

An abstract graphic on the left side of the page consists of several thick, flowing, blue ribbons that twist and turn, creating a sense of movement and depth. The ribbons are in various shades of blue, from light to dark, and have a glossy, reflective texture.

ANNUAL REPORT 2019

THE OTRS GROUP

OTRS Group & Your Service Management Solution

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.

OTRS Group comprises OTRS AG and its six 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).

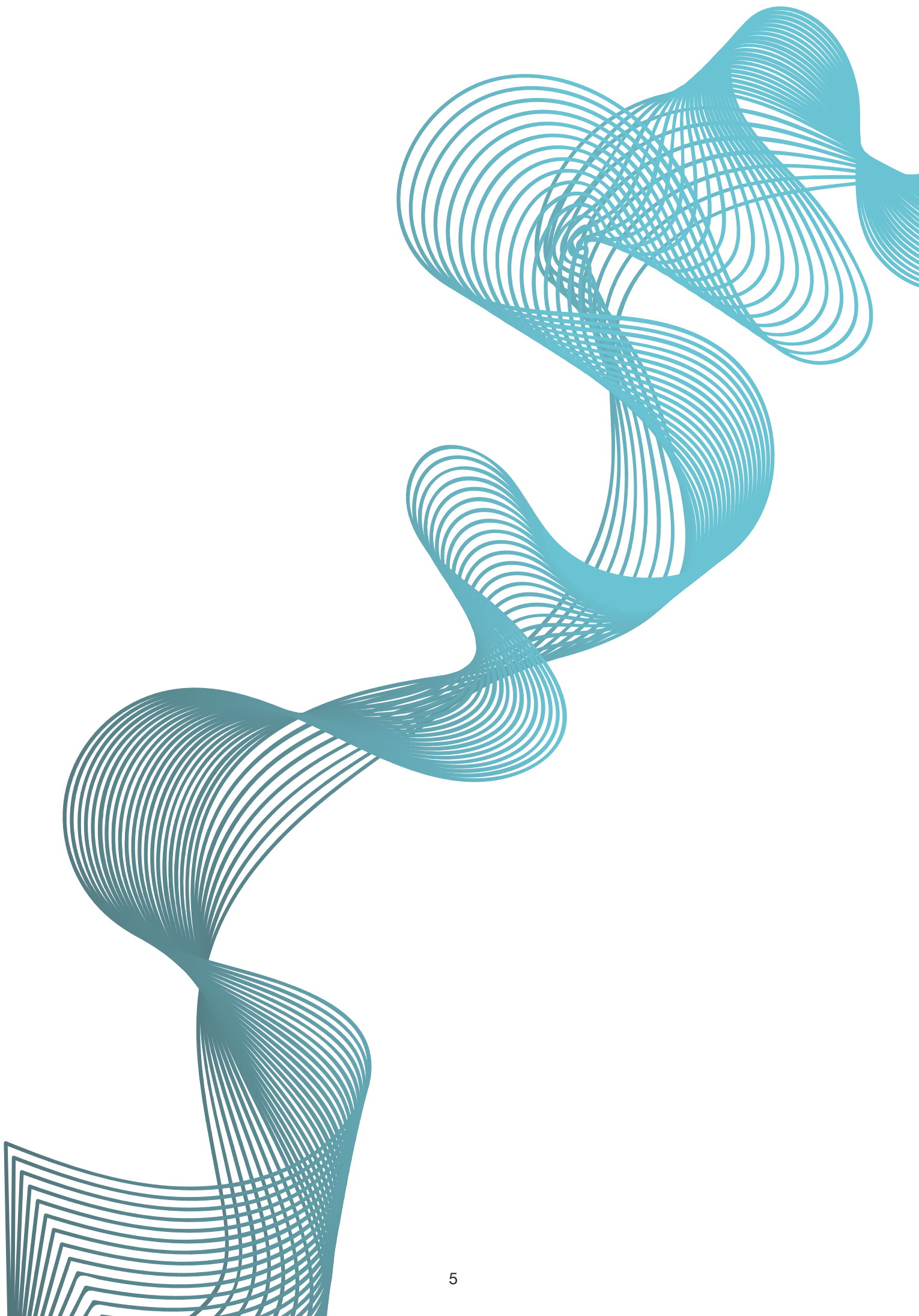
OTRS AG has been listed on the Frankfurt Stock Exchange since 2009 and has been part of the Basic Board segment since March 1, 2017 (ISIN: DE000A0S9R37, WKN: A0S9R3). **OTRS** and **OTRS On-Premise** are the OTRS Group's answers to market demand for packages that are exclusively for professional use, 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 40 languages and is used by companies worldwide to optimize their service delivery, increase customer satisfaction and reduce costs by using an integrated solution. Companies and organizations such as the BSI (German Federal Office for Security in Information Technology), the Max Planck Institute, Toyota, Hapag Lloyd, Lufthansa, Airbus, IBM, Porsche, Siemens, and Banco do Brazil (Bank of Brazil) are among our customers.

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



In a serious examination of identity and culture, we rise above the cool rationality of algorithms and digitization and nurture the confidence that tomorrow will be a better day than today.



LETTER TO SHARE HOLDERS



Dear Shareholders,

I am delighted to be able to present the annual report for 2019 to you. Here at OTRS Group, presenting this report is about more than just talking figures. It is a great opportunity to reflect on the recent past and what we have achieved so that we can use these findings to develop our vision of a successful company. Our successes are multiple and varied. They are exemplified by sustainable growth, the way we respond to questions about the future and by our daily team collaboration.

The past year was a very successful one for us. As a company, we enjoyed strong and sustainable growth. At the same time, we launched vital strategic projects. These include the ongoing implementation of an essential corporate culture based on the new work philosophy, the shift towards a broader user base for **OTRS** as a managed solution and of course the release of **OTRS 8** in March of this year. These successes put OTRS Group on a forward-looking path, which will allow it to shape the process of digitalization generally while also responding to the challenges presented by the COVID-19 pandemic.

We generated revenue of EUR 9,178 thousand in the reporting year after EUR 8,314 thousand in the previous year. As a result, we again achieved our forecast, which predicted more than EUR 9 million in revenue. Similarly, recurring revenues also performed well, coming to EUR 7,833 thousand as of the 2019 balance sheet date, up EUR 919 thousand on the previous year's figure of EUR 6,914 thousand. Recurring revenue accounted for 85.3% of total revenue. This upward trend reflects sales, support, features, security and updates to the OTRS standard version.

EBITDA was far more dynamic, climbing by 66.1% to EUR 1,611 thousand in fiscal year 2019 after EUR 970 thousand in the previous year. In doing so, EBITDA surpassed the 1 million euro mark for the first time. EBIT almost doubled to EUR 1,115 thousand as against EUR 579 thousand in the previous year. We continued to convince new customers about the numerous advantages of the managed solution. At the end of 2019, we had 241 customers, up from 166 in the previous year. Thus, managed solution contracts rose from 38% of our total contract volume to 45%.

This clearly demonstrates that companies are increasingly focusing on digital processes. A key issue here is what software they use internally for automation and professionalization. Market growth is currently being driven by two trends: artificial intelligence (AI) and personalization. With the release of **OTRS 8**, we have provided a response to questions about a flexible software solution. High demand reinforces our approach of focusing on cloud solutions. **OTRS 8** makes two fundamental changes to **OTRS 7**. Firstly, it introduced the new agent interface, which is far more than just a new look and a performance improvement. **OTRS 8** also features direct interfaces with Facebook, Twitter and LinkedIn. We introduced these additions as a direct response to valuable customer feedback, and they allow us to offer a software solution that meets a significant number of user requirements.

At the same time, our delayed release strategy continues to prove effective. The decision to, for the first time, release **OTRS 7** without making the changes available to the open source community proved to be the right move for further establishing the **OTRS** cloud version.

This development is reflected in the 2019 financial figures – both in the high pace of profit growth, with EBITDA exceeding the one million euro mark for the first time, and in the record incoming orders seen in the third quarter of 2019.

We achieved this thanks to our open and dynamic corporate culture. We pooled competencies using cross-functional teams, creating completely new access to knowledge. What's more, employees meeting from different departments on equal terms makes the transfer of knowledge more dynamic and raises it to a new level. Success boosts motivation, as well as helping improve the quality of the product. The result? We all benefit.

Naturally, we want to match this in the current 2020 fiscal year. Of course, countries, society and companies are facing unique challenges on account of the rampant COVID-19 pandemic. With the situation still in flux, forecasts are particularly difficult and their half-life is limited. Neither the situation regarding existing customers nor the development of new customer business can be reliably reported on.

Without the COVID-19 crisis, we would have assumed an initial revenue increase of EUR > 10 million, maintaining our trend of steady, moderate growth.

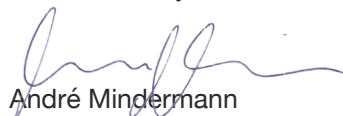
To get closer to a valid basis, we have drawn up three scenarios that we review on an ongoing basis and adjust to take the situation into account. In doing so, our actions address the health and safety of our employees at all times.

We consider the IT market to be fundamentally intact and believe that it has further potential for growth. The US market research firm International Data Corporation (IDC), for example, takes the view that the next four years will see a dominance of digital technologies. As a result of this, more than half of the global gross domestic product will be generated from products and services offered by digital companies. Artificial intelligence, the Internet of Things (IoT) and data intelligence will be key drivers of this development – and OTRS Group will remain a key point of contact for its customers in questions about these issues.

I would like to take this opportunity to express my sincere thanks to all employees. The last year, as well as the tense current situation, prove once again that success is always the result of team work and that the key to success at OTRS Group is the commitment and loyalty of everyone involved.

I would also like to thank you, our shareholders, for the trust you have placed in us.

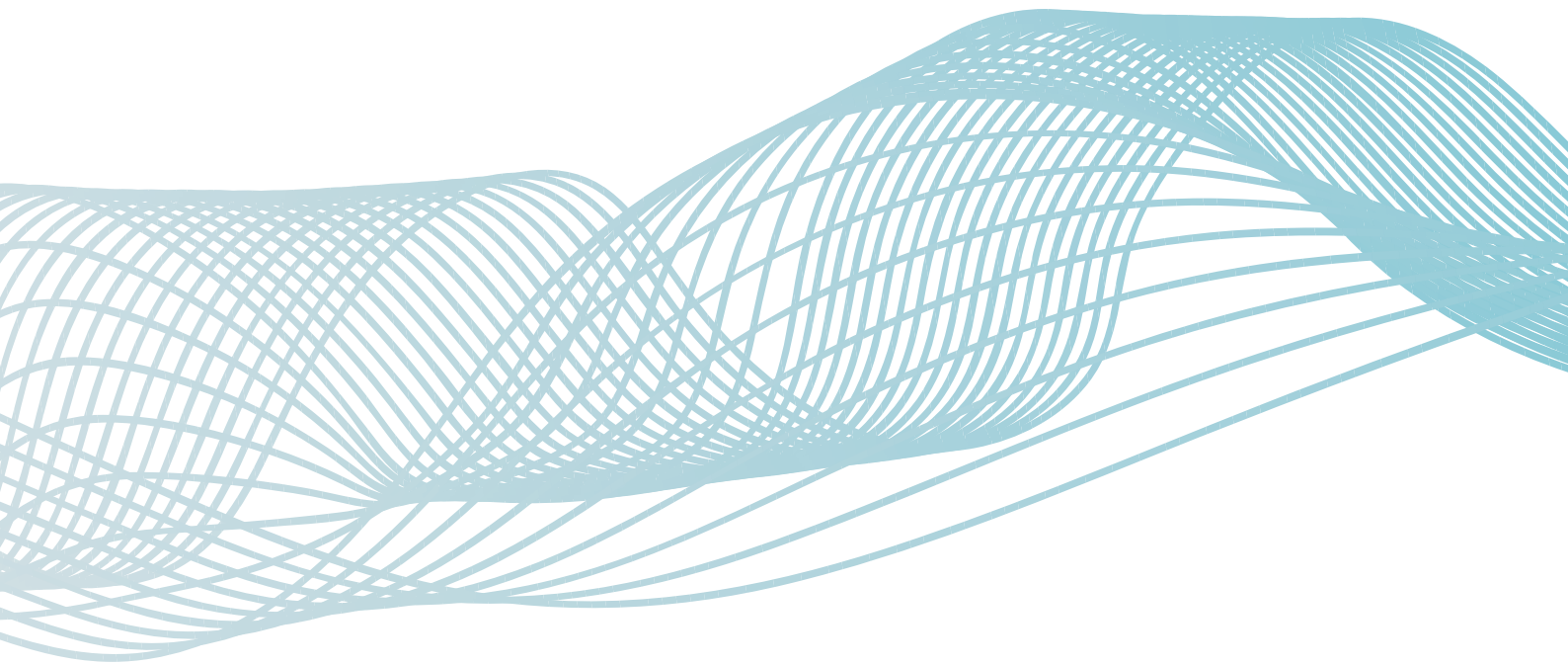
Yours sincerely,



André Mindermann
Chief Executive Officer

“

*((enjoy)) not only stands for
comfortably working with our
software, but also for the
feeling with which we work!*





