OTRS

CHANGE

Annual Report 2020

THE OTRS GROUP

OTRS Group & Its Service Management Solutions

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 1 March 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 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, TUI Cruises, Lufthansa, Airbus, IBM, and Porsche are among our customers.

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

LETTER TO SHARE HOLDERS

Dear Shareholders,

Normally, I would address you at the end of the letter to the shareholders to thank you for the trust you have shown over the past fiscal year. But what was normal in the past year? The coronavirus crisis is historically unparalleled. The pandemic itself and the associated containment measures resulted in major economic turbulence and widespread effects on our everyday work and our personal lives. No, there was nothing normal about 2020. I would therefore like to thank you now, contrary to the usual custom, for your trust and support in these challenging times. I would also like to thank the entire OTRS Group team, which is doing its utmost every day to be a reliable partner to our customers and to ensure the company's long-term success.

2020 was another successful year for OTRS Group. We met the challenges of the pandemic and decisively seized the chances that presented themselves. This confirmed and once again demonstrated how robustly, efficiently, and flexibly we act as a team. The same applies to our products and services. With all the different intertwined factors, we grew dynamically and sustainably again in fiscal year 2020. What's more, we set the course to continue our success. This is what I would like to discuss now.

OTRS AG generated revenue of EUR 9,708 thousand in fiscal year 2020 after EUR 9,178 thousand in the previous year. This corresponds to an increase of 5.8 %. The most revenue growth was once again achieved in recurring revenue, which comprises annual contracts with access to OTRS software in various forms as well as security, software updates, and support. This climbed by 13.1 % to EUR 8,855 thousand in 2020 (previous year: EUR 7,833 thousand). Recurring revenue accounted for 91.2 % of total revenue (previous year: 85.3 %). In fiscal year 2020, other revenue decreased to EUR 854 thousand after EUR 1,345 thousand in the previous year. This decline of 36.5 % was due to OTRS AG's strategic decision to focus mainly on recurring revenue.

EBITDA increased by 43 % to EUR 2,308 thousand in fiscal year 2020 after EUR 1,611 thousand in the previous year. Operating cash flow of EUR 1,463 thousand was generated (previous year: EUR 785 thousand). EBIT increased to EUR 1,761 thousand as compared to EUR 1,115 thousand in the previous year. Earnings per OTRS share accordingly improved to EUR 0.63 in fiscal year 2020 (previous year: EUR 0.41). The equity ratio of 36 % (previous year: 30 %) rounds off a generally robust balance sheet.

We want to allow you, our shareholders, to share appropriately in this success. At the Annual General Meeting on August 24, 2021, we will therefore propose a dividend of EUR 0.07 per eligible share for the first time in the history of OTRS AG.

But for us, success is not just measured in figures. We also achieved further important milestones in our growth strategy. The focus here was on the development and launch of **OTRS 8**. Our latest software version is both a highlight in our company's history and an important step toward the future for our customers. We want to and will take this step together. It was therefore essential to listen to our customers. The solution desk OTRS 8 that is now on the market primarily builds on the valuable feedback from our users.

Specifically, there are around 70 feature add-ons. With **OTRS 8**, customers can now also contact support staff via social media channels, and mobile access is also possible using an app. Users work with their personal organizers and can generate, save, and manage searches. In the improved reporting system, all key functions are available and can be used without any prior knowledge. To allow for better analysis of OTRS data, advanced analytical tools can also be integrated. And all of this comes with a user interface that can be personalized. **OTRS 8** was developed in line with the principles of Privacy and Security by Design. This includes configurable two-factor authentication and end-to-end encryption as standard. And, of course, the managed environment allows for work in full compliance with the GDPR.

In short, with **OTRS 8**, we are catering to the dynamically growing demand for a flexible software solution and meeting our customers' highest expectations. The advance of digitalization has been accelerated by the coronavirus pandemic. For this reason, trends such as artificial intelligence (AI), personalization, and agility have further intensified. **OTRS 8** is our response to further dynamization of digital processes at companies.

We want to accompany our customers as they move into the digital future. Our products and services make an important contribution here. They pool the in-depth know-how and many years of expertise of the entire OTRS Group team. The strong demand for the latest release motivates and spurs us to improve the software further and to keep developing it closely in line with our customers' needs. The release of **OTRS 8**, without another Community Edition, demonstrated the success of our strategy. More and more customers are switching from the free software version to the fee-based version. By focusing our innovation capacity, we will continue to live up to our high product claims in the future and efficiently leverage the strong market potential of our solution.

In the context of increased demand for security services, we create significant added value for all users with **STORM** powered by **OTRS**. We also want to expand this area more and give it a prominent position in the reorganization of our product development.

We have proven our agility and competitiveness in a challenging environment. Together, we have withstood the acid test that we faced with the coronavirus pandemic. The major digitalization trends, such as artificial intelligence, deep learning, cloud computing, and the Internet of Things (IoT), remain intact and therefore so do the associated growth opportunities on the markets.

By means of our forward-looking planning and careful monitoring, we quickly adapted to the new conditions in our environment. We are in a good position to continue to benefit from the development toward a more digital society. In fiscal year 2021, revenue is to be increased despite the continuing coronavirus pandemic. We anticipate revenue growth of 5 %. Total revenue for fiscal year 2021 is therefore forecast to exceed EUR 10 million for the first time. We are thus continuing our trend of continuous moderate growth.

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

I look forward to making an important contribution to digitalization and successfully shaping the future of OTRS AG together with you.

Yours sincerely,

André Mindermann
Chief Executive Officer

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The difficulty lies not so much in developing new ideas as in escaping from old ones.

John Maynard Keynes

MANAGEMENT BOARD

André Mindermann
CEO & Founderr

Sabine Riedel
Member of the Management Board Marketing & Human Relations

Christopher Kuhn
Member of the Management Board & COO

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CHANGES = CHANCES
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CHANGES & CHANCES

"We speak of change, but we do not think about it. We say that change exists, that everything changes, that change is the very law of things: yes, we say it…; but those are only words, and we reason and philosophize as though change did not exist."

Henri Bergson

It is in our nature as human beings to seek stability, harmony, and balance. This contrasts with the dialectic antithesis of permanent change. We know that nothing in the world is unchangeable, but still we often act as if this were not the case.

The past year brought us to the limits of what we can persuade ourselves of and presented us with the inevitable insight that we must make and accept changes.

But how can we remove the daunting, perhaps even destructive aspects of change? Maybe by seeing it as a chance? Mostly by influencing the type of change and defining the transition process ourselves, at least partially.

Then the change can become something that we can adjust to well — a form of progress and even innovation that seems much more favorable to us.

Despite all the performance and practicality we demonstrated in the past year, we were also faced with a new kind of vulnerability.

This arose from the recognition of a sometimes very direct and all-encompassing transience. Evaluating this in a constructive way means recognizing that this very transience also means always being able to start again – and wanting to do so. Chance is a synonym for a new start arising from change.

We are ready to keep making this start time and again, to be daring, to welcome the change and seize our chances!

ETHICAL LEADERSHIP MEANS MANAGING CHANGES AND CHANCES

André Mindermann, CEO & Founder

Looking back on 2020, it was the coronavirus-related changes and the way we handled them that had a particularly big impact on all of us.

These times of crisis put not only all our strategic and economic decisions to the test, but also our principles and their genuineness. In the narrow operational framework that the pandemic imposed, we could clearly recognize where changes were necessary and where they were desirable. This is a unique chance that we probably would not have become aware of in normal day-to-day business and certainly would not have had to implement.

It certainly was not a question of neglecting the job of organizing successful business management using proven methods. No, what the year taught us was to observe our own patterns of thought and behavior critically; to question our personal perspective and image of humanity; and to reflect on, and perhaps even redefine, the concept of ethical leadership.

First of all, this requires an individual response to the question of meaning in order to develop a perspective that goes beyond trends and buzzwords and is founded on respect for individuals along with all the distinguishing features that make them individuals.

If we are aware that it is not power and money that are the most important connecting factors in a global society, but rather knowledge and learning – with, from, and for one another – then we can conclude that companies also need to offer a context for this if they wish to be and remain successful. It is not the possession of truth that brings us to do the right thing, but rather the dialog that is conducted in our constant search for a joint better solution.

Community and dialog became even more important in the forced distance of the past year.

In temporarily losing our projection targets, we realized that it is only by turning to others that we can learn something new and push forward with further development, and that self-optimization likewise only works with the involvement of others.

We also learned that we have to deal not only with an almost inconceivable acceleration of our environment, but also with its unpredictability and complexity. We cannot avoid seizing this complexity with which we are presented as an opportunity, because sticking to old, rigid patterns of behavior that have long since ceased to make sense would be our undoing. By contrast, complexity also means coming up with a wide range of responses and thus transforms a problem into a space of possibilities, as Franz Kühmayer puts it.

Having a mindset with agility as the key premise has become not an option but a necessity. We have found out – in an almost physical way – that the key principles of business and society are not linear and therefore are not controllable either. The pandemic made it clearer how uncertain our existence is, both personally and as a business.

However, agility helps us to confront at least the business-related uncertainty – which we had illogically believed that we could dominate with long, medium, and short-term goals – in small, manageable stages while adapting ourselves and our planning in small steps.

This also requires suitable leadership: Leadership that believes in people and in their willingness, intention, and ability to get involved and make decisions. Leadership therefore means not just delegating, but orchestrating: knowledge, ideas, and projects. In addition, ethical leadership also means acknowledging our own limitations in this orchestra and, through this lack of knowledge, generating openness with the intention of listening and learning.

With knowledge about our own limitations, we can allow mistakes and also communicate these with a high degree of transparency, as this is the only way to bring about a change.

