibitor, we took part in this trade fair for the first time in 2018. SITS is the UK leader in IT Service Management and is particularly well known among support experts. **STORM** powered by **OTRS**, our corporate security solution, was also of great interest.

On **27 June**, OTRS AG published its annual report for 2017: All targets for 2017, taking the strategy into account, were achieved, sales revenues increased and the high cash flow ensured flexibility in business planning.



Third Quarter

In the run-up to it-sa, the leading IT security trade fair in Nuremberg in October, a press preview was held at the Information Security Hub at the Munich Airport on **26 July**. Here our OTRS experts had the opportunity to introduce our company and the product **STORM** to a group of selected IT journalists.

A long-cherished wish was fulfilled in **August**. With OTRSmag, the OTRS Blog was created. This offers readers regular tips and news as well as provides a forum in which we can share ideas and thoughts from our experts.

From **25 - 26 August**, we presented ourselves for the first time as an employer at the FrOSCon in Sankt Augustin. Free Software and Open Source were the topics of the event, which is held every year in late summer by the Department of Computer Science of the University Bonn-Rhein-Sieg with the help of FrOSCon e.V..

2018 was also an anniversary year for us. In **August**, we celebrated the 15th OTRS birthday and looked back on our success story. OTRS solutions are used worldwide today and we employ more than 100 people in six international branches and two locations in Germany. On board the “Johann Wolfgang von Goethe,” the entire OTRS team toasted the 15th anniversary of the company. Employees from Germany, Brazil, Singapore, China, the USA, Hungary and Mexico travelled to celebrate the anniversary together and sailed across the Main River into the night.

In **September**, there was another trade fair premiere for us: SMM in Hamburg. This trade fair defines itself as the world’s leading trade fair for the maritime industry. We presented ourselves as provider of our corporate security solution **STORM**. Additionally, at FUSION18 in St. Louis, Missouri, the US OTRS team spent three exciting days with executives from the ITSM sector. The event was a great opportunity to present our software to decision makers in the areas of DevOps, IT Security and Service Management.

OTRS AG published its half-year report for 2018 on **28 September**: Revenue increased again and the outlook for total revenue of more than EUR 8 million for 2018 was confirmed.



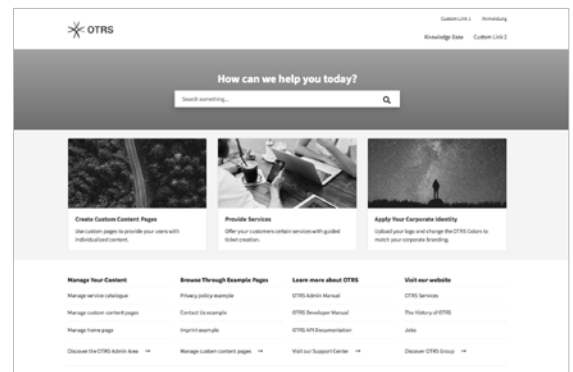
Fourth Quarter

The 4th quarter began with a high-class security trade fair, it-sa, which took place from **4 - 10 October** in Nuremberg. It is one of the most important events for cloud computing, mobile, cyber security, and data and network security in the world. Here we presented our corporate security solution **STORM**. In addition, the brand new OTRS product **CONTROL** was presented for the first time. It is a tool that supports the operation of an ISMS according to ISO/IEC 27001 standards.

Also in **October**, we participated at FUTURECOM in São Paulo. FUTURECOM is the largest and most important event on digital transformation, technology and telecommunications in Latin America, focusing on Internet service providers, telecommunications services and systems providers.

The absolute highlight of the year was, of course, the OTRS major release – **OTRS 7**. On **19 November**, we released the latest software version and thus extended the world of possibilities for our users. Starting with **OTRS 7**, our customers benefit from further innovative, helpful features and experience a significantly optimized customer interface. Automation is simplified, error rates are reduced and searches are accelerated. In a press tour prior to the launch, **OTRS 7** was presented exclusively in three IT publications.

The end of the year is always the time to look toward the future. In 2019, for example, we opted to begin making a greater commitment to the framework of Corporate Social Responsibility. As a prelude to this project, we took part in a Christmas campaign organized by the Arche in Frankfurt/Griesheim. We made it possible for socially disadvantaged children to have a carefree day at the ice skating rink.



SOFTWARE DEVELOPMENT

On 19 November 2018, we released **OTRS 7**, a new major release.

With the release of **OTRS 7**, we implemented our new and groundbreaking strategy. This change was accompanied by a rebranding: The **OTRS Business Solution™ Managed** became **OTRS**. Our freely accessible version OTRS Free is now called ((OTRS)) Community Edition. New OTRS versions will initially be released only to paying customers with approximately a 2-year delay before releasing an updated ((OTRS)) Community Edition to the public.

The following pages give an overview of new functionalities and a short outlook of **OTRS 8** which will be released later this year.

New Features in OTRS 7

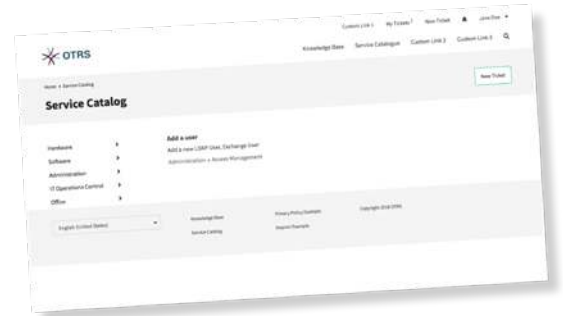
Customization

- Adaptation of the user interface to the corporate design: **OTRS** can now be extensively adapted to corporate branding needs within the customer and service centers (images, logo, font, etc.).
- Individual content pages: One's own pages with any content can be easily created and edited in the customer and service centers using an editor.
- Surveys in corporate design: Surveys can now be adapted to corporate design and sent to customer users.
- Images as a response option in surveys: From now on, images (e.g. 3 smileys) can be inserted as response option in surveys.



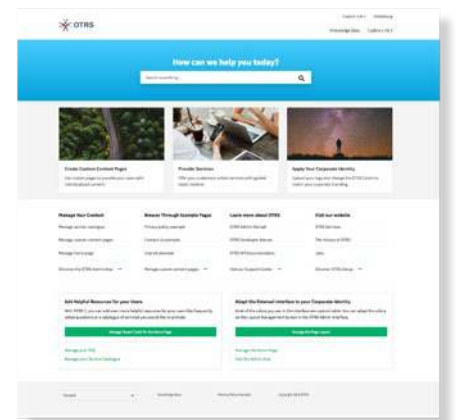
Ticket Management

- Service catalog with guided ticket creation: A completely independent service catalog can be created via guided ticket creation.
- Text templates for article subject: Templates can now be stored, including the article subject.
- Shared ticket search templates: Ticket search templates can now be shared between agents.
- Support of dynamic fields in ticket bulk actions: Actions (e.g. status change, queue change, dynamic fields, etc.) can now be performed on one or more tickets simultaneously.



Customer Management

- Full-fledged customer and service centers:
 - Adaptable to corporate identity: Colors, images, fonts
 - Simple creation of a knowledge database with FAQs
 - Integration of forms and processes
 - Individual service catalog
- Viewing CIs from the CMDB in the Customer and Customer User Information Centers: The Customer and Customer User Information Centers now also support viewing relevant CIs from the CMDB. No more time-consuming manual searches and data still remains protected.



Integration

- References to external resources: The new reference can be used to refer to and redirect all types of external resources. Thus, there is now a central place for information.
- Partial CI versioning: Allows a single attribute to be partially updated without having to create a new version.
- Automatic email dispatch from third party systems: Web services enable the sending of emails by **OTRS** in the name of a third party system (e.g. SAP, ...).

Automation & Processes

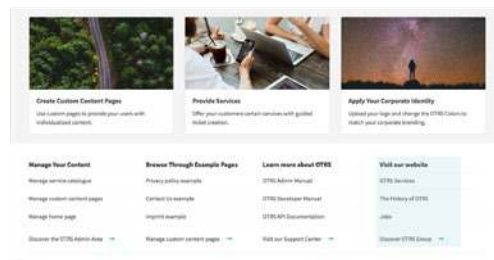
- Ticket update with CI data: Fully-automated access to the CMDB to link CIs or add CI data to a process ticket.
- Automation of recurring tasks: Fully-automated execution of tasks, e.g. for sending emails, moving a ticket or setting a ticket field.
- Corporate design in process tickets: Rich text and attachments make it easy to create automated email with corporate branding.



- Text templates for processes: Text templates for consistent quality in text and font usage can now also be used in processes.
- Automatic data import: Now information can be imported automatically when creating new tickets or articles. There is no need to copy and paste.
- BPMN-compliant wording: The element names of the process modeler in **OTRS** now correspond to the BPMN ISO naming:
 - Activity Dialogs => User Task Activity Dialogs
 - Transitions => Sequence Flows
 - Transition Actions => Sequence Flow Actions
- Creation of new activity types for the process management module:
 - User Task: User interaction through defined dialogs
 - Script Task: Automatically executes a script module
 - Service Task: Automatically triggers a Web Service Invoker
- Creation of new field types for the process management module:
 - Key / Value List,
 - Dropdown,
 - Rich text,
 - Multi-language, and
 - Recipients with the option to add custom field.

Knowledge Management & Self Service

- Dynamic search for all content: Fast, intelligent and dynamic search for all content (tickets, presentations, knowledge entries, etc.) in **OTRS**.
- Display public information without login: Public information can be made available without login. Visitors can quickly access approved content without logging in.
- Proposal for FAQ entries during ticket creation: The agent interface now supports the display of relevant FAQ entries during the creation of a new ticket.



