



BALANCE

Annual Report 2022

THE OTRS GROUP

The OTRS Group & its service management solutions

The Group comprises OTRS AG and its five subsidiaries: OTRS Inc. (USA), OTRS S.A. de C.V. (Mexico), OTRS Asia Pte. Ltd. (Singapore), OTRS do Brasil Soluções Ltda. (Brazil) and OTRS Magyarország Kft (Hungary).

OTRS AG is the manufacturer and the world's largest service provider for the help desk and IT service management software **OTRS** and **OTRS On-Premise**.

OTRS and **OTRS On-Premise** are the OTRS Group's answers to market demand for exclusive packages 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 fully managed help desk software and provides solutions for the areas of customer service, IT service management and corporate security. This includes platform management on the hardware side; implementing updates and upgrades; and holistic application management, i.e. usage, administration, the implementation of necessary patches, general and security-critical upgrades. We stand for established, individually configured solutions – regardless of company size, sector or choice between a cloud version or a variant operated in a customer's own data center.

Our offering, therefore, includes both a fully managed and an on-premises solution. Based on the core product **OTRS**, the security solution **STORM** and pre-configured, out-of-the-box solution scenarios for HR management, office management and ITSM allow additional use cases to also be covered. This offering is to be successively expanded in line with market trends and needs.

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 is used by companies worldwide to optimize their service delivery, increase customer satisfaction and reduce costs by using an integrated solution. Our customers include companies and organizations such as the German Federal Office for Information Security (BSI), Helios Kliniken, Haribo, TUI Cruises, Lufthansa, Ameropa and Porsche.

Further information on OTRS Group products and services can be found at www.otrs.com.

Letter to shareholders



Dear shareholders,

Many of us will remember 2022 as a year of upheaval. The war in Ukraine was a stark reminder of the fragility of European peace. The economic repercussions were – and are – palpable for everyone. Nevertheless, OTRS Group managed to maintain a balance. Despite the many economic challenges, we are happy with our performance in fiscal year 2022, which we closed in line with expectations. Accordingly, we further increased our revenue last year, establishing a level above EUR 10 million. For the first time, we also achieved this benchmark in recurring revenue.

We see this as an endorsement of our corporate and growth strategy, which is focused on the development and growth of recurring revenue. The symbiosis of the customer-centric approach and the innovative product and service portfolio is our key to success. With cloud-based, customized and scalable software applications, we offer our customers viable, on-trend and timely software solutions. To this end, we will continue to bundle our competencies and energies in order to pursue a holistic solution management approach. As a “solution as a service” provider, we thus enable companies to create digital structures, optimize operating processes and establish a configuration that meets their individual requirements.

Recurring revenue in the tens of millions for the first time

In the reporting year 2022, OTRS AG generated revenue of EUR 11,839 thousand (previous year: EUR 11,043 thousand), representing revenue growth of 7.2 %. Our company continued to accelerate the growth in recurring revenue, which increases the predictability and stability of revenue. In fiscal year 2022, recurring revenue saw the greatest revenue growth of 9.1 % to EUR 10,743 thousand. It accounts for 90.7 % of total revenue (previous year: 89.1 %). Recurring revenue results from existing contracts with fixed terms, which are usually renewed after they expire. These allow economies of scale, since they result in an improved income situation with a smaller increase in the use of resources. In contrast, other revenue – essentially consulting revenue – declined by 6.6 % to EUR 1,058 thousand (EUR 1,132 thousand). EBITDA amounted to EUR 1,270 thousand in the past fiscal year after EUR 2,395 thousand in the previous year, with an operating cash flow of EUR 1,167 thousand. EBIT amounted to EUR 488 thousand after EUR 1,710 thousand in the previous year. The decline in EBIT and EBITDA is mainly due to high expenses for the recruitment of new employees, the introduction of an ERP system and the partnership with Gartner for market research. Earnings per OTRS share amounted to EUR 0.17 in the reporting year 2022 after EUR 0.62 in the previous year. The equity ratio, at 36.6 %, was close to the previous year’s level (previous year: 37.6 %).

Despite the earnings decline, we are adhering to our sustainable dividend strategy. At the Annual General Meeting on 20 July 2023, the Management Board and Supervisory Board will therefore propose a dividend of EUR 0.10 per eligible share (previous year: EUR 0.15). We will thus demonstrate continuity in our dividend policy and allow you, dear shareholders, to participate in our company’s value creation.

Digitalization trend as growth driver

The wide-scale, ongoing digitalization trend that is penetrating every industry offers us countless opportunities for the future. OTRS AG will benefit from this by investing in technical competencies at an early stage. In addition to IT business leadership, enterprise service management, process & workflow automation and remote work, the main growth drivers for us and the entire industry in the years to come will be artificial intelligence and data security. The hype over the text-based communication platform ChatGPT is likely to be just the beginning. We are prepared for these future trends with our OTRS applications and our capacity for innovation. We are working daily to implement tools with genuine added value for customers in our applications. We therefore feel we are excellently positioned to guide companies on their digital transformation and provide them with resources to accelerate their growth. We thus give our customers the freedom to be successful worldwide.

Another success factor for the future is the restructuring of our company into an agile organization. We will therefore be stronger, faster and more decisive in our responses to new market situations. We use agility as a seismograph to help us identify opportunities even earlier and to react faster to future challenges. However, this capacity for faster action and reaction will only work in cooperative partnership with our customers. Only consistent interaction enables us to identify challenges early in order to counter them proactively and directly or to take accelerative action. In turn, our customers benefit from the continuous provision of new versions and innovations of our SaaS offering. The transformation into an agile organizational structure is therefore the top priority since it offers us and our customers enormous growth potential that we can utilize together.

Dynamic adaptation through differentiation

The foundation for our success is and will remain our product and service portfolio. So that this basis remains a guarantee of future growth, we have established a differentiation between OTRS as a cloud solution and the freely available ((OTRS)) Community Edition. Our aim is to obtain more flexibility and independence in order to adapt dynamically to the constantly changing requirements in the various sub-markets. This in turn will benefit our customers who will reward the utility of OTRS in the form of high loyalty rates. In the reporting year 2022, for example, the customer satisfaction scores were again around 90 %. This is encouraging since the loyalty rates reflect the quality of our products and our perceived reliability. We will continue to build on this in the future. The outsourcing of IT areas has not only become more important for many companies, but it is also likely to increase for economic reasons. After all, managed services help our customers to optimize the allocation and use of resources. In turn, this leads to growing profitability and operating efficiency.

Future investments for higher revenue and earnings potential

In light of the still uncertain course of the war in Ukraine and the unpredictable macroeconomic developments, we expect revenue to increase by between 4 % and 7 % to around EUR 12.3 million to EUR 12.7 million in the current fiscal year 2023. The significant investments (not eligible for capitalization) in the current fiscal year of around EUR 1.2 million in building and expanding the offering will have a temporary impact on profitability, but in the medium term will contribute to the revenue and earnings potential as well as the continuous growth of the OTRS Group. Due to these extensive investments, a slightly negative EBITDA is anticipated for fiscal year 2023. The goal is to return to the planned profitability in 2024.

For 2023, Gartner sees tech trends as being cost reduction through IT optimization, the scaling of networks for more growth, and companies' strategic realignments. These trends could help organizations master the current economic challenges. At the same time, they provide us with a good environment for further growth

Thank you to employees and shareholders

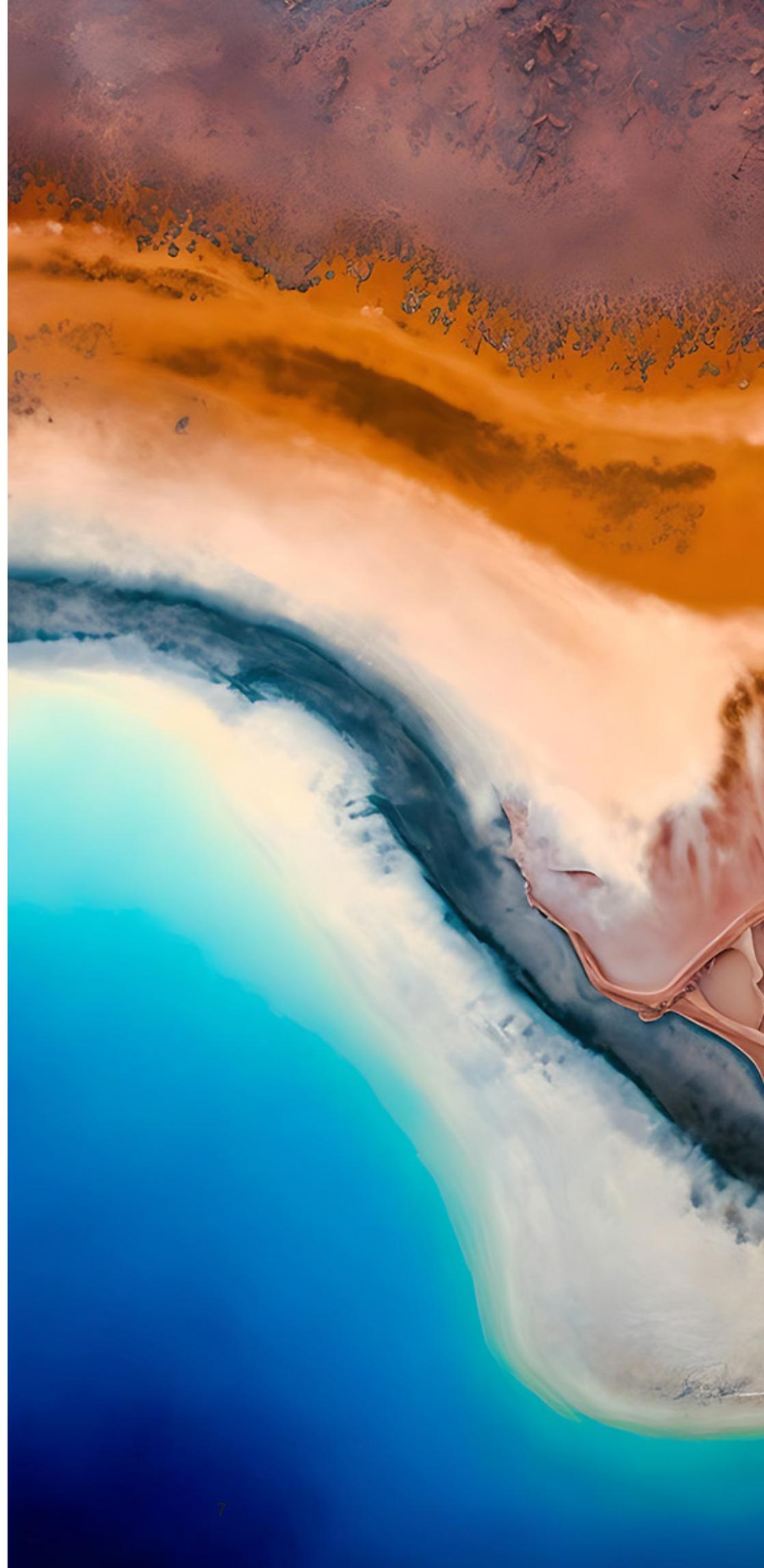
On behalf of the entire Management Board, I wish to thank our employees for their dedication and hard work in 2022. The successes, innovations and achievements of the past year would not have been possible without a passionate OTRS team.