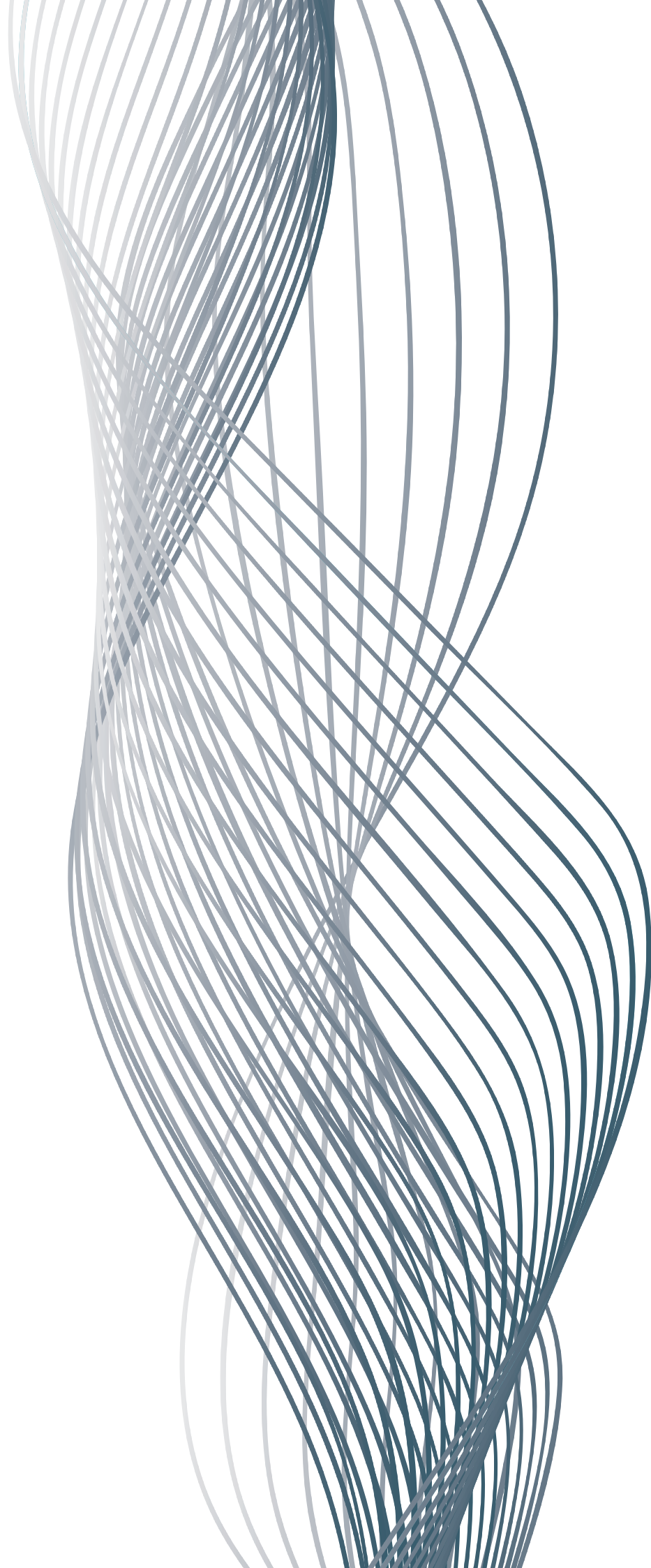
André Mindermann
CEO & Founder



Sabine Riedel
Member of the Management Board
Marketing & Human Relations



Christopher Kuhn
Member of the Management Board
& COO



CONTENTS

ACHIEVEMENTS 13

INDICATORS

SOCIAL LEADERSHIP

OPERATIONS

RESPONSIBILITY

CORPORATE CULTURE

CONSULTING

DEVELOPMENT

PRODUCT MANAGEMENT

CUSTOMER SERVICE

REPORT OF THE SUPERVISORY BOARD 33

MANAGEMENT REPORT 37

BASIC INFORMATION

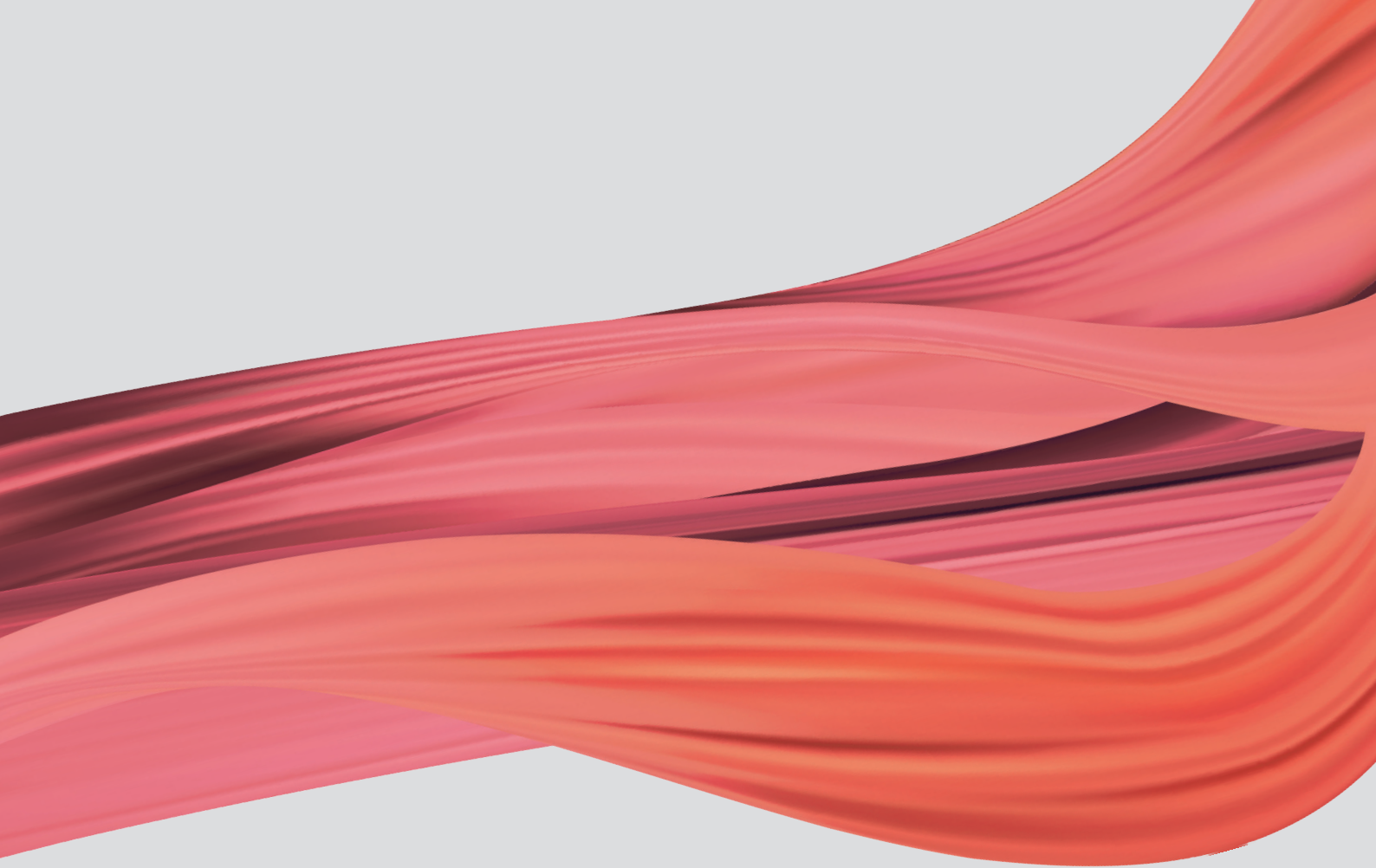
BUSINESS & GENERAL CONDITIONS

RESULTS OF OPERATION, FINANCIAL POSITION & NET ASSETS

REPORT ON RISKS, OPPORTUNITIES & EXPECTED DEVELOPMENTS

YEAR END TABLES 59

NOTES 65





ACHIEVE MENTS

INDICATORS

SOCIAL LEADERSHIP
OPERATIONS
RESPONSIBILITY

CORPORATE CULTURE
CONSULTING
DEVELOPMENT
PRODUCT MANAGEMENT
CUSTOMER SERVICE

ACHIEVEMENTS

An annual report is always dedicated to what a company has achieved during the year under review. But, other than figures, what indicators are used to measure these achievements?

We have delivered performance; devoted efforts; and demonstrated passion, willpower and a strong focus on our vision, which is based on the idea of freedom, to achieve results.

It is interesting to consider how some people define the word “achieve”.

Some think it is about doing enough; others think it is about enrichment.

Do our efforts suffice? Have they enriched us?

The best way to assess whether our efforts have been enough is to take a critical look back into the past. What did we set out to do? What targets did we set? Have we fully achieved these?

These reflections also focus our mind on the future, which is so important because we want to keep developing and growing – not only in monetary terms, but also technologically and, last but not least, personally.

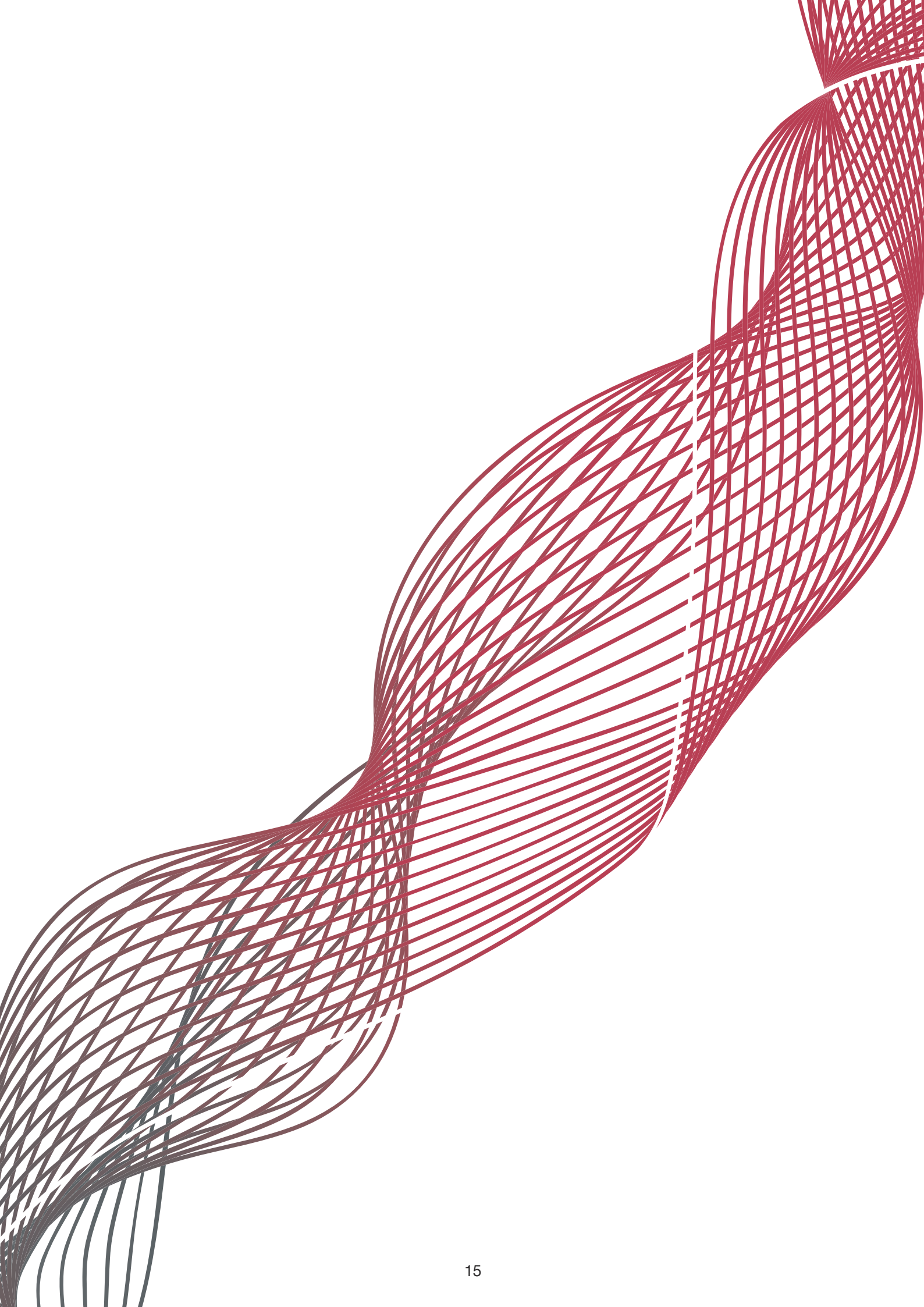
And what about enrichment? Have our achievements enriched us? If so, how? Have we created added value? Are we more knowledgeable, smarter, more mature?

The following pages aim to answer these questions. We look at what we committed to achieving in 2019 and to what extent we have succeeded in doing so.

This is because, in taking a holistic view of a company like OTRS Group, it is certainly not only the software that brings success – it is how we deal with it. In other words, what matters is the attitude of our employees and of course our management when developing, refining, presenting and marketing our products, as well as when we use these products ourselves.

We strongly identify with what we achieve and create in our day-to-day work, and the results provide us with direct feedback on how successful we have been in achieving our goals.

Join us in reflecting on 2019!



LEADERSHIP SHOULD BE SOCIAL

André Mindermann, CEO & Founder

In 2019, we achieved much of what was on our agenda. This is reflected in our successes, which in turn are illustrated by our figures. Yet entrepreneurial actions and attitude go far beyond what a comparison of target and actual figures can show.

Every day, each and every one of us juggles uncertainty and radical changes as communities and in management teams. I am particularly exposed to this in my role as CEO and see my main job as preparing the company and its employees so that we can successfully tackle unforeseen events together.

This requires really taking a close look at what we find in our world: A whole array of spacial and temporal transitions. When we become aware of these transitions or even just changes, we experience this particularly intensively. In particular, they mobilize our creative potential and other mental competencies that otherwise lie idle.

Complexity and dynamism are part of our world. At times, we try to use borders to separate things from each other without realizing that these exact borders always represent a connection. Borders are usually permeable in some form or another, and it is important to find out where and how. Nonetheless, it is also crucial that we are at least aware and do not lose sight of the fact that our world exists as a whole, even if this remains abstract. Our delimited, fragmented system world is merely a human construct.

*“Every division we make is a result of how we think.
In actuality, the whole world is shades merging into one.”*

(David Bohm, quantum physicist and philosopher)

Thinking within our immediate boundaries does not usually fit with the reality of life and, accordingly, the requirements of business management. Instead, our mission is also to reflect beyond these supposed restrictions in the sense of before/after, left/right and above/below.

In the discussion over analog versus digital thinking, I rise to the challenges of the latter as analog thinking is not conducive to the digital transformation that we want to achieve.

In addition, it is soft factors that define the sense of the living organism that is a “company” and thus, as it were, form the idea, define its communication and shape its implementation.

As well as the facts and figures, entrepreneurs always need **intuition**. Anticipating facts and figures, and thereby essentially preempting the effect they will have on the future, means unconsciously combining present information and experiences.

The non-linear business environment, where disruptions sometimes arise unexpectedly, requires a form of **creativity** characterized by its style of thinking and capacity for abstraction. Subjecting (situational) elements to a “new” order requires a shift in perspective, which in turn requires flexibility and spontaneity. Above all, it requires a mind that is willing to free itself from conventional thinking.

We cannot make the most of creativity or intuition if we do not draw **insight** from what we have observed and conceived. One person that has stuck in my mind regarding this is Lena Papasabbas. She describes the phase after the rational, analytical consideration of a problem as the incubation period, where the subconscious mind, free from restrictive preconceptions and linear tunnel vision, continues to process information and so – with sufficient time and space – develops a new level of understanding for the big picture.

Last but not least, **emotion** is what unconsciously controls our actions and decisions. Passion, humanism and a holistic approach are at the core of my actual job. By seriously engaging with identity and culture, we rise above the cool rationality of algorithms and digitalization and nurture the confidence that tomorrow will be a better day than today. This represents the social aspect of the business game of strategy and financial indicators.