Security

- New security concept for Client Side Application based on the Content Security Policy and cryptographically secured tokens for the customer and service centers to make the occurrence and exploitation of security gaps more difficult.

OUTLOOK: OTRS 8

The period following the release of **OTRS 7** has not meant a break for our developers; on the contrary, this has been a peak phase of work on the upcoming version.

In **OTRS 8**, we are focusing on the following three areas:

Agent Interface

The redesign of the customer interface in **OTRS 7** was the harbinger of something big: In **OTRS 8**, we will complete the long-awaited facelift on the agents' side, which is so much more than that because even during the development of **OTRS 7**, extensive user studies were conducted to bring **OTRS 8** into a new era of user experience. The upcoming release will therefore not only bring something completely new on a visual level, but will also break up and rethink the familiar OTRS structure. The result: An intuitive software that optimally supports its users in their daily work with customers.

Proactive Information

In the future, more than ever, customer service employees will have the freedom to concentrate on their core business. In **OTRS 8**, a new Client Side Application will be integrated which syncs news and changes on the server side. With this proactive behavior, agents no longer have to take action to see that there is something new.

Social Media Channels

Another important innovation in **OTRS 8** will be the implementation of selected social media channels in **OTRS**. With the connection to Twitter, Facebook and LinkedIn, we are laying the foundation for barrier-free communication: Tweets and posts can be published from **OTRS** and customer enquiries can be answered without having to switch tools.

Software development in particular is constantly becoming more complex and challenging. Particularly in the age of digital transformation, innovation and the use of the latest technologies are becoming more and more important. We are aware of this and continuously research trends (e.g. WebSockets, Client Side Rendering or Single-Page Applications) and the competition. We implement OTRS-relevant application cases quickly and, above all, always with the best possible quality. This enables us to offer an outlook on upcoming trends. Since complex structures have to be developed to market maturity quickly and the development team is constantly growing, the efficiency of the cooperation is decisive and is continuously improved. We use various tools and automation mechanisms to check and ensure code quality automatically. Another important factor is the fully-automatic and continuous testing of our software. We achieve this with a specially developed test environment that continuously tests the current codebase. Several million individual tests per day are applied to the OTRS version currently under development in order to find and report errors.

Language assistants, such as Alexa & Co. and the ubiquitous chat bots, are only a small selection of the possible applications of artificial intelligence which have already penetrated all economic areas to a much greater extent. Naturally, we see huge potential for **OTRS** in this area, specifically through more service optimizations. Therefore, this topic is already firmly anchored in our software development efforts.



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REPORT OF THE SUPER VISORY BOARD



Dear Shareholders,

The following report of the Supervisory Board will inform you of the Supervisory Board's activities in fiscal 2018 and the results of the audit of the 2018 annual financial statements of OTRS AG.

In the past fiscal year, the Supervisory Board performed in full all the controlling and consulting duties incumbent on it in accordance with the law, the Articles of Association and its Rules of Procedure. Furthermore, the Supervisory Board advised the Management Board on its running of the company and carefully monitored it on the basis of written and verbal reports from the Management Board and joint meetings. The Supervisory Board was always involved, in both a timely and adequate manner, in all decisions of fundamental and strategic importance. An intensive and always open dialog was the hallmark of the cooperation.

The Management Board reported to the Supervisory Board regularly, promptly and comprehensively on all key issues of ongoing business development, revenue, the financial position and results of operations, relevant aspects of company planning including financial, investment and HR planning, the strategic development of the company, changes in the risk situation and risk management. Events of particular significance to the position and development of the company and the Group were always discussed in good time. All measures by the Management Board subject to the approval of the Supervisory Board were examined, discussed and decided on. The cooperation between the Management Board and Supervisory Board was characterized by great trust.

The work in fiscal 2018 was founded on the meetings of the Supervisory Board and the verbal and written reports by the Management Board. Following thorough examination and consultation, the Supervisory Board voted on the reports and resolutions proposed by the Management Board to the extent that this was required by law and the Articles of Association. In individual cases, the Supervisory Board adopted resolutions by circulation outside meetings.

Alongside the regular meetings, the Chairman of the Supervisory Board maintained regular contact with the Management Board and primed himself on the current business situation and key events. Given that the Supervisory Board has only three members, no committees were formed in fiscal 2018.

Meetings of the Supervisory Board and Key Issues Discussed

The Supervisory Board held three meetings in person to carry out its duties in fiscal 2018. All members attended the meetings.

The Management Board regularly reported to the Supervisory Board on the situation and development of the company and on key transactions. The reporting obligations in accordance with section 90 of the Aktiengesetz (AktG – German Stock Corporation Act) were duly fulfilled in this context. The meetings in person were held on 23 May, 8 August and 29 November 2018.

In addition to current business developments, the Supervisory Board's advisory and monitoring activities focused on the company's strategic orientation in the reporting year. Furthermore, key issues in the Supervisory Board's work in the reporting year were planning for 2018 and 2019, the Annual General Meeting and the company's revenue, earnings and liquidity development.

In its meetings, the Supervisory Board also discussed detailed reports on the business development of the company. The Supervisory Board comprehensively discussed all matters pertaining to the strategic orientation of the Group. Throughout the entire reporting year, the Management Board reported to the Supervisory Board regularly on the revenue and earnings situation and on risk management. Whenever deviations from earlier planning and projections occurred, these were explained to the Supervisory Board at length.

At the meeting held in person on 23 May 2018, the Supervisory Board examined and approved the annual financial statements and the management report for fiscal 2017. The 2018 Annual General Meeting was also a priority at this meeting. Furthermore, at this meeting the Management Board reported extensively on the intended business policy and corporate planning, including in particular the financial, investment and HR planning at the company and its subsidiaries. Potential deviations in actual developments from previously reported objectives were discussed in detail, stating the reasons, the course of business and, in particular, the revenue and earnings situation of the company and its subsidiaries.

At the meeting on 8 August 2018, the Supervisory Board held a constituent meeting following the election of the new Supervisory Board by the Annual General Meeting on the same day. Burchard Steinbild was reelected as Chairman of the Supervisory Board and Thomas Stewens as Deputy Chairman.

At the meeting on 28 November 2018, the Supervisory Board adopted the report of the Management Board in accordance with section 90(1) sentence 1 no. 1-3 AktG on the intended business policy, profitability and the course of business including financial, investment and personnel planning and discussed it in detail. In addition, in accordance with section 90(1) sentence 1 no. 4 AktG, the Management Board reported on transactions that may be of material importance to the liquidity or profitability of the company.

Audit of the 2018 Annual Financial Statement

VEDA WP GmbH Wirtschaftsprüfungsgesellschaft audited the 2018 annual financial statements prepared by the Management Board in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the management report, and issued each with an unqualified auditor's report. The audit certificate was issued on 1 April 2019.

The Supervisory Board received the annual financial statement documents and the auditor's report in advance and discussed them extensively. The auditor delivered his detailed report to the Supervisory Board in person at its meeting on 3 May 2019, where he also answered questions from the Supervisory Board's members to their satisfaction. As required by law, the Supervisory Board examined the 2018 annual financial statements for the company, including the management report, prepared by the Management Board. This did not give rise to any objections. The Supervisory Board approved the annual financial statements in accordance with section 172 sentence 1 AktG on 3 April 2019. The annual financial statements of OTRS AG have thus been adopted.

The Supervisory Board would like to thank the Management Board and all the employees of the OTRS Group for their great dedication and very successful work in the past fiscal year. The Supervisory Board would also like to thank the shareholders for their interest and continuing trust in our company.

Oberursel, April 2019



Burchard Steinbild
Chairman of the Supervisory Board





MANAGE MENT REPORT

BASIC INFORMATION
BUSINESS & GENERAL CONDITIONS
RESULTS OF OPERATION, FINANCIAL
POSITION & NET ASSETS
REPORT ON RISKS, OPPORTUNITIES &
EXPECTED DEVELOPMENTS

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Financial Position & Net Assets 62

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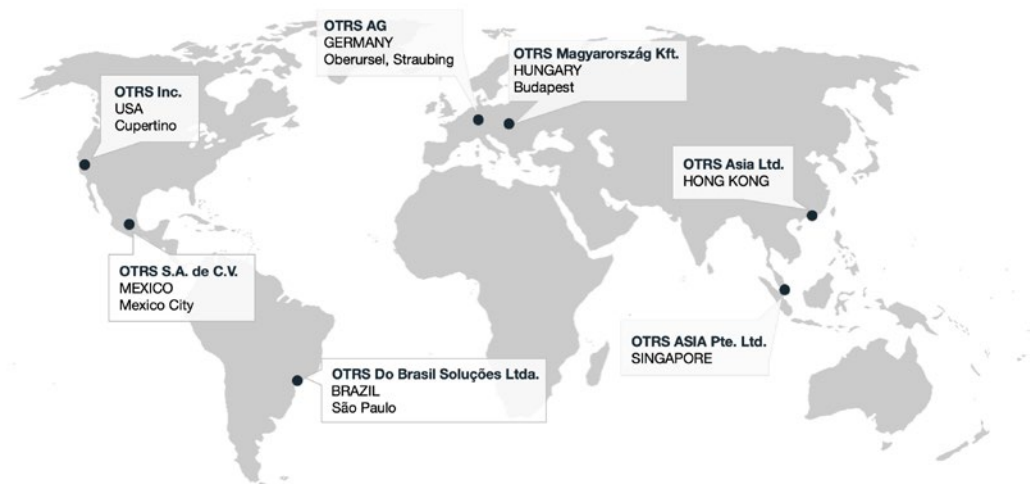
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BASIC INFORMATION

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.