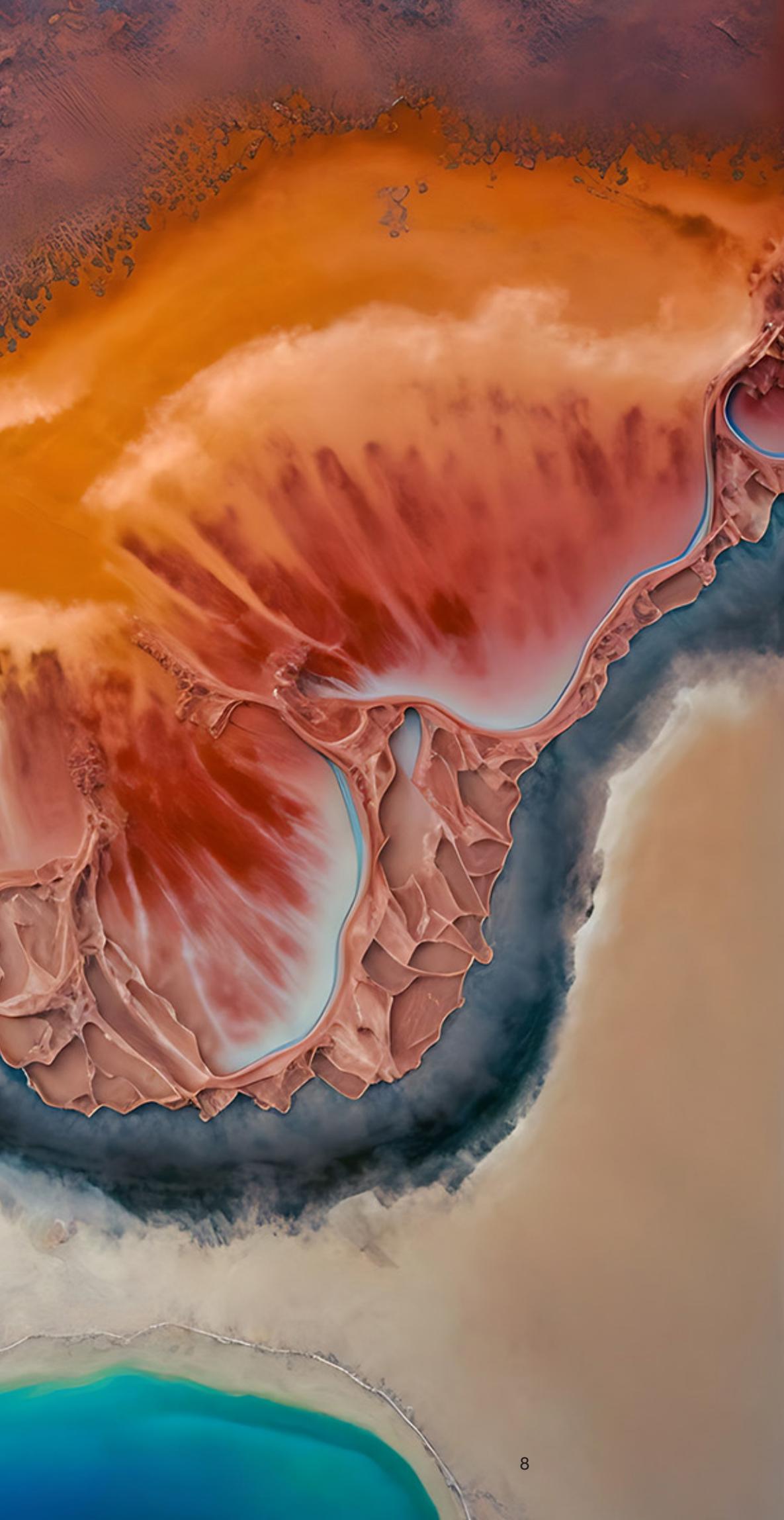
And I thank you, dear shareholders, for the confidence you have placed in us. I hope you will stick with us on our promising journey.

Sincerely,

A handwritten signature in blue ink, appearing to read 'André Mindermann', is displayed within a light gray rectangular box.

André Mindermann
Chief Executive Officer





MANAGEMENT BOARD



André Mindermann
Chief Executive Officer (CEO)
Co-founder, Chairman of the
Management Board



Sabine Riedel
Chief Marketing Officer
(CMO)
Chief Human Relations
Officer (CHRO)



Christopher Kuhn
Chief Operations Officer
(COO)

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BALANCE

INTRODUCTION

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BALANCE OF COMMUNICATION

INTRODUCTION



The greatest and most important task in life is to keep one's balance.

Wolfgang Wiesmann

When we first come into the world, our brains must learn – taking time and considerable physical effort – to coordinate the complex information from receptors in our muscular system, from sensors in our inner ear, and from our eyes so that we can keep our balance when sitting, standing and walking.

The effort to maintain this state becomes a routine that is in constant use, usually going unnoticed by us. While we may feel like we are “at rest,” this involves permanent adjustment to external and internal influences.

However, the pursuit of balance and its occasional achievement continues at all times and in all areas of our lives. We find ourselves trying to attain physical and emotional equilibrium, not only as individuals but also in groups, in society, in economic cycles and not least in companies and their departments.

In all sorts of ways, we are preoccupied with maintaining a balance. Or, to turn it the other way, we are trying to get out of imbalance. Although nothing is more impermanent than equilibrium, this quasi-asymptotic state suggests that we are in control.

As a company, balance is highly important, especially in the context of growth. Where and how do we find balance in investments, in redesigning our products, in the uncertainties and crises in the markets? How do we create a working environment that enables our employees to achieve a high level of performance in balance with personal needs and satisfaction? How do we create a diverse culture that guarantees stability and trust?

This annual report, titled “Balance,” provides insight.



“

There is no such thing as work-life balance – it is all life. The balance has to be within you.

Sadghuru

BALANCE IN THE WORK-LIFE FABRIC

Beyond all strategy, technology, processes and methods, it is mainly people, their thoughts and their actions that enable us as a company to keep our balance, be it in markets, among competitors, or in the face of changes in society, the world and its crises.

It therefore seems logical and sensible to pay special attention to precisely these people and to ensure that they (can) create a balance for themselves in the delicate fabric of work and leisure time.

Work-life balance has long been among the most sought-after benefits that a modern employer can provide. New trends and associated buzzwords appear with great regularity, suggesting to us that there is an optimum working environment. The correct design of this ensures that synergy between work and leisure, life and work is possible, resulting in satisfied and motivated employees as well as productivity.

The term “New Work” emerged back in the 1980s, but its real impact did not take off until the COVID pandemic and the forced switch to working from home. Together with resilience and agility, it tops the charts of trendy HR concepts. These give us clues as to which needs must be taken into consideration when trying to develop and preserve a healthy and beneficial working environment.

Freedom is an important aspect here, and it is one of the foundations of our corporate culture. Employees’ freedom to choose their own working hours and location, for example, according to their individual and personal needs, makes a major contribution to their ability to strike a balance between their professional and private lives. In equal measure, however, this freedom also requires them to take responsibility for their own actions and for the results of these actions.

In practice, autonomy of action can be promoted with an agile organizational structure. Small teams, working iteratively and incrementally in defined time sequences, inspire high motivation and creativity and equally offer potential for work-life balance.

At the same time, we have to understand that – in a company whose guiding principles include diversity – a multitude of generations and personality types with their individual values and needs coexist and interact. This requires a special energy and dynamic in the development and advancement of teams, their potential, and their sustainability. Much more than “just” an attempt at more free time and a lower workload is needed here. Instead, synergies must be created through more space for personal and joint learning – thus integrating work into life in a meaningful and worthwhile manner.

PRODUCT DEVELOPMENT BALANCED BETWEEN INNOVATION AND TRADITION

In the 24-year history of our software, we have not only developed more than 10,000,000 lines of code, but we have also bundled a diverse range of technologies in our product. Many of the integrated functions originated in customer requests arose on the basis of use cases and are/were extremely popular.

Nevertheless, we must continuously evolve, “move forward,” so that we do not lose our balance. This balance helps keep our products up to date, gives them a future on fiercely competitive markets, and ensures their user-friendly design.

This includes committing to a quality that is reflected in easy and quick integration as well as in intuitive applicability and reasonable maintainability.

It is also particularly important to identify the signs of the times – which trends in the IT world actually represent sustainable developments and which are merely prettified soap bubbles that will burst with the pace and pressure of time.

This entails two challenges:

First, a successive expansion of the product range to include precisely those areas that are relevant to applications now and in the future as well as the integration of technologies that are just as relevant. These include topics such as artificial intelligence or the introduction of a new programming language. The latter is particularly important so that the availability of appropriate specialists is guaranteed in the long term.

The second challenge relates to the strategic decision on how the architecture of our products should look, which corresponds to a large-scale modernization if not renovation campaign in order to increase our innovative capacity and speed.

Weighing what is worth preserving versus what is worthy of renewal creates the balance that drives our technological future. Our “bicycle” is on the right track here!

“

Life is like riding a bicycle. To keep your balance, you must keep moving.

Albert Einstein



THE BALANCE OF INVESTMENTS AND THEIR SUCCESS

For us, 2022 was a year of investment.

We made decisions that laid the foundations for the next successful decade. Decisions for people, technology and increasing knowledge. Decisions that were investments. For the first time in the history of our company, we planted trees whose shade we cannot immediately enjoy. Cultivation, observation and care are required so that we can reap the fruits next year and in the years thereafter.