Last but not least, the pandemic also meant going without. It gave us the chance to take a close look at what is really important and significant and to dedicate our time to these things, while leaving behind other things, such as those that cause us frustration and anxiety. Leaving these behind enabled us to build up resilience to crises, as many other, familiar things thereby lost the power to develop into a crisis.

In getting through this year, what we leaders are more than anything else has become clear: change and chance managers!

ON SOLUTION MANAGEMENT AND OTHER “AGILITIES”

Christopher Kuhn, Member of the Management Board & COO

The “coronavirus year” was a “practice year” for us. A number of approaches that we had already thought through and designed, but could not implement due to a lack of opportunity and time or insufficient market maturity, found the ideal conditions to be tested out during the pandemic.

For example, we had long wanted to make day-to-day consulting easier and reduce the number of customer appointments, or simply the number of miles to be traveled, by offering virtual workshops. But this idea was not attractive for our customers. Until the lockdown forced us to our knees – or more precisely, to remote work. After our customers had initially opted to wait and see, hoping to be able to return to the original situation again soon, signs of being more open to alternatives began to emerge after a few weeks and these alternatives were also used.
The pandemic thus forced us all to slow down – customers and consultants alike – while also giving us the chance to put our intentions into practice!

Besides the fact that this allowed us to make a positive environmental impact and reduce the stress level caused by the significant travel time and the associated personal burdens and restrictions, customers also recognized what the advantages have been. The remote workshops have therefore become well established by now and have developed into an integral part of our portfolio.

Another concept that is much wider-reaching and certainly affects our company’s strategic orientation is the reorganization of product development in the direction of solution management. The pause on the market also helped give us the time and personal space to formulate the idea in our heads, develop the concept and take the first steps toward implementation without any negative impact on our market presence.

The intrinsic principle and driving force for solution management is constant change. The dynamization of the market, its increasingly short reaction times, and the now almost vanishingly small half-life of technological innovations mean that it is essential to match this as a solution provider.

Fast and competent responses to customers' requests and inquiries are needed. A suitable foundation must be created for this – software developed using solely our own resources is no longer sufficient.

Optimizations and changes at short intervals that result not just from modifications of our own solution, but also from "borrowing" what is already available on the market, ensure a high level of innovation.

The implementation of a solution management approach like this goes hand-in-hand with changed processes and team structures to facilitate agile work. Accordingly, we chose a holistic approach that involves all departments, as it is only when agility finds its way into all departments and is implemented consistently that synergies can be achieved.

We therefore used 2020 to analyze precisely which processes are needed and how these intertwine. Another step was to break down subject-specific and task-specific "silos" by setting up cross-functional teams.

We are aware that this change represents one of the biggest corporate change processes that we have tackled in recent years. It means that we will have to rethink our approach to product research and development and leave our comfort zones of established patterns of behavior and ways of working. The coronavirus showed us that we were capable of many things that we did not even think about before. This should make it all the easier now to start off with a specific vision and transform the chances that present themselves into added value.

NEW WORK – INSIGHTS AND OUTLOOKS

Sabine Riedel, Member of the Management Board for Marketing & Human Relations

Even before the coronavirus, learning and ongoing development – both personal and professional – were very important to us. We have laid the foundations to allow our teams the greatest possible flexibility and freedom in their individual work arrangements and personal development. The pandemic lent additional speed to our efforts.

Going through a crisis is not just a challenge, but also a chance to find out about ourselves and our capacity for interaction and integration in exceptional circumstances. You could also say that we have been served up a whole (virtual) course of study on a platter and had the opportunity to apply a wide range of modules in our personal and professional lives, allowing us to emerge smarter and stronger.

The first necessary step in the pandemic – enabling all employees to work from home – was quickly implemented thanks to our decentralized organization: It affected only 20 % of our team members. Processes were adapted; additional equipment was offered where desired; and supporting communication tools were introduced.

What was more difficult was to look behind the scenes at the unofficial side of things outside virtual collegiality. Sensitivity and care were needed in dealing with the new situation and the changes. It was important to ask questions and listen – more and differently than before – in order to assess situations that would normally become clear to us almost intuitively.

We encountered psychological diversity in the form of different ways of dealing with fears and worries, and we practiced accepting these differences and avoiding stigmatization. The information spread via (social) media resulted in great uncertainty and opposing opinions, to which we were exposed in a mostly destructive way in our day-to-day work. But we did not let this become an obstacle to productive cooperation. On the contrary, we used comprehensive management dashboards as a counterpoint to the vague information in the media, thereby providing plenty of transparency on the company's development and prospects.

We have learned that remote work can function smoothly in technical terms. However, we have also discovered how strenuous daily online meetings are, and in particular that they still have shortcomings in certain respects: What we would normally experience with all our senses in personal meetings was suddenly reduced to seeing and hearing. This fact may not seem all that serious at first glance, but it has taught us to be particularly careful in our communication, as misunderstandings arise more easily at a distance and it is more difficult to identify what we have in common while the things that divide us come to the forefront more quickly.

Depending on each individual's personal situation, the "hoffice" – the merging of their workplace and their home – was either an endurance test for families and couples or a risk of isolation. People not only had different ways of dealing with these additional stress factors, but this also had a considerable influence on team dynamics; everyone involved was affected by these stress factors in one way or another and the options for avoiding them by creating mental and physical distance were limited.

Although we have to concede that all creative and other measures to provide relief and/or motivation have their limits and cannot replace personal contact, it was nonetheless amazing to see the dedication and inventiveness with which measures were taken to make the situation easier.

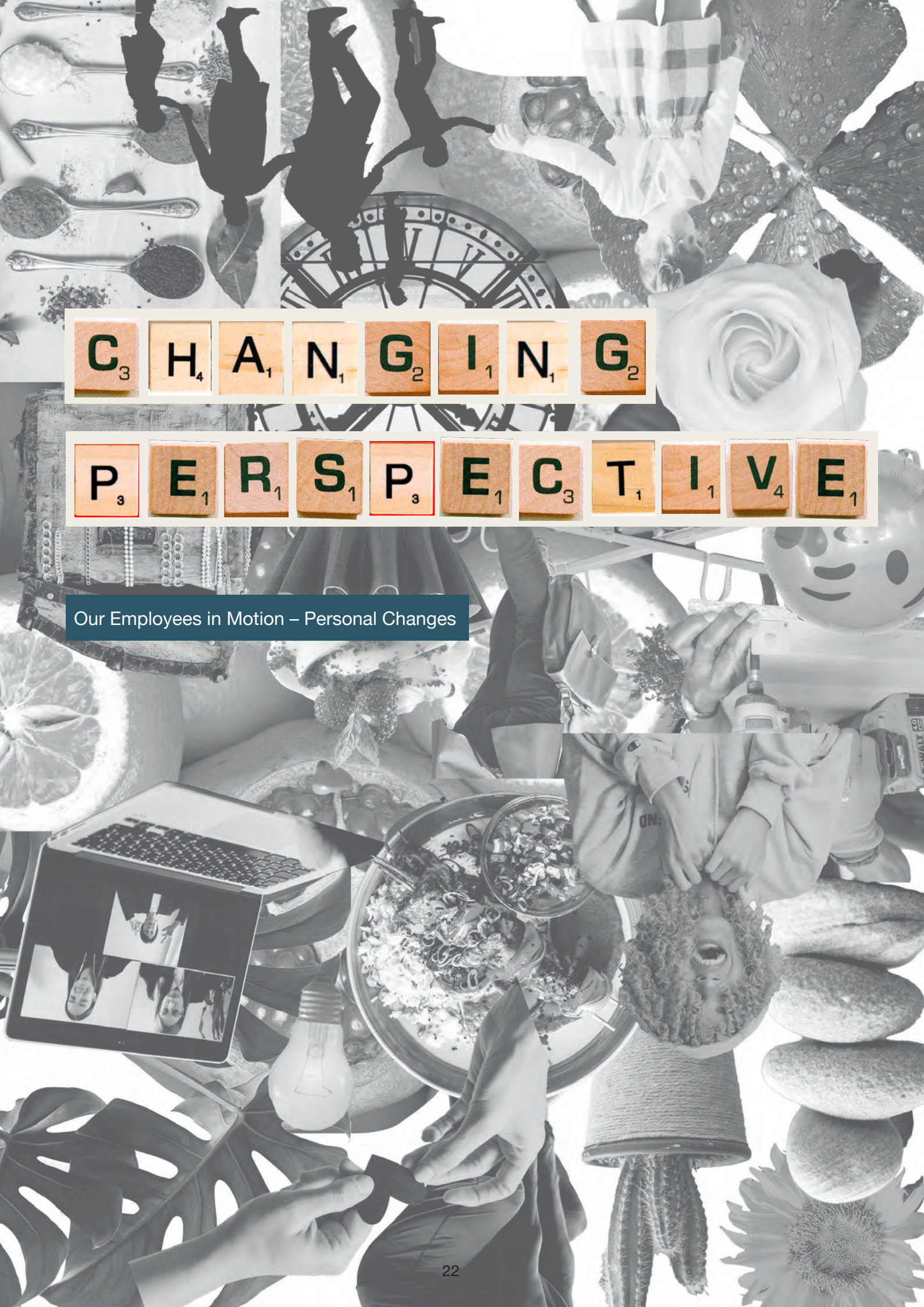
Remote off-sites and socializing events were planned and implemented, even leading to the creation of a guide for holding virtual group meetings.

As some employees were particularly affected due to limited space or home schooling, we called for sensitivity to our colleagues' life situations and gave additional vacation days to those under particular stress.