Mission Statement

Why

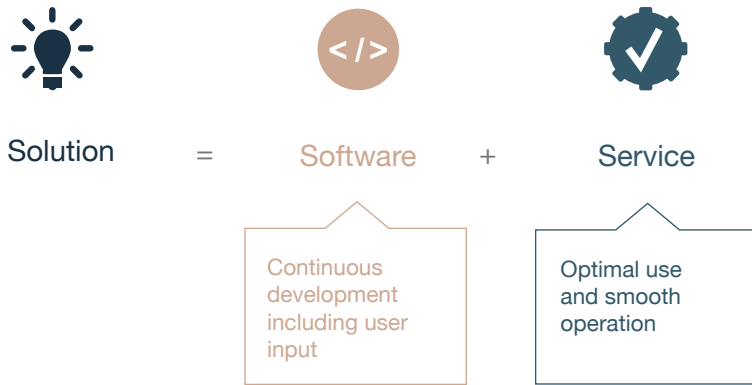
We give companies the freedom to be successful. We believe that companies must be flexible to stay successful. When daily routines are embedded in reliable and transparent structures, it creates freedom for the creativity that helps companies grow.

How

OTRS brings structure into dynamic business environments. **OTRS** adapts to the requirements of each company and not the other way around. **OTRS** provides companies with the DNA that supports the natural evolution of their processes.

What

We offer our customers Solutions as a Service. By this we mean the ability to choose from a variety of configuration options and supplementary features, exactly the ones you as the customer need for your scenario – 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 always strive to update the software permanently and adapt it to the requirements arising from 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 core, 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 company's vision, which is to create a reliable structure in dynamic corporate environments.

BUSINESS & GENERAL CONDITIONS

Key Activities & Sales Markets

OTRS is a service desk system developed originally as an open source project and has been under GNU General Public License (GPLv3) since August 2018. The OTRS service desk system efficiently manages email inboxes and telephone inquiries in companies with high volumes of electronic or telephone inquiries. OTRS AG is the owner of the source code and the world's largest service provider for the OTRS service management suite. The company advises customers around the world on the introduction, further development and ongoing operation of OTRS software.

Given the complexity of the software and its use in companies, not to mention the specialist knowledge required, customers need special expertise and support in order to run it efficiently. As the owner of the source code, OTRS AG therefore also offers its customers comprehensive business support in addition to its software solutions. OTRS AG provides IT service management solutions ("ITSM") as well. We advise and support our customers in the integration, optimization and ongoing development of ITSM solutions and software-supported business process optimization. OTRS AG's portfolio for customers also includes the technical and HR outsourcing of end-to-end, computer-aided business processes.

OTRS AG has been pursuing a new release strategy: With **OTRS 7**, a new OTRS version will be made available initially only to paying customers and to the public with a delay of approximately 2 years. This change was accompanied by a rebranding: **OTRS Business Solution™ Managed** became **OTRS**. Our freely accessible version OTRS Free is now called ((OTRS)) Community Edition.

OTRS is independent of sector and not bound by the size of the company. As a result, in addition to our paying customers, OTRS users include companies, authorities and organizations from different industries across all countries. This is reflected in more than 170,000 installations in almost 40 different languages worldwide. 40% of DAX 30 companies use best practice service management solutions based on OTRS Service Desk and OTRS::ITSM.

In total, **OTRS** has been downloaded from its own servers more than 1.82 million times. This is only a fraction of the actual download numbers as the OTRS software (open source) can also be downloaded from other OTRS servers not owned by the company. For us, this is a key signal for the global popularity of **OTRS** and a promising change in strategy.

Development of the Economy as a Whole & the IT Sector

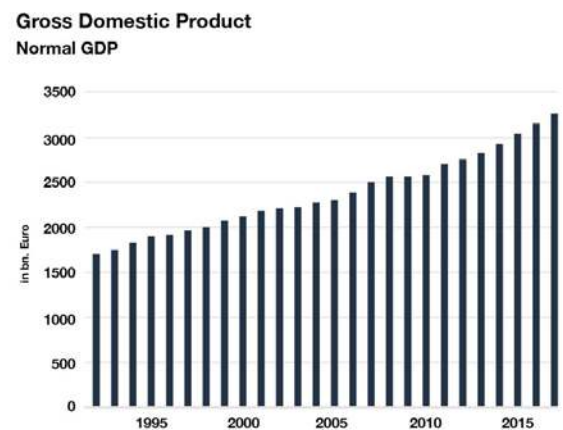
As in previous years, digitization and – above all – its implementation in 2018 was and will continue to be a focal point for companies. This is not only shown by the current statistics of Germany's digital association bitkom, but also by a recent OTRS Group survey of more than 230 IT managers in Germany and the US.

20% of the German IT managers surveyed state that they have devoted most of their time this year to digital transformation. Further results of the study: Approximately 30% of German IT managers will invest the majority of their budget on improvements and upgrades in the area of Artificial Intelligence (AI) in 2019.

Furthermore, the EU General Data Protection Regulation (GDPR), which came into force in May 2018, is a high priority this year. It has kept organizations and companies across all industries busy, but does not seem to have created a stronger sense of security. Despite the regulation, according to the OTRS study more than a third (34%) of CIOs surveyed in Germany are concerned with regard to cyber criminality, 21% are even deeply concerned. The OTRS Group is comprehensively engaged with cyber security. As experts in cyber security, with **STORM**, it offers a product that helps companies set up and systematically implement end-to-end processes to handle security-related incidents. This allows security teams to respond more quickly and easily to hackers and cybercrime, helping to reduce some of the workload that CIOs are expecting this year.

OTRS also meets CIO targets in terms of the implementation of AI solutions in 2019. The service management software **OTRS** supports all ITIL requirements and digital transformation processes, but also uses automation and AI principles to speed up and improve IT workflows. Using Artificial Intelligence, any type of process – from hiring employees to ordering equipment – can be defined and automated within **OTRS**.

Taking a look at the German economy as a whole reveals that it is experiencing a steady upturn, which will benefit the development of sales at OTRS AG. The capacities of the economy as a whole are well utilized, employment is at a record level and consumer prices are stable. For 2018, the Federal Statistical Office announces an increase in the gross domestic product of 1.5%. For 2019, an increase of 1.0% is also expected (source: BMWI / Economic and Cyclical Development). According to bitkom, the ITC market is also continuing its growth. In the area of information technology, telecommunications and consumer electronics, revenue of EUR 168.5bn (+1.5%) is expected for 2019.



Source: <https://www.handelsblatt.com/politik/konjunktur/konjunktur-daten/>

With an anticipated turnover of EUR 92.2 billion and growth of 2.5%, information technology continues to be a driver in the ITC industry. With a volume of EUR 26 billion, the software segment will continue to grow strongly in 2019 and is by far the most in demand (+6.3%) (source: bitkom: ICT Market Figures, January 2019). According to Computerwoche, open source solutions such as the ((OTRS)) Community Edition will experience a renaissance in 2019. Artificial Intelligence (AI) is on the verge of taking a broad approach, and focus should also be placed on cyber security strategies to ward off the impending rising attacks (source: Computerwoche / Article: Key IT Trends 2019).

Research & Development

The company made progress in developing and improving its software in fiscal 2018. EUR 1,716 thousand was invested in the ongoing development of the OTRS software in the past fiscal year.

Customization

- Adaptation of the user interface to the corporate design
- Individual content pages
- Surveys in corporate design
- Images as a response option in surveys

Ticket Management

- Service catalog with guided ticket creation
- Text templates for article subject
- Shared ticket search templates
- Support of dynamic fields in ticket bulk actions

Customer Management

- Full-fledged customer and service center with knowledge base, forms, processes and service catalog
- Viewing CIs from the CMDB in the Customer and Customer User Information Centers

Integration

- References to external resources
- Partial CI versioning
- Automatic email dispatch from third party systems

Automation & Processes

- Ticket update with CI data
- Automation of recurring tasks
- Corporate design in process tickets
- Text templates for processes
- Automatic data import
- BPMN-compliant wording
- Creation of new activity types for the process management module
- Creation of new field types for the process management module

Knowledge Management & Self Service

- Dynamic search for all content (tickets, attachments, knowledge entries, etc.)
- Display public information without login
- Proposal for FAQ entries during ticket creation

Security

- New security concept for Client Side Application

Business Performance

OTRS AG is now no longer a pure open source company. Our appreciation for this almost philosophical approach has remained, even if the way in which we deal with it has changed. With the major trend of digitization, new topics have found their way into our world as a software company. This raises the question of intelligent integration of exactly those developments that are exciting and forward-looking at the same time, but above all those that are relevant to revenue.

It no longer about the ideological question of whether **open** or **closed software** is the right approach, but exclusively concerns the benefits for the customers. This still comes before everything else. With a more professional, at the same time more ambitious but also more investment focused engagement at the center of our activities, we intend to maximize the use of software for the customer.

For example, **OTRS** climbs to the next level on the evolution path and creates a delay in time between the release of the professional solution and the release of a free version. This comes with a rebranding: **OTRS Business Solution™ Managed** will become **OTRS**. Behind this, as was the case with **OTRS Business Solution™ Managed**, is the attractive overall software package, special features and a comprehensive service package as a fully managed solution. With the addition of “On-Premise”, **OTRS** continues to be available as a solution that is implemented directly on the customer’s system. The free version is published as ((OTRS)) Community Edition, but it will be delayed by approximately two years from **OTRS 7** onward. In this way, we strengthen the OTRS brand with exactly those attributes that we consider to be relevant for sales and success. At the same time, the attention of those interested and customers is directly channeled to the managed solution we prefer.

By deciding on a rebranding and a delay in time between the launch of the paid and the free solution, we create the platform for continued successful growth and competitiveness.