We invested in employees in order to gain expertise, know-how, experience and capacity that we can use to meet the challenges of the markets. These employees have knowledge that is essential to us as an agile solution management provider, resources that will help us to expand our product portfolio and our growth, and expertise that will help us to minimize the risk in the necessary redesign process.

In times of a growing skills shortage, however, we must not only bring skilled workers on board but also give them prospects and the opportunity to develop their potential. By fulfilling these needs, we will make the grade as an employer.

The next decision was also relevant to the measures to be taken to ensure that we as an employer can win the competition for qualified employees:

“

Someone is sitting in the shade of a tree today because someone planted a tree a long time ago.

Warren Buffet

The beginning of our market research cooperation with Gartner was a carefully considered step, the full value of which will emerge gradually. The access to facts and figures, market studies and analysts offers both data volume and the acquisition of knowledge which is now making its way into the processes and decision-making bodies, thus becoming a permanent part of the evolutionary development of **OTRS**.

Product development, go-to-market strategy, and topics such as leadership and employer branding receive important impetus from Gartner's holistic approach. This makes us more visible among our competitors and more successful in comparison.

The right moment for the **introduction of an ERP system** arrived with the company's maturity. A careful evaluation of established ERP tools led us to SAP. After evaluation comes introduction, and this requires time and human resources. The scheduled go-live was successful and represented the first step toward the successful utilization of all possible advantages of an ERP system. Important aspects such as time savings, standardization and transparency will make themselves felt in due course, immediately followed by process optimization, support for corporate governance and the reduction of errors.

In addition, the investments made are a sign of the necessary professionalization of our company with regard to holistic organizational and personnel development.

“

Price is what you pay. Value is what you get.

Warren Buffet

BALANCE OF COMMUNICATION

Communication is the key to (almost) everything. In our culture and as a major element of our corporate success, it plays a significant role in good cooperation, mutual understanding and productive teamwork. Alongside product quality, it is also a crucial criterion for success in interaction with our customers, be it in the sales process or support.

However, the impetus for this success is originally provided by marketing communication.

Here, balance is a key aspect in multiple respects. Both strategically and operationally and in the synergy with sales, activities and their compatibility must be balanced. Marketing and its communication also entail other aspects of balance: From the development and design of the OTRS brand to its continuous visibility, when it comes to targeted messages, we are always asking ourselves whether we are doing too much or too little.

For some time already, we have been living in an excessively mediatized society characterized primarily by transience and a glut of messages.

Social media takes up significant space in the interaction – not only in private, but also in the corporate outside world. For example, addressing both new and existing customers is based on a complex concept of selected information spread via various channels and their appropriate combination. Follow-up and repeated supply of content and information, i.e. nurture marketing, plays an important role in the continuous development of a trusting customer relationship.

The (negative) opposite pole comprises omnipresence, information overload, digital stress and the permanent tracking and evaluation of marketing activities, such as website campaigns, e-mail drives, newsletters, etc.; this information overload, destructive communication loops and unsolicited contact must be avoided in favor of messaging that generates added value.

The guiding principle of our marketing communication is therefore to answer the following question:

“What do product, service and brand contribute to security, peace and stability?” and thus to satisfy the strongest of the “Big 3” of the unconscious mind – ahead of dominance and stimulation – namely balance.

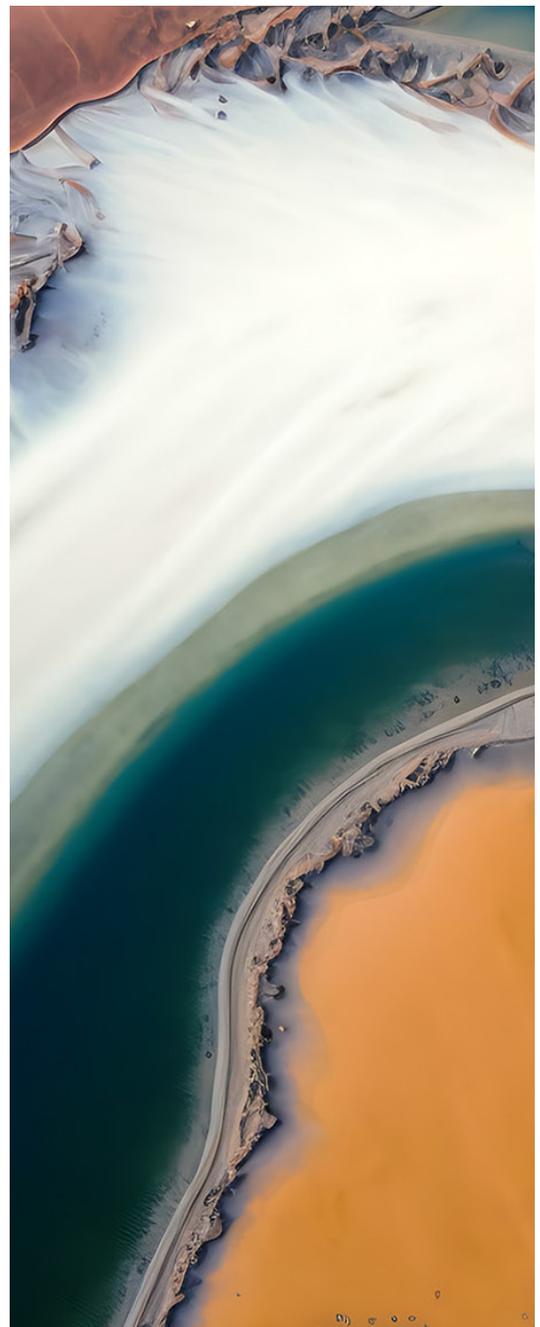
OUTLOOK

The world draws its balance from an equal relationship of resources and requirements, whereas people cause imbalance by following their own ideas, which are primarily based on predictability, security and individual interests. This discordance makes it necessary to broaden the horizons of our thought for a future that is less anthropocentric in all facets of our lives, including business.

“

People do not buy goods and services. They buy relations, stories and magic.

Seth Godin







REPORT OF THE SUPERVISORY BOARD



Dear shareholders,

OTRS AG's fiscal year 2022 was essentially defined by a balance between continuity and change.

Despite the strained macroeconomic situation, the Management Board's step-by-step plan worked well, and we remained in the best-case scenario. On balance, OTRS therefore invested more in new employees and structures than originally expected. That was "continuity."

The "change" relates to the transformation of the OTRS Group into an agile organization. We can thus react quickly to changes and new requirements in the market, be proactive and make better use of opportunities. We always act in a forward-looking manner and initiate changes ourselves. The focus is on close cooperation and partnership with our customers in order to identify the requirements early on and to react promptly. This way of working is already at an advanced stage in product development and is showing direct successes in the speed of solving new requirements. Thanks to modern approaches, such as DevOps, we are seeing development and operating activities merge together and accelerating product approval. This way, new functionalities can be delivered to our customers significantly faster, and operational aspects can be addressed much earlier in development. Our SaaS customers benefit directly from this new response capability through the continuous stream of new versions. We firmly believe that growth can be achieved only through close cooperation – at all levels: with our customers, with our partners and with our employees.

The following report of the Supervisory Board will inform you of the Supervisory Board's activities in fiscal year 2022 and the results of the audit of the 2022 annual financial statements of OTRS AG.

Trusting cooperation with the Management Board

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 Supervisory Board meetings and regular telephone calls with the Management Board outside of meetings not only served as monitoring of the Management Board, but they also allowed the Supervisory Board to act as an advisor. The cooperation between the Management Board and Supervisory Board was characterized by great trust.

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 by the Management Board subject to the approval of the Supervisory Board were examined, discussed and decided on.

The work in fiscal year 2022 was conducted in meetings of the Supervisory Board and in 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. As part of the regular reporting in accordance with section 90 of the Aktiengesetz (AktG – German Stock Corporation Act), the Supervisory Board was also notified of important transactions in writing and orally outside of Supervisory Board meetings.

In addition, the Chairman of the Supervisory Board maintained regular contact with the Management Board between the meetings and was informed of all material developments, the current business situation and forthcoming decisions of particular significance to the company.

Composition of the Supervisory Board

The Supervisory Board of OTRS AG consists of the following three members: Burchard Steinbild (Chairman), Thomas Stewens and Prof. Oliver Hein. Given that the Supervisory Board has only three members, no committees were formed in fiscal year 2022. 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 in total to perform its duties in the reporting year. These were held as video conferences. The meetings took place on 25 April and 1 December 2022, and they 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 Supervisory Board discussed the reports and resolutions proposed by the Management Board in depth at its meetings. The reporting obligations in accordance with section 90 AktG 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 2022 and 2023, 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 Supervisory Board meeting on 25 April 2022, which was also the balance sheet meeting, the Management Board also reported in accordance with section 90 AktG on the course of business, especially revenue, the situation and the company's profitability, especially the return on equity. Planning the 2022 Annual General Meeting was also a priority at this meeting. Furthermore, at this meeting the Management Board reported extensively on the intended business policy and corporate planning,

including in particular the financial, investment and HR planning at the company and its subsidiaries. Potential deviations in actual developments from previously reported objectives were discussed in detail, stating the reasons, the course of business and, in particular, the revenue and earnings situation of the company and its subsidiaries. Likewise at the meeting on 25 April 2022, the Supervisory Board examined the annual financial statements and the management report for fiscal year 2021 and approved the annual financial statements.

At the Supervisory Board meeting on 1 December 2022, the Supervisory Board received and discussed the report of the Management Board in accordance with section 90(1) sentence 1 no. 1 to 3 AktG on the intended business policy and the course of business, including financial, investment and personnel planning at the company and its subsidiaries. In this context, the fiscal year 2023 was recapitulated and the outlook for 2023 discussed. The meeting also discussed the effects of the German Supply Chain Act, the public judgment on the recording of working hours and the EU-Whistleblower Directive.

Audit of the annual financial statements for fiscal year 2022

In line with legal requirements, the auditor elected by the Annual General Meeting on 21 July 2022 – VEDA WP GmbH Wirtschaftsprüfungsgesellschaft – was engaged to audit the 2022 annual financial statements. The auditor made the declaration of independence necessary to be engaged to the Supervisory Board before accepting the mandate.

VEDA WP GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of OTRS AG for the fiscal year from 1 January to 31 December 2022 prepared by the Management Board in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the management report and issued them with an unqualified auditor's report. The audit certificate was issued on 12 April 2023.