New employees were accompanied through the application and onboarding processes entirely remotely and could successfully start work without having met their colleagues and supervisors in person in some cases.

At two multi-day virtual management off-sites, we identified focus topics which were successfully addressed in interdisciplinary working groups. We thus used the lockdown period to work on improvements in all areas, which will pay off as economic activity gradually picks up again.

Although the coronavirus year 2020 was successful for us "nonetheless" and we demonstrated that we can keep working and delivering results even under restrictive conditions, there is still a strong desire to make it possible to meet and work together in person and on site again in an individually flexible way and to keep trying out what we have learned during the change.



Our Employees in Motion – Personal Changes

The increase in working from home was a time-saver for me, allowing me to spend more time with my family.

2020 gave me the opportunity to redefine my work-life balance. I could explore variations, defining and adjusting the necessary rules and boundaries.

In our day-to-day lives, we sometimes forget to value ourselves and others. The past year taught me to appreciate the seemingly simple things and to rethink my priorities.

The way in which we do business has changed forever; globalization and digital transformation have become a reality in our everyday tasks.

I have come to appreciate the use of video in calls and presentations and realized that this allows us to make a human connection with one another.

With the structural change, I took on more responsibility. This improved collaboration between departments and I could contribute to projects more creatively.

As a result of the changed global situation, I have learned not to seek happiness and contentment in faraway places, but instead to find them in my immediate surroundings.

2020 showed me and my family that nothing is really predictable. This gave us the opportunity to relax, enjoy the moment, and not let ourselves be rushed.

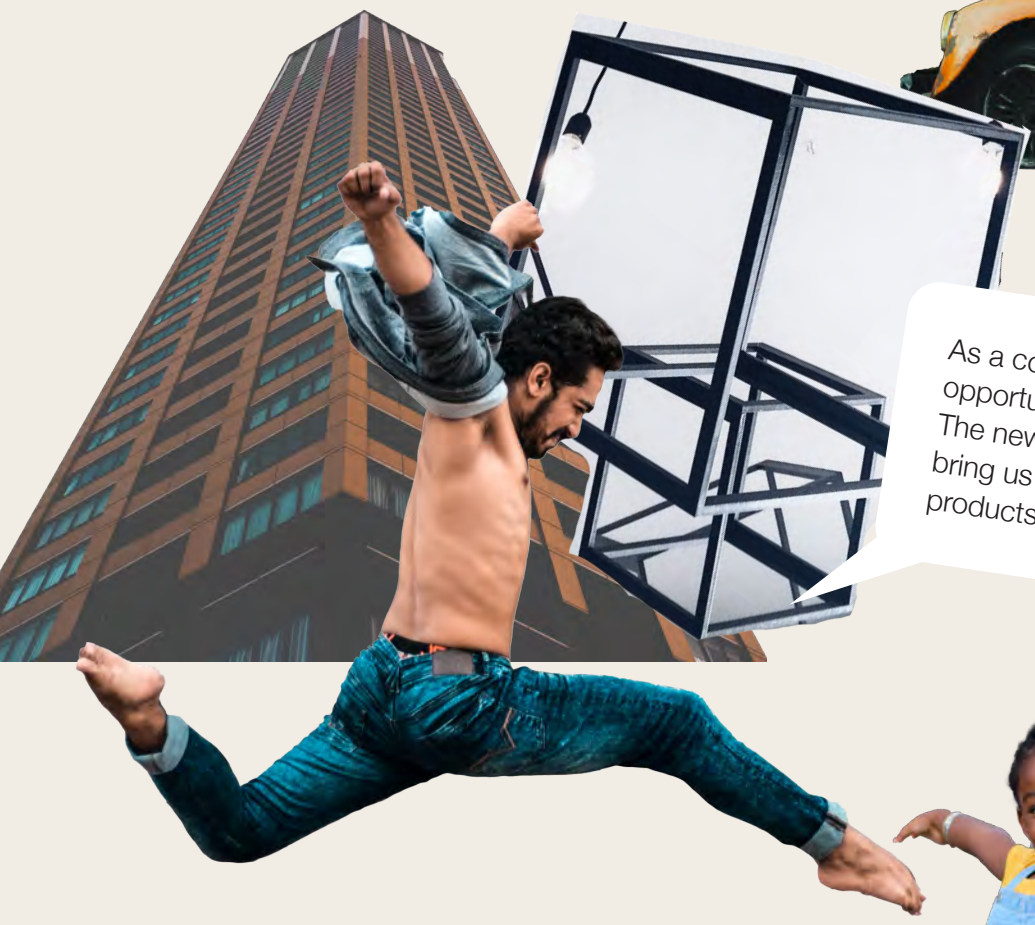
We have all realized what is really important in life – health, family, and friends. Situations that were not conceivable before could be implemented without any major problems after all.

As it was my first experience of working from home, I also learned to adapt to new ways of working. I became more flexible and developed new communication skills.

As a result of the sudden change, I learned about issues outside my comfort zone. The changes adopted are now part of my day-to-day work. This is a positive thing for me.

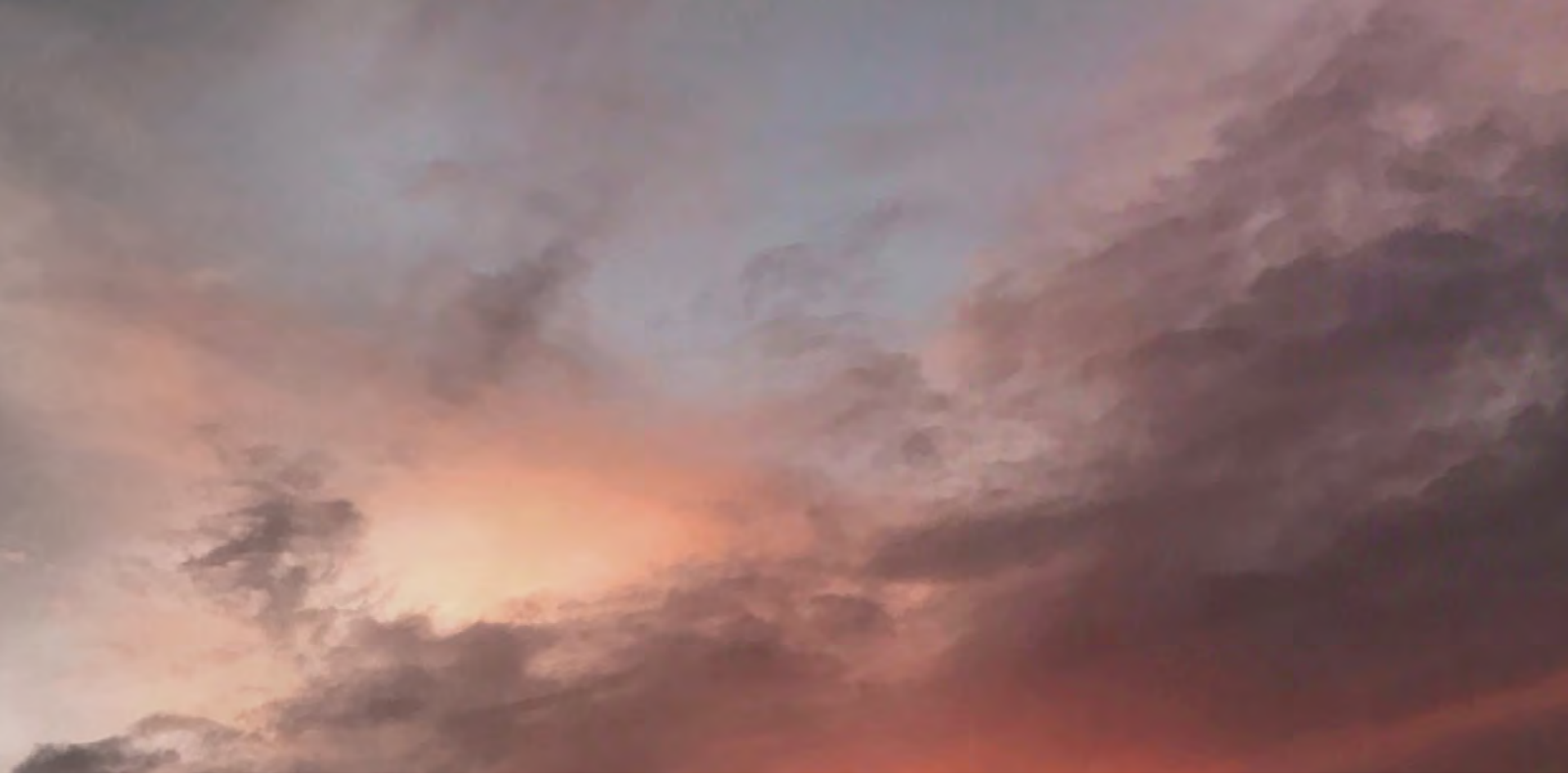
Thanks to a daily call each morning, we have become much closer and found out more about each other. We are also kept informed faster and more comprehensively than before.

Because I can't fly, I have only been able to carry out onboarding processes within driving distance. COVID has shown that onboarding can also take place very well virtually.



As a company, we have taken the opportunity to prepare for the future. The new organizational structure will bring us even more freedom and better products.

Whereas before I used to go for a walk during the day to clear my head, now I sit with my daughter, who unfortunately cannot always go to daycare, and play with her.



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 2020 and the results of the audit of the 2020 annual financial statements of OTRS AG.

Monitoring the Management

In the past fiscal year, the Supervisory Board performed in full and with great care 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 2020 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. This particularly related to aspects in accordance with section 90(1) sentence 1 no. 4 AktG: transactions that may be of material importance to the liquidity or profitability of the company.