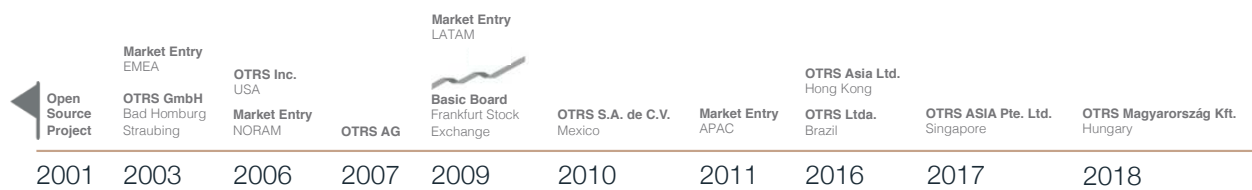
In the course of a continuous further development of trends and markets, the strategy and its implementation with regard to product development will be adapted on an ongoing basis as well. For instance, the significance of outsourcing areas of IT has risen dramatically in previous years, and will continue to play a major role in the business world.

This is because managed services support the optimal allocation and utilization of resources, which enhances profitability and improves operating efficiency. In addition, effectively adjusting to dynamic business environments and enhancing profit margins has stimulated market growth. Implementing managed services reduces IT costs substantially, which increases organizational flexibility and gives customers a technical edge (source: Managed Services Market Analysis, Market Size, Application Analysis, Regional Outlook, Competitive Strategies and Forecasts, 2014 to 2020).

With our managed solution, we are keeping step with the development, which is proving highly relevant at the interface between digital transformation and increased security requirements while at the same time enhancing efficiency.

Our roadmap, the OTRS evolutionary path, does not take into account all relevant trends in IT development on a national and international basis. Our expansion strategy is therefore geared to setting up branches where we have identified markets that we consider to be low-risk and sustainable for our solution.

OTRS History



Employees

The average number of employees (not including members of the Management Board) rose from 56 in the previous year to 63 as of the 2018 balance sheet date.

RESULTS OF OPERATION, FINANCIAL POSITION & NET ASSETS

Results of Operation

In the past fiscal year, revenue of EUR 8,314 thousand (previous year: EUR 7,645 thousand) was generated, with a revenue growth of EUR 669 thousand. This corresponds to an increase of 8.8%. The sustainable revenue growth shows that the awareness of OTRS software as an extremely useful corporate governance tool is growing steadily.

The biggest revenue growth was achieved in recurring revenue, on the basis of our software, which combines the standard version of **OTRS** with special features, security and software updates and support. This increased by EUR 1,084 thousand (18.6%) from EUR 5,830 thousand to EUR 6,914 thousand, and now accounts for 83.1% of total revenue (previous year: 76.3%). Recurring revenue results from existing contracts with fixed terms, which are usually renewed after they expire. Similarly, an increase in such contracts with existing customers indicates future revenue growth in this segment. This is also reflected in payments received, which are first reported on the balance sheet as deferred income and then as revenue in the months after the balance sheet date. This deferred income, which represents future revenue, amounted to EUR 4,248 thousand as of the balance sheet date (previous year: EUR 3,512 thousand) and is reported as revenue in the subsequent months of the underlying contract.

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

The decline in other revenue, in particular from customer engineering and consulting services in connection with the implementation of the OTRS software by 22.9% from EUR 1,815 thousand in fiscal 2017 to EUR 1,400 thousand in fiscal 2018 is due to OTRS AG's strategic decision to focus mainly on recurring revenue. Revenue from customer engineering and consulting are seen as auxiliary revenue.

OTRS AG generates most of its revenue with customers in Germany. This increased by EUR 517 thousand (9.7%) from EUR 5,322 thousand to EUR 5,839 thousand. German customers therefore accounted for 70.2% of revenue in fiscal 2018 (previous year: 69.6%). Revenue with international customers increased by EUR 152 thousand from EUR 2,323 thousand to EUR 2,475 thousand.

Steady and sustainable growth requires the software features to be constantly updated and improved. The company therefore again made progress in developing and improving its software in the past fiscal year. EUR 1,716 thousand was invested in the ongoing development of the OTRS application software in the past fiscal year, of which EUR 543 thousand was capitalized on the balance sheet as internally generated intangible assets – **OTRS 7**. For other development costs, the conditions for capitalizing internally generated intangible assets were not met primarily due to the characteristics of the OTRS software as open source software. In fiscal 2018, amortization of internally generated intangible assets amounting to EUR 227 thousand was recognized.

In fiscal 2018, EBITDA amounted to EUR 970 thousand (previous year: EUR 510 thousand). Operating cash flow of EUR 1,014 thousand was generated (previous year: EUR 1,703 previous). EBIT amounted to EUR 579 thousand as against EUR 128 thousand in the previous year.

Naturally, the largest cost item for a service company is personnel expenses. These amounted to EUR 4,782 thousand in 2018 (previous year: EUR 4,348 thousand), corresponding to a personnel expenses ratio of 54.1% (previous year: 56.8%). Average personnel expenses in relation to average headcount including management amounted to EUR 73.6 thousand in fiscal 2018 after EUR 74.4 thousand in the previous year. Revenue per employee declined as against the previous year to EUR 128 thousand (EUR 131 thousand).

Financial Position & Net Assets

Total assets rose by 19.9% year-on-year from EUR 6,171 thousand to EUR 7,402 thousand as of 31 December 2018. As a result of net income (EUR 448 thousand), balance sheet equity increased from EUR 1,834 thousand to EUR 1,967 thousand, taking into account equity adjustments made from the initial recognition of provisions for deferred taxes (EUR -315 thousand). The equity ratio was 26.6% as of the balance sheet date (previous year: 29.7%).

With a total cash flow of EUR 430 thousand (previous year: EUR 571 thousand), the quick ratio, which shows the extent to which current liabilities are covered by cash funds and current assets, increased to 66.5% as opposed to 58.9% in the previous year. Given that the support contracts included in current liabilities as deferred income (EUR 4,248 thousand) will not lead to future cash flows but actually constitute future revenue, the quick ratio is 416.4% compared to 309.5% in the previous year. Against this background, there are no liquidity bottlenecks and the company can meet its payment obligations.

Selected Key Figures

Key figure	2018	2017	2016	2015	2014
Revenue growth in % year-on-year	9%	5%	14%	21%	5%

Capital structure

Equity ratio	27%	30%	32%	29%	21%
Equity-to-assets ratio	49%	52%	61%	52%	32%

Financial / liquidity structure

Quick ratio	67%	59%	68%	66%	73%
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Profitability

EBIT (EUR thou.)	579	128	131	58	147
EBITDA (EUR thou.)	970	510	534	458	484
Deferred income (EUR thou.)	4,248	3,512	2,833	2,348	1,924
Revenue per employee (EUR thou.)	128	131	133	125	115

Others

R&D costs (EUR thou.)	1,716	1,399	1,166	876	905
R&D cost ratio	21%	18%	16%	14%	17%

REPORT ON RISKS, OPPORTUNITIES & EXPECTED DEVELOPMENTS

Report on Risks

Undertaking business is associated with risks and opportunities.

OTRS AG's risk management is geared towards the early identification of risks to the company as a going concern and other material risks, and the responsible handling of these risks. OTRS AG's goal is therefore to increase enterprise value in the interests of shareholders with the balanced risk-to-opportunity ratio. A company that knows its risks can also dare to seize opportunities. The risks we identify are integrated and assessed in our risk management system.

The controlling and monitoring of the individual areas of consulting, development and global managed services, in addition to the areas that do not generate cash flow directly, such as marketing and administration, are analyzed monthly and compared against the company's own planning and regularly updated forecasts. To the extent necessary, external indicators such as exchange rate changes, interest rates or inflation are taken into account in the analysis. Liquidity management includes a monthly status report to management. In order to be able to more reliably identify going-concern risks, early warning indicators in the form of key performance indicators, for which changes or developments are monitored on an ongoing basis, are defined within an early warning system. In addition to the risk factors described below, risks that are not yet known or risks that are currently considered immaterial could affect operating activities.

External Business Risks

External business risks mainly relate to market acceptance of the business model and, in the management's opinion, primarily entail opportunities.

OTRS solutions offer users significant cost savings potential as they do not incur license costs. The growing popularity of OTRS software and the company's broader market presence make OTRS AG's portfolio increasingly attractive, and allow every company to benefit from the advantages of the software.

By introducing **OTRS Business Solution™ Managed** in 2015, **OTRS** has established exclusivity and significantly increased customer loyalty. In addition, we successfully (or severely) limited the field of activities of competitors who offer OTRS software services to their local home markets and internationally.

The next step is to convince users about the large number of advantages of the professional version of **OTRS**. We will achieve this via a rebranding: **OTRS Business Solution™ Managed** will become **OTRS** and via releases of the freely available version ((OTRS)) Community Edition that are released at a different time than **OTRS**.

Internal Risks

OTRS AG's value chain covers all stages of business activity, from development, marketing, consulting and sales 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 one or more 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 organizational structure and process organization, we invest on an ongoing basis to adapt to the needs of a growing company. Experienced employees, proven management and control systems, targeted personnel and organizational development measures and the existing risk management system, which is constantly adapted to current developments and requirements, also ensure the highest possible level of control.

Financial Risks

A deterioration in liquidity can lead to significant risks to companies, up to and including going concern risks. OTRS AG has good liquidity as of the reporting date. In addition to medium-term financial planning, OTRS AG also prepares rolling monthly liquidity planning. In the opinion of the company's management, there are currently no financing or other risks that could jeopardize the company as a going concern.