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 20 April 2023, where he also answered questions from the Supervisory Board's members to their satisfaction. As required by law, the Supervisory Board examined the 2022 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 20 April 2023. The annual financial statements of OTRS AG have thus been adopted.

The Supervisory Board also examined OTRS AG's planning documents, risk situation and risk management system. All risk areas discernible by the Management Board and the Supervisory Board were discussed. Risk management was intensively examined by the auditor. The auditor confirmed that the Management Board of the company has appropriately implemented the measures required under section 91(2) AktG, in particular regarding establishment of a monitoring system, and that the monitoring system is suitable for the early identification of developments endangering the company's continuation as a going concern and for taking negative developments into account.

Thank you for your work

On behalf of the Supervisory Board, I would like to thank all employees and the Management Board of OTRS AG for their outstanding performance and unending passion. In light of the various challenges – dominated by the persistence of the pandemic and the war in Ukraine – we coped well with the year as a team. 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

A handwritten signature in black ink, appearing to read 'B. Steinbild', is centered below the name and title. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Oberursel, April 2023





MANAGEMENT REPORT

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REPORT ON RISKS, OPPORTUNITIES & EXPECTED
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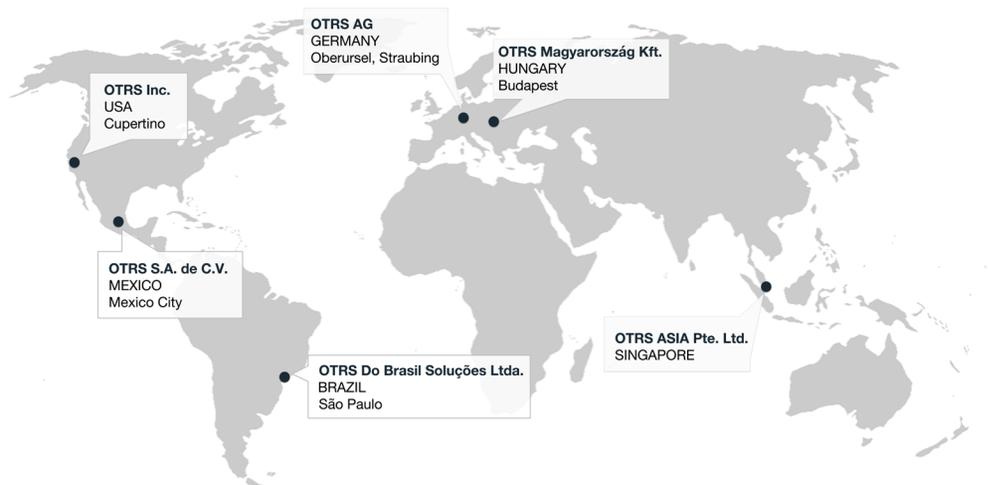
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BASIC INFORMATION

Locations

Our locations generate and reflect our international presence in equal measure. We operate in areas where markets and customers need us and, at the same time, leverage this to raise our profile and grow the OTRS brand. The combination of these two factors helps to ensure long-term business security.



Mission Statement

Why

We give companies the freedom to be successful.

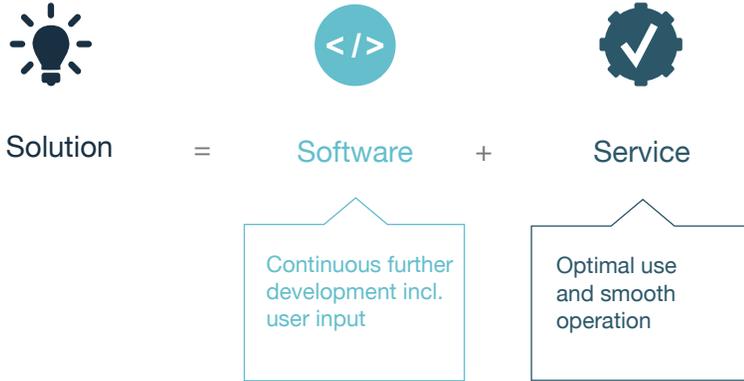
We believe that companies must be flexible to stay successful. When daily routines are embedded in reliable and transparent structures, it creates freedom for the creativity that helps companies grow.

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. This means choosing from a variety of configuration options and supplementary features – exactly the ones the customers need for their individual requirements, complemented by consulting services and training.



As a solution desk, **OTRS** adapts to a wide range of customer needs and requests. Our core product and service competencies are customer service, ITSM (ESM) and corporate security.

Goals

The strategic orientation of the OTRS Group pursues several objectives in parallel. Today, the conditions for ongoing business success mainly consist of three components: customer- and market-oriented product development; qualified employees; and forward-looking corporate governance and development.

Software

The rate of market change and adjustment has risen significantly in the last few years. This is a signal to us to take action to increase the speed of product development while simultaneously honing the focus on innovation.

This means change in multiple respects. Firstly, the ongoing development of our software using new **technological approaches**. Secondly, the use of modern **work procedures** and **techniques**, such as agile work with scrum, kanban, etc. And lastly, **opening up to and integrating with** other products to expand our range competitively in a continuous optimization process, thereby guaranteeing the Group's ongoing development and constant growth.

Market cultivation

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.

Our international outlook especially requires the monitoring of different markets in terms of economic and political developments, and thus, their growth potential and business advantages. This can lead to the establishment and expansion of new branches; but it can also mean their closure if, taking Hong Kong as an example, the local advantages become less significant as a result of negative political changes.

Goals

Organizational development

We know that dynamism and adaptability are essential for structural and procedural organization. Over the more than two years of pandemic, we benefited from our decentralized approach and the associated high level of flexibility that we grant our employees with regard to when and where they work. For example, we have reacted quickly and without restrictions again and again.

Our concept of OTRS Group as a learning organization requires that we pay special attention to the needs of our employees in terms of the development of their social and professional skills. We also take into account the differing needs for communication and information, which are evaluated and implemented by our own “People, Culture, Communication” HR position and generate a high level of employee satisfaction. Talent management and employer branding are other key pillars in ensuring that we can successfully hold our own in terms of qualified employees on the hard-fought labor markets.

Our transformation into an agile organization brings us many advantages with regard to product development, because we can respond quickly and flexibly to market changes. As an organization, we also benefit from dynamic project design, which helps to reduce silos and strengthen transparency and cooperation. In addition, the introduction of the agile approach led to a palpable boost in employees’ motivation, because autonomy was brought to the forefront and opportunities to influence were increased, which compensated for the disruptive tendencies originating in the pandemic.

This way, we not only create reliable structures for our customers in dynamic working worlds, but we also practice precisely this vision in our business microcosm and can thus project it authentically to the outside world as well.

BUSINESS & GENERAL CONDITIONS

Key activities & sales markets

OTRS is a service desk system that was originally developed 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 e-mail 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, development and ongoing operation of OTRS software.

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

OTRS AG provided a new OTRS version exclusively for paying customers for the first time in 2017. 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.

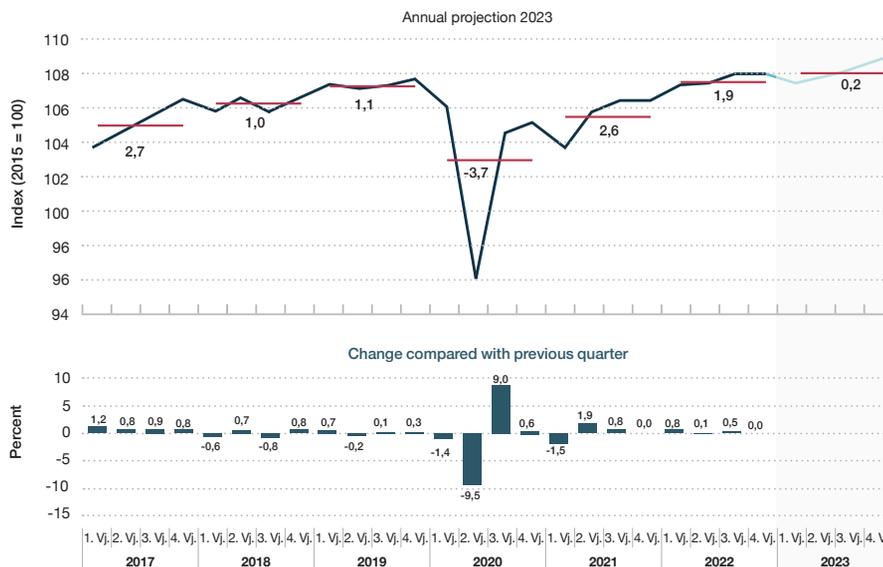
At the end of 2020, we decided not to release another ((OTRS)) Community Edition for the time being and to instead pool all resources into designing and implementing comprehensive solution management. Here, we are particularly acting on the process for product innovation and development, and we are designing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

Development of the economy as a whole and the IT sector

2022 was a year of both economic and geopolitical upheaval. Economic development in the past year was dominated by the Russian war and its consequences, especially for the energy supply. The German economy proved highly resilient against the supply chain bottlenecks which persisted into the latter part of the year, record inflation rates, the trade and economic sanctions against Russia, the uncertainties about a potential gas shortage situation in the 2022/23 winter half-year, and the cessation of deliveries of Russian gas at the end of August. In the year as a whole, price-adjusted gross domestic product (GDP) grew by 1.9 %, and the weakening of economic dynamism at the turn of the year from 2022 to 2023 was probably shorter and milder than had been expected in the fall for households and companies as well as their adjustment to the high energy prices and the related saving of gas.

Nevertheless, high levels of uncertainty persist as a result of the weak development of the world economy, and the persistently high energy prices and inflation rates compared with the pre-crisis level. In view of these problems, the German government expects only low growth in price-adjusted GDP of 0.2 % as an average for 2023. Unlike the expectation back in the fall, there will probably not be a decline in average GDP for 2023. ¹

Chart 14: Gross domestic product (price-adjusted)



Line blue: Quarterly development, at prior-year prices, seasonally and calendar adjusted
 Line red: Annual averages, in prices of the previous year; changes from previous year in percent
 Bar blue: Changes in percent, seasonally and calendar adjusted

Source: Federal Statistical Office; annual projection of the Federal Government.