OPERATIONS ARE NO LONGER ONLY IN THE CLOUD

Christopher Kuhn, Member of the Management Board & COO

What keeps an operating business alive is constantly weighing up what is technologically feasible, desired by customers, high-quality and promises profitability in terms of price. We believe the best way to put this approach into practice and, in particular, to achieve the associated ambitious goal, is with our private cloud solution **OTRS**. That sounds simple, but of course implementing it on a day-to-day basis is far more complex. 2019 played a crucial role in the company's history.

We were able to boost managed contracts as a share of total revenue considerably, not only in terms of new customer business, but also with existing customers who we convinced to switch from **OTRS On-Premise** to **OTRS** as a managed solution.

How, specifically, have we achieved success in this objective?

The answer – with a mix of comprehensive professional consulting, a trustworthy and particularly secure product and the right price differentiation.

We decided to aim for close links between our sales department and our consultants as a starting point for professional preliminary consulting. Under this, consultants first clarify key requirements with the customer, such as the VPN connection, access to the active directory, etc. This allows sales employees to prepare a tailor-made offer.

The introduction of the GDPR in 2018 led to considerable uncertainty at many companies. The view that keeping data within a company is more secure than using the cloud is still widely held. An IBM study from a few years ago, however, showed that more than 55% of attacks by hackers come from within the company (<https://www.com-magazin.de/news/sicherheit/55-prozent-cyber-angriffe-kommen-insidern-955923.html>).

We ensure that our **OTRS** cloud solution is in line with GDPR requirements for all service providers and processes. In 2019, a process was also further developed and standardized that makes it possible to delete or anonymize personal data using defined routines.

This module is available to OTRS customers from the contract level TITANIUM at no additional cost.

As the GDPR imposes massive fines for serious data protection violations and regulatory authorities have also overcome their initial timidity when it comes to higher fines, all companies are now aware that compliance with the relevant requirements is paramount and that failure to observe these can result in severe financial losses and damage to their image. This realization was hugely beneficial to demand for our **OTRS** solution in 2019, ultimately spurring record revenue in this strategically important area.

I have spent more than just the past year scrutinizing the various data protection regulations and have given multiple presentations on the significance, content and consequences of the GDPR, LGPD (Lei Geral de Proteção de Dados – Brazil) and CCPA (California Consumer Privacy Act). This expertise, combined with guaranteed availability; long-term security; and the fact that it is independent of companies' own, frequently inadequate IT structures, ensures trusted communication with customers and often leads to the realization that a managed solution is the better option.

Of course, this also requires that we are equally conscious of quality and of costs when choosing a data center. A clever choice of provider meant, not only that we could reduce server rent and thus our costs, but it also allowed us to optimize our quality level and therefore our commitment to security.

Finally, price differentiation with a cheaper managed variant is an attractive signal that very much appeals to potential customers.

Developing in line with expectations allows us to invest more in increasing automation and refining the solution as well as increasing the number of specialists in our teams so that we can adjust new requirements to our cloud environment.

With our approach, **OTRS** makes us a pioneer in new markets!

CORPORATE SOCIAL RESPONSIBILITY IS MORE THAN GREEN

Sabine Riedel, Management Board Marketing & Human Relations

The issue of corporate social responsibility has already been firmly embedded in many companies for some years. This is primarily because it is simply part and parcel of a good corporate culture nowadays and because it pays off in employer branding.

This is not necessarily cause for OTRS Group to jump on the bandwagon. And yet, 2019 was the year in which we first actively incorporated corporate social responsibility into our thinking. Our decision to do so was not about following the trend, but was instead a response to the needs expressed by many employees to have a direct, positive impact on our society and environment.

We initially focused on social activities, where we had several moving experiences: Performing some smaller caretaker duties and repairs in a children's hospice, helping clean and maintain cages in an animal shelter and serving a warm meal to the homeless and other people in need at a soup kitchen – all of these activities focus on areas that are not automatically accessible in everyday life. This work grounds you and makes you consider many things from a different perspective. It helps us reflect and stay focused on what really matters – especially in our fast-paced and often very cerebral world.

This work is still very much a mere drop in the proverbial ocean of need and privation.

Above all, it was made clear that the change we can bring about as individuals does not suffice and that we are far better at achieving our goals sustainably as a community.

In turn, this required us to define more precisely what exactly we wanted to achieve. It was in this way that we ultimately decided to center our efforts around environmental protection and sustainability. This led to the creation of a specific guide and criteria for projects as part of our corporate social responsibility effort.

The balance between our working and personal lives is and remains a key aspect in our considerations when discussing new work, corporate culture and life work blending. It is equally important to both us and to our employees that our commitment to the environment does not end when we arrive at work. So how do we transform OTRS into GREEN OTRS?

Our competition to find the best ideas was a key and also surprising step in this process. When the opportunity arose, we asked how our employees

- are environmentally responsible in their personal lives,
- what suggestions they have as to how work at OTRS Group could be improved to position it more sustainably, and
- which larger projects they think are worth supporting.

The results were fantastic. Not only did they give us a huge number of ideas as to how we can progressively transform our workplace into an environmentally sustainable location, we also saw how much thought our employees already give to these concepts and how committed they are.

It was wonderful to see how the past, present and future are also interlinked and reinforce each other in this aspect, too. The culture that we have touted and put into practice so far sowed the seeds for today's ideas to help bring about change in the future.

The conviction of all those involved gives our efforts an authenticity that is visible to the outside world as the special spirit of our company and our culture. In this way, corporate responsibility comes to the forefront and is by no means exclusively "green." In fact, this has created a desire to review and design the product line and service range with regard to environmental sustainability. In light of the current crisis, which is forcing companies to push the idea of virtualization, the need for these kinds of products and services is rising.

In 2019, we took a major step towards boosting environmental awareness that, in terms of how it is manifested, aligns perfectly with our corporate culture. This is not merely green – its forms and versatility feature a vast spectrum of colors.

OUR CULTURE IS A DECISION FOR THE FUTURE

Johanna Mandl, Senior Manager People, Culture & Communication and
Norman Brix, Manager Process & Organization Development

“Culture eats strategy for breakfast” – we have operated with this quotation from Peter Drucker by our side for two years now, and it perfectly expresses how central culture is to us as a company. What are our basic tenets and what has been done during 2019? What challenges and opportunities are associated with this topic?

Measures have increasingly been implemented in the last two years that have a direct impact on our corporate culture. In 2019, the position of Senior Manager People, Culture & Communication was also created. How did this come about?

JM: It is typical for start-ups to have a culture that simply operates “alongside,” i.e., it exists but has never been explicitly defined. However, 15 years later and after seeing solid growth to over 85 employees, we have recognized that we need to actively engage with this issue.

NB: Subcultures and department silos had appeared undetected and washed out corporate culture. This created problems in daily collaboration between departments as well as in communication, which visibly lowered efficiency.

What are the basic ideas behind “cultural work” with regard to the company?

JM: We start by assuming that there is a defined, target corporate culture and an actual but unspoken one. The latter becomes particularly clear through how people respond to the handling of alleged mistake(s) or misconduct.

NB: We firmly believe it is essential to look at corporate culture as something dynamic. At the same time, however, together with management, we try to define the framework required to provide direction. This makes it possible for each and every employee to experience and actively shape this culture. Our aim is to consciously avoid settling for the comfortable status quo.

What steps have been taken so far?

NB: We have implemented a wide range of measures that are continuously pursued but also readjusted or scrapped. These include improving onboarding for new employees; increasing use of the internal newsletter; raising awareness among managers about their function as a role model and flagship position through workshops; and also simply defining the desired corporate culture. Cross-functional teams formed from different departments are particularly effective.

JM: The advantage of cross-functional teams is very clear to us. Everyone is on an equal footing and advises on their expertise of a topic, exchanges knowledge and learns new things. This is then accompanied by cooperative supervision by colleagues who work in these cross-functional teams. Again, this aims to help create even more positive experiences and motivate people to actually employ their new knowledge in their department. A pleasing side effect is that you can't point the finger at another department anymore.

NB: Our cross-functional testing team, which has existed since the start of last year, is a particularly good example. It comprises over 25 colleagues from all departments. The additional benefit here is that, in addition to the advantages described previously, it also directly benefits our software. Everyone plays a role, which improves the quality of the software.

What changes have been seen so far?

JM: The measures mean that there is more mutual understanding of what is being done. Sharing knowledge creates more trust. Department silos are slowly but surely being broken up. Step by step, this improves the time spent working together and also boosts our efficiency along the way.

All of these findings and targets that we have already achieved are, above all, also a foundation and basis for further development. What challenges do these pose?

JM: Experience shows that you have to permanently remind and motivate. Corporate culture should also be continually and authentically exemplified so that it is more tangible to employees. This is also important when it comes to ensuring the unspoken/actual culture and the target/defined culture are as similar as possible. The only way to offer direction and establish trust is to make sure that culture is exemplified and practiced.

NB: The active "learning by example" for values and culture is of course a change process, and we still have a long way to go – but it is one that we do not shy away from at all. On the contrary, we welcome every challenge and every struggle that, when dealt with, offers the potential for further development. We have created the basis for this with what we have achieved and learned so far.

THE ART OF CONSULTATION

Andreas Bender and Jens O. Bothe
Directors Global Consulting

Consulting at our company does not “just” mean advising customers. Our department is a key driver of optimization. A key aspect of this is **automation**.

For example, the automated transfer of our concepts into **OTRS** and the introduction of pre-packaged solution scenarios per application case, which then need only to be adjusted or expanded, are essential to speeding up and expanding the design and implementation phases of new OTRS systems. This means that our experience and expertise can be utilized in the run up to the workshop and support the sales and design process.

We have also automated internal processes in other application areas in the last few years, creating capacity that we were able to use in 2019 for our automation projects.

By expanding OTRS resource planning, we automated administrative activities, such as the monthly revenue analysis and resource planning that were still conducted manually during the first and second quarters of 2019 and were thus far more prone to error. Our focus during the design and development stages was on standardization and compatibility with our solution so that we can also offer the expansion to our customers.

Another positive change was related to implementation and migration costs. Up to 90% of implementations and migrations have been remote since November 2019, significantly reducing travel coordination and costs. As in recent years, we also saw a significant rise in process and webservice design workshops in 2019. Just like OTRS Group, our customers have long since understood that mapping their business processes and the automation that this enables are vital for a successful company.

STORM powered by **OTRS**, our security solution, expands this automation approach substantially and has also established itself in consulting, especially for preparatory process design workshops and in the definition of generic and customer-specific interfaces.

Our customers are increasingly opting for our high-quality SaaS product **OTRS**. This has considerably reduced problems such as remote access to customer systems and the need for the customer to make preparations or contribute.

We believe successful, forward-looking work depends on optimizing (virtual) collaboration, both within the consulting team and between departments. By redesigning our team meeting around self-management and self-reliance, we have also placed particular value on didactic and methodological training sessions.

By making these changes, we have not only achieved what we set out to do in 2019, we have also laid the organizational foundation for the years ahead.

SOFTWARE REVOLUTION

Martin Gruner, Team Lead R&D Software Development

For the development department, 2019 was a year of what we might call major “transformation”: Software is like a living organism – it ages and decays, and so it requires constant modernization. Never before have we invested so much time and effort into doing so as we did with **OTRS 7** and **OTRS 8**.

First, the development process was managed by cooperation between new, specialized teams:

Product management delivered the requirements and the UX/UI graphic designs...almost 1,000 for **OTRS 8**!

After the actual programming, the documentation team reviewed the texts displayed and the testing team (a mix of employees from all departments) checked the features.

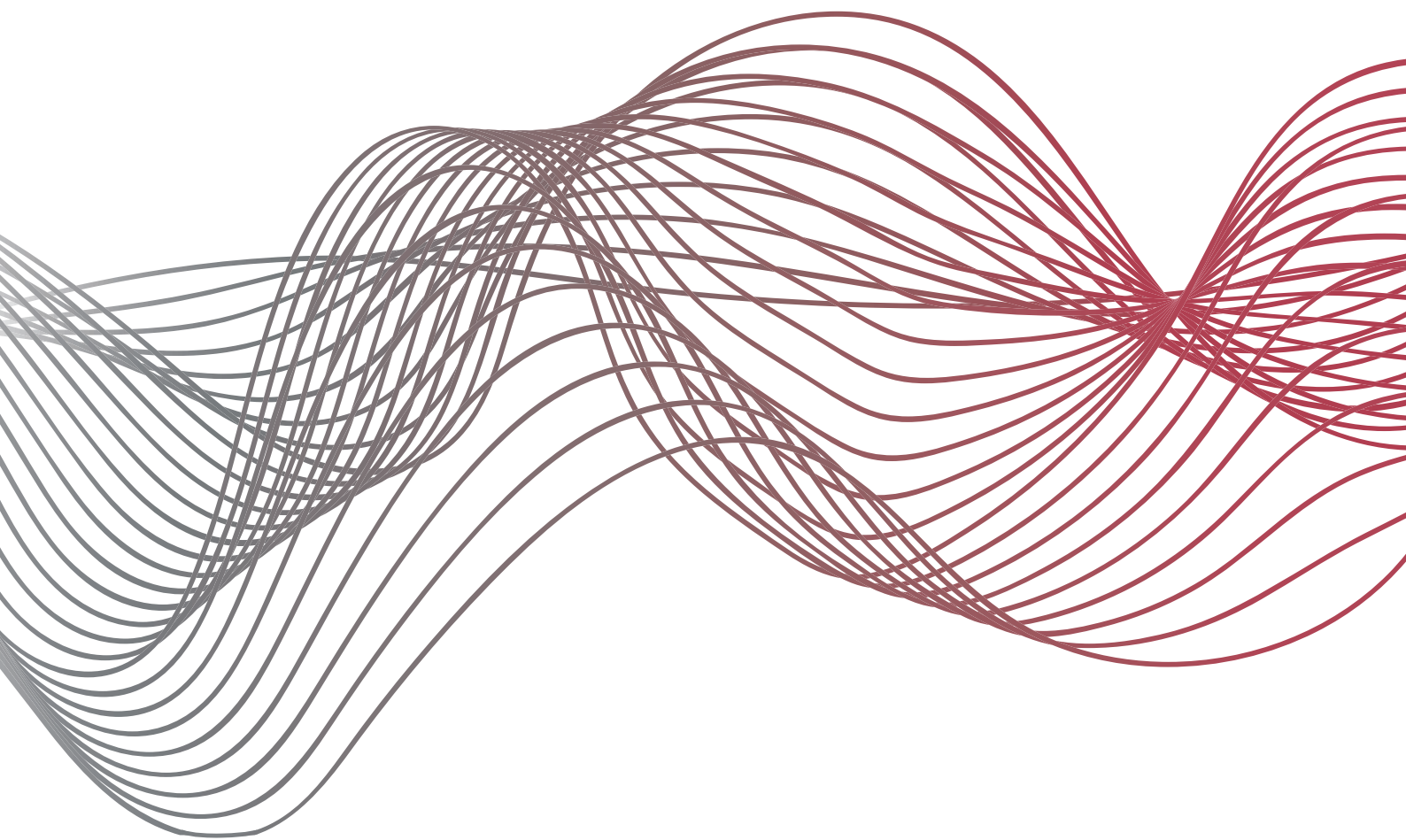
Close collaboration between departments and increased specialization ensured more agile development and better quality control. At the same time, it increased awareness and acceptance of the features and products across the company.