Bad Debt Risks

Bad debts are a latent risk. In extreme cases, they could jeopardize the continued existence of a company if allowed to accumulate. The risk of bad debts can increase in times of a financial market crisis. However, OTRS AG's economic success is not dependent on just a handful of customers; rather, it has a large number of very significant customers, which limits the risk of bad debts. We generally maintain a low-risk, heterogeneous customer structure, not concentrating on any specific sector or size of organization, which allows us to compensate for economic fluctuations.

Risks from Exchange Rate Fluctuations

The international business activities of OTRS AG entail cash flows in various currencies. However, most transactions are performed in the euro area, hence currency risk is limited. Accordingly, international business is conducted through our branches, as a result of which exchange rate fluctuations in the respective countries are not significant to OTRS AG.

Report on Opportunities

OTRS AG has a number of opportunities in the context of its global operating activities. An overview of the possible opportunities of future development is presented below:

International Expansion

Our international branches are operating successfully. By adapting to the respective market situation and culture, we are well positioned to further expand our sales markets. In particular, the sales and service structure adapted to circumstances at the different locations has proved to be a promising strategy, which has enabled the Brazilian branch to quickly become a success.

We are increasingly seeing – and **OTRS Business Solution™ Managed** is a key factor here – that we are becoming more independent of downloads of the free version, as demand among new interested parties who have not used **OTRS** before is continuing to grow. We have continued to develop and expand our key markets in the current fiscal year as well. We are strengthening our branches through ongoing support and the transfer of knowledge and are increasingly making sure that we also integrate them culturally in the sense of a global corporate culture to fully exploit synergies. Owing to the new establishment of our Hungarian branch, OTRS Magyarország Kft. in Budapest, in the first half of 2018, we are again underlining our expansion strategy.

Cloud Services

Cloud services means using software and its functionalities without installing it on local computers (managed solution). Software as a Service is used over the Internet from the provider's servers (e.g. Google, Facebook, etc.). Customers are billed according to their use of the service. This way, **OTRS** is also accessible to users with little or no technical knowledge of how to download and install software themselves.

Our cloud offering was initially developed as an SaaS solution for the North American market, as at that time demand in Europe and Germany in particular had not yet matched the international level. We have observed a change in trends that prompted 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 operational ever since. Customers willing to pay to use the system were already found in the beta phase and after its completion

The number of customers for our managed solution increased to 166 by 31 December 2018. Thus, managed solution contracts account for 38% of our total contract volume.

It is becoming increasingly clear that cloud computing (the successor to SaaS) is the future. Newer technologies are also needed in order to be successful here. Efficiently launching cloud services is a complex process that can quickly overwhelm the company providing that service. Softshell's CEO Gerald Hahn drew the following analogy: When it comes to cloud services, the "IT out of the socket" is more like "industrial high-voltage current." Just as most people have their stove connected by a professional electrician, companies should therefore always consult an IT specialist.

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

Report on Expected Developments

OTRS AG still has enormous potential for further growth. With our rebranding and strong focus on the managed version of **OTRS**, we are in line with the trend that is clearly emerging on national and international markets to focus on cloud versions.

Not only are we focused on further optimizing our functionalities, but the solid foundation of core functionalities allows us to compete with other professional solutions and other strong providers on the market. With the investment in usability, customer experience and interface design, we are also creating a new and modern look and feel of our solution, which makes working with **OTRS** even more attractive. We benefit from the long-term relationships of a strong think tank and pool of expertise from our developers and designers that make our decision sustainable.

In addition, we anticipate significant added value in the expansion of our global marketing activities, which are closely aligned to the respective needs of the individual branches and include global coordination. This way, individual market demands are successfully coordinated and implemented with regard to the marketing mix.

Revenue is set to rise again in fiscal 2019. The forecast total revenue for fiscal 2019 will exceed EUR 9 million for the first time.

Investing in the software will continue to be an important aspect in maintaining OTRS AG's competitive capability, the key to which is positive user experience. This includes various functionalities that have been in planning and development since 2016 that have been gradually released since then and are still being released, for example omnichannel communication. On the basis of a comprehensive survey of our customers and with reference to various studies on the use of communications channels, we are working to continuously expand and prioritize individual channels.

We have successfully optimized the onboarding process, in which customers make first contact with our products by taking part in a free trial. This is then expanded to include key business scenarios we have identified. This allows us to specifically appeal to different stakeholders with a variety of requirements, thereby underscoring **OTRS**'s value added to promote sales.

Last but not least, we will also "renovate" our software's interface. Just like any other new media subject to trends in graphics, colors and structure, even software needs a facelift from time to time. This is firstly because scientific research shows that a user's experience of a product is indirectly also linked to its design, and is not due to actual use alone.

Secondly, digital usage habits have changed drastically. The desire to access data at any time from anywhere has created a market for a wide variety of 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 with the right interface design.

Oberursel, 28 February 2019



André Mindermann
CEO



Christopher Kuhn
Member of the
Management Board



Sabine Riedel
Member of the
Management Board





YEAR END TABLES

BALANCE SHEET
INCOME STATEMENT
GROSS ASSETS ANALYSIS

Balance Sheet as of 31.12.2018

Assets	31.12.2018 EUR	31.12.2017 EUR
A. Fixed assets	3,977,819.36	3,543,118.21
I. Intangible assets	1,296,476.00	1,076,134.00
1. Internally generated industrial and similar rights and assets	952,515.00	636,894.00
2. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	2.00	2.00
3. Goodwill	343,959.00	439,238.00
II. Tangible assets	145,512.50	147,566.50
1. Other equipment, operating and office equipment	145,512.50	147,566.50
III. Financial assets	2,535,830.86	2,319,417.71
1. Shares in affiliated companies	2,385,971.08	2,276,763.80
2. Loans to affiliated companies	149,857.78	42,651.91
3. Equity investments	2.00	2.00
B. Current assets	3,368,862.83	2,566,518.15
I. Inventories	553.00	13,099.05
1. Orders in progress	0.00	12,416.95
2. Advance payments	553.00	682.10
II. Receivables and other assets	1,517,016.18	1,131,964.56
1. Trade receivables	1,241,360.24	1,085,264.15
2. Receivables from affiliated companies	188,033.93	23,376.89
3. Other assets	87,622.01	23,323.52
III. Cash-in-hand, central bank balances, bank balances and checks	1,851,293.65	1,421,454.54
C. Prepaid expenses	54,836.40	61,385.40
	7,401,518.59	6,171,021.76

Equity and Liabilities	31.12.2018	31.12.2017
	EUR	EUR
A. Equity	1,967,480.22	1,834,221.92
I. Subscribed capital	1,916,300.00	1,916,300.00
II. Retained earnings		
1. Statutory reserves	2,559.01	0.00
III. Balance sheet profit	48,621.21	-82,078.08
B. Provisions	407,166.96	424,305.02
1. Other provisions	407,166.96	424,305.02
C. Liabilities	399,979.85	400,680.52
1. Trade payables	128,030.92	147,908.72
- of which with a remaining term of up to one year EUR 128,030.92 (EUR 147,908.72)		
2. Liabilities to affiliated companies	42,403.11	0.00
- of which with a remaining term of up to one year EUR 42,403.11 (EUR 0.00)		
3. Other liabilities	229,545.82	252,771.80
- of which taxes EUR 203,173.90 (EUR 224,981.31)		
- of which social security EUR 7,305.28 (EUR 6,087.48)		
- of which with a remaining term of up to one year EUR 229,545.82 (EUR 252,753.10)		
- of which with a remaining term of more than one year EUR 0.00 (EUR 18.70)		
D. Deferred income	4,247,995.56	3,511,814.30
E. Deferred tax liabilities	378,896.00	0.00
	7,401,518.59	6,171,021.76

Income Statement


from 1.1.2018 to 31.12.2018

	31.12.2018	31.12.2017
	EUR	EUR
1. Revenue	8,314,378.46	7,645,369.31
2. Decrease in orders in progress	12,416.95	-9,433.45
3. Other own funds capitalized	543,036.89	0.00
4. Other operating income	357,139.53	329,863.48
- of which income from foreign currency translation EUR 773.54 (EUR 23,448.54)		
5. Cost of materials	1,534,379.39	1,316,231.10
a) Cost of raw materials, consumables and supplies and of purchased merchandise	0.00	-319.27
b) Cost of purchased services	1,534,379.39	1,316,550.37
6. Personnel expenses	4,782,210.77	4,347,895.67
a) Wages and salaries	4,137,971.77	3,771,480.41
b) Social security, post-employment and other employee benefit costs	644,239.00	576,415.26
- of which in respect of old age pensions EUR 14,637.70 (EUR 13,874.53)		
7. Depreciation and amortization	391,356.30	382,245.97
a) On intangible and tangible fixed assets	391,356.30	382,245.97
8. Other operating expenses	1,902,873.27	1,805,543.94
- of which expenses from foreign currency translation EUR 3,051.44 (EUR 2,127.46)		
9. Other interest and similar income	6,541.58	2,744.88
- of which from affiliated companies EUR 6,018.32 (EUR 2,223.56)		
10. Interest and similar expenses	755.88	-4,566.09
11. Taxes on income	136,535.60	-1.08
- of which expenses from the addition and reversal of deferred taxes EUR 158,703.00 (EUR 0.00)		
- of which income from the addition and reversal of deferred taxes EUR 94,308.00 (EUR 0.00)		
12. Earnings after taxes	460,568.30	140,061.61
13. Other taxes	12,809.00	5,184.69
14. Net income for the year	447,759.30	134,876.92
15. Accumulated losses brought forward from the previous year	82,078.08	216,955.00
16. Adjustment of losses brought forward from first allocation of deferred taxes for previous years	-314,501.00	0.00
17. Allocations to retained earnings	2,559.01	0.00
a) to statutory reserves	2,559.01	0.00
18. Balance sheet profit	48,621.21	-82,078.08