Consumer prices rose by 7.9 % on an annual average compared with the previous year. According to the Federal Statistical Office, the year-on-year rate of price increase was therefore markedly higher than in the previous years. In 2021, it had been +3.1 %. The historically high inflation rate was mainly driven by the extreme price rises for energy products and food since war started in Ukraine. The unusually high monthly inflation rates observed in 2022 were partly mitigated through government subsidies and relief measures. This included the 9-euro ticket, the fuel discount, the abolishment of the EEG surcharge, the reduction of VAT on gas and district heating and a gross energy cost subsidy of up to EUR 300.

¹ https://www.bmwk.de/Redaktion/EN/Publikationen/Wirtschaft/annual-economic-report-2023.pdf?__blob=publicationFile&v=4
 p. 131

Prices for energy products in particular rose by 34.7 % year-on-year on an annual average in 2022. Food prices were up 13.4 % in the same period. ²

Measured as the change in the consumer price index versus the previous month, the inflation rate in Germany in January 2023 was +8.7 %. The price increase thus accelerated at the beginning of the year. In January, households were still paying higher prices for energy and food in particular. Energy product prices in January 2023 were 23.1 % higher year-on-year despite the relief measures. In December 2022, the rate of food price increase was +20.3 %. The main reason for the price increase observed in January 2023 was probably the end of the “December immediate assistance.” The increase in energy prices has been slowed to some extent by the electricity, natural gas and district heating price freezes. However, the development of energy prices is influenced by many factors, including international purchase prices. ³

The total revenue from IT of EUR 118.4 billion in 2022 exceeded the forecast by bitkom – the association of the German information and telecommunications industry – of EUR 108.6 billion. The year can thus be described as successful for the sector. For this year, bitkom expects IT revenue to grow by 6.3 % to EUR 126.4 billion.

At a volume of EUR 47.8 billion, bitkom says that IT services will remain the largest part of the IT market in 2023, still ahead of IT hardware. bitkom expects the largest growth – 9.3 % to EUR 38.8 billion – in software products. ⁴

For this segment, bitkom forecast revenue growth of 9 % to EUR 32.4 billion in 2022. A new record was set with actual revenue from software products in Germany of around EUR 35.5 billion in 2022. ⁵

A survey of the members of Germany’s federal association of SMEs in the IT industry, Bundesverband IT-Mittelstand e.V. (BITMi), also revealed that IT SMEs as a whole are feeling positive about the current fiscal year – but less so than in 2022. This is ascribed to the poor economic situation, which more than half of the companies surveyed see as one of the greatest challenges for the digital sector. There is also a shortage of IT specialists, which is seen as the greatest challenge of all. Nearly 80 % of the companies have vacant positions in IT. The biggest shortage is of developers and administrators.

The forecast is even more modest for the IT industry as a whole. Less than half expect the economic situation in the digital sector to improve. Nearly a third anticipate stagnation, and a fifth even foresee deterioration. However, the digital transformation could finally pick up momentum in 2023 if the German government makes digitalization a higher priority and supports the still high-performing digital SME sector as its driving force, says BITMi President Dr. Oliver Grün. ⁶

² https://www.destatis.de/EN/Press/2023/01/PE23_022_611.html

³ https://www.destatis.de/EN/Press/2023/02/PE23_069_611.html

⁴ <https://www.bitkom.org/Marktdaten/ITK-Konjunktur/ITK-Markt-Deutschland.html#:~:text=In%20der%20Informationstechnik%20wird%20f%C3%BCr,Wachstum%20um%205%2C9%20Prozent.&text=Die%20IT%2DServices%20bilden%20mit,Anteil%20des%20IT%2DMarkts%20ab.>

⁵ <https://de.statista.com/themen/1373/it-branche-deutschland/#topicOverview>

⁶ <https://www.bitmi.de/prognose-2023/>

Experience has shown that the current price increases will lead to some delays in investment decisions, both in general and above all in companies in energy-intensive industries, which will prolong the sales cycle.

However, Russia's war of aggression against Ukraine is not only affecting the inflation rate, price development and supply chains, but also shows how closely linked external and internal security are. This is particularly true for cybersecurity, since there are no borders in cyberspace. Cyber- and information security are key aspects and requirements for the digital transformation. At times like this, it becomes particularly clear how important secure digital systems, processes and structures are.

The report by the Federal Office for Information Security (BSI) on the state of IT security in Germany in 2022 is clear: The threat level in cyberspace is higher than ever. ⁷

Cybercriminals are using state-of-the-art technologies to attack individuals, businesses and government institutions. This requires significant investment in our cyber- and information security.

These circumstances make clear that IT security is still one of the important trends in the IT sector.

The OTRS Group is extensively engaged with this topic. As an expert in cybersecurity, it offers **STORM** powered by **OTRS**, a solution 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 solutions. 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.

The use of cloud computing also remains in focus for companies and the German government. So too does the issue of sustainability due to the increasingly clear consequences of climate change.

In order for everyone to have a fair chance of a good future in social, economic and ecological terms, more sustainable development is needed in all areas of life.

This is where the Federal Ministry of Education and Research (BMBF) comes in with its action plan "Natürlich.Digital.Nachhaltig" (Natural.Digital.Sustainable) which aims to combine digitalization and sustainable development. Digital technologies can support and accelerate sustainable development in many areas – be it through data-driven efficiency increases or digital innovations, e.g. for sustainable urban development, the circular economy or the energy transition. The BMBF's approach includes education, fundamental and methodological research, and application. ⁸

Gartner's experts also foresee other important tech trends for 2023. The most important technology trends that Gartner forecasts for this year include cost reduction through IT optimization, the scaling of networks to promote growth, and the strategic realignment of companies. These trends could help organizations master the current economic challenges. After all, there is growing uncertainty about how to overcome the challenges of supply chain problems, the war in Ukraine, the skills shortage, and a looming financial and economic crisis. In response, some companies will reduce their costs, others will focus more closely on their expansion plans, and others still will completely rethink their business strategies. ⁹

⁷ https://www.bsi.bund.de/SharedDocs/Downloads/DE/BSI/Publikationen/Lageberichte/Lagebericht2022.pdf?__blob=publicationFile&v=5

⁸ https://www.bmbf.de/bmbf/de/forschung/umwelt-und-klima/digitalisierung-und-nachhaltigkeit/digitalisierung-und-nachhaltigkeit_node.html

⁹ <https://www.cio.de/a/die-wichtigsten-tech-trends-2023,3694677>

Business areas are therefore becoming more complex and demanding highly specialized technological solutions whose manufacturers have profound experience in the corresponding field.

As a provider of solutions, OTRS identified this development a long time ago. By trans(re)forming our product range to achieve comprehensive solution management, in which the OTRS software plays a central but not (or no longer) exclusive role, we are creating an enduring framework for technology and service.

Customers can now benefit from pre-configured solutions (solution scenarios) which serve specific use cases, such as customer service, human resources, facility/office management and IT service management. Each of these scenarios already contains the typical processes and workflows for the use case and thus allows customers to make a quick start. The necessary adjustments are planned and implemented in agile sprints to allow the customer to start using the system productively within a very short time. This saves resources for both OTRS and the customer.

By focusing on cloud-based, customized and scalable software applications, the OTRS Group is also still providing viable, on-trend and timely software solutions.

Research & development

For the transformation into an agile organization, the restructuring of the Software Development department into Solution Management already began last year. Agile structures were formed and the scrum framework has been used as a working method. These structures make it easier to focus on the customer-centric development of our solutions.

As the basis for this customer-centric development, we have devised a vision that points the way for all other activities. It describes our product as a process-based, comprehensive solution to map customer needs. The scope of application is intentionally not limited to just ITSM or service. All process-like workflows should be implementable. A high level of integration of and into other systems and products is another goal.

In order to realize this vision, research briefs were initiated on software and infrastructure architecture in order to enable optimum implementation of the described customer goals. This must be in line with the SaaS strategy. The focus is on technical aspects, such as scalability, maintainability and short development cycles, in order to create the greatest possible benefit for the customer in line with the agile method. It turns out that operating models such as microservices in container operations are a key to success here. Criteria for corresponding software architecture have already been evaluated. A change in the release strategy toward rolling releases is one aspect here, as is the breakdown of the monolithic OTRS core products.

Authentication management, which had already been evaluated by the Research & Prototyping team in fiscal year 2021, was the first component to be implemented. This provided modern authentication capabilities. For example, simple requirements such as retrieving MS365 e-mails or connecting almost all modern interfaces via a generic interface are now possible thanks to credential management.

As a result of the research on software architecture, components of the OTRS monoliths are being successively substituted. An IAM service, which started as a prototype, is already being implemented and, as a central point of contact for login and master data, will form a basis to enable a microservice-focused product landscape in the future.

In order to get the product ready for rolling releases and to reduce complexity, we have already integrated numerous add-ons from various fields directly into the framework. The integration gives rise to synergistic effects in development that allow us to develop new functions more quickly. This integration of expansion packs is a process that will accompany us for some time and offers us the opportunity to further optimize these functions for the customer directly during the integration.

As further preparation for the upcoming changes, we are paying special attention to the quality of our solution. Performance improvements have already been approved in many places, and numerous optimizations were made to the user interface. In all aspects, we continuously refer to the feedback from our customers.

Research and development expenses amounted to EUR 3,850 thousand in total in the reporting year. EUR 840 thousand was capitalized as intangible assets under development in the reporting period.

Development areas and tangible results

Integration

- Credential management enables the central management of login data for authentication on external systems
- A function for the full transfer of tickets to a new OTRS system
- Expansion of the SOAP generic interface for the support of keys in tags
- MS365 e-mail retrieval support with various authentication options
- New operations for customer users and customers for the management of master data via the generic interface

Business functions

- A new data type for dynamic fields for the correct calculation and display of numerical values
- Optimized addition of customer users in the case of outgoing e-mails
- Addition of the ability to provide an e-mail registration link for new users in the external interface

Display

- Optimization of screen layout and use of space
- Pagination in the external front end supports the browsers' "back" button
- Addition to suppress process information in the external interface
- Filters in business object lists have been optimized and are now consistently space-saving
- The organizer is now available in a compact and a labeled version

Security

- Certificates for verification are used according to their purpose
- The handling of encrypted and signed e-mails has been improved with additional debug options and technical restrictions

Business performance

2022 again presented us with major challenges. In the first half of the year, we could already see that hopes for the establishment of calmer structures would not be realized. Instead, further crises heightened the requirements for successful and strategically effective corporate governance. The Ukraine war, the associated energy crisis and the increasingly clear manifestation of climate change are challenging us in various ways to future-proof the organization, product development and associated processes while maintaining stability and balance. Estimating effects and developments is possible only for increasingly brief time periods and gives new significance to risk assessment.