The fundamental redevelopment of the interfaces had many positive effects. For example, a significant part of the source code was transferred from Perl to JavaScript based on a modern technology mix. This gave us access to the world’s largest software library for interface development.

A client server architecture based on [REST](#), the introduction of a modular system for reusable interface elements and the removal of dead wood also illustrated the significantly more efficient and agile development processes.

None of these improvements are an end in themselves. Instead, they offer the development team the freedom to direct its focus more clearly on the chief objective of our work: our users.

This does not only make our idea of creating highly customizable interfaces with real-time feedback easy, it also makes it fun. In this respect, we have not merely achieved a lot in 2019 – we have also started a small OTRS revolution.



PRODUCT MANAGERS ARE FREE THINKERS

Nils Leideck, Product Manager

As OTRS Group's first product manager, in a sense I broke new ground in 2019 and also achieved something for myself personally that I saw as a logical next step after many years of consulting. Together with my virtual team, a good dose of euphoria and an almost unquenchable thirst for knowledge, I have been steadily working on making **OTRS** better and better.

This frequently requires bridging the gap between the comprehensive and, above all, future-oriented innovation demanded by the market on the one hand and maintainability, transparency for error analyses, joint product expertise and being open to expansions on the other.

This is because business solutions are not just there to solve problems: They have to look good while doing so, “feel good” and be adaptable to individual needs. By this, I mean bringing together fun, flexibility, sustainability, stability and security under one roof. This sounds almost like a jack-of-all-trades... Developing this kind of product requires lots of information.

This is why, in strategic product management, we interview potential and existing customers in person or virtually by using surveys, through visits or at trade fairs. For me, meeting with one individual customer is often ten times more valuable than a survey with 1,000 respondents. In an interview, I can “see” the market's requirements there and then talk to decision-makers and users directly.

Using the findings established there, “personas” (essentially reference users) are created, necessary and potential changes are identified, and user stories are drawn up. This information is then sent to our software engineers for detailed specification and implementation.

At the same time, the product road maps are given a strategic direction and expanded. This allows the technical teams to create a perfect solution, and the “go-to-market” team (set up in mid-2019 for this purpose) to ensure the best possible product launch.

While the technical teams focus on defining and prioritizing work packages, designing prototypes, UX testing, user acceptance testing and agile project management, the “go-to-market” team’s responsibilities center around marketing campaigns, demo systems, sales collateral, website content and, in particular, internal training sessions.

Thanks to our company culture, we work with free-thinking people who have high expectations and with whom we can form innovative and creative teams that position us better than ever for the future – especially at a time when enterprise service management is a natural discipline and the use of various AI methods to support processes is seen as completely normal.

SOLUTIONS REQUIRE PASSION

Mathias Röhl, Director Global Managed Services

There is a reason why we at OTRS Group call ourselves the “customer solution team” when most companies would refer to us as the support department. Every day, we employ our professional and technical dedication and great personal commitment to help our customers find solutions and ensure maximum customer satisfaction, which we clearly succeeded in doing in 2019.

The massive surge in the number of tickets in 2018 continued in 2019, and we assume that this trend will also be sustained for the next few years. The reasons for this are obvious. Increasingly complex opportunities to use our software are associated with major growth – not only in terms of customer numbers but also within OTRS Group.

This presents the team with significant challenges. Given this, we made some changes in 2019 to set us up for the future.

We reorganized the team structure by creating the team leader level, meaning that responsibilities could be shared among more people. All employees in the team have points of contact who can respond appropriately and competently.

As well as reaching our goal of providing customers with the best possible solutions in a reasonable amount of time, we are also striving to expand our team and acquire knowledge in new areas and technologies. This way, we can guarantee the same level of performance and also ensure that work remains fun. Recruiting new employees is thus a key item on the agenda. Given the shortage of skilled staff, we took a pioneering step by hiring specialists from abroad, a move that has proven exceptionally beneficial. At the same time, we thoroughly revised our department-specific onboarding concept to guarantee the best possible start when joining the team.

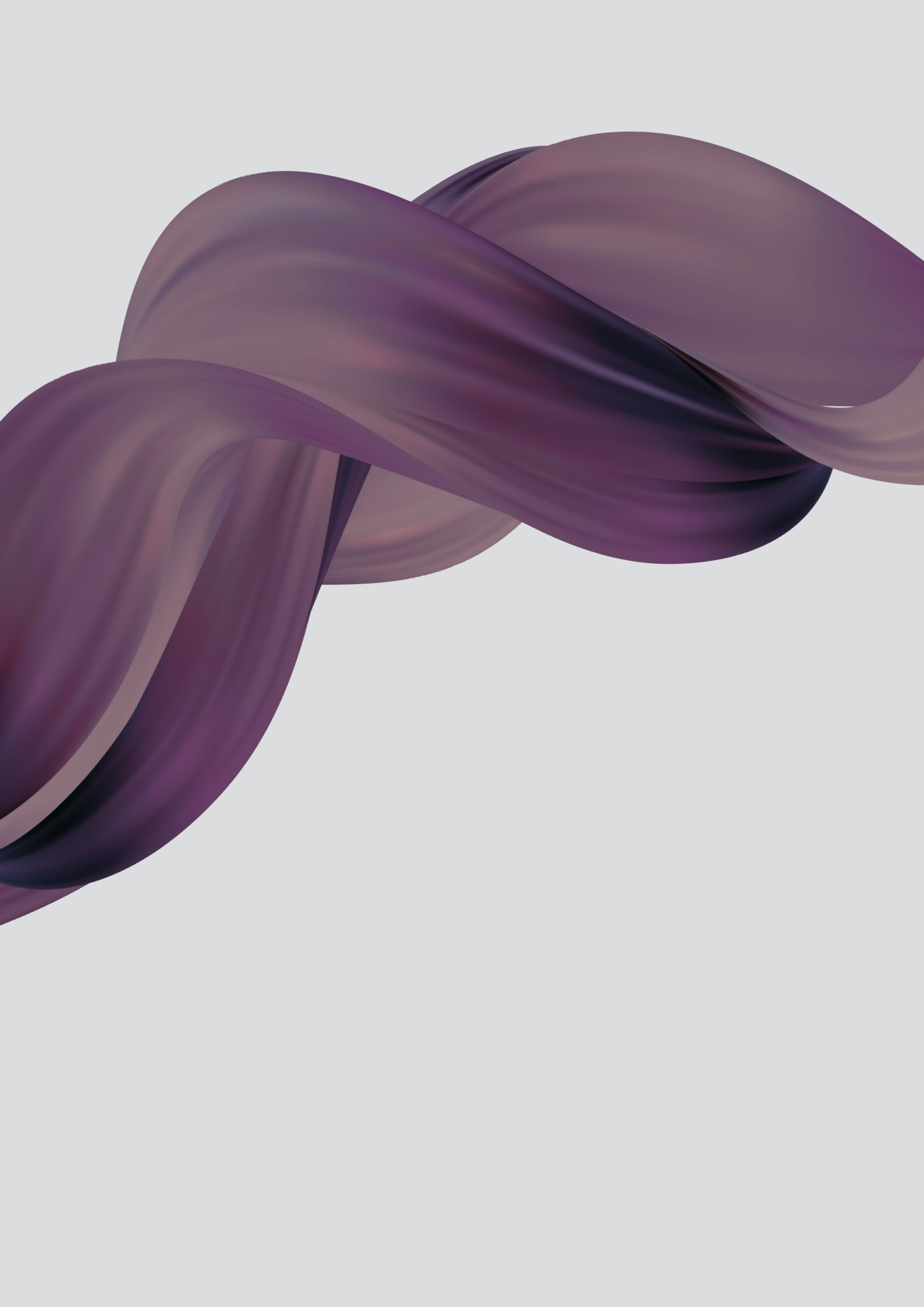
A Vision for the Future

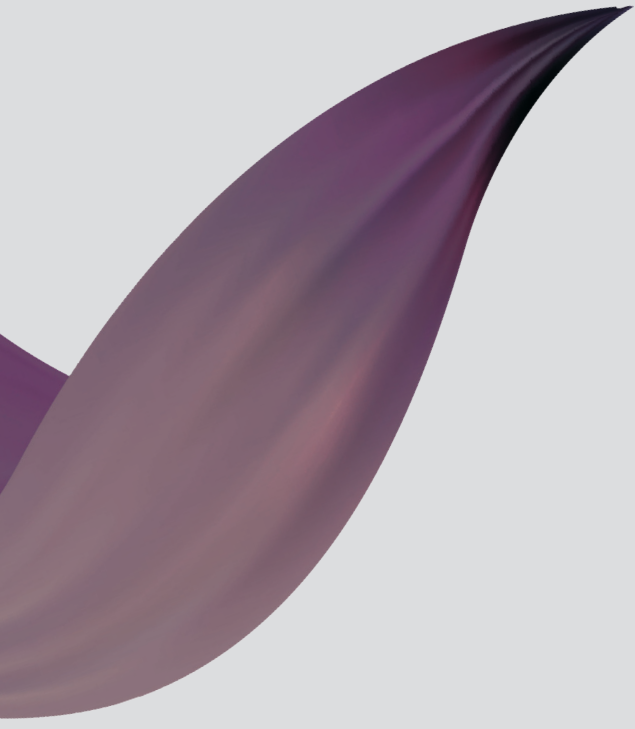
AI that optimizes our processes is, of course, also a topic for us to address. This is why our internal specialists will connect the OTRS portal to IBM's AI Watson system. Using AI, tickets can be classified more quickly, and customers can have their questions answered by sharing suitable FAQ articles.

In the future, customers will be able to get answers to smaller inquiries, for which a ticket is currently generated, themselves. This makes solutions quicker and saves time.

To make this possible, the OTRS customer interface is currently being expanded so that customers know which services from OTRS Group they can use based on their contract and can then submit inquiries accordingly. The self-service portal will optimize the quality of our customer relationships, because we will be able to offer everyone a suitable solution. Examples of this include assigning systems to contracts, which customers cannot do themselves at the moment, and creating eligible users if something has changed in the customer's administrative structure.

Taking responsibility is our credo, regardless of the work assignment.





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 year 2019 and the results of the audit of the 2019 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; and 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 to be taken 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 year 2019 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 year 2019.

Meetings of the Supervisory Board and Key Issues Discussed

The Supervisory Board held three meetings in person to carry out its duties in fiscal year 2019. 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 April 3, June 12, and December 10, 2019.

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 2019 and 2020, 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 April 3, 2019, the Supervisory Board examined and approved the annual financial statements and the management report for fiscal year 2018. Planning the 2019 Annual General Meeting was also a priority at this meeting. Furthermore, at this meeting, the Management Board reported extensively on intended business policy and corporate planning, including 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 June 12, 2019, which was held directly after the Annual General Meeting, it was unanimously resolved to extend the contract of CEO André Mindermann. The Management Board contract with Mr. Mindermann was renewed until June 30, 2022.

At the meeting on December 10, 2019, 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 course of business, including financial, investment and personnel planning at the company and its subsidiaries. It was discussed 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 2019 Annual Financial Statements

VEDA WP GmbH Steuerberatungsgesellschaft audited the 2019 annual financial statements, prepared by the Management Board in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code), and the management report. They issued each with an unqualified auditor's report. The audit certificate was issued on May 7, 2020.

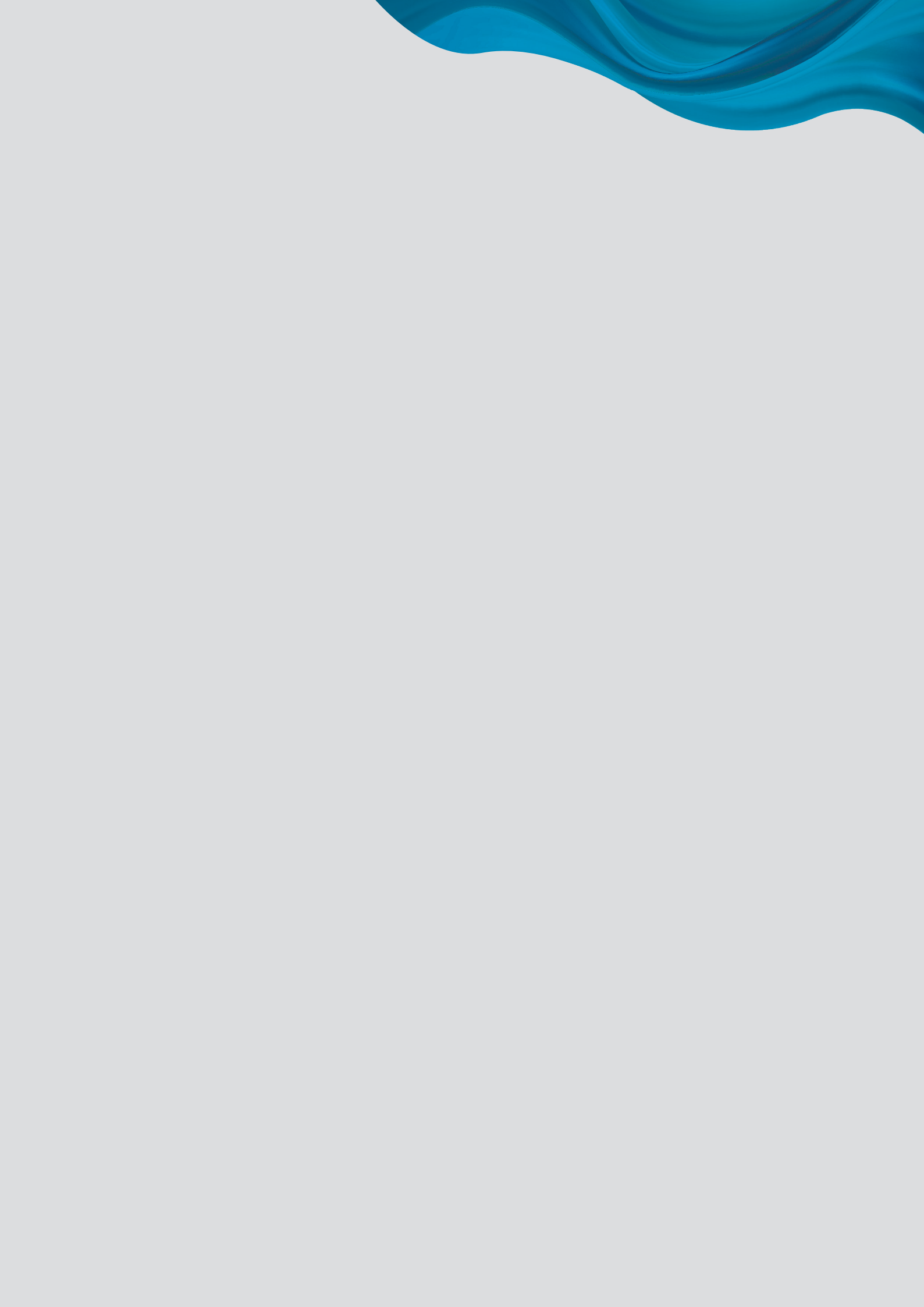
The Supervisory Board received the annual financial statement documents and the auditor's report in advance and discussed them extensively. The auditor delivered his detailed report to the Supervisory Board in person at its meeting on May 7, 2020, where he also answered questions from the Supervisory Board's members to their satisfaction. As required by law, the Supervisory Board examined the 2019 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 May 7, 2020. The annual financial statements of OTRS AG have thus been adopted.