Gross Assets Analysis as of 31.12.2018

	Acquisition / production cost		Additions		Disposals		Transfers		Acquisition / production cost		Cumulative depreciation and amortization		Depreciation and amortization in the fiscal year		Disposals		Transfers		Cumulative depreciation and amortization		Reversals of write-downs in the fiscal year		Book value	
	EUR	1.1.2018	EUR		EUR		EUR		EUR	31.12.2018	EUR	1.1.2018	EUR		EUR		EUR		EUR	31.12.2018	EUR		EUR	31.12.2018
I. Intangible assets																								
	3,544,320.27		543,036.89		0.00		0.00		4,087,357.16		2,468,186.27		322,694.89		0.00		0.00		2,790,881.16		0.00		1,296,476.00	
1. Internally generated industrial and similar rights and assets	2,109,383.01		543,036.89		0.00		0.00		2,652,419.90		1,472,489.01		227,415.89		0.00		0.00		1,699,904.90		0.00		952,515.00	
2. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	6,470.69		0.00		0.00		0.00		6,470.69		6,468.69		0.00		0.00		0.00		6,468.69		0.00		2.00	
3. Goodwill	1,428,466.57		0.00		0.00		0.00		1,428,466.57		989,228.57		95,279.00		0.00		0.00		1,084,507.57		0.00		343,959.00	
II. Tangible assets																								
	425,391.31		66,732.41		3,195.80		0.00		488,927.92		277,824.81		68,661.41		3,070.80		0.00		343,415.42		0.00		145,512.50	
1. Other equipment, operating and office equipment	425,391.31		66,732.41		3,195.80		0.00		488,927.92		277,824.81		68,661.41		3,070.80		0.00		343,415.42		0.00		145,512.50	
III. Financial assets																								
	2,320,658.70		225,225.60		0.00		8,812.45-		2,537,071.85		1,240.99		0.00		0.00		0.00		1,240.99		0.00		2,535,830.86	
1. Shares in affiliated companies	2,276,763.80		109,207.28		0.00		0.00		2,385,971.08		0.00		0.00		0.00		0.00		0.00		0.00		2,385,971.08	
2. Loans to affiliated companies	42,651.91		116,018.32		0.00		8,812.45-		149,857.78		0.00		0.00		0.00		0.00		0.00		0.00		149,857.78	
3. Equity investments	1,242.99		0.00		0.00		0.00		1,242.99		1,240.99		0.00		0.00		0.00		1,240.99		0.00		2.00	
	6,290,370.28		854,994.90		3,195.80		8,812.45-		7,113,356.93		2,747,252.07		391,356.30		3,070.80		0.00		3,135,537.57		0.00		3,977,819.36	





NOTES TO THE ANNUAL REPORT

GENERAL INFORMATION
ADDITIONAL DISCLOSURES AND NOTES
OTHER STATUTORY DISCLOSURES

General Information

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

The regulations of the German Stock Corporation Act were also complied with in addition to these provisions.

The annual financial statements are **structured** in line with the provisions for corporations in accordance with the HGB and the Aktiengesetz (AktG – German Stock Corporation Act), including in particular sections 266, 275 HGB and sections 150 to 161 AktG. Practical expedients dependent on size provided for by the German Commercial Code regarding structure and reporting have been applied in some cases.

The income statement was prepared using the total cost (type of expenditure) format.

The company is a **medium-sized corporation** in accordance with section 267 HGB. Practical expedients dependent on size for medium-sized corporations have been applied in some cases.

The company's shares were admitted to 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. The company's shares have been included in the Basic Board of the Frankfurt Stock Exchange since 1 March 2017.

Information on the Identification of the Company According to the Registry Court

Name according to registry court:	OTRS AG
Registered office according to registry court:	Oberursel
Registered in:	Commercial register
Registry court:	Bad Homburg v. d. Höhe
Register no.:	HRB 10751

Information on Accounting and Measurement Including Tax Measures

Changes in Accounting Policies Since the Previous Year

The accounting policies used in the past were applied essentially unchanged in the annual financial statements.

Accounting Policies

Unless otherwise stipulated by law, the annual financial statements contain **all** assets, liabilities, accounting, prepaid expenses, deferred income, expenses and income. Asset items have not been offset against liability items, nor expenses against income, nor property rights against property charges.

Measurement was based on the **going concern principle**. Assets and liabilities were **measured individually**. Measurements were performed **cautiously**, namely all foreseeable risks and losses originating before the balance sheet date were taken into account even if they did not become known between the balance sheet date and the preparation of the annual financial statements.

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

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

Internally generated intangible assets are capitalized in accordance with the option pursuant to section 248(2) sentence 1 HGB with the cost of production in the form of development costs in accordance with section 255(2) a) HGB if and to the extent that they qualify as assets and the development costs can be clearly allocated and defined in accordance with section 255(2) a) HGB. The amount capitalized includes the development costs incurred between the manifestation of technical feasibility and completion of the intangible asset. However, the costs of the research phase are not capitalized, but immediately recognized as an expense. Development costs include the direct costs, appropriate portions of production overheads and general administrative expenses that relate to the production period. Interest on debt capital is not included in production costs. Internally generated intangible assets are amortized on a straight-line basis over their planned useful life from the date of completion.

Purchased intangible assets are measured at acquisition cost plus incidental purchase cost, less any acquisition price reductions and amortization.

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 at the acquisition date was recognized as **goodwill**. This is depreciated over the expected useful life.

Tangible assets are recognized at acquisition cost plus incidental purchase costs less depreciation if applicable.

Depreciation is recognized on a straight-line basis over the expected useful life 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 at the reporting date.

Movable fixed assets with a value less than EUR 800.00 are written off in full in the year in acquisition in accordance with the tax regulation of section 6(2) sentence 1 of the Einkommensteuergesetz (EStG – German Income Tax Act).

Financial assets were recognized and measured as follows:

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

To the extent necessary, financial assets were recognized at their lower value at the balance sheet date.

Inventories are reported at the lower of acquisition or production cost and current value on the balance sheet date.

Receivables, other assets and **securities** were measured taking all discernible risks into account.

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** is recognized at nominal value.

Other **provisions** were recognized for all other uncertain liabilities. Provisions were measured at the necessary settlement amount in accordance with prudent business judgment, sufficiently taking all discernible risks into account.

Liabilities were reported at the 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 euro

The annual financial statements include foreign-currency items that were translated into euro.

Receivables and liabilities in foreign currency are measured at the middle spot exchange rate on the balance sheet date. The exchange rate on the date of the transaction was recognized if this was lower (for receivables) or higher (for liabilities). Expenses and income from exchange rate differences were recognized in income.

Tax Accounts and Deferred Taxes

Taxes are calculated on the basis of the tax accounts, which 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 in accordance with section 248(2) HGB, which are prohibited from capitalization for tax purposes.

OTRS AG had previously applied the option for small corporations in accordance with section 274a no. 4 HGB and does not recognize deferred taxes. Due to exceeding the size criteria in accordance with section 267(1) HGB for two consecutive fiscal years, deferred taxes must be reported as of 2018.

The overview below shows the deferred taxes recognized for the past fiscal year and the previous year.

	2018				2017			
	Com- mercial balance	Tax balance	Differ- ence	Deferred tax liabilities	Com- mercial balance	Tax balance	Differ- ence	Deferred tax liabilities
Internally gene- rated intangible assets	961,567	0	961,567	278,373	636,894	0	636,894	186,133
Goodwill	343,959	0	343,959	100,522	439,238	0	439,238	128,368
Total				378,896				314,501

In the previous year, there were also deferred tax assets in the amount of EUR 41 thousand due to a corporate tax loss carryforward of EUR 260 thousand which was still outstanding as of 31 December 2017. There were no such deferred taxes as of 31 December 2018.

The tax rate of 29.23% was used to calculate deferred taxes.

Deferred tax liabilities result from the recognition of internally generated intangible assets and goodwill from 2007 and 2009. If deferred tax liabilities had been recognized in 2017, they would have amounted to EUR 315 thousand. This figure was recognized directly in equity in the trade balance for 2018. As of 2018, depreciation of these assets and new additions of internally generated intangible assets of EUR 53 thousand was recognized in income in accordance with section 274(2) sentence 3 HGB.

Disclosures and Notes on 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 assets including depreciation and amortization in the fiscal year for each item of the balance sheet are shown in the statement of changes in fixed assets at the end of the notes.

Research and Development Expenses

Development expenses for internally generated intangible assets are capitalized in accordance with the option under section 248(2) sentence 1 HGB if and to the extent that they qualify as assets and the development costs can be clearly allocated and defined in accordance with section 255(2) a) HGB. They are amortized over the expected useful life of five years. **Costs of the research phase** and development costs that do not result in an asset are not capitalized but recognized directly as an expense.

Research and development expenses amounted to EUR 1,716 thousand in total in the reporting year. Of this amount, EUR 543 thousand was attributable to the development of internally generated intangible assets, which were capitalized accordingly.

Goodwill Amortization

Goodwill acquired and capitalized in previous years is amortized over the useful life of 15 years expected in accordance with the business model. No impairment losses were required in the reporting year.

Disclosures on affiliated companies and shareholdings in other companies of at least 20% of shares.

	Carrying amount	Share- holding	Result	Equity
Affiliated companies	Euro	%	EUR thou.	EUR thou.
OTRS Inc., USA	2,183,073	100	-318	-147
OTRS S.A. de C.V., Mexico	1,477	50	53	-6
OTRS LAB S.A. de C.V., Mexico	2,201	75	2), 3), 4)	2), 3), 4)
OTRS Do Brasil Soluções Ltda., Brazil	146,852	93	-79	54
OTRS ASIA Pte., Singapore	33,666	100	-118	-99
OTRS Asia Ltd., Hong Kong	9,495	100	-17	-21
OTRS Magyarország, Hungary	9,207	100	-16	-7
Total	2,385,971			

Other investees and investors:

OTRS Limited, Hong Kong	1	50	2), 3)	2), 3)
OTRS Shd Bdn, Malaysia	1	49	2), 3)	2), 3)
Total	2			

Notes:

1) = Provisional.