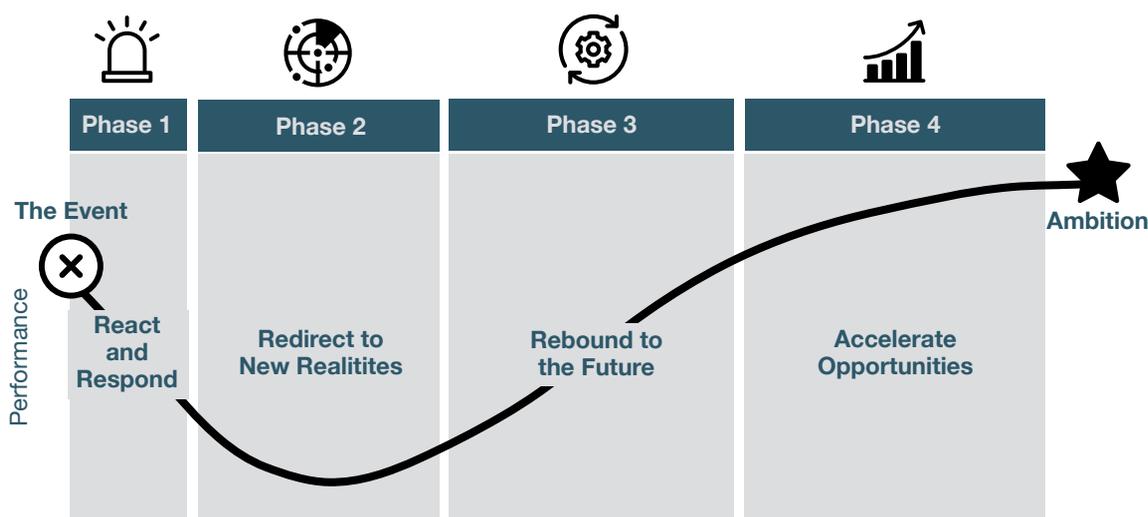
Despite the volatile labor market and the shortage of skilled workers, which is becoming ever more significant even for us, we again presented ourselves successfully to potential employees and achieved all the planned recruitments. We benefit here from our attractive corporate culture and strong employee focus. Also in this context, however, inflation has placed demands on our ability to deal with the increased salary requirements in a way that does not result in imbalance for the company. This will become even more apparent in 2023.

At the same time, we paid particular attention to the aftereffects of the COVID pandemic which manifested themselves in our teams in various ways and which we continue to counteract with a broad package of measures. Here, it is important to develop and show particular sensitivity to the various needs in order

to keep OTRS' key asset – its employees – motivated, satisfied, and thus able to work.

We have systematically established the cooperation with Gartner in order to utilize the wide range of data, facts, studies and analyses in nearly all business-related subjects and take the recommendations into account in our individual decisions. Based on Gartner's crisis management scheme (Four Phases for Leading in a Disruptive Crisis), for example, we have prepared ourselves intensively for the changed situation with promising approaches. In the course of the year, we have made decisions that will prepare us in the long term for the increasingly dynamic market conditions and enable us to (further) develop our products in a market-aligned direction.

Four Phases for Leading in a Disruptive Crisis



Source: Gartner

As planned, we continued the steps taken in the previous year for the comprehensive modernization of OTRS – our company and the products – and made considerable investments for this purpose.

- We entered into a partnership with Gartner for forward-looking product design and pricing as well as corresponding measures by the departments involved. We thus have access to analysts in order to evaluate planned measures in advance and review their impact.
- We have decided to introduce an ERP system from SAP in order to make our resource planning even more foresightful.
- We have made all preparations to establish a competence center in Lithuania with which we can optimize our ability to access qualified and motivated employees in order, in the long term, to meet the volatile labor market and the staff shortage exacerbated by the generational shift.

Our security solution continues to grow in importance due to the current macroeconomic situation and is proving to be a product with which we can broaden our market opportunities in a targeted manner.

With the now well-established agile methods, especially in solution management and thus OTRS product development, we have successfully developed and expanded the solution scenarios. They are establishing themselves with our customers as compact and quickly deployable niche solutions.

Nevertheless, it is true that significantly greater efforts as well as financial and personnel investments are needed to meet the still hesitant demand.

The extended sales cycle, which has now tripled, also continued in the second half of the year. This requires constant and systematic optimization of our customer journey, starting with our website and the campaigns derived from it (including with Google Ads), through versatile and comprehensive sales strategies to partnership-based support and guidance from our business relationship management team.

As a company, we have adhered to our organization development plan.

As a company that is conscious of its responsibility to society, we have focused our CSR endeavors more strongly on environmental issues, as planned, and made preparations to meet the documentation requirements that will be necessary in the future.

Especially in the difficult global situation, it is important for us to continue to send out signals that underpin our desire and ability to positively influence environmental developments as a company.

We are prepared to successfully counterbalance a weak economy, even if it lasts for a long time, and equally to make optimum use of a future upturn under altered conditions.

Employees

The average number of employees (not including members of the Management Board) was 76 as of the 2022 balance sheet date.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations

Revenue of EUR 11,839 thousand (previous year: EUR 11,043 thousand) was generated in the past fiscal year, representing revenue growth of EUR 796 thousand or an increase of 7.2 %. The sustainable revenue growth shows that the awareness of OTRS software as an extremely useful corporate governance tool is growing steadily.

The strongest 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 898 thousand (9.1 %) from EUR 9,845 thousand to EUR 10,743 thousand. It accounts for 90.7 % of total revenue (previous year: 89.1 %). Recurring revenue results from existing contracts with fixed terms which are usually renewed after they expire. Similarly, an increase in such contracts with existing customers indicates future revenue growth in this segment. This is also reflected in payments received which are first reported on the balance sheet as deferred income and then as revenue in the months after the balance sheet date. This deferred income, which represents future revenue, amounted to EUR 6,505 thousand as of the balance sheet date (previous year: EUR 5,874 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.

In line with OTRS AG's strategy, the focus is on developing and increasing recurring revenue. Revenue from consulting and custom engineering is seen as auxiliary to the development of recurring revenue. In the past fiscal year, revenue from consulting services decreased by 6.6 % from EUR 1,132 thousand to EUR 1,058 thousand. Custom engineering is typically provided as an exception only and therefore only accounts for a small share of revenue (EUR 9 thousand; previous year: EUR 44 thousand).

OTRS AG generates most of its revenue with customers in Germany. This increased by EUR 669 thousand (8.7 %) from EUR 7,667 thousand to EUR 8,336 thousand. German customers therefore accounted for 70.4 % of revenue in fiscal year 2022 (previous year: 69.4 %). Revenue from international customers increased by EUR 126 thousand from EUR 3,376 thousand to EUR 3,502 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 3,850 thousand was invested in software updates and refinements in the past fiscal year. EUR 840 thousand of this was capitalized under internally generated intangible assets. The conditions for capitalizing internally generated intangible assets were not satisfied for other development costs.

Amortization of internally generated intangible assets amounted to EUR 681 thousand in the past fiscal year.

EBITDA amounted to EUR 1,270 thousand in the past fiscal year after EUR 2,395 thousand in the previous year, with an operating cash flow of EUR 1,167 thousand. EBIT amounted to EUR 488 thousand after EUR 1,710 thousand in the previous year. The decline in EBIT, EBITDA and net income for the year is mainly due to high expenses for the recruitment of new employees, the introduction of an ERP system and the partnership with Gartner for market research.

Naturally, the largest cost item for a service company is personnel expenses. These amounted to EUR 6,956 thousand in 2022 (previous year: EUR 6,310 thousand), corresponding to a personnel expense ratio of 54.9 % (previous year: 53.3 %). Average personnel expenses in relation to average headcount including management amounted to EUR 86.9 thousand in fiscal year 2022 after EUR 82.6 thousand in the previous year. Revenue per employee, including management, increased as against the previous year to EUR 148 thousand (previous year: EUR 145 thousand).

Net assets and financial position

Total assets rose by 3.7 % year-on-year from EUR 13,374 thousand to EUR 13,867 thousand as of 31 December 2022. Balance sheet equity increased from EUR 5,024 thousand to EUR 5,072 thousand as a result of net income (EUR 335 thousand) and the dividend paid in the fiscal year (EUR 287 thousand). The equity ratio was 36.6 % as of the balance sheet date (previous year: 37.6 %).

At EUR 4,265 thousand, cash and cash equivalents were almost constant compared with the previous year (EUR 4,301 thousand) as was the quick ratio at 86.3 % versus 86.6 % in the previous year. This ratio measures the extent to which current liabilities are covered by cash, cash equivalents and current assets. Given that the deferred income from support contracts and services (EUR 6,505 thousand) will not lead to future cash flows but actually constitutes future revenue, the quick ratio is 494.5 % compared to 404.8 % in the previous year. In this context, there are currently no liquidity bottlenecks and, assuming an ordinary course of business, the company is able to meet its payment obligations. With a cash flow from operating activities of EUR 1,167 thousand (previous year: EUR 2,511 thousand) and EBITDA of EUR 1,270 thousand (previous year: EUR 2,395 thousand), the cash conversion rate is 91.9 % (previous year: 104.9 %).

Since October 2022, OTRS software has been developed according to agile methods. Expansions and improvements are no longer released bundled in a new version, but they are continually added to the software on an ongoing basis. Given the constant programming within short time periods, capitalization of these developments as internally generated intangible assets is no longer appropriate. Since then, development cost have therefore been recognized in full as expenses. EBIT and EBITDA are influenced by own work capitalized in connection with the expansion and improvement of OTRS software in the past. If the company had not exercised the option to capitalize internally generated intangible assets in the past, there would be “EBIT without capitalization” of EUR 330 thousand (previous year: EUR 1,427 thousand). For better comparability, the table of selected key figures below contains the development of EBIT and EBITDA as well as the corresponding key figures that would have resulted if the option to capitalize internally generated intangible assets had not been exercised.