The Supervisory Board would like to thank the members of the Management Board and the employees and acknowledge their personal commitment and work in 2019. The Supervisory Board would also like to thank the shareholders for their interest and continuing trust in our company.

Burchard Steinbild
Chairman of the Supervisory Board



Oberursel, May 2020



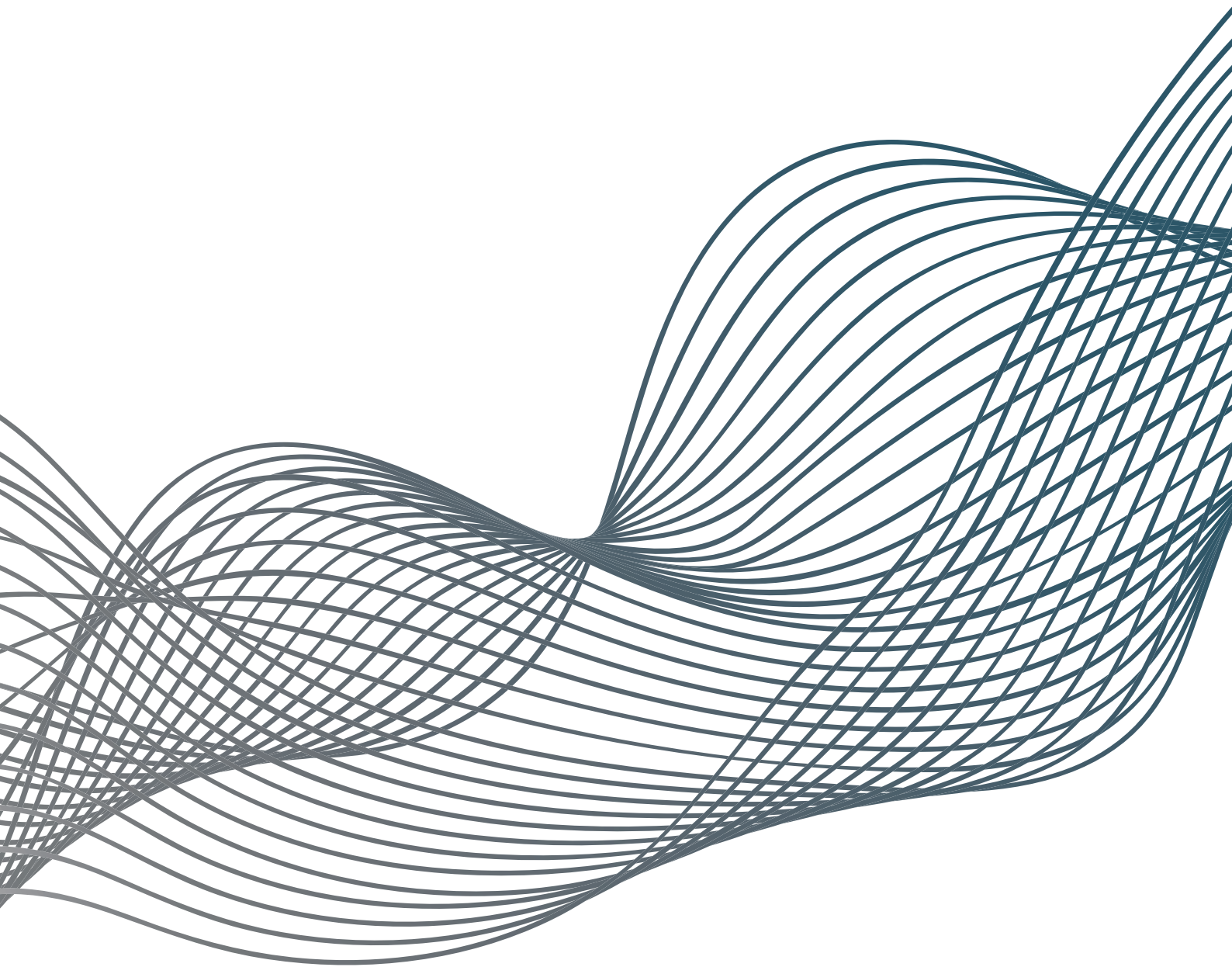


MANAGEMENT REPORT

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

CONTENTS

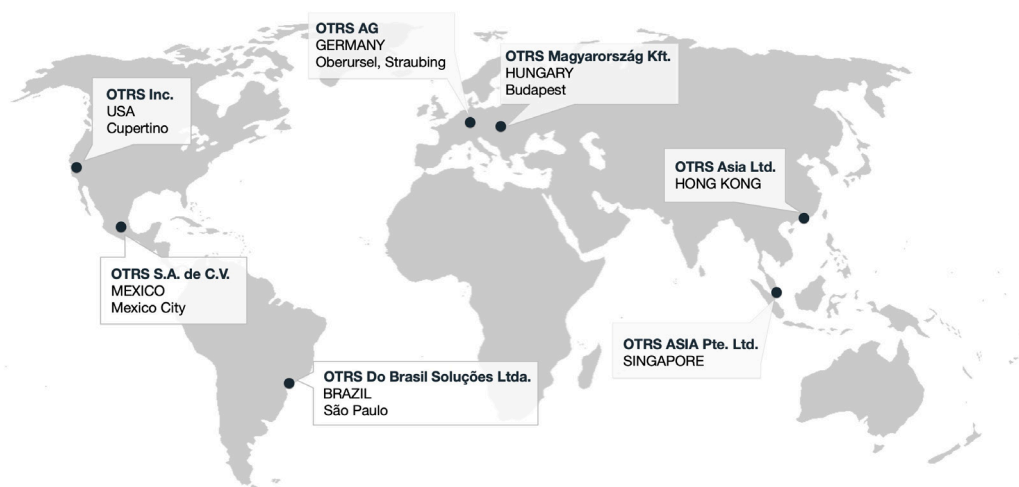
BASIC INFORMATION	40
LOCATIONS	40
MISSION STATEMENT	40
GOALS	41
BUSINESS & GENERAL CONDITIONS	42
KEY ACTIVITIES & SALES MARKETS	42
DEVELOPMENT OF THE ECONOMY AS A WHOLE & THE IT SECTOR	43
RESEARCH & DEVELOPMENT	45
BUSINESS PERFORMANCE	47
EMPLOYEES	48
RESULTS OF OPERATION, FINANCIAL POSITION & NET ASSETS	49
RESULTS OF OPERATION	49
FINANCIAL POSITION & NET ASSETS	50
REPORT ON RISKS, OPPORTUNITIES & EXPECTED DEVELOPMENTS	52
REPORT ON EXPECTED DEVELOPMENTS	52
REPORT ON RISKS AND OPPORTUNITIES	54



BASIC INFORMATION

Locations

Our locations generate and represent international presence in equal measures. We operate in areas where markets and customers need us and, at the same time, use this to raise our profile and grow the OTRS brand. Both of these aspects help ensure long-term economic security.



Mission Statement

Why

We give companies the freedom to be successful.

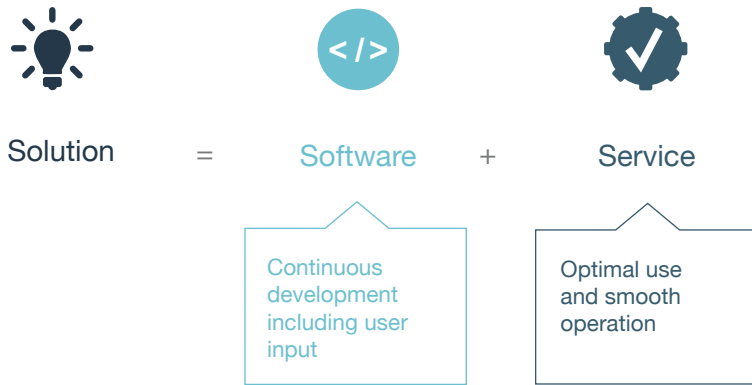
We believe that companies must be flexible to stay successful. When daily routines are embedded in reliable and transparent structures, it creates freedom for the creativity that helps companies grow.

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.



As a solution desk, **OTRS** adapts to a wide range of customer requirements and requests. Our core competencies in product and service are Customer Service, ITSM (ESM) and Corporate Security.

Goals

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

Software

We always strive to update the software on an ongoing basis and adapt it to the requirements of the respective 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. The market opportunities that arise for OTRS solutions are a deciding factor in the decision to establish a subsidiary. 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 globally attractive product offerings 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 on 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 since 2017: 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 two 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 installations in over 40 different languages worldwide.

Development of the Economy as a Whole & the IT Sector

As in previous years, digitalization and – above all – its implementation in 2019 was a focal point for companies and will continue to play an important role. According to the German Association for Information Technology, Telecommunications and New Media (source: bitkom: Digitalisierung sorgt für neue Geschäftsmodelle im Handel), digitalization is creating new business models. Half of all companies are offering new products or services. At the same time, a study of 350 IT managers conducted by OTRS AG in June 2019 found that a significant number of German companies (27%) were only halfway towards a full digital transformation. Just 9% of German companies have already gone 100% digital and are now evaluating their progress.

The study also found that the majority of companies that have already started their digital transformation say that the steps they have already taken are having a positive impact (84%). Nonetheless, 10% reported that their digital transformation efforts have not had any effect so far. The greatest barrier to digital transformation is quoted as insufficient funds (22%), followed by a company culture that is often too rigid for changes (17%) and a lack of skills (13%).

Furthermore, the EU General Data Protection Regulation (GDPR) and the related topic of IT security played a major role this year. Headlines are not the only place that data protection violations and high fines are laid bare – studies also attest to security failings. According to an OTRS survey of 280 IT managers, 61% companies report an IT security incident at least once a week.

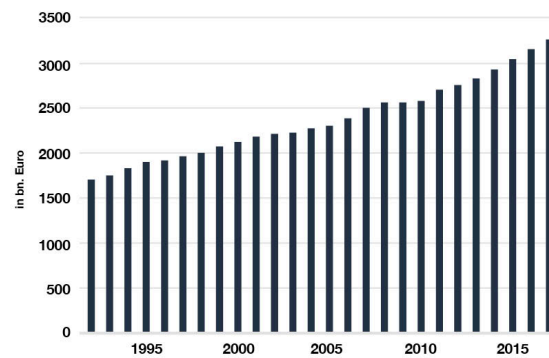
OTRS Group is comprehensively engaged with cyber security. As experts in cyber security and with **STORM** powered by **OTRS**, we offer a product that helps companies set up and systematically implement end-to-end processes to handle security-related incidents. This allows security teams to respond more quickly and easily to hackers and cybercrime, helping to reduce some of the workload that CIOs are expecting this year. Another OTRS Group security solution is **CONTROL** powered by **OTRS**. This tool allows companies to ensure fully documented ISMS operations in accordance with ISO/IEC 27001. Since November, OTRS AG has been the “CVE Numbering Authority” (CNA) for all OTRS Group products. As the central port of call, the OTRS security team can therefore issue a CVE number directly for all weaknesses identified in the OTRS software or in the ((OTRS)) Community Edition.

OTRS Group also meets CIO targets in terms of the implementation of AI solutions in 2020. 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**. Even users have picked up on this: **OTRS** is one of the top 20 most popular ITSM software solutions on Capterra. On Software Advice, **OTRS** also stands out as a trailblazer for IT helpdesk software.

Taking a look at the German economy at the start of the year reveals that it is still experiencing its tenth year of its upturn, which will benefit the development of sales at OTRS AG.

Economic output grew by 0.6% in 2019 as a whole. For 2020, an increase of 1.1% is expected (source: BMWI/Economic and Cyclical Development, as of January 29, 2020). According to bitkom, the information technology, telecommunications and consumer electronics market is also enjoying further growth, with revenue of EUR 172.2 billion (up 1.5%) expected for 2020 (source: bitkom: TK-Marktzahlen, Januar 2020).

Gross Domestic Product
Normal GDP



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

With an anticipated turnover of EUR 95.4 billion and growth of 2.7% in 2020, information technology continues to be a driver in the ITC industry. With a volume of EUR 27.6 billion, the software segment will continue to grow strongly and is by far the most in demand (+6.4%, source: bitkom: ICT Market Figures, January 2020).

Taking into account current developments, it must be assumed that it is highly unlikely that this forecast will be confirmed. For more details, see the report on risks, opportunities & expected developments.

According to experts at the IT market research institute Gartner, tech trends in 2020 will include hyperautomation, such as artificial intelligence and machine learning, as well as multiexperience such as augmented, mixed and virtual reality, edge computing, distributed cloud, practical blockchain and AI security (source: t3n: Gartner Tech Trends 2020).

Research & Development

The 2019 fiscal year was marked by major future-oriented steps in software development and optimization. Research and development expenses amounted to EUR 2,115 thousand in total in the reporting year. EUR 1,024 thousand was capitalized as intangible assets under development in the current period.