2) = Value not established when the financial statements were prepared.

3) = Disclosure is not significant to 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.

4) = Company is in liquidation expected end 2019.

Disclosure on Receivables

Type of receivable as of 31.12.2018	Total amount as of 31.12.2018	of which with a remaining term	
	EUR thou.	less than 1 year EUR thou.	more than 1 year EUR thou.
Trade receivables	1,241	1,241	-
Receivables from affiliated companies	188	188	-
Receivables from equity investments	0	0	-
Other assets:			
- miscellaneous	88	88	-
Total	1,517	1,517	-

Other Assets

Other assets essentially include security deposits of EUR 8.7 thousand (previous year: EUR 8.7 thousand), loans to personnel of EUR 9.9 thousand (previous year: EUR 7.4 thousand), trade tax of EUR 18.5 thousand (previous year: EUR 0.0 thousand), corporate income tax of EUR 33.0 thousand (previous year: EUR 0.0 thousand) and miscellaneous other assets of EUR 16.7 thousand (previous year: EUR 7.2 thousand).

Payments made before the balance sheet date were recognized as prepaid expenses (EUR 54.8 thousand; previous year: EUR 61.4 thousand) to the extent 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:

	Euro	Euro
1,916,300 ordinary shares each with an actuarial notional value of	1	1,916,300
0 preference shares each with a notional value of	0	0
Total		1,916,300

The shares are bearer shares.

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 900,000 by 31 May 2022 by issuing up to 900,000 new no-par-value bearer shares against cash or non-cash contributions on one or more occasions. The shareholders have pre-emption rights. However, the Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholder pre-emption rights in certain cases.

Statutory Reserves

An amount of EUR 2,559.01 was allocated to the statutory reserves in the fiscal year. This corresponds to the twentieth part of the net income for the year, on the one hand reduced by the loss carried forward from the previous year and on the other hand by the adjustment of the loss carried forward from the first allocation of deferred taxes for previous years.

Disclosures and Notes on Provisions

Other provisions developed as follows in the fiscal year:

Provision for	1.1.2018 Utilization		Unutilized amount reversed	Addition	31.12.2018
Outstanding invoices	22,666	14,297	4	19,001	27,366
Remaining vacation	160,835	136,520	-	123,190	147,504
Management Board bonuses	97,950	97,950	-	101,400	101,400
Employee bonuses / commission	71,150	51,824	19,326	64,642	64,642
Duty to preserve records	18,480	-	-	-	18,480
Audit of annual financial statements	19,300	16,500	2,800	16,800	16,800
Costs of preparing the annual financial statements	14,500	14,500	-	12,000	12,000
Occupational health and safety agency	11,400	11,400	-	11,900	11,900
Supervisory Board remuneration	5,625	5,625	-	5,625	5,625
Financial accounting	2,400	2,400	-	1,450	1,450
Total	424,305	351,016	22,130	356,008	407,167

The net method was applied on first-time recognition of provisions if discounting was required.

Disclosure on Liabilities

Liabilities with a remaining term of up to one year amount to EUR 399,979.85 (previous year: EUR 400,608.52).

Type of liability as of 31.12.2018	Total amount	of which with a remaining term		
	as of 31.12.2018	less than 1 year	1 to 5 years	more than 5 years
	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Trade receivables	128	128	-	-
Receivables from affiliated companies	42	42	-	-
Receivables from equity investments	0	0	-	-
Other liabilities	230	230	-	-
Total	400	400	-	-

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

Other Liabilities

Other liabilities essentially include VAT liabilities of EUR 137 thousand (previous year: EUR 147.4 thousand), wage and church tax liabilities of EUR 69.2 thousand (previous year: EUR 77.6 thousand) and employees' social security liabilities of EUR 7.3 thousand (previous year: EUR 6 thousand).

Deferred Income

Deferred income (EUR 4,247.9 thousand; previous year: EUR 3,511.8 thousand) includes payments received for support contracts and services with total terms of up to one year to the extent that these 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 2018.

Other Unrecognized Financial Commitments

Other financial commitments mature as follows:

Type of commitment	Maturing			
	2019	2020	2021	2022
Rental commitments	152	104	32	0
Lease commitments	210	132	30	0
Total	362	236	62	0

Breakdown of Revenue

Revenue breaks down as follows in accordance with section 285 no. 4 HGB:

	2018	2017
By area of activity	Euro	Euro
Managed IT services and support	6,913,906	5,829,757
Consulting services	1,241,910	1,404,475
Customer development	134,825	391,888
Other	23,737	19,249
Total	8,314,378	7,645,369

	2018	2017
By geographically defined market	Euro	Euro
Germany	5,839,205	5,322,432
Rest of world	2,475,173	2,322,937
Total	8,314,378	7,645,369

Disclosures on Changes in Net Income

The company generated net income for the past fiscal year of EUR 447,759.30, which is offset against the remaining loss carryforward and carried forward to new account.

Changes in net income break down as follows:

	2018	2017
Appropriation of profits	Euro	Euro
Net income for the year	447,759	134,877
Accumulated losses brought forward from the previous year	82,078	216,955
Adjustment of losses brought forward from deferred taxes not recognized in previous years	314,501	0
= Balance sheet profit / loss	51,180	./. 82,078

Restriction on Distribution

The total amount restricted from distribution in accordance with section 268(8) HGB in connection with section 285 no. 28 HGB is EUR 674,142. It consists of the amount of capitalized internally generated intangible assets (EUR 952,515) less the related deferred tax liabilities (EUR 278,373). In the previous year, the amount restricted from distribution amounted to EUR 636,894 without taking into account deferred tax liabilities.

Other Statutory Disclosures

Names of Members of the Management Board and Supervisory Board

The following people were members of the Management Board in the past fiscal year:

Mr. André Mindermann (CEO)	Frankfurt	Business graduate
Mr. Christopher Kuhn (Member of the Management Board)	Bogen	Businessman
Ms. Sabine Riedel (Member of the Management Board)	Friedrichsdorf	Business graduate

All members of the Management Board are entitled to sole representation with the power to conclude transactions with themselves on behalf of the company as representatives of a third party.

The Supervisory Board comprised the following members:

Mr. Burchard Steinbild (Chairman)	Beckeln	Mathematics graduate
Mr. Thomas Stewens (Deputy Chairman)	Bad Vilbel	Business Administration graduate
Prof. Oliver Hein (Member of the Supervisory Board)	Frankfurt	Computer Science graduate

Total Remuneration of Members of the Management Board and Supervisory Board

The total remuneration of the members of the Management Board amounts to EUR 568,429 thousand in the past fiscal year. 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 3,864.42 was granted to the member of the Management Board Ms. Riedel, which shows a balance of EUR 3,864.42 as of the balance sheet date. The interest rate is 2.00% p.a. No collateral was posted for the loan.

Furthermore, a settlement account will be kept for Mr. Mindermann. The settlement account has a 2% interest rate and a receivable balance of EUR 579.86 as of 31 December 2018.

Performance in 2018 developed as follows:

	1.1.2018	Addition	Repayment	31.12.2018
Sabine Riedel	4,563	154	852	3,864
André Mindermann	0	580	0	580

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 in accordance with section 267(5) HGB was 63 (previous year: 56). They are employed in the following areas:

	Number of employees
General managed services	15
Customer development	12
Consulting services	9
Marketing & sales	15
Management / administration	12
Total	63

Significant Event After the Balance Sheet Date

There were no significant events after the balance sheet date.

Gross Assets Analysis as of 31.12.2018

	Acquisition / production cost		Additions		Disposals		Transfers		Acquisition / production cost		Cumulative depreciation and amortization		Depreciation and amortization in the fiscal year		Disposals		Transfers		Cumulative depreciation and amortization		Reversals of write-downs in the fiscal year		Book value	
	1.1.2018	EUR	EUR	EUR	EUR	EUR	EUR	EUR	31.12.2018	EUR	1.1.2018	EUR	EUR	EUR	EUR	EUR	EUR	EUR	31.12.2018	EUR	EUR	EUR	EUR	EUR
I. Intangible assets		3,544,320.27	543,036.89		0.00	0.00	0.00	0.00	4,087,357.16		2,468,186.27		322,694.89		0.00	0.00	0.00		2,790,881.16		0.00	0.00	1,296,476.00	
1. Internally generated industrial and similar rights and assets		2,109,383.01	543,036.89		0.00	0.00	0.00	0.00	2,652,419.90		1,472,489.01		227,415.89		0.00	0.00	0.00		1,699,904.90		0.00	0.00	952,515.00	
2. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		6,470.69	0.00		0.00	0.00	0.00	0.00	6,470.69		6,468.69		0.00		0.00	0.00	0.00		6,468.69		0.00	0.00	2.00	
3. Goodwill		1,428,466.57	0.00		0.00	0.00	0.00	0.00	1,428,466.57		989,228.57		95,279.00		0.00	0.00	0.00		1,084,507.57		0.00	0.00	343,959.00	
II. Tangible assets		425,391.31	66,732.41		3,195.80		0.00	0.00	488,927.92		277,824.81		68,661.41		3,070.80		0.00		343,415.42		0.00	0.00	145,512.50	
1. Other equipment, operating and office equipment		425,391.31	66,732.41		3,195.80		0.00	0.00	488,927.92		277,824.81		68,661.41		3,070.80		0.00		343,415.42		0.00	0.00	145,512.50	
III. Financial assets		2,320,658.70	225,225.60		0.00	0.00	8,812.45-		2,537,071.85		1,240.99		0.00		0.00	0.00	0.00		1,240.99		0.00	0.00	2,535,830.86	
1. Shares in affiliated companies		2,276,763.80	109,207.28		0.00	0.00	0.00	0.00	2,385,971.08		0.00		0.00		0.00	0.00	0.00		0.00		0.00	0.00	2,385,971.08	
2. Loans to affiliated companies		42,651.91	116,018.32		0.00	0.00	8,812.45-		149,857.78		0.00		0.00		0.00	0.00	0.00		0.00		0.00	0.00	149,857.78	
3. Equity investments		1,242.99	0.00		0.00	0.00	0.00	0.00	1,242.99		1,240.99		0.00		0.00	0.00	0.00		1,240.99		0.00	0.00	2.00	
		6,290,370.28	854,994.90		3,195.80		8,812.45-		7,113,356.93		2,747,252.07		391,356.30		3,070.80		0.00		3,135,537.57		0.00	0.00	3,977,819.36	