Selected key financial indicators

	2022	2021	2020	2019	2018
Solvency ratios					
Equity ratio in %	37 %	38 %	36 %	30 %	27 %
Liquidity ratios					
Quick ratio in %	87 %	87 %	69 %	72 %	66 %
Financial performance indicators					
Revenue (EUR thou.)	11,839	11,043	9,708	9,178	8,314
Revenue growth in % year-on-year	7 %	14 %	6 %	10 %	9 %
Net income for the year (EUR thou.)	335	1,194	1,215	782	448
Return on equity in %	7 %	24 %	31 %	28 %	23 %
Deferred income from support contracts and services (EUR thou.)	6,505	5,874	5,140	4,757	4,248
Revenue per employee (EUR thou.)	148	145	134	127	128
EBITDA (EUR thou.)	1,270	2,395	2,308	1,611	970
EBIT (EUR thou.)	488	1,710	1,761	1,115	579
EBIT without capitalization (EUR thou.)	330	1,427	840	419	263
EBITDA margin in %	11 %	22 %	24 %	18 %	12 %
EBIT margin in %	4 %	15 %	18 %	12 %	7 %
EBIT margin without capitalization in %	3 %	13 %	9 %	5 %	3 %
Others					
EPS (EUR)	0.17	0.62	0.63	0.41	0.23
Operating cash flow	1,167	2,511	2,763	1,809	1,548
Cash conversion rate (CCR) in % ¹⁰	92 %	105 %	120 %	112 %	160 %
R&D costs (EUR thou.)	3,850	3,057	2,619	2,115	1,716
R&D cost ratio in %	33 %	28 %	27 %	23 %	21 %

¹⁰ CCR= operating cash flow/EBITDA

REPORT ON RISKS, OPPORTUNITIES & EXPECTED DEVELOPMENTS

Report on expected developments

At the start of 2022, the economic volatility and changes triggered by the pandemic were unexpectedly amplified by the Ukraine war, energy shortage and inflation, which dominated the entire year and will continue to keep us occupied in 2023.

For example, the International Monetary Fund (IMF) expects global economic growth of only 2.9 % in 2023, after 3.4 % in 2022. The IMF forecasts growth of 3.1 % in 2024.¹¹ The IMF experts project global inflation of 6.6 % in the annual average in 2023, and 4.3 % in 2024.¹² In this context, whether and to what extent the central banks remain on their restrictive course in order to restore price stability will be crucially important. There are already signs that restrictive monetary policy is curbing inflation. However, the full effect is not likely to come to bear until 2024. For Germany, the Kiel Institute for the World Economy (IfW) projects growth of 0.3 % in 2023 as a whole and average annual inflation of 5.4 %.¹³

Given the strained situation on the markets, the digital transformation of companies is extremely important, especially with regard to necessary increases in efficiency. At the same time, however, companies are still very reluctant to make technological changes in the form of new tools, since the uncertain situation is weighing on economic prospects, and priorities in corporate decision-making are under more scrutiny than ever. Therefore, while we can identify early signs of negative developments with our customers thanks to the granular monitoring of our key performance indicators, we still have no way to prevent them.

Innovation is becoming a crucial competitive advantage and a key term for products and services, and these are increasingly establishing themselves in the cloud. This still applies and is even becoming a long-term trend. The focus on managed OTRS is therefore still the right strategic approach for us. Equally, we are sticking to the change process initiated in 2021. We have made good progress with the introduction of an agile approach across the board at our company and have already made changes, especially in product development, which enable the creation of a dynamic, flexible and quickly available portfolio.

¹¹ <https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx> p. 1

¹² <https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx> p. 1

¹³ <https://www.ifw-kiel.de/publications/media-information/2022/kiel-institute-winter-forecast-small-plus-and-major-risks-for-germanys-economy/>

Statement on expected developments

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 COVID pandemic did not lead to existential damage. However, we are monitoring further development arising from the Ukraine war, energy shortage and inflation very closely.

In 2022, OTRS AG made significant, forward-looking investments with the aim of raising the company to the next level of professionalism. In addition to the search for and recruitment of employees to provide us with specialist and technical support and significantly increase the available work volume, these primarily include the investments in the cooperation with Gartner and the introduction of SAP.

However, the investment in suitable staff is just the beginning. The newly acquired employees must be integrated into the existing system so that they can be fully productive. This requires adjusted processes and routines that we are rolling out incrementally as part of the agile transformation. However, we will not lose sight of the fact that such a transformation process is an enormous mental and psychological challenge for all employees. At the same time, it is important to keep checking the planned change process to determine whether the measures introduced are viable and sustainable.

The introduction of SAP is still only the first step in the planned professionalization since the preparation, data processing and initial onboarding of employees alone took up considerable capacity. We will be able to generate actual added value in daily practical work due to the utilization of the opportunities that SAP offers.

The cooperation with Gartner has proven successful in that we can create new products or product variants underpinned by valid market data and study results. We are therefore able to solidly design and undertake the entire process, from market research and target group evaluation to product development and pricing to campaigning in marketing and sales strategy.

In light of the still uncertain course of the war in Ukraine and the unpredictable macroeconomic developments, we expect revenue to increase by between 4 % and 7 % to around EUR 12.3 million to EUR 12.7 million in the current fiscal year 2023. The significant investments (not eligible for capitalization) in the current fiscal year of around EUR 1.2 million in building and expanding the offering will have a temporary impact on profitability, but in the medium term will contribute to the revenue and earnings potential as well as the continuous growth of the OTRS Group. Due to these extensive investments, balanced to slightly negative EBITDA is anticipated for fiscal year 2023. The goal is to return to the planned profitability in 2024.

OTRS AG will continue to benefit from the broad and ongoing trend in digital transformation thanks to its early investment in technical competencies.

We believe that growth is possible if the ongoing geopolitical tensions and conflicts do not extend their influence and if crises – such as a pandemic or the energy crisis – affecting multiple countries and regions only affect us to a manageable extent.

Long-lasting success requires skilled and dedicated employees. We ensure their satisfaction and motivation by consciously investing in a corporate culture defined by equality of opportunity, an attractive and modern working environment and a viable organization and structure. At the same time, we have made preparations to ensure a long-term pipeline of qualified employees.

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 opportunities

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

The controlling and monitoring of the individual areas are analyzed monthly and compared against the company's own planning and regularly updated forecasts. As part of an early warning system, key performance indicators have been defined in order to more reliably identify risks that pose a threat to the company as a going concern, and changes or developments in these indicators are monitored on an ongoing basis. In addition to the risk factors described below, risks that are not yet known or risks that are initially considered immaterial can generally affect operating activities.

Legal and economic going concern risks

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 importantly 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 the "VUCA world," meaning 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 it has helped us adapt to the constantly shifting requirements of the various sub-markets. The introduction of the managed version of our software also gave OTRS AG exclusivity and strengthened customer loyalty.

In addition, the decision made at the end of 2020 – to not release an ((OTRS)) Community Edition for the time being – helped to limit the activity of competitors who offer services for **OTRS**.

For the first time, this gives rise to the opportunity to build promising, international partner management with managed **OTRS**, which is risk-free for us because it is controllable. Sales activities with the active Community Edition and the on-premises variant of **OTRS** previously entailed the risk of business operations being invisible to monitoring with an international sales model.

In addition, active communication on the lifecycle of our releases allowed us to draw more attention to this strategy among the user community and the media, which also limited the potential for gray-market providers.

In the future, there will be no major releases in the form of new versions of our software solutions. Instead, more frequent, smaller updates will keep **OTRS** up to date. Alongside the creation of agile structures in development, this decision in favor of rolling releases is another aspect of focusing on the customer-centric development of our solutions. In addition, customers will benefit from software that is always up to date.

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 excellent liquidity as of the reporting date. This is because our sales model includes prepayments for the contracts on an annual basis.

In the currently challenging global situation, this 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 the company if allowed to accumulate. The risk of bad debts can increase in times of a financial market crisis. However, OTRS AG's economic success is not dependent on just a handful of customers; rather, it has a large number of very significant customers, which limits the risk of bad debts. We generally maintain a varied customer structure; we do not concentrate 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, we mitigate bad debts by shortening dunning procedures and obtaining titles more quickly.

Exchange rate risks

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

Economic opportunities

As well as posing risks to companies and their status as a going concern, the current situation and the trend towards a long-term physical relocation and working from home present opportunities for us and for sales of our solution. As we professionally support virtual working, under the current circumstances and moving forward as well, we can be a state-of-the-art solution to help a wide range of industries to optimize their operating processes. We believe that not only does this offer the potential for higher sales during the current pandemic, but it is also a chance to establish our solution as a risk-mitigation tool for crisis situations in the long term.

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

International expansion

Providing sales activities and services remotely without higher additional costs or lower chances of success allows us to manage the 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 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.

Managed services

At a time when business activities are increasingly going virtual and we store large swathes of our data in the cloud, 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 a company's 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.

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 can 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 regards to the ongoing development of effective processes within the structure and process organization, we are continuously investing in and adapting to the needs of our 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 that disruptions are processed smoothly and are quickly resolved, and it means that the possibility of our solutions – 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 continuously adapted in line with the latest developments and requirements on an ongoing basis, ensure the highest possible level of control.

Environmental and social risks

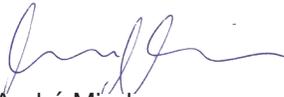
Demands for companies to take on social responsibility have skyrocketed in recent years. Market-dominating sustainability and responsibility aspects in our products and processes can result in considerable competitive disadvantages, damage to our image or breaches of laws.

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 opportunities

Working on a sustainable range of services designed for companies that operate accordingly is a key pillar of our “Green OTRS” strategy. This is not merely a way of gearing our company towards sustainability: Implementing sustainability aspects into our products and services presents us with the 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.