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.

Composition of the Supervisory Board

The Supervisory Board of OTRS AG consists of the following three members: Burchard Steinbild (Chairman), Thomas Stevens, and Prof. Oliver Hein. Given that the Supervisory Board has only three members, no committees were formed in fiscal year 2020. All pending issues were handled by the Supervisory Board as a whole.

Meetings of the Supervisory Board and Key Issues Discussed

The Supervisory Board held two meetings to carry out its duties in the reporting year. Due to the coronavirus-related requirements, these were held as video conferences. The meetings were held on 7 May and 8 December 2020 and were attended by all members.

At 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.

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 2020 and 2021, 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 7 May 2020, the Supervisory Board examined and approved the annual financial statements and the management report for fiscal year 2019. In accordance with section 90 AktG, the Management Board also reported on the company's profitability, and particularly the return on equity, at this Supervisory Board meeting. Planning the 2020 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. In addition, the Supervisory Board unanimously resolved to renew the contract of the Management Board member for Global Marketing and Global Human Relations, Sabine Riedel. The Management Board contract with Sabine Riedel was renewed until 25 June 2023.

At the meeting on 8 December 2020, which was held as a video conference due to the coronavirus-related requirements, 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 and the course of business, including financial, investment and personnel planning at the company and its subsidiaries. It was discussed in detail.

In addition, the consequences and measures in relation to the coronavirus crisis were discussed in depth at both meetings. At an early stage, the Management Board developed a corresponding catalog of measures depending on the development of business (traffic light system) and involved the Supervisory Board. Despite the challenges resulting from the coronavirus pandemic, OTRS AG's business development was always in line with the best-case scenario, meaning that the measures implemented immediately were sufficient and the management did not need to take any drastic steps. Overall, the Supervisory Board can deliver a positive summary for the past fiscal year. The Group was prepared for major declines in business, but the risk management system worked well.

Audit of the 2020 Annual Financial Statements

VEDA WP GmbH Steuerberatungsgesellschaft audited the 2020 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 7 May 2021.

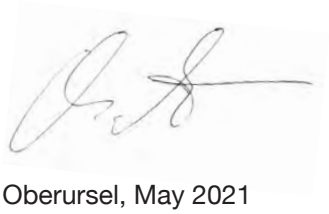
The Supervisory Board received the annual financial statement documents and the auditor's report in advance and discussed them extensively. The auditor delivered his detailed report to the Supervisory Board in person at its meeting on 11 May 2021, where he also answered questions from the Supervisory Board's members to their satisfaction.

As required by law, the Supervisory Board examined the 2020 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 11 May 2021. 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 all employees of the company for their personal dedication in this challenging year, their hard work in the interests of the company, and the success achieved in fiscal year 2020. 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 2021

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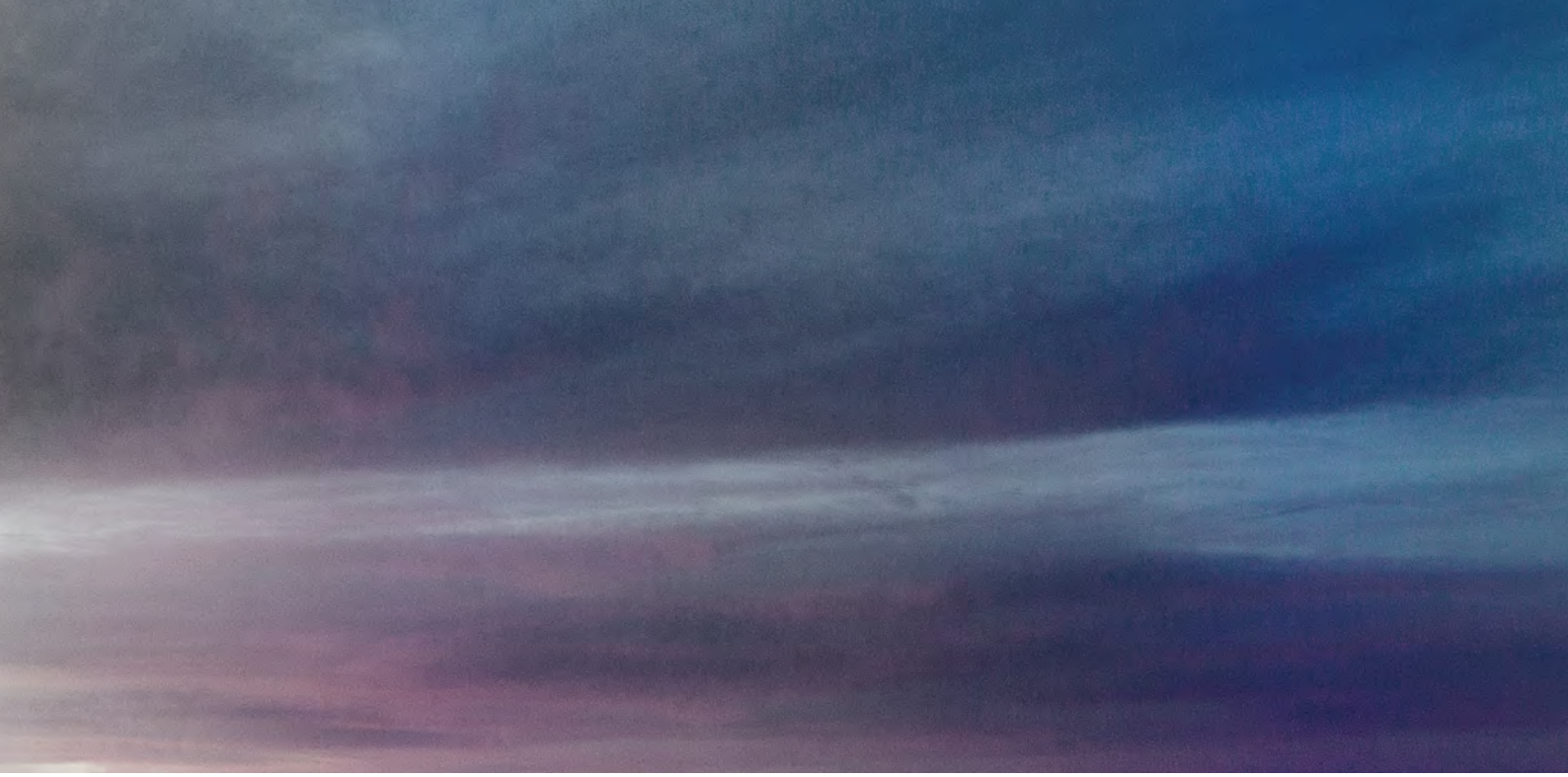
Paths are made by walking.

Franz Kafka



MANAGE MENT REPORT

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

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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.

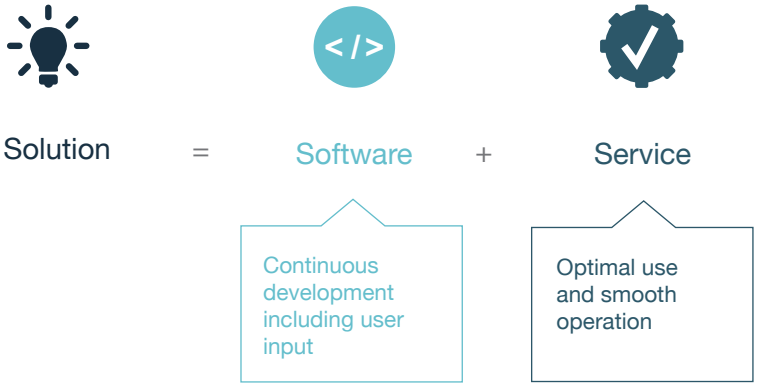
We believe that companies must be flexible to stay successful. When daily routines are embedded in reliable and transparent structures, it creates freedom for the creativity that helps companies grow.

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
Of course, business activities in the IT sector require permanent monitoring of trends and innovations so as not to lose touch and to meet the expectations of the target groups. Flexibility and level-headedness play an important role here, as does the ability to sound out the market in a targeted way and evaluate changes correctly.
It is not about seizing on every trend, but rather acting in the interests of long-term improvement and sustainability. In line with these standards, we continuously keep developing **OTRS** – dynamically and durably.

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 (also including external products and interfaces) 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
The year 2020 in particular showed that dynamism and adaptability are essential when it comes to structural and procedural organization, too. In these times of “new work,” our approach of decentralization and the high degree of flexibility that we grant our employees in choosing their workplace and working hours have proven their value and allowed us to respond to the requirements caused by the coronavirus pandemic without restrictions.

Goals

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

By continuously evaluating observations on the topics of communication, employee satisfaction, talent management, and thus also employer branding, and by incorporating these in relevant concepts, we constantly keep developing.

This allows us to implement – internally and externally – our company's vision, which is to create a reliable structure in dynamic corporate environments, while also successfully bridging the gap between high employee motivation and the growing requirements of the business world.

BUSINESS & GENERAL CONDITIONS

Key Activities & Sales Markets

OTRS is a service desk system developed originally as an open source project, and it 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.

In 2017, OTRS AG, for the first time, provided a new OTRS version for paying customers only. This change was accompanied by a rebranding: **OTRS Business Solution™ Managed** became **OTRS**. The freely accessible version OTRS Free was also given a new name: ((OTRS)) Community Edition.

At the end of 2020, we decided not to release another ((OTRS)) Community Edition for the time being and to instead pool all resources for the design and implementation of a comprehensive solution management system. Here, we are particularly acting on the process for product innovation and development, and we are designing an agile portfolio that can be adapted quickly in line with the market.