Customization

- Configuration of form fields in any order
- Possibility of adapting to the company's corporate design
- One-click access to the most frequently used actions
- Personal configuration of date and time formats
- Personal lists of tickets, incidents, jobs, topics and other business objects
- Personal avatar images
- Quick actions to preset fields for frequently reported problems
- Personal separators for organizer elements
- Personal multi-column dashboards
- 3-stage sorting options in business object lists
- Read messages in modern stream or chat style

Customer Management

- Personal customer lists
- Personal lists of customer users

Automation & Processes

- Distribution of notifications (e-mails) to individual recipients
- Predefined organizer elements for agents

Knowledge Management & Self Service

- Display relevant knowledge when writing notes and emails
- User-specific information in a request history

Security & Authorizations

- Organizer object groups to restrict access to certain users
- Multiple two-factor authentication (2FA) methods according to individual security requirements
- User exception lists for account and password policies
- 2FA methods for SSO authentication
- Customizable account and password policies
- Information on passwords about to expire
- Guided setup for personal 2FA preferences
- Encrypted e-mails for 2FA tokens
- QR code generator for use in 2FA applications

Features

- Main menu to allow quicker access to available modules
- Quick access for recording frequent messages
- Direct access to personal notifications
- Efficiently search business objects
- Real-time data in business object lists
- Business object lists for options with or without monitoring
- Personal information in business object lists in real-time

Reporting

- Predefined report schedule

Business Performance

Companies have now come to recognize the benefits of digitalization, not only in terms of which products they offer in their portfolio with which services, but also in terms of what software they use internally for the automation and professionalization of the processes this requires.

The decision to release **OTRS 7** without making the changes available to the open source community initially proved to be the right move for further establishing our **OTRS** cloud version as a professional enterprise service management tool that supports companies in these considerations by providing proven and ready-to-use features and a future-proof technological approach.

This is underscored by the steady rise in the share of revenue generated by **OTRS** in comparison to **OTRS On-Premise**. In Q3, we also set an order entry record in this area, the highest in our company's 17 year history.

AI and customization – two of the most important trends for our product development that had a lasting effect in 2019 and that will also keep us busy in the long term – also shaped business performance. With **OTRS 7**, we redesigned the external interface to create the foundation for thorough testing of the updates planned for **OTRS 8** and to confirm our development concept.

In addition, we met the increased demand for security services and significantly invested in employee training for the further development of our **STORM** powered by **OTRS** product in order to successfully expand this area further.

As a company, we are aware of our responsibility to society and, through “Green OTRS,” we are working towards a holistic, environmentally-friendly and sustainable company organization and leadership while also endeavoring to use our service portfolio to support our customers' sustainability efforts.

In the course of 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, considers all relevant trends in IT development on a national and international basis.

OTRS History



Employees

The average number of employees (not including members of the Management Board) rose from 63 in the previous year to 70 as of the 2019 balance sheet date.

RESULTS OF OPERATION, FINANCIAL POSITION & NET ASSETS

Results of Operation

In the past fiscal year, revenue of EUR 9,178 thousand (previous year: EUR 8,314 thousand) was generated, with revenue growth of EUR 864 thousand. This corresponds to an increase of 10.4%. 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 foundation of our software, which combines the standard version of **OTRS** with special features, security and software updates and support. This increased by EUR 919 thousand (13.3%) from EUR 6,914 thousand to EUR 7,833 thousand, and now accounts for 85.3% of total revenue (previous year: 83.1%). Recurring revenue results from existing contracts with fixed terms, which are usually renewed after they expire. Because of this, 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 4,757 thousand as of the balance sheet date (previous year: EUR 4,248 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, improved margins and gross profit.

The decline in other revenue, in particular from custom engineering and consulting services in connection with the implementation of the OTRS software, by 4.0% from EUR 1,400 thousand in fiscal year 2018 to EUR 1,345 thousand in fiscal year 2019 is due to OTRS AG's strategic decision to focus mainly on recurring revenue. Revenue from custom engineering and consulting are seen as auxiliary revenue.

OTRS AG generates most of its revenue with customers in Germany. This increased by EUR 533 thousand (9.1%) from EUR 5,839 thousand to EUR 6,372 thousand. German customers therefore accounted for 69.4% of revenue in fiscal year 2019 (previous year: 70.2%). Revenue with international customers increased by EUR 331 thousand from EUR 2,475 thousand to EUR 2,806 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 2,115 thousand was invested in ongoing development in the past fiscal year.

EUR 1,024 thousand of this was capitalized on the balance sheet as internally generated intangible assets **OTRS 8**. For other development costs, the conditions for capitalizing internally generated intangible assets were not met. In fiscal year 2019, amortization of internally generated intangible assets amounting to EUR 327 thousand was recognized.

In fiscal year 2019, EBITDA amounted to EUR 1,611 thousand (previous year: EUR 970 thousand). Operating cash flow of EUR 785 thousand was generated (previous year: EUR 1,014 thousand). EBIT amounted to EUR 1,115 thousand as compared to EUR 579 thousand in the previous year.

Naturally, the largest cost item for a service company is personnel expenses. These amounted to EUR 5,631 thousand in 2019 (previous year: EUR 4,782 thousand), corresponding to a personnel expenses ratio of 55.2% (previous year: 54.1%). Average personnel expenses in relation to average headcount including management amounted to EUR 78.2 thousand in fiscal year 2019 compared to EUR 73.6 thousand in the previous year. Revenue per employee, including management, declined as against the previous year to EUR 127 thousand (previous year: EUR 128 thousand).

Financial Position & Net Assets

Total assets rose by 22.5% year-on-year from EUR 7,402 thousand to EUR 9,067 thousand as of December 31, 2019. As a result of net income (EUR 782 thousand), balance sheet equity increased from EUR 1,967 thousand to EUR 2,749 thousand. The equity ratio was 30.3% as of the balance sheet date (previous year: 26.6%).

With a total cash flow of EUR 535 thousand (previous year: EUR 430 thousand), the quick ratio, which shows the extent to which current liabilities are covered by cash funds and current assets, increased to 72.3% as opposed to 66.5% in the previous year. Given that the support contracts included in current liabilities as deferred income (EUR 4,757 thousand) will not lead to future cash flows but actually constitute future revenue, the quick ratio is 418.2% compared to 416.4% in the previous year. Against this background, there are currently no liquidity bottlenecks and, based on an ordinary course of business, the company can meet its payment obligations. The Report on Expected Developments below discusses the impact of the current COVID-19 pandemic.

Selected Key Figures

	2019	2018	2017	2016	2015
Key figures on net assets					
Equity ratio in %	30%	27%	30%	32%	29%
Equity-to-fixed-assets ratio in %	57%	49%	52%	61%	52%
Financial/liquidity structure					
Quick ratio in %	72%	67%	59%	68%	66%
Key figures on results of operations					
EBIT (in EUR thou.)	1,115	579	128	131	58
EBITDA (in EUR thou.)	1,611	970	510	534	458
Revenue growth in % year-on-year	10%	9%	5%	14%	21%
Percentage return on revenue	9%	5%	2%	1%	0%
Percentage return on equity	28%	23%	7%	6%	0%
Deferred income (EUR thou.)	4,757	4,248	3,512	2,833	2,348
Revenue per employee (EUR thou.)	127	128	131	133	125
Others					
R&D costs (EUR thou.)	2,115	1,716	1,399	1,166	876
R&D cost ratio	23%	21%	18%	16%	14%

REPORT ON RISKS, OPPORTUNITIES & EXPECTED DEVELOPMENTS

Report on Expected Developments

The COVID-19 pandemic is expected to significantly impact global economic growth in 2020 and so the original forecast of continued growth cannot, in all probability, be maintained. Particular attention should be directed here to the regional discrepancies in growth and sales performance that this will exacerbate. Thanks to our products, which boast innovative technology and meet the needs of modern companies, as well as our services that are closely aligned with the need for flexibility and digitalization, we are well prepared for the challenges that this will present in our sector.

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 current 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 for 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.

Investing in the software will continue to be an important aspect in maintaining OTRS AG's competitive capability. 2019 was dedicated to completely modernizing our software. Changes in user habits and increasing virtualization bring with them the desire to access data at any time, from anywhere on a wide variety of devices. Not only does this require reworking the software interface, it also demands that we take into account current design trends, always with the goal of optimizing use for customers. New technologies have not only made their way into OTRS in 2019 – they are an increasingly essential aspect of market-oriented software development. When developing new functions and services, we place particular emphasis on AI and virtualization.

Statement on Expected Development

The dramatic change in general conditions caused by COVID-19 mean that we can currently issue only limited guidance, as we cannot reliably gauge the situation of our existing customers or how new customer business will develop and experience from past years cannot be applied to the current situation.

Without the COVID-19 crisis, we would have assumed an initial revenue increase of EUR > 10 million, maintaining our trend of steady, moderate growth.

We have developed three different scenarios of how new and existing customer business might develop as a way of observing the situation so that we can make changes at short notice. By closely monitoring the specified reference values for the various scenarios, we can make any last-minute changes needed to avert damage or absorb potential losses.

One option is to furlough employees in order to prevent skills losses that would result from layoffs in our highly qualified specialists and teams.

We believe solid growth prospects are possible if ongoing geopolitical tensions and conflicts continue to bypass our sector and if country and region-specific epidemics – such as the spread of COVID-19 at present – affect us only temporarily. The need for remote working (currently due to employees being required to switch to working from home) has the potential to make our products and services significantly more attractive.

Long-lasting success requires skilled and dedicated employees. We ensure their satisfaction and motivation by deliberately investing in a corporate culture defined by equality of opportunity, an attractive and modern working environment and a sustainable organization and structure.

We actively embody and take responsibility for the environment, security and society. As a company, we are a role model for modern, transparent and successful working and strive for operational excellence in our work and business processes.

Report on Risks and Opportunities

For our company to enjoy sustained success, it is critical that we identify risks and opportunities resulting from our operations at an early stage and that we manage these proactively. Our responsible approach to risk is supported by a comprehensive risk management system. OTRS AG's goal is to increase enterprise value in the interests of shareholders with a balanced risk-to-opportunity ratio.

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. 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 general operating activities.

Legal and Economic Risks that Jeopardize the Company as a Going Concern

Economic business risks could include insufficient market acceptance of the product or competitors being more strongly positioned. In particular, reducing this risk requires high flexibility when it comes to tailoring products to customer requirements and the option to considerably expand market presence.

The software market, especially the area of customer solutions, occupies what is known as a "VUCA world," meaning that it is exposed to high levels of volatility, uncertainty, complexity and ambiguity.

Our strategy of differentiating between **OTRS** as a cloud solution and the freely available ((OTRS)) Community Edition has made us more flexible and independent and helped us adapt to the constantly shifting requirements of various sub-markets.

At the same time, focusing on comprehensive marketing and innovative management is a way of steadily boosting our market share. Our goal is to create a broad spectrum of different groups of customers and interested parties in various markets.

By introducing **OTRS Business Solution™ Managed** in 2015, OTRS Group had already established exclusivity and significantly boosted customer loyalty. The delayed release of the ((OTRS)) Community Edition also helped successfully limit the field of activities of competitors who offer **OTRS** software services to their local home markets and internationally.

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. This is because our sales model includes prepayments for the contracts on an annual basis.

In the current COVID-19 crisis, this thus gives us an advantage over other companies in that we are not impacted by an acute liquidity shortage.

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. In general terms, we benefit from a heterogeneous customer structure, not concentrating on any specific sector or size of organization, which allows us to compensate for economic fluctuations.

Here, too, we closely monitor any delays or defaults in payment. In the current crisis situation, we mitigate bad debts by shortening dunning procedures and obtaining titles more quickly.

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. Additionally, 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.

Economic Opportunities

As well as posing risks to companies and their status as a going concern, the current situation and the physical shift to remote working present opportunities for us and for sales of our solution. As we professionally support virtual working, we are essentially a lifeline for many sectors under current circumstances, allowing them to keep their business processes afloat. We believe that not only does this offer the potential for higher sales during the pandemic, but it is also an opportunity to establish our solution as a risk-mitigation tool for crisis situations in the long term. As an advisor and trend-setter for remote services, we are creating a range of services that can be expanded and that we see as an opportunity for growth in the crisis.

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

International Expansion

Providing sales activities and services remotely without higher additional costs and/or lower chances of success allows us to manage international expansion by way of increasing virtualization from our headquarters. We consider opening a branch only in locations with good sales prospects and where this requires an on-site team. Preferably, the sales and service structure here would be tailored to the circumstances at the location. We have continued to closely monitor our key markets in the current fiscal year and – where the situation looks promising – to develop and expand these. Strengthening our existing branches through ongoing support, the transfer of knowledge and increasingly making sure that we also integrate them culturally in the sense of a global corporate culture allows us to fully exploit synergies. Our newest branch, OTRS Magyarország Kft. in Budapest, successfully consolidated its market position in its second year and underlines our expansion strategy.

Managed Services

At a time when business activities are increasingly going virtual and we store large swathes of our data in clouds providing **OTRS** as a managed solution continues to follow the trend.

The ability to use **OTRS** without installing the portal(s) on companies' own computers appeals to many firms and, in particular, offers small and medium sized enterprises that have limited infrastructure and personnel resources access to a professional software solution.

The number of customers for our managed solution increased to from 166 as of December 31, 2018 to 241 by December 31, 2019. Thus, managed solution contracts rose from 38% of our total contract volume (December 31, 2018) to 45% (December 31, 2019).

Cloud computing is also an important element of the IT market in the long term and is considered a key driver of digital transformation.

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.

Together with our corporate communication, we have designed our organizational and process structures so that delays, disruptions and uncertainties in processes can be reported at an early stage. This guarantees disruptions are processed smoothly and quickly resolved and means that the possibility of our services – both software and services – malfunctioning is very low.

Experienced employees; proven management and control systems; targeted personnel and organizational development measures; and the existing system of monitored risk indicators, which is constantly adapted to current developments and requirements, ensure the highest possible level of control.

Environmental and Social Risks

Demands for companies to take on social responsibility have skyrocketed in recent years. Market-dominating sustainability and responsibility aspects in our products and processes could result in considerable competitive disadvantages, damage to our image or breaches of laws.

To combat this, a comprehensive sustainability concept has been implemented in the area of CSR, which primarily aims to achieve and manage our sustainability targets. Measures to raise awareness of sustainability among the management and employees as well as the systematic incorporation of sustainability aspects in our management and decision processes also help mitigate this risk.