Oberursel, 28 February 2019



André Mindermann
CEO



Christopher Kuhn
Member of the
Management Board



Sabine Riedel
Member of the
Management Board

Independent Auditor's Report

To OTRS AG

Audit Opinion

We audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the presentation of accounting policies of OTRS AG for the fiscal year from 1 January to 31 December 2016. We have also audited the management report of OTRS AG for the fiscal year from 1 January 2018 to 31 December 2018.

In our opinion based on the based on the knowledge gained in the audit,

- the attached annual financial statements comply in all material respects with the German regulations valid for large corporations pursuant to German commercial law and give a true and fair view of the net assets and financial position of the company as of 31 December 2018 as well as its results of operations for the fiscal year from 1 January 2018 to 31 December 2018 in accordance with German generally accepted principles of accounting and
- the attached management report provides a suitable view of the company's position. This management report is consistent in all material respects with the annual financial statements and German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for The Audit Opinion

We conducted our audit of the annual financial statements and the management report 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). Our responsibility pursuant to these regulations and policies are described in more detail in the section entitled "Auditors' responsibilities for auditing the financial statements and management report" of our auditor's report. We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to form the basis of our audit opinion of the annual financial statements and management report.

Responsibility of the Legal Representatives and [Those Responsible for Governance] for the Annual Financial Statements and the Management Report

The legal representatives are responsible for preparing the annual financial statements that comply with the German regulations applied for large corporations pursuant to German commercial law in all material respects, and that the annual financial statements in accordance with German generally accepted accounting principles give a true and fair view of the net assets, financial position and results of operations of the company. In addition, the legal representatives are responsible for the internal controls that have determined to be necessary in accordance with generally accepted accounting principles to facilitate the preparation of annual financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern.

They are also responsible for disclosing matters relating to the going concern principle, if appropriate. In addition, they are responsible for the going concern principle based on the accounting principle if contrary to fact or law.

The legal representatives are also responsible for preparing the management report, which as a whole conveys a true and fair view of the company's position and is consistent in all material aspects with the annual financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and to be able to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for governing the company's accounting process for preparing the annual financial statements and the management report.

Responsibility of the Auditor for the Audit of the Annual Financial Statements and the Management Report

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report collectively conveys a true and fair view of the company's position and is consistent in all material respects with the annual financial statements, that it complies with German statutory requirements and accurately reflects the risks and opportunities of future development, and that it issues an audit report that includes our audit opinions on the financial statements and management report.

Sufficient security is a high degree of security, but no guarantee that an audit conducted in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always detects material misstatement. Misstatements can result from any violation or inaccuracy and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these financial statements and management reports.

During the audit, we exercise due discretion and maintain an attitude of professional skepticism. In addition,

- We identify and assess the risks of material misstatement – whether intentional or unintentional – in the annual financial statements and the management report, plan and perform procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misstatements will not be detected is higher for violations than for inaccuracies, as violations may include fraudulent conduct, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls.
- We gain an understanding of the internal control system relevant to the audit of the financial statements and the precautions and measures relevant to the audit of the management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion for the efficacy of the company's system.
- We assess the appropriateness of the accounting policies used by the legal representatives and the viability of the estimates and related disclosures made by the legal representatives.
- We draw conclusions on the appropriateness of the accounting policy used by the legal representatives for the continuation of the company as a going concern and based on the audit evidence obtained, whether there is material uncertainty related to events or circumstances that may raise significant doubts about the company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the audit opinion to the related disclosures in the annual financial statements and management report or, if inaccurate, to amend our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the company can no longer continue its business activities.

- We assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events such that the financial statements give a true and fair view of the net assets, financial position and results of operations in accordance with generally accepted accounting principles.
- We assess the consistency of the management report with the annual financial statements, its legislation and the image it conveys of the company's situation.
- We conduct audit procedures on the forward-looking statements presented by the legal representatives in the management report. Based on sufficient suitable audit evidence, in particular, we conduct the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper deviation of the forward-looking statements from these assumptions. We do not give an independent opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit with the officers, and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

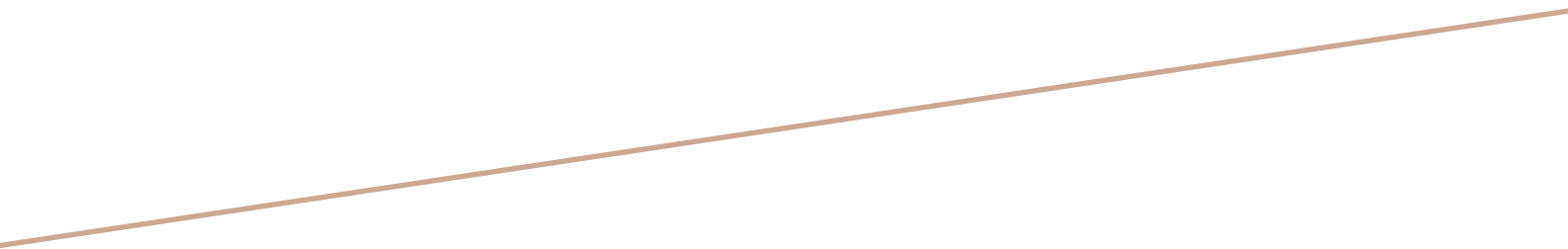
Munich, 1 April 2019

VEDA WP GmbH
Wirtschaftsprüfungsgesellschaft

Roland Weigl
German public auditor (Wirtschaftsprüfer)

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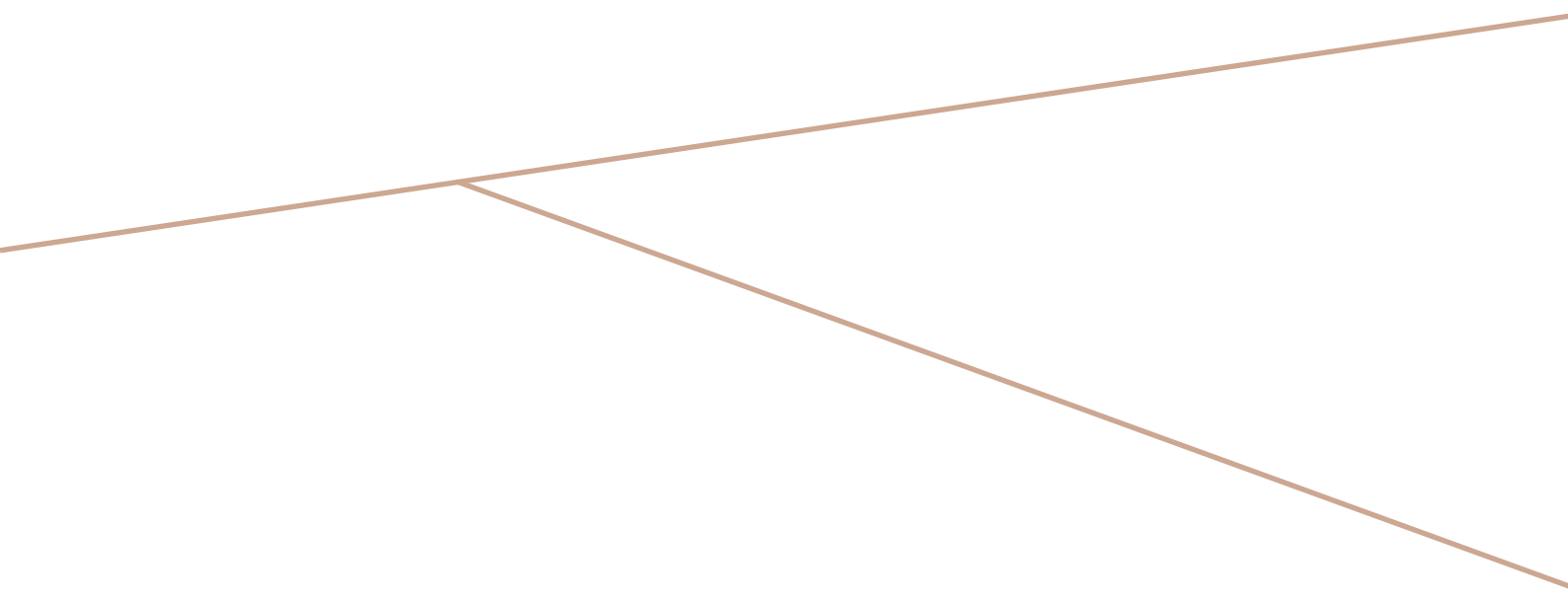
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Two decorative orange lines originate from the left side of the page. One line extends diagonally upwards towards the right, while the other line extends diagonally downwards towards the right, creating a V-shape that spans the width of the page.