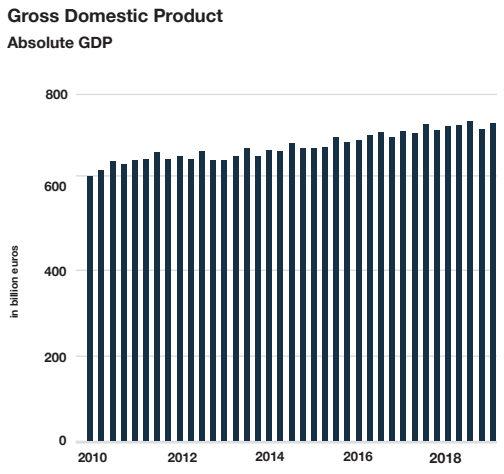
Development of the Economy as a Whole & the IT Sector

The coronavirus crisis put digitalization right at the top of focus topics in 2020. During this period, it became clear which companies have successfully implemented digital transformation and which have not. According to the German Association for Information Technology, Telecommunications and New Media (bitkom), coronavirus is driving digitalization but not all companies can keep up. For 8 out of 10 companies, digitalization has become more important as a result of coronavirus (Source: bitkom: Corona treibt Digitalisierung voran aber nicht alle Unternehmen können mithalten). At the same time, a study conducted by OTRS AG in May 2020 with 500 office employees showed that a large majority of respondents (83 %) think that the coronavirus crisis has launched a new corporate trend for more digitalization and working from home. A clear majority (61 %) are also in favor of a law establishing a right to work from home, as is currently being debated in Germany. 90 % of the employees surveyed stated that they thought companies would benefit from the switch to working from home that became necessary due to the coronavirus.

With many office employees having switched to working from home, IT security also plays an important role. The EU General Data Protection Regulation (GDPR) plays a decisive role here. Headlines are not the only place that data protection violations and high fines are laid bare – studies also attest to security failings. The assumption that security incidents have increased as employees increasingly work from home has been confirmed. In an OTRS Group survey of 500 IT managers, more than half of the respondents (55 %) stated that critical security incidents at their company had increased by up to 25 % as a result of the switch to working from home.

OTRS Group is comprehensively engaged with cyber security. As experts in cyber security, we offer **STORM** powered by **OTRS**, 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. OTRS AG is also the “CVE Numbering Authority” (CNA) for all OTRS products. This means that the OTRS security team acts as the central contact point and can issue a CVE number directly for all weaknesses identified in the OTRS software.

OTRS Group also meets CIO targets in terms of the implementation of AI solutions. 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**. Users have also picked up on this: **OTRS** was named as a “FrontRunner” for ITSM software by Software Advice this year.



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

FrontRunners are the top software products for smaller companies, based on user ratings. The objective is to help these companies make informed decisions about the right software for their needs. Only products that are awarded top ratings for customer satisfaction and user-friendliness can become FrontRunners.

As a result of the coronavirus pandemic, the German economy experienced a severe recession in 2020, comparable with the economic and financial crisis in 2008 and 2009. Economic output declined by 5.0 % in 2020 as a whole (Source: BMWI/Article Konjunktur und Wachstum).

For the information technology sector, the trend is mixed. Only some IT companies in Germany are benefiting directly from the accelerated digitalization as a result of the COVID-19 pandemic. There are therefore winners and losers from the crisis on the IT job market, too.

Nonetheless, bitkom anticipates revenue of EUR 98.6 billion in the IT sector in 2021 – representing growth of 4.2 % in comparison to 2020. IT hardware will see the most growth in this segment, with an anticipated increase of 8.6 % to EUR 31.6 billion. With a volume of EUR 40.0 billion (up 1.1 %), IT services accounted for the largest share of the IT market again in 2021, ahead of IT hardware. Spending on software will rise by 4.1 % to EUR 27.0 billion this year. In the current year, spending on information technology, telecommunications, and consumer electronics is expected to grow by 2.7 % as compared to 2020 and reach a volume of EUR 174.4 billion (Source: bitkom: ITK-Marktzahlen, Januar 2021).

According to the experts from the IT market research institute Gartner, the tech trends in 2021 include the Internet of Behaviors, distributed cloud, cybersecurity, intelligent composable business, AI engineering, and hyperautomation (Source: Gartner: Gartner top strategic technology trends for 2021).

Research & Development

The 2020 fiscal year was marked by major future-oriented steps in product development and optimization. Research and development expenses amounted to EUR 2,619 thousand in total in the reporting year. EUR 1,300 thousand was capitalized as intangible assets under development in the current period.

The development of **OTRS 8** is a quantum leap in the company's history. The current software release is more than just a new version – it is a key step into the future.

With **OTRS 8**, customers can now also contact support staff via social media channels, and mobile access in **OTRS 8** is also app-based. Agents work with their personal organizers and can generate, save, and manage searches. In the improved reporting system, all key functions are available and can be used without any prior knowledge. To allow for better analysis of OTRS data, advanced analytical tools can also be integrated. And all of this comes with a user interface that can be personalized.

OTRS 8 was developed in line with the principles of Privacy and Security by Design. It includes configurable two-factor authentication and end-to-end encryption as a standard. And of course the managed environment allows for work in full compliance with the GDPR.

Development Areas and Tangible Results

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 detailed view for configuration items
- 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
- Personal watch lists with color coding
- Improved form structure for configuration item administration

Customer Management

- Personal customer lists
- Personal lists of customer users

Service Management

- Personal lists for services and service level agreements
- Configuration of form fields in any order for problem management activities

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

Communication Channels

- Cloud service for creating text, image, and video posts from **OTRS**
- Receiving comments on social media posts in tickets
- Responding to social media comments from **OTRS**
- Receiving private messages from social media users
- Responding to private messages on social media from **OTRS**
- Liking social media comments from **OTRS**

Mobile App

- Installation via the Apple App Store or the Google Play Store
- Registration of multiple OTRS accounts (e.g. for testing + production)
- Mobile access at all times to
  - dashboards
  - personal and general lists (e.g. current incidents)
  - chat messages
  - notifications (e.g. for escalations or deployment dates)
  - customer data
  - statistics
  - services
  - assets
  - system-wide search (“dynamic finder”)
  - personal settings (e.g. for chat availability and “out-of-office” times)
  - and much more – depending on the OTRS configuration

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. Despite this insight, which was also influenced by the forecasts for 2020, business performance was impacted by the global pandemic.

The release of **OTRS 8**, again without another Community Edition, once again confirmed our strategy of focusing on the cloud version of **OTRS**. The upward trend for **OTRS** was maintained.
The slight decrease in our loyalty rate only reflects the consequences of the coronavirus crisis and highlights our solid foundation in the market.

AI and personalization trends, which we already incorporated in the development of **OTRS 7** for 2019, once again proved to be driving forces. With **OTRS 8**, the modernization of the customer interface to reflect the wide range of individual options was followed by an agent interface and an app that perfectly caters to the different facets of mobile working in particular.

As a result of the further increase in demand for security services, which we cater to with our product **STORM** powered by **OTRS**, we are expanding this area more and giving it a prominent position in the reorganization of our product development.

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 companies with 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. The next logical step will now follow, in which this cloud variant will be integrated in the comprehensive concept of our solution management system so as to meet the requirements for agility and innovation.

Employees

As in the previous year, the average number of employees (not including members of the Management Board) was 70 as of the 2020 balance sheet date.

RESULTS OF OPERATION, FINANCIAL POSITION & NET ASSETS

Results of Operations

In the past fiscal year, revenue of EUR 9,708 thousand (previous year: EUR 9,178 thousand) was generated, representing revenue growth of EUR 530 thousand. This corresponds to an increase of 5.8 %. The sustainable revenue growth shows that the awareness of OTRS software as an extremely useful corporate governance tool is growing steadily.

The most revenue growth was achieved in recurring revenue, which comprises annual contracts with access to our software in various forms as well as security, software updates, and support. This increased by EUR 1,022 thousand (13.1 %) from EUR 7,833 thousand to EUR 8,855 thousand. It now accounts for 91.2 % of total revenue (previous year: 85.3 %). 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 5,140 thousand as of the balance sheet date (previous year: EUR 4,757 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 by 36.5 % from EUR 1,345 thousand in fiscal year 2019 to EUR 854 thousand in fiscal year 2020 is due to OTRS AG's strategic decision to focus mainly on recurring revenue. Revenue from consulting and custom engineering is seen as auxiliary revenue.
However, the above-average decline in consulting services as against the previous year also relates to the decline in new contracts concluded, which is at least partly due to COVID, as consulting services are generally linked to new contracts. Customer-specific adjustments and developments (custom engineering) are performed only in exceptional cases and account for only a small share of revenue (EUR 37 thousand).

OTRS AG generates most of its revenue with customers in Germany. This increased by EUR 447 thousand (7.0 %) from EUR 6,372 thousand to EUR 6,819 thousand. German customers therefore accounted for 70.2 % of revenue in fiscal year 2020 (previous year: 69.4 %). Revenue with international customers increased by EUR 83 thousand from EUR 2,806 thousand to EUR 2,889 thousand.

Steady and sustainable growth requires the software's 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 2,619 thousand was invested in ongoing development in the past fiscal year. EUR 1,300 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 2020, amortization of internally generated intangible assets, amounting to EUR 379 thousand, was recognized.

In fiscal year 2020, EBITDA amounted to EUR 2,308 thousand (previous year: EUR 1,611 thousand). Operating cash flow of EUR 1,463 thousand was generated (previous year: EUR 785 thousand). EBIT amounted to EUR 1,761 thousand as compared to EUR 1,115 thousand in the previous year.