Environmental and Social Opportunities

Working on a sustainable range of services designed for companies that operate accordingly is a key pillar of our “Green OTRS” strategy. This is not merely a way of gearing our company towards sustainability: Implementing sustainability aspects into our products and services presents us with the opportunity to approach and win over new groups of customers and to further improve public perception of the OTRS brand. Strengthening our culture by way of activities relating to integrity can also help combat the future shortage of skilled workers and ensure that OTRS Group remains attractive to graduates and employees moving forwards.

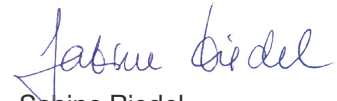
Oberursel, March 31, 2020



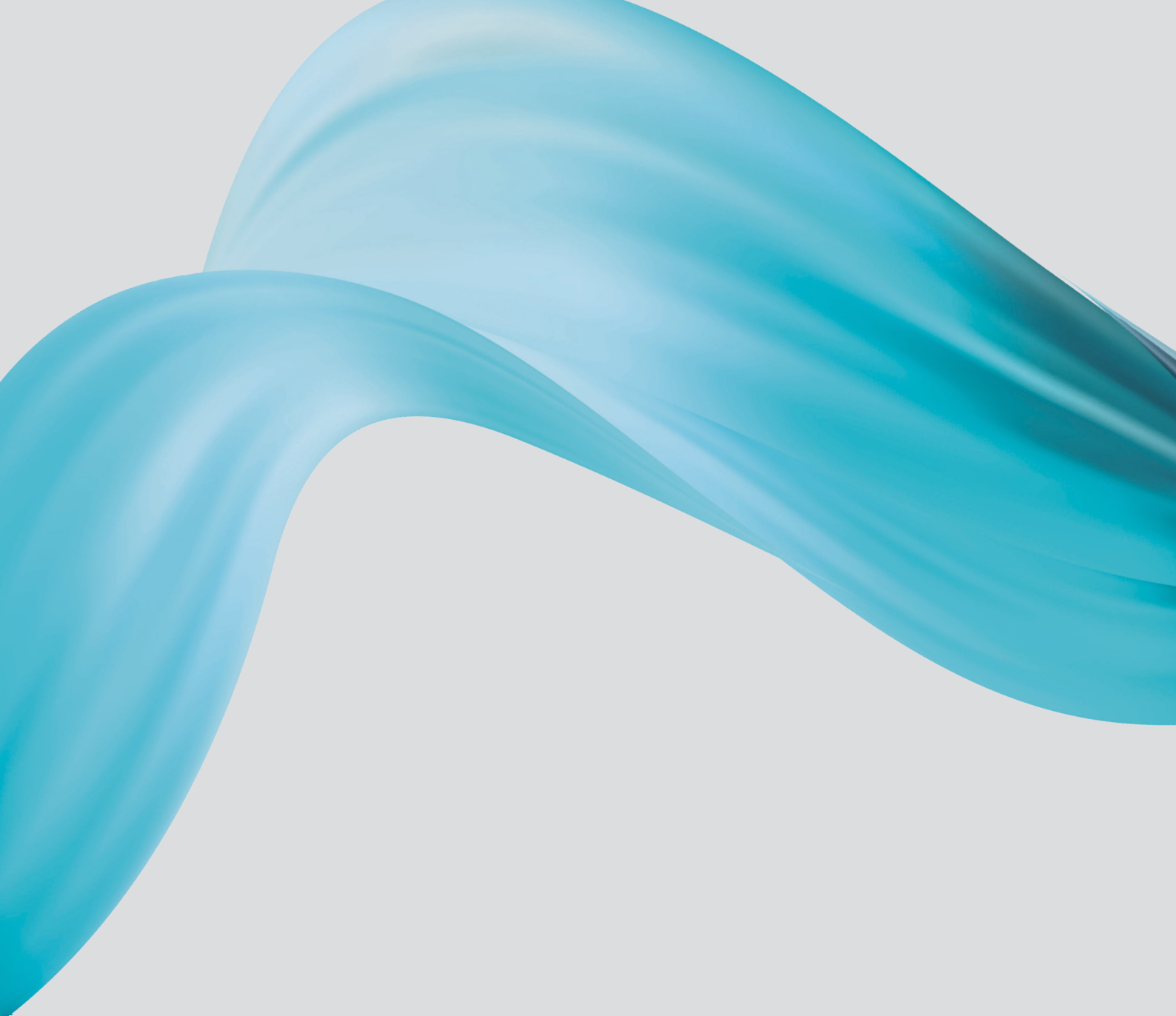
André Mindermann
CEO of OTRS AG



Christopher Kuhn
Management Board of OTRS AG



Sabine Riedel
Management Board of OTRS AG





YEAR END TABLES

BALANCE SHEET
INCOME STATEMENT
FIXED ASSETS

Balance Sheet as of Dec.31, 2019

Assets	31/12/2019	31/12/2018
	EUR	EUR
A. Fixed assets	4,835,692.08	3,977,819.36
I. Intangible assets	1,897,844.49	1,296,476.00
1. Internally generated industrial and similar rights and assets	625,544.00	952,515.00
2. Intangible assets under development	1,023,618.49	0.00
3. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	2.00	2.00
4. Goodwill	248,680.00	343,959.00
II. Tangible assets	133,804.41	145,512.50
1. Other equipment, operating and office equipment	130,492.50	145,512.50
2. Advance payments and assets under construction	3,311.91	0.00
III. Financial assets	2,804,043.18	2,535,830.86
1. Shares in affiliated companies	2,764,183.40	2,385,971.08
2. Loans to affiliated companies	39,857.78	149,857.78
3. Equity investments	2.00	2.00
B. Current assets	4,154,248.18	3,368,862.83
I. Inventories	679.25	553.00
1. Orders in progress	679.25	0.00
2. Advance payments	0.00	553.00
II. Receivables and other assets	1,767,646.80	1,517,016.18
1. Trade receivables	1,291,731.31	1,241,360.24
2. Receivables from affiliated companies	344,226.35	188,033.93
3. Other assets	131,689.14	87,622.01
III. Cash-in-hand, central bank balances, bank balances and checks	2,385,922.13	1,851,293.65
C. Prepaid expenses	77,503.91	54,836.40
	9,067,444.17	7,401,518.59

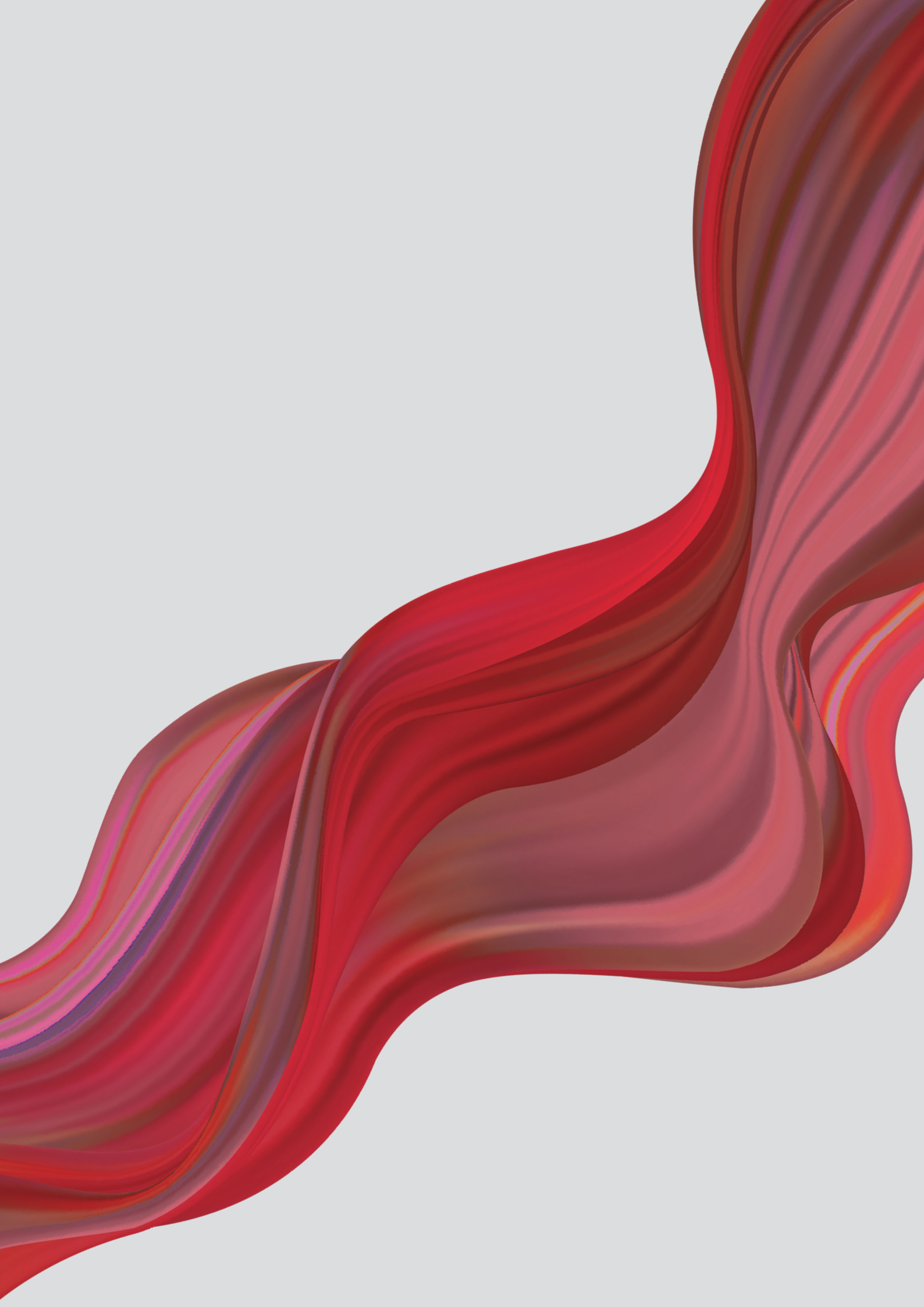
Equity and Liabilities	31/12/2019	31/12/2018
	EUR	EUR
A. Equity	2,749,050.72	1,967,480.22
I. Subscribed capital	1,916,300.00	1,916,300.00
II. Retained earnings		
1. Statutory reserves	41,637.99	2,559.01
III. Balance sheet profit	791,112.73	48,621.21
B. Provisions	570,027.64	407,166.96
1. Tax provisions	13,571.50	0.00
2. Other provisions	556,456.14	407,166.96
C. Liabilities	436,744.67	399,979.85
1. Trade payables	102,771.93	128,030.92
- of which with a remaining term of up to one year EUR 102,771.93 (EUR 128,030.92)		
2. Liabilities to affiliated companies	11,590.60	42,403.11
- of which with a remaining term of up to one year EUR 11,590.60 (EUR 42,403.11)		
3. Other liabilities	322,382.14	229,545.82
- of which taxes EUR 241,866.46 (EUR 203,173.90)		
- of which social security EUR 7,654.34 (EUR 7,305.28)		
- of which with a remaining term of up to one year EUR 322,382.14 (EUR 229,545.82)		
D. Deferred income	4,756,975.64	4,247,995.56
E. Deferred tax liabilities	554,645.50	378,896.00
	9,067,444.17	7,401,518.59


Income Statement from Jan. 01, 2019 to Dec. 31, 2019

	Dec. 31, 2019 EUR	Dec. 31, 2018 EUR
1. Revenue	9,177,907.31	8,314,378.46
2. Increase in orders in progress	679.25	-12,416.95
3. Other own funds capitalized	1,023,618.49	543,036.89
4. Other operating income	329,042.54	357,139.53
- of which income from foreign currency translation EUR 288.18 (EUR 773.54)		
5. Cost of materials	1,388,281.51	1,534,379.39
a) Cost of purchased services	1,388,281.51	1,534,379.39
6. Personnel expenses	5,631,430.77	4,782,210.77
a) Wages and salaries	4,888,737.57	4,137,971.77
b) Social security, post-employment and other employee benefit costs	742,693.20	644,239.00
- of which in respect of old age pensions EUR 14,714.34 (EUR 14,637.70)		
7. Depreciation and amortization	495,340.77	391,356.30
a) On intangible and tangible fixed assets	495,340.77	391,356.30
8. Other operating expenses	1,891,620.49	1,902,873.27
- of which expenses from foreign currency translation EUR 566.18 (EUR 3,051.44)		
9. Other interest and similar income	8,071.84	6,541.58
- of which from affiliated companies EUR 6,863.41 (EUR 6,018.32)		
10. Interest and similar expenses	690.00	755.88
11. Taxes on income	341,151.00	136,535.60
- of which expenses from the addition and reversal of deferred taxes EUR 299,152.50 (EUR 158,703.00)		
- of which income from the addition and reversal of deferred taxes EUR 123,403.00 (EUR 94,308.00)		
12. Earnings after taxes	790,804.89	460,568.30
13. Other taxes	9,234.39	12,809.00
14. Net income for the year	781,570.50	447,759.30
15. Retained profits brought forward from the previous year	48,621.21	-82,078.08
16. Allocations to retained earnings	39,078.98	2,559.01
a) To statutory reserves	39,078.98	2,559.01
17. Carried forward to new account	0.00	-314,501.00
18. Balance sheet profit	791,112.73	48,621.21

Gross Assets Analysis as of Dec. 31, 2019

	Acquisition/ production cost	Additions	Disposals	Transfers	Acquisition/ production cost	Transfers	Disposals	Depreciation and amortization	Cumulative depreciation and amortization	Reversals of write-downs in the fiscal year	Cumulative depreciation and amortization	Book value
	01/01/2019	EUR	EUR	EUR	12/31/2019	EUR	EUR	in the fiscal year	01/01/2019	EUR	12/31/2019	EUR
I. Intangible assets	4,087,357.16	1,023,618.49	0.00	0.00	5,110,975.65	2,790,881.16	422,250.00	0.00	0.00	0.00	3,213,131.16	1,897,844.49
1. Internally generated industrial and similar rights and assets	2,652,419.90	0.00	0.00	0.00	2,652,419.90	1,699,904.90	326,971.00	0.00	0.00	0.00	2,026,875.90	625,544.00
2. Intangible assets under development	0.00	1,023,618.49	0.00	0.00	1,023,618.49	0.00	0.00	0.00	0.00	0.00	0.00	1,023,618.49
3. 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	6,488.69	0.00	0.00	0.00	0.00	6,468.69	2.00
4. Goodwill	1,428,466.57	0.00	0.00	0.00	1,428,466.57	1,084,507.57	95,279.00	0.00	0.00	0.00	1,179,786.57	248,680.00
II. Tangible assets	488,927.92	61,869.68	11,673.69	0.00	539,123.91	343,415.42	73,090.77	11,186.69	0.00	0.00	405,319.50	133,804.41
1. Other equipment, operating and office equipment	488,927.92	58,557.77	11,673.69	0.00	535,812.00	343,415.42	73,090.77	11,186.69	0.00	0.00	405,319.50	130,492.50
2. Advance payments and assets under construction	0.00	3,311.91	0.00	0.00	3,311.91	0.00	0.00	0.00	0.00	0.00	0.00	3,311.91
III. Financial assets	2,537,071.85	270,413.57	2,201.25	0.00	2,805,284.17	1,240.99	0.00	0.00	0.00	0.00	1,240.99	2,804,043.18
1. Shares in affiliated companies	2,385,971.08	270,413.57	2,201.25	110,000.00	2,764,183.40	0.00	0.00	0.00	0.00	0.00	0.00	2,764,183.40
2. Loans to affiliated companies	149,857.78	0.00	0.00	-110,000.00	39,857.78	0.00	0.00	0.00	0.00	0.00	0.00	39,857.78
3. Equity investments	1,242.99	0.00	0.00	0.00	1,242.99	1,240.99	0.00	0.00	0.00	0.00	1,240.99	2.00
	7,113,356.93	1,355,901.74	13,874.94	0.00	8,455,383.73	3,135,537.57	495,340.77	11,186.69	0.00	0.00	3,619,691.65	4,835,692.08





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 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 December 23, 2009, and included in the Entry Standard of the Frankfurt Stock Exchange on June 29, 2012. The company's shares have been included in the Basic Board of the Frankfurt Stock Exchange since March 1, 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 were 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 are 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 are written off in full in the year of 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.