Naturally, the largest cost item for a service company is personnel expenses. These amounted to EUR 5,853 thousand in 2020 (previous year: EUR 5,631 thousand), corresponding to a personnel expenses ratio of 53.1 % (previous year: 55.2 %). Average personnel expenses in relation to average headcount including management amounted to EUR 80.5 thousand in fiscal year 2020 compared to EUR 78.2 thousand in the previous year. Revenue per employee, including management, increased as against the previous year to EUR 134 thousand (previous year: EUR 127 thousand).

Financial Position & Net Assets

Total assets rose by 22.8 % year-on-year from EUR 9,067 thousand to EUR 11,134 thousand as of 31 December 2020. As a result of net income (EUR 1,215.5 thousand), balance sheet equity increased from EUR 2,749 thousand to EUR 3,965 thousand. The equity ratio was 35.6 % as of the balance sheet date (previous year: 30.3 %).

With a EUR 364 thousand increase in cash and cash equivalents from EUR 2,386 thousand to EUR 2,750 thousand, the quick ratio, which shows the extent to which current liabilities are covered by cash funds and current assets, fell to 68.8 % as opposed to 72.3 % in the previous year. Given that the support contracts included in current liabilities as deferred income (EUR 5,140 thousand) will not lead to future cash flows but actually constitute future revenue, the adjusted quick ratio is 360.8 % compared to 418.2 % 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

	2020	2019	2018	2017	2016
Key figures on net assets					
Equity ratio in %	36%	30%	27%	30%	32%
Equity-to-fixed-assets ratio in %	60%	57%	49%	52%	61%
Financial/liquidity structure					
Quick ratio in %	69%	72%	66%	59%	68%
Key figures on results of operations					
EBIT (in EUR thou.)	1,761	1,115	579	128	131
EBITDA (in EUR thou.)	2,308	1,611	970	510	534
Revenue growth in % year-on-year	6%	10%	9%	5%	14%
Percentage return on revenue	13%	9%	5%	2%	1%
Percentage return on equity	31%	28%	23%	7%	6%
Deferred income (EUR thou.)	5,140	4,757	4,248	3,512	2,833
Revenue per employee (EUR thou.)	134	127	128	131	133
Others					
R&D costs (EUR thou.)	2,619	2,115	1,716	1,399	1,166
R&D cost ratio	27%	23%	21%	18%	16%

REPORT ON RISKS, CHANCES & EXPECTED DEVELOPMENTS

Report on Expected Developments

The coronavirus pandemic impacted economic developments in 2020 to a far greater extent than anyone could have foreseen at the start of the year. In view of the significant and probably lasting changes, many previously valid parameters for forecasting and assessing have lost their significance. By contrast, it has become clear that existing differences in market and social developments have deepened the regional differences.

The long-lasting state of emergency has left its mark. The fallout from the coronavirus crisis will also significantly impact growth opportunities in 2021.

The major boost that the digital transformation has experienced at companies is benefiting us in that we offer products and services for which there is a discernible need as a result of the changed working conditions. However, it should be noted that by no means all companies – including our existing customers – will be able to implement solutions to this need. Despite granular monitoring of our dashboard figures, negative developments at these customers can be identified at any early stage, but they can by no means be prevented.

The path we have taken of focusing on managed **OTRS** has proven its value during the crisis, too, and will therefore be continued. Combined with a strategy focusing on agility and a dynamic, flexible, and quickly available product and service portfolio, we are also optimistic regarding the future fallout from the crisis.

2020 showed us that **innovation** is becoming a crucial competitive advantage and a key term for products and services. We were able to respond quickly and flexibly to the changes and challenges while also laying the foundations for a significant corporate change process geared toward innovation and a forward-looking approach. Thanks to the introduction and implementation of a plan for enhancing our **OTRS Solution Management** software, we are optimistic with regard to further adjustments that will be needed.

Statement on Expected Development

Our forward-looking planning and our exact monitoring and analysis of market conditions, customer behavior, changes in the sales cycle, and customer loyalty contributed to the fact that the changes caused by the coronavirus affected us in a way that did not lead to existential damage. Nonetheless, we had to accept reduced growth.

We are carefully monitoring further developments since the effects on our existing customers will only become clear over the course of the year, partly depending on testing and vaccination plans and other decisions by the German federal government.

In fiscal year 2021, revenue is to be increased despite the continuing coronavirus pandemic. We anticipate revenue growth of 5 %. Total revenue for fiscal year 2021 is, therefore, forecast to exceed EUR 10 million for the first time. We are thus continuing our trend of continuous moderate growth.

The scenarios that we had developed to map the potential development of new and existing customer business proved their worth. We had an accurate reflection of the situation at all times and could allocate the respective status to the corresponding scenarios in great detail. As of the end of the year, we were still in Scenario 1, our best-case scenario.

We can sum up that layoffs are still not required, and there are no plans to furlough employees either. On the contrary, we have made investments in the area of professional and technical qualifications and expertise in particular in order to advance our innovation concept.

We believe growth prospects are possible if ongoing geopolitical tensions and conflicts continue to bypass our sector and if epidemics affecting multiple countries and regions – such as the COVID-19 pandemic at present – affect us only on a temporary basis.

The need for remote working (currently due to employees being required to switch to working from home) has made our products and services more attractive, but we are certainly not winners from the coronavirus crisis! The trend of the coronavirus pandemic advancing the digital transformation affects us only indirectly. The advantages that the market niche we occupy bring us are offset to a not insignificant extent by companies' limited willingness to take action.

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 we strive for operational excellence in our work and business processes.

Report on Risks and Chances

For our company to enjoy sustained success, it is critical that we identify risks and chances 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.

We can also further reduce the risk by enforcing our trademark rights, which particularly denies gray-market providers the possibility to generate revenue with products made and financed by us.

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.

By introducing **OTRS Business Solution™ Managed** in 2015, OTRS AG had already established exclusivity and significantly boosted customer loyalty. The next step that has now been taken – not releasing an ((OTRS)) Community Edition for the time being – also helps successfully limit the field of activities of competitors who offer **OTRS** software services to their local home markets and internationally.

In addition, active communication on the lifecycle of our releases – such as the "end-of-life" OTRS 6/ Community Edition – allowed us to draw more attention to this strategy among the user community and in the press, which also limited the potential for gray-market providers.

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.

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 Chances
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 chances 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 a chance 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 a chance 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 chances 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 third 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, our offer to provide **OTRS** as a managed solution continues to follow the trend.
Cloud computing is also an important element of the IT market in the long term and is considered a key driver of digital transformation.

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 241 as of 31 December 2019 to 291 by 31 December 2020. Thus, managed solution contracts rose from 45 % of our total contract volume (31 December 2019) to 49 % (31 December 2020).

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. For example, when deciding on our hosting providers, we chose those that verifiably operated in an environmentally-friendly and resource-efficient way.

Environmental and Social Chances

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 chance 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, 31 March 2021

André Mindermann	Christopher Kuhn	Sabine Riedel
CEO of OTRS AG	Management Board of OTRS AG	Management Board of OTRS AG

YEAR END TABLES

BALANCE SHEET
INCOME STATEMENT
FIXED ASSETS

Balance Sheet as of 31 Dec. 2020

Assets	31/12/2020 EUR	31/12/2019 EUR
A. Fixed assets	**6,650,238.29**	**4,835,692.08**
I. Intangible assets	**2,723,426.72**	**1,897,844.49**
1. Internally generated industrial and similar rights and assets	2,352,074.00	625,544.00
2. Intangible assets under development	217,950.72	1,023,618.49
3. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	1.00	2.00
4. Goodwill	153,401.00	248,680.00
II. Tangible assets	**136,749.00**	**133,804.41**
1. Other equipment, operating and office equipment	136,749.00	130,492.50
2. Advance payments and assets under construction	0.00	3,311.91
III. Financial assets	**3,790,062.57**	**2,804,043.18**
1. Shares in affiliated companies	2,773,078.55	2,764,183.40
2. Loans to affiliated companies	39,857.78	39,857.78
3. Equity investments	2.00	2.00
4. Claims from life insurance policies to cover pension benefits	977,124.24	0.00
B. Current assets	**4,382,218.94**	**4,154,248.18**
I. Inventories	**11,823.50**	**679.25**
1. Orders in progress	11,823.50	679.25
II. Receivables and other assets	**1,620,627.87**	**1,767,646.80**
1. Trade receivables	1,174,233.17	1,291,731.31
2. Receivables from affiliated companies	382,068.53	344,226.35
3. Other assets	64,326.17	131,689.14
III. Cash-in-hand, central bank balances, bank balances and checks	**2,749,767.57**	**2,385,922.13**
C. Prepaid expenses	**102,023.40**	**77,503.91**
	11,134,480.63	**9,067,444.17**

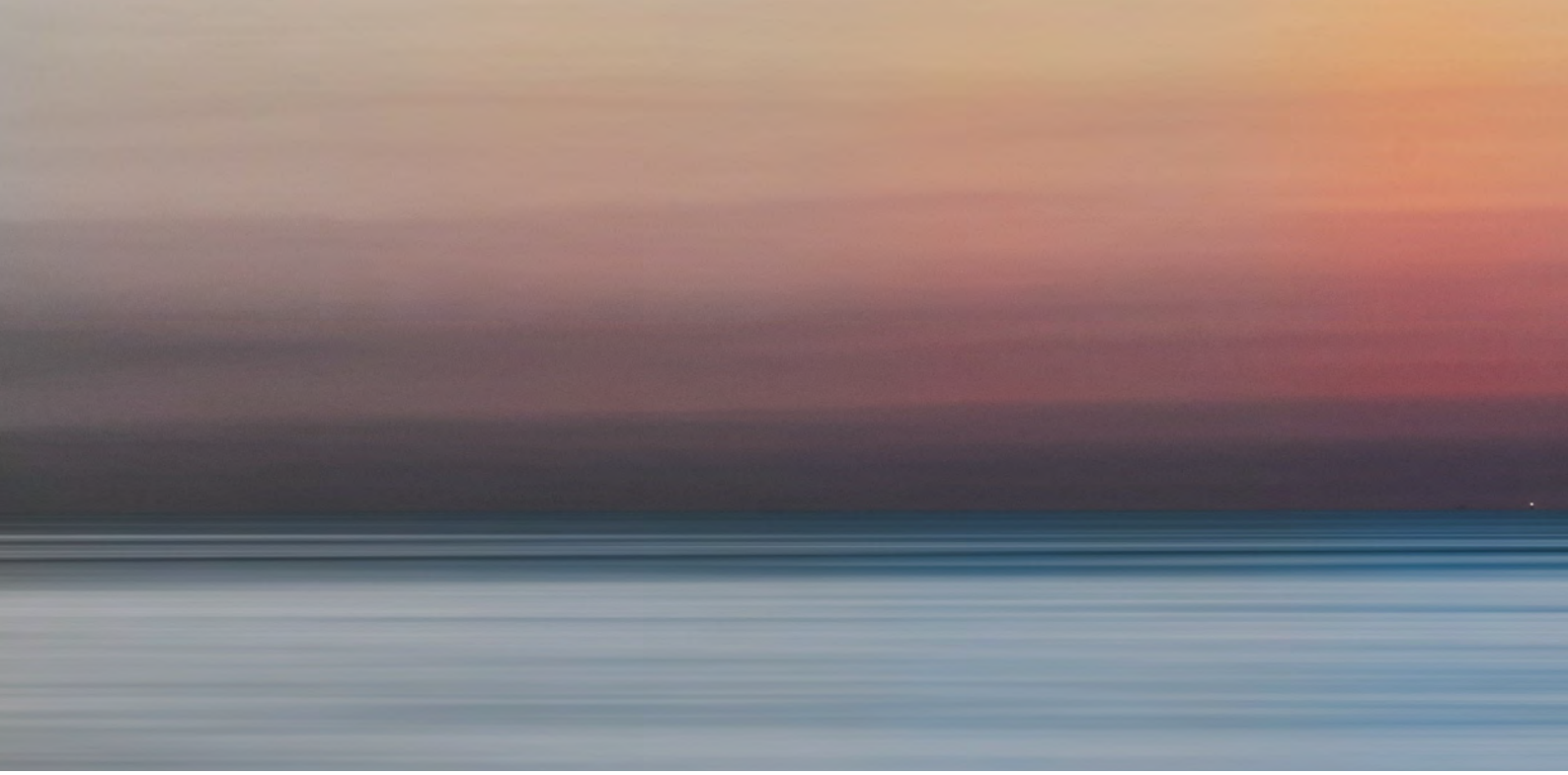
Equity and Liabilities	31/12/2020	31/12/2019
	EUR	EUR
A. Equity	**3,964,521.85**	**2,749,050.72**
I. Subscribed capital	1,916,300.00	1,916,300.00
II. Retained earnings		
1. Statutory reserves	102,411.55	41,637.99
III. Balance sheet profit	1,945,810.30	791,112.73
B. Provisions	**594,141.60**	**570,027.64**
1. Tax provisions	167,671.03	13,571.50
2. Other provisions	426,470.57	556,456.14
C. Liabilities	**617,027.61**	**436,744.67**
1. Trade payables	168,889.98	102,771.93
- of which with a remaining term of up to one year EUR 168,889.98 (EUR 102,771.93)		
2. Liabilities to affiliated companies	120,052.85	11,590.60
- of which with a remaining term of up to one year EUR 120,052.85 (EUR 11,590.60)		
3. Other liabilities	328,084.78	322,382.14
- of which taxes EUR 259,352.88 (EUR 241,866.46)		
- of which social security EUR 7,881.61 (EUR 7,654.34)		
- of which with a remaining term of up to one year EUR 328,084.78 (EUR 322,382.14)		
D. Deferred income	**5,140,126.07**	**4,756,975.64**
E. Deferred tax liabilities	**818,663.50**	**554,645.50**
	11,134,480.63	**9,067,444.17**

Income statement
from 1 Jan. 2020 to 31. Dec. 2020

	31 Dec. 2020 EUR	31 Dec. 2019 EUR
1. Revenue	9,708,188.21	9,177,907.31
2. Increase in orders in progress	11,144.25	679.25
3. Other own funds capitalized	1,299,816.62	1,023,618.49
4. Other operating income	390,660.06	329,042.54
- of which income from foreign currency translation EUR 483.10 (EUR 288.18)		
5. Cost of materials	1,849,711.28	1,388,281.51
a) Cost of purchased services	1,849,711.28	1,388,281.51
6. Personnel expenses	5,852,903.66	5,631,430.77
a) Wages and salaries	5,085,080.40	4,888,737.57
b) Social security, post-employment and other employee benefit costs	767,823.26	742,693.20
- of which in respect of old age pensions EUR 14,811.18 (EUR 14,714.34)		
7. Depreciation and amortization	546,904.54	495,340.77
a) On intangible and tangible fixed assets	546,904.54	495,340.77
8. Other operating expenses	1,391,941.13	1,891,620.49
- of which expenses from foreign currency translation EUR 514.00 (EUR 566.18)		
9. Income from other securities and loans held as financial assets	6,625.55	0.00
10. Other interest and similar income	2,842.87	8,071.84
- of which from affiliated companies EUR 2,192.18 (EUR 6,863.41)		
11. Interest and similar expenses	690.00	690.00
12. Taxes on income	547,828.08	341,151.00
- of which expenses from the addition and reversal of deferred taxes EUR 499,132.03 (EUR 299,152.50)		
- of which income from the addition and reversal of deferred taxes EUR 235,114.03 (EUR 123,403.00)		
13. Earnings after taxes	**1,229,298.87**	**790,804.89**
14. Other taxes	13,827.74	9,234.39
15. Net income for the year	**1,215,471.13**	**781,570.50**
16. Retained profits brought forward from the previous year	791,112.73	48,621.21
17. Allocations to retained earnings	60,773.56	39,078.98
a) To statutory reserves	60,773.56	39,078.98
18. Balance sheet profit	**1,945,810.30**	**791,112.73**

Gross Statement of Changes in Fixed Assets as of 31 Dec. 2020

	Acquisition/ production cost 1/1/2020 EUR	Additions EUR	Disposals EUR	Transfers EUR	Acquisition/ production cost 12/31/2020 EUR	Cumulative depreciation and amortization 1/1/2020 EUR	Depreciation and amortization in the fiscal year EUR	Disposals EUR	Transfers EUR	Cumulative depreciation and amortization 12/31/2020 EUR	Reversals of write-downs in the fiscal year EUR	Book value 12/31/2020 EUR
I. Intangible assets	**5,110,975.65**	**1,299,816.62**	**822.69**	**0.00**	**6,409,969.58**	**3,213,131.16**	**474,233.39**	**821.69**	**0.00**	**3,686,542.86**	**0.00**	**2,723,426.72**
1. Internally generated industrial and similar rights and assets	2,652,419.90	0.00	0.00	2,105,484.39	4,757,904.29	2,026,875.90	378,954.39	0.00	0.00	2,405,830.29	0.00	2,352,074.00
2. Intangible assets under development	1,023,618.49	1,299,816.62	0.00	-2,105,484.39	217,950.72	0.00	0.00	0.00	0.00	0.00	0.00	217,950.72
3. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	6,470.69	0.00	822.69	0.00	5,648.00	6,468.69	0.00	821.69	0.00	5,647.00	0.00	1.00
4. Goodwill	1,428,466.57	0.00	0.00	0.00	1,428,466.57	1,179,786.57	95,279.00	0.00	0.00	1,275,065.57	0.00	153,401.00
II. Tangible assets	**539,123.91**	**88,202.24**	**209,753.21**	**0.00**	**417,572.94**	**405,319.50**	**72,671.15**	**197,166.71**	**0.00**	**280,823.94**	**0.00**	**136,749.00**
1. Other equipment, operating and office equipment	535,812.00	88,202.24	209,753.21	3,311.91	417,572.94	405,319.50	72,671.15	197,166.71	0.00	280,823.94	0.00	136,749.00
2. Advance payments and assets under construction	3,311.91	0.00	0.00	-3,311.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Financial assets	**2,805,284.17**	**986,019.39**	**0.00**	**0.00**	**3,791,303.56**	**1,240.99**	**0.00**	**0.00**	**0.00**	**1,240.99**	**0.00**	**3,790,062.57**
1. Shares in affiliated companies	2,764,183.40	8,895.15	0.00	0.00	2,773,078.55	0.00	0.00	0.00	0.00	0.00	0.00	2,773,078.55
2. Loans to affiliated companies	39,857.78	0.00	0.00	0.00	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	1,240.99	0.00	2.00
4. Claims from life insurance policies to cover pension benefits	0.00	977,124.24	0.00	0.00	977,124.24	0.00	0.00	0.00	0.00	0.00	0.00	977,124.24
	8,455,383.73	**2,374,038.25**	**210,575.90**	**0.00**	**10,618,846.08**	**3,619,691.65**	**546,904.54**	**197,988.40**	**0.00**	**3,968,607.79**	**0.00**	**6,650,238.29**



NOTES

GENERAL INFORMATION
ADDITIONAL DISCLOSURES AND NOTES
OTHER STATUTORY DISCLOSURES

General Information

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

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

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

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

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

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

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

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

Information on Accounting and Measurement Including Tax Measures

Changes in Accounting Policies Since the Previous Year
The accounting policies used in the past were applied essentially unchanged in the annual financial statements.