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

	2019				2018			
	Com- mercial balance	Tax balance	Differ- ence	Deferred tax liabilities	Com- mercial balance	Tax balance	Differ- ence	Deferred tax liabilities
Internally generated intangible assets	625,544	0	625,544	182,815	916,567	0	961,567	278,373
Internally generated intangible assets under development	1,023,618	0	1,023,618	299,153	0	0	0	0
Goodwill	248,680	0	248,680	72,677	343,959	0	343,959	100,522
Total				554,645				378,896

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

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 2,115 thousand in total in the reporting year. Of this amount, EUR 1,024 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	EUR	%	EUR	EUR
OTRS Inc., Cupertino, USA	2,183,073	100	-172,194	-322,126
OTRS S.A. de C.V., Benito Juárez, Mexico	1,477	50	20,089 ¹⁾	13,444 ¹⁾
OTRS Do Brasil Soluções Ltda., São Paulo, Brazil	146,852	93	36,463	16,087
OTRS ASIA Pte. Ltd., Singapore	414,080	100	-176,936 ¹⁾	99,130 ¹⁾
OTRS Asia Ltd., Hong Kong	9,495	100	- 8,370 ¹⁾	-29,474 ¹⁾
OTRS Magyarország Kft., Budapest, Hungary	9,207	100	²⁾	²⁾
Total	2,764,183			
Other investees and investors:				
OTRS Ltd., 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 is thus not required under section 286(3) sentence 1 no. 1 HGB.

Disclosure on Receivables

Type of receivable as of Dec. 31, 2019	Total amount of which with a remaining term		
	as of Dec. 31, 2019	less than 1 year	more than 1 year
		EUR thou.	EUR thou.
Trade receivables	1,292	1,292	-
Receivables from affiliated companies	344	344	-
Receivables from equity investments	0	0	-
Other assets: - miscellaneous	132	132	-
Total	1,768	1,768	-

Other Assets

Other assets essentially include security deposits of EUR 8.8 thousand (previous year: EUR 8.8 thousand), advances paid to personnel of EUR 82.0 thousand (previous year: EUR 9.9 thousand), trade tax of EUR 9.2 thousand (previous year: EUR 18.4 thousand), creditors with debit balances of EUR 4.1 thousand (previous year: EUR 0 thousand) and miscellaneous other assets of EUR 27.6 thousand (previous year: EUR 16.7 thousand).

Payments made before the balance sheet date were recognized as **prepaid expenses** (EUR 77.5 thousand; previous year: EUR 54.8 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 May 31, 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 39,078.98 was allocated to the statutory reserves in the fiscal year. This corresponds to the twentieth part of net income for the year.

Disclosures and Notes on Provisions

Other provisions developed as follows in the fiscal year:

Provision for	Jan. 1, 2019 EUR	Utilization EUR	Reversal EUR	Addition EUR	Dec. 31, 2019 EUR
Outstanding invoices	27,366	27,366	-	31,929	31,929
Remaining vacation	147,504	147,504	-	140,039	140,039
Management Board bonuses	101,400	101,400	-	101,400	101,400
Employee bonuses/commission	64,642	59,642	5,000	212,313	212,313
Duty to preserve records	18,480	-	-	-	18,480
Audit of annual financial statements	16,800	16,800	-	18,500	18,500
Costs of preparing the annual financial statements	12,000	12,000	-	12,000	12,000
Occupational health and safety agency	11,900	11,900	-	14,800	14,800
Supervisory Board remuneration	5,625	5,625	-	5,625	5,625
Financial accounting	1,450	1,450	-	1,371	1,371
Total	407,167	383,687	5,000	537,976	556,456

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 436,744.67 (previous year: EUR 399,979.85).

Type of liability	Total amount	of which with a remaining term		
as of Dec. 31, 2019	as of Dec. 31, 2019	less than 1 year	1 to 5 years	more than 5 years
	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Trade receivables	103	103	-	-
Receivables from affiliated companies	12	12	-	-
Receivables from equity investments	0	0	-	-
Other liabilities	322	322	-	-
Total	437	437	-	-

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 163 thousand (previous year: EUR 137 thousand), wage and church tax liabilities of EUR 82.8 thousand (previous year: EUR 69.2 thousand), liabilities to employees of EUR 66.0 thousand (previous year: EUR 0.0 thousand), employees' social security liabilities of EUR 7.6 thousand (previous year: EUR 7.3 thousand) and creditors with debit balance of EUR 3.0 thousand (previous year: EUR 0 thousand).

Deferred Income

Deferred income (EUR 4,757 thousand; previous year: EUR 4,248 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 December 31, 2019.

Other Unrecognized Financial Commitments

Other financial commitments mature as follows:

Type of commitment	Maturing EUR thou.			
	2020	2021	2022	2023
Rental commitments	185	73	36	36
Lease commitments	230	143	34	0
Total	415	216	70	36

Breakdown of Revenue

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

By area of activity	2019	2018
	Euro	Euro
Managed IT Services and Support	7,832,849	6,913,906
Consulting Services	1,141,456	1,241,910
Custom Development	186,646	134,825
Other	16,956	23,737
Total	9,177,907	8,314,378

By geographically defined market	2019	2018
	Euro	Euro
Germany	6,372,377	5,839,205
Rest of world	2,805,530	2,475,173
Total	9,177,907	8,314,378

Disclosures on Changes in Net Income

The company generated net income for the past fiscal year of EUR 781,570.50, which is carried forward to new account taking into account the previous year's balance sheet profit and the allocation to statutory reserves.

Changes in net income break down as follows:

Appropriation of profits	2019	2018
	Euro	Euro
Net income for the year	781,571	447,759
Accumulated profits/losses brought forward from the previous year	48,621	-82,078
Adjustment of losses brought forward from deferred taxes not recognized in previous years	0	314,501
Allocation to statutory reserves	-39,079	-2,559
= Balance sheet profit/loss	791,113	48,621

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 1,167,195. It consists of the amount of capitalized internally generated intangible assets (EUR 1,649,163) less the related deferred tax liabilities (EUR 481,968). In the previous year, the amount restricted from distribution amounted to EUR 674,142.

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 am Main	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 (Supervisory Board Member)	Frankfurt am Main	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 574,895 thousand in the past fiscal year. The total remuneration of the members of the Supervisory Board amounted to EUR 5,625.

Advances Extended to Members of the Management Board and Supervisory Board

An advance was granted to the member of the Management Board Ms. Riedel, which shows a balance of EUR 3,941.71 as of the balance sheet date. The interest rate is 2.00% p.a. No collateral was posted.

Furthermore, a settlement account will be kept for Mr. Mindermann. The settlement account has a 2% interest rate and a liability balance of EUR 66,025.07 as of December 31, 2019. Mr. Mindermann was also granted a short-term advance of EUR 75,000.00 which was settled in January 2020.

Advances to members of the Management Board in 2019 were as follows:

	Jan. 1, 2019 EUR	Addition EUR	Repayment EUR	Dec. 31, 2019 EUR
Sabine Riedel	3,864	77	0	3,942
André Mindermann	580	75,000	580	75,000

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 70 (previous year: 63). They are employed in the following areas:

Number of employees		
	Fiscal year	Previous year
General Managed Services	18	15
Global Software Development	16	12
Consulting Services	7	9
Marketing & Sales	15	15
Management/Administration	14	12
Total	70	63

Significant Event After the Balance Sheet Date

It is not currently possible to determine the effect that the global outbreak of COVID-19 (SARS-CoV-2) in the period between the balance sheet date and the time of preparing the annual financial statements will have on the company's future net assets, financial position and results of operations, nor is it possible to predict the effectiveness of past and future government countermeasures in this area. Net assets, the financial position and results of operations had not deteriorated by the time of preparing the annual financial statements.

Oberursel, March 31, 2020



André Mindermann
CEO of OTRS AG



Christopher Kuhn
Management Board of
OTRS AG



Sabine Riedel
Management Board of
OTRS AG

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 January 1 to December 31, 2019. We have also audited the management report of OTRS AG for the fiscal year from January 1, 2019 to December 31, 2019.

In our opinion, 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 December 31, 2019 as well as its results of operations for the fiscal year from January 1, 2019 to December 31, 2019 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 The Supervisory Board 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.

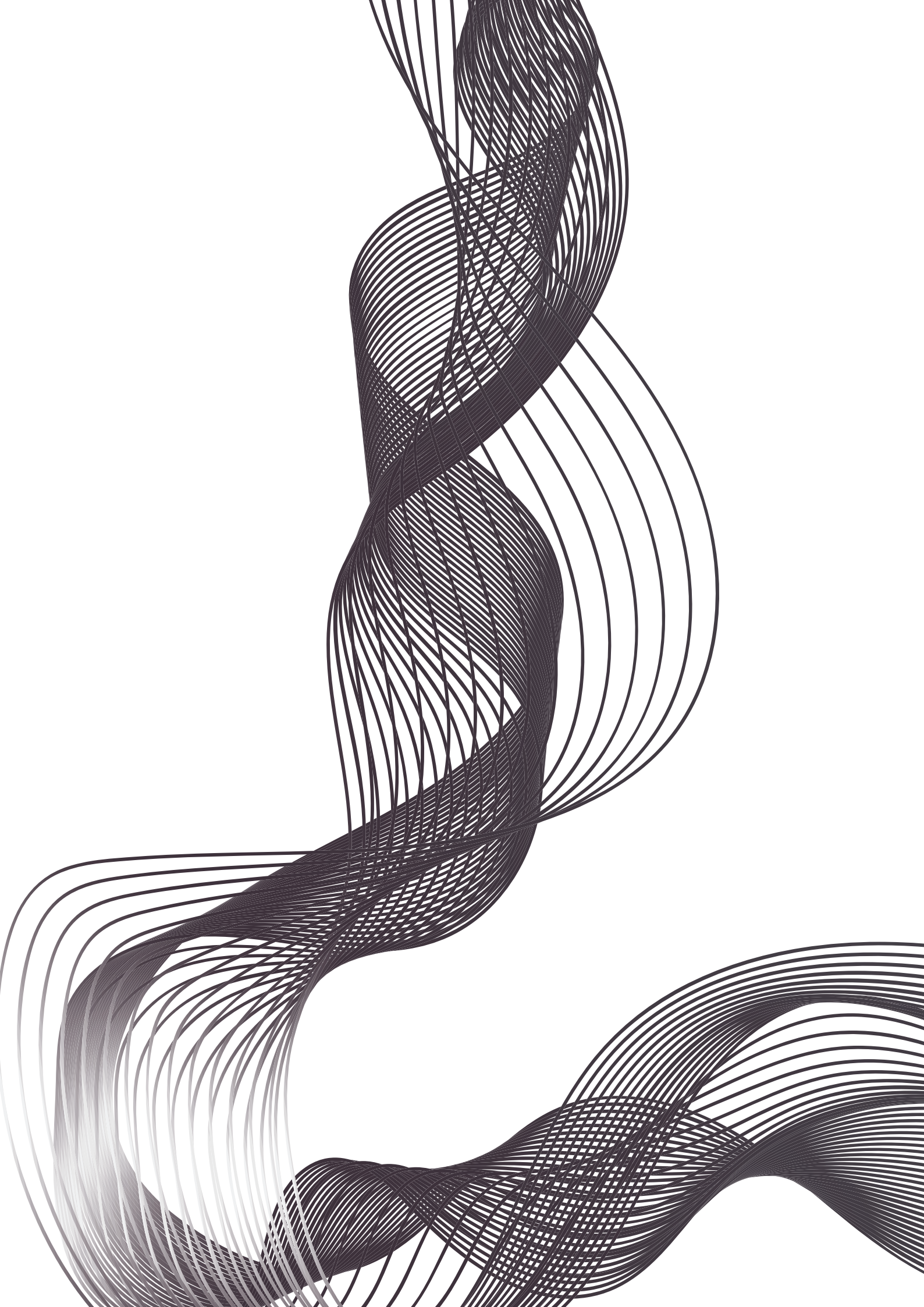
- We assess the appropriateness of the accounting policies used by the legal representatives and the viability of the estimates and related disclosures made by the legal representatives.
- We draw conclusions on the appropriateness of the accounting policy used by the legal representatives for the continuation 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, May 6, 2020

VEDA WP GmbH
Wirtschaftsprüfungsgesellschaft

Roland Weigl
German public auditor (Wirtschaftsprüfer)



IMPRINT

OTRS AG

ZIMMERSMÜHLENWEG 11

61440 OBERURSEL/GERMANY

T: +49 6172 681988 43

E: INVESTOR-RELATIONS@OTRS.COM

I: [HTTPS://CORPORATE.OTRS.COM](https://corporate.otrs.com)

REDAKTION & DESIGN

DESIGN & LAYOUT: CLAUDIA MEISSNER

EDITING: SABINE RIEDEL & ENRICO SCHWENKE

IR AGENCY

CROSS ALLIANCE COMMUNICATION GMBH

SUSAN HOFFMEISTER

T: +49 89 125 09 03 30

E: SH@CROSSALLIANCE.DE