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

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

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

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

Internally generated intangible assets are capitalized in accordance with the option pursuant to section 248(2) sentence 1 HGB with the cost of production in the form of development costs in accordance with section 255(2) a) HGB if and to the extent that they qualify as assets and the development costs 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 **goodwil**l. 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 were 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 represented 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.

	31 Dec. 2020 EUR thou.				**31 Dec. 2019 EUR thou.**			
	Commercial accounts	**Tax accounts**	**Difference**	**Deferred taxes**	**Commercial accounts**	**Tax accounts**	**Difference**	**Deferred taxes**
Internally generated intangible assets	2,352	0	2,352	708	626	0	626	183
Intangible assets under development	218	0	218	65	1,024	0	1,024	299
Goodwill	153	0	153	46	249	0	249	73
Total				**819**				**555**

The tax rate of 30.1 % 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 2,619 thousand in total in the reporting year. Of this amount, EUR 1,300 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	Shareholding	Result	Equity
Affiliated companies	**EUR thou.**	**%**	**EUR thou.**	**EUR thou.**
OTRS Inc., Cupertino, USA	2,183	100	-40	-333
OTRS S.A. de C.V., Benito Juárez, Mexico	1	50	39	50
OTRS Do Brasil Soluções Ltda., São Paulo, Brazil	156	93	16	27
OTRS ASIA Pte. Ltd., Singapore	414	100	39	129
OTRS Asia Ltd., Hong Kong	10	100	13	-14
OTRS Magyarország Kft., Budapest, Hungary	9	100	73	140
Total	**2,773**			
Other investees and investors:				
OTRS Ltd., Hong Kong	0	50	*2), 3*	*2), 3)*
OTRS Shd Bdn, Malaysia	0	49	*2), 3)*	*2), 3*
Total	**0**			

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 31 Dec. 2020	Total amount as of 31 Dec. 2020	of which with a remaining term less than 1 year	more than 1 year
	EUR thou.	EUR thou.	EUR thou.
Trade receivables	1,174	1,174	-
Receivables from affiliated companies	382	382	-
Receivables from equity investments	0	0	-
Other assets: miscellaneous	64	64	-
Total	**1,620**	**1,620**	**-**

Other Assets

Other assets essentially include loans and advances to personnel of EUR 46 thousand (previous year: EUR 82 thousand), security deposits of EUR 1 thousand (previous year: EUR 9 thousand), creditors with debit balances of EUR 0 thousand (previous year: EUR 4 thousand), trade tax assets of EUR 0 thousand (previous year: EUR 9 thousand) and miscellaneous other assets of EUR 17 thousand (previous year: EUR 28 thousand).

Payments made before the balance sheet date were recognized as **prepaid expenses** (EUR 102 thousand; previous year: EUR 78 thousand) to the extent they represent expenses for a specific period after this date. The deferral serves the reporting of profits on an accrual basis. The amounts are receivables by nature.

Equity

Disclosures on Share Classes

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

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

The shares are bearer shares.

Disclosures on Authorized Capital

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

Statutory Reserves

An amount of EUR 61 thousand was allocated to the statutory reserves in accordance with section 150 AktG in the fiscal year. This corresponds to one-twentieth of net income for the year. As of the reporting date, the statutory reserves amounted to EUR 102 thousand.

Disclosures and Notes on Provisions

Other provisions developed as follows in the fiscal year:

Provision for	Jan. 1, 2020	Utilization	Reversal	Addition	Dec. 31, 2020
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Remaining vacation	140	140	-	147	147
Management Board bonuses	101	101	-	142	142
Employee bonuses/commission	212	212	-	47	47
Audit of annual financial statements	19	19	-	19	19
Duty to preserve records	18	-	-	-	18
Outstanding invoices	32	24	8	17	17
Occupational health and safety agency	15	15	-	17	17
Costs of preparing the annual financial statements	12	12	-	14	14
Supervisory Board remuneration	6	6	-	4	4
Financial accounting	1	1	-	1	1
Total	**556**	**530**	**8**	**408**	**426**

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 617 thousand (previous year: EUR 437 thousand).

Type of liability	Total amount	of which with a remaining term		
as of 31 Dec. 2020	as of 31 Dec. 2020	less than 1 year	1 to 5 years	more than 5 years
	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Trade payables	169	169	-	-
Liabilities to affiliated companies	120	120	-	-
Liabilities to equity investments	0	0	-	-
Other liabilities	328	328	-	-
Total	**617**	**617**	**-**	**-**

The total amount of liabilities secured by liens or similar rights is EUR 0 (previous year: EUR 0).

Other Liabilities

Other liabilities essentially include VAT liabilities of EUR 170 thousand (previous year: EUR 163 thousand), wage and church tax liabilities of EUR 89 thousand (previous year: EUR 83 thousand), creditors with debit balance of EUR 57 thousand (previous year: EUR 3 thousand), employees' social security liabilities of EUR 8 thousand (previous year: EUR 8 thousand) and miscellaneous other liabilities of EUR 4 thousand (previous year: EUR 65 thousand).

Deferred Income

Deferred income (EUR 5,140 thousand; previous year: EUR 4,757 thousand) includes payments received for support contracts and services with total terms of up to one year to the extent that these relate to the following year.

Contingent Liabilities From Unrecognized Liabilities in Accordance with Section 251 HGB
There were no such contingent liabilities as of 31 December 2020.

Other Unrecognized Financial Commitments
Other financial commitments mature as follows:

	Maturing EUR thou.			
Type of commitment	**2021**	**2022**	**2023**	**2024**
Rental commitments	112	43	36	12
Lease commitments	252	126	54	10
Total	**364**	**169**	**90**	**22**

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

	2020	**2019**
By area of activity	**EUR thou.**	**EUR thou.**
Managed IT Services and Support	8,855	7,833
Consulting Services	795	1.141
Custom Engineering	37	187
Other	21	17
Total	**9,708**	**9,178**

	2020	**2019**
By geographically defined market	**EUR thou.**	**EUR thou.**
Germany	6,819	6,372
Rest of world	2,889	2,806
Total	**9,708**	**9,178**

Disclosures on Changes in Net Income
The company generated net income for the past fiscal year of EUR 1,215 thousand, which is carried forward to a 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:

	2020	**2019**
Appropriation of profits	**EUR thou.**	**EUR thou.**
Net income for the year	1,215	781
Accumulated profits/losses brought forward from the previous year	791	49
Allocation to statutory reserves	-61	-39
= Balance sheet profit/loss	**1,946**	**791**

Restriction on Distribution
The total amount restricted from distribution in accordance with section 268(8) HGB is EUR 1,798 thousand. It consists of the amount of capitalized internally generated intangible assets (EUR 2,570 thousand) less the related deferred tax liabilities (EUR 772 thousand). In the previous year, the amount restricted from distribution came to EUR 1,167 thousand.

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)	Dreieich	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 amounted to EUR 660 thousand in the past fiscal year. The total remuneration of the members of the Supervisory Board amounted to EUR 6 thousand.

Advances Extended to Members of the Management Board and Supervisory Board
An advance was granted to the Management Board member Ms. Sabine Riedel, which shows a balance of EUR 4 thousand as of the balance sheet date. The interest rate is 2 % p.a.

A settlement account for current expenses and outlays is kept for Mr. André Mindermann. The settlement account has a 2 % interest rate and a receivable balance of EUR 22 thousand as of 31 December 2020.

A loan was granted to the Management Board member Mr. Christopher Kuhn, which shows a balance of EUR 20 thousand as of the balance sheet date. The loan does not bear interest and is to be repaid in 2021 by being offset against the net disbursement amount from the bonus for fiscal year 2020.

Advances to members of the Management Board in 2020 were as follows:

	1 Jan. 2020 EUR thou.	Addition EUR thou.	Repayment EUR thou.	31 Dec. 2020 EUR thou.
Sabine Riedel	4	0	0	4
André Mindermann	75	22	75	22
Christopher Kuhn	0	20	0	20

No collateral was posted for advances and loans granted to members of the Management Board.

No advances or loans were granted to the members of 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: 70). They are employed in the following areas:

	Number of employees	
	Fiscal year	**Previous year**
General Managed Services	20	18
Global Software Development	16	16
Consulting Services	7	7
Marketing & Sales	13	15
Verwaltung/Administration	14	14
Total	**70**	**70**

Significant Event After the Balance Sheet Date

In the period between the balance sheet date and the preparation of the balance sheet, there were no events that had a particular impact on the company's net assets, financial position, and results of operations. Direct or indirect effects of the global spread of the SARS-CoV-2 pandemic cannot be entirely ruled out, also with regard to political decisions to combat the pandemic. No such effects are currently discernible for the company. Potential effects are being simulated by the management in various planning scenarios.

Oberursel, 31 March 2021

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 have audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the presentation of accounting policies of OTRS AG for the fiscal year from 1 January 2020 to 31 December 2020. We have also audited the management report of OTRS AG for the fiscal year from 1 January 2020 to 31 December 2020.

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 31 December 2020 as well as its results of operations for the fiscal year from 1 January 2020 to 31 December 2020 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 chances 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 "Auditor's 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 chances 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; accurately reflects the risks and chances of future development; and that 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, 7 May 2021

VEDA WP GmbH
Wirtschaftsprüfungsgesellschaft

Roland Weigl
German public auditor (Wirtschaftsprüfer)

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Nothing in the history of life is more constant than change.

Charles Darwin

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