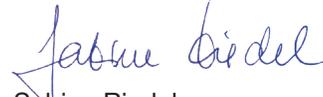
Oberursel, 31 March 2023



André Mindermann
Chairman of the
Management Board



Christopher Kuhn
Member of the
Management Board



Sabine Riedel
Member of the
Management Board





ANNUAL FINANCIAL STATEMENT TABLES

BALANCE SHEET

INCOME STATEMENT

STATEMENT OF CHANGES IN
NON-CURRENT ASSETS

CASH FLOW STATEMENT

Balance Sheet as of 31 December 2022

Assets	31 Dec. 2022	31 Dec. 2021
	EUR	EUR
A. Non-current assets	6,938,972.26	6,792,772.04
I. Intangible assets	3,040,532.00	2,911,693.25
1. Internally generated industrial and similar rights and assets	3,011,332.00	1,822,370.00
2. Intangible assets under development	0.00	1,030,700.25
3. Purchase concessions, industrial and similar rights and assets and licenses in such rights and assets	0.00	1.00
4. Goodwill	29,200.00	58,622.00
II. Tangible assets	142,740.00	132,164.00
1. Other equipment, operating and office equipment	142,740.00	132,164.00
III. Financial assets	3,755,700.26	3,748,914.79
1. Shares in related companies	2,763,583.24	2,763,584.24
2. Equity investments	2.00	2.00
3. Reinsurance claims from life insurance	992,115.02	985,328.55
B. Current assets	6,798,899.51	6,476,535.35
I. Inventories	0.00	5,760.30
1. Orders in progress	0.00	5,760.30
II. Receivables and other assets	2,534,301.13	2,169,778.39
1. Trade receivables	1,932,124.61	1,662,004.14
2. Receivables from related companies	396,301.22	478,744.05
3. Receivables from investees and investors	0.00	0.00
4. Other assets	205,875.30	29,030.20
III. Cash and cash equivalents	4,264,598.38	4,300,996.66
C. Prepaid expenses	129,328.46	104,193.83
	13,867,200.23	13,373,501.22

Equity and liabilities	31 Dec. 2022	31 Dec. 2021
	EUR	EUR
A. Equity	5,071,966.58	5,024,486.42
I. Subscribed capital	1,916,300.00	1,916,300.00
II. Revenue reserves		
1. Legal reserve	178,863.09	162,116.83
III. Net retained profits	2,976,803.49	2,946,069.59
B. Provisions	764,715.04	974,181.51
1. Tax provisions	251,950.75	508,767.17
2. Other provisions	512,764.29	465,414.34
C. Liabilities	610,074.88	624,258.93
1. Payments received on account of orders	8,479.00	0.00
- of which with a remaining term of up to one year EUR 8,479.00 (EUR 0.00)		
2. Trade payables	180,109.59	160,705.39
- of which with a remaining term of up to one year EUR 180,109.59 (EUR 160,705.39)		
3. Liabilities to related companies	38,293.59	115,547.69
- of which with a remaining term of up to one year EUR 38,293.59 (EUR 115,547.69)		
4. Liabilities to shareholders	0.00	2,300.06
- of which with a remaining term of up to one year EUR 0.00 (EUR 2,300.06)		
5. Other liabilities	383,192.70	345,705.79
- of which taxes EUR 367,058.52 (EUR 330,317.44)		
- of which social security EUR 4,810.89 (EUR 8,224.76)		
- of which with a remaining term of up to one year EUR 383,192.70 (EUR 345,705.79)		
D. Deferred income	6,504,657.33	5,873,592.96
E. Deferred tax liabilities	915,786.40	876,981.40
	13,867,200.23	13,373,501.22

Income Statement

from 1 January 2022 to 31 December 2022

	31 Dec. 2022	31 Dec. 2021
	EUR	EUR
1. Revenue	11,838,706.14	11,043,321.59
2. Decrease in orders in progress	5,760.30	6,063.20
3. Other own work capitalized	839,616.98	812,749.53
4. Other operating income		
- of which income from foreign currency translation EUR 2,954.79 (EUR 1,050.01)	383,526.84	355,158.19
5. Cost of materials	2,550,646.75	1,836,321.27
a) Cost of raw materials, consumables, and supplies of purchased merchandise	-0.68	-0.12
b) Cost of purchased services	2,550,647.43	1,836,321.39
6. Personal expenses	6,955,910.70	6,309,797.02
a) Wages and salaries	5,947,036.02	5,398,794.49
b) Social security, post-employment and other employee benefit costs		
- of which in respect of old age pensions EUR 106,662.87 (EUR 104,708.02)	1,008,874.68	911,002.53
7. Depreciation and amortization	782,490.16	685,592.85
a) On intangible and tangible fixed assets		
- Of which write-downs and impairment losses EUR 29,421.00 (EUR 29,421.00)	782,490.16	685,592.85
8. Other operating expenses		
- of which expenses from foreign currency translation EUR 1,235.78 (EUR 171.75)	2,279,610.36	1,637,572.56
9. Income from other securities and loans held as financial assets	6,786.47	8,204.31
10. Other interest and similar income		
- of which from related companies EUR 0.00 (EUR 2,192.18)	664.84	2,867.53
11. Write-downs of long-term financial assets and investments classified as current assets		
- of which impairment of financial assets EUR 0,00 (EUR 29,352.09)	0.00	29,352.09
12. Interest and similar expenses	690.00	690.00
13. Taxes on income and earnings		
- of which expenses from the addition and reversal of deferred taxes EUR 38,805.00 (EUR 58,317.90)	152,910.32	517,701.09
14. Earnings after tax	341,282.68	1,199,211.07
15. Other taxes	6,357.52	5,105.50
16. Net income for the year	334,925.16	1,194,105.57
17. Retained profits brought forward	2,658,624.59	1,811,669.30
18. Transfers to revenue reserves	16,746.26	59,705.28
a) to legal reserve	16,746.26	59,705.28
19. Net retained profits	2,976,803.49	2,946,069.59

Statement of changes in non-current assets as of 31 December 2022

Gross fixed assets as of 31 Dec. 2021

	1 Jan. 2022		31 Dec. 2022		1 Jan. 2022		31 Dec. 2022		31 Dec. 2022		31 Dec. 2022					
	Acquisition/ production cost	EUR	Additions	EUR	Disposals	Reclassifica- tions	Acquisition/ production cost	EUR	Depre- ciation and amortiza- tion in the fiscal year	EUR	Reclas- sifica- tions	Cumulative depreciation and amortiza- tion	EUR	Reversals of write-downs in the fiscal year	EUR	Book value
I. Intangible assets	7,222,719.11	839,616.98	0.00	0.00	0.00	0.00	8,062,336.09	4,311,025.86	710,778.23	0.00	0.00	5,021,804.09	0.00	0.00	3,040,532.00	
1. Internally generated industrial and similar rights and assets	4,757,904.29	0.00	0.00	1,870,317.23	0.00	0.00	6,628,221.52	2,935,534.29	681,355.23	0.00	0.00	3,616,889.52	0.00	0.00	3,011,332.00	
2. Intangible assets under development	1,030,700.25	839,616.98	0.00	-1,870,317.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	5,648.00	0.00	0.00	0.00	0.00	0.00	5,648.00	5,647.00	1.00	0.00	0.00	5,648.00	0.00	0.00	0.00	
4. Goodwill	1,428,466.57	0.00	0.00	0.00	0.00	0.00	1,428,466.57	1,369,844.57	29,422.00	0.00	0.00	1,399,266.57	0.00	0.00	29,200.00	
II. Tangible assets	450,534.80	82,775.93	36,760.06	0.00	0.00	0.00	496,550.67	318,370.80	71,711.93	36,272.06	0.00	353,810.67	0.00	0.00	142,740.00	
1. Other equipment, operating and office equipment	450,534.80	82,775.93	36,760.06	0.00	0.00	0.00	496,550.67	318,370.80	71,711.93	36,272.06	0.00	353,810.67	0.00	0.00	142,740.00	
III. Financial assets	3,779,507.87	6,786.47	29,353.09	0.00	0.00	0.00	3,756,941.25	30,593.08	0.00	29,352.09	0.00	1,240.99	0.00	0.00	3,755,700.26	
1. Shares in related companies	2,792,936.33	0.00	29,353.09	0.00	0.00	0.00	2,763,583.24	29,352.09	0.00	29,352.09	0.00	0.00	0.00	0.00	2,763,583.24	
2. Equity investments	1,242.99	0.00	0.00	0.00	0.00	0.00	1,242.99	1,240.99	0.00	0.00	0.00	1,240.99	0.00	0.00	2.00	
3. Reinsurance claims from life insurance	985,328.55	6,786.47	0.00	0.00	0.00	0.00	992,115.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	992,115.02	
	11,452,761.78	929,179.38	66,113.15	0.00	0.00	0.00	12,315,828.01	4,659,989.74	782,490.16	65,624.15	0.00	5,376,855.75	0.00	0.00	6,938,972.26	

Cash flow statement (indirect) from 1 January 2022 to 31 December 2022

	31 Dec. 2022	31 Dec. 2021
	EUR	EUR
Net income for the year	334,925.16	1,194,105.57
+ Depreciation, amortization, and write-downs of non-concurrent assets	782,490.16	714,944.94
+ Increased in provisions	47,349.95	38,943.77
- Other non-cash income	0.00	20,384.69
+ Decreased in inventories	5,760.30	6,063.20
- Increase in trade receivables	265,960.77	540,225.81
+ Decrease in other assets not attributable to investing or financial activities	55,290.29	-61,555.45
+ Increase in trade payables	16,517.13	-10,179.12
+ Increase in other liabilities not attributable to investing or financial activities	595,616.48	799,037.58
- Gain on the disposable of non-current assets	8,900.24	1,215.23
+ Lost on the disposable of non-current assets	3.00	1.00
- Interest income	6,786.47	8,204.31
+ Interest expense	690.00	690.00
- Income tax income	352,014.29	188,082.97
+ Income tax expense	504,924.61	705,784.06
Income tax expense/income	-152,910.32	-517,701.09
Adjustment for non-cash components	-389,951.54	399,414.04
+/- Income taxes paid	-542,861.86	-118,287.05
Cash flows from operating activities	1,167,043.45	2,511,435.49
+ Proceeds from disposable of non-current tangible assets	2,705.20	1,905.23
- Purchase of non-current intangible assets	839,616.98	812,749.53
- Purchase of non-current tangible assets	82,775.93	57,215.85
+ Proceeds from disposable of long-term investments	6,681.04	0.00
- Purchase of long-term investments	6,786.47	-11,795.69
+ Interest received	6,786.47	8,204.31
Cash flow from investing activities	-913,006.67	-848,060.15
- Payments to owners and minority shareholders	287,445.00	134,141.00
- Repayments of bonds and short- or long-term borrowings	2,300.06	-2,300.06
+ Proceeds from government grants and subsidies received	0.00	20,384.69
- Interest paid	690.00	690.00
Cash flow from financing activities	-290,435.06	-112,146.25
Net change in cash and cash equivalents (total of cash flows)	-36,398.28	1,551,229.09
+ Cash and cash equivalents at the beginning of the period	4,300,996.66	2,749,767.57
Cash and cash equivalents at the end of the period	4,264,598.38	4,300,996.66





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

FURTHER DISCLOSURES & 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 German Commercial Code 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 **mid-sized corporations** have been applied in some cases.

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

Information on the identification of the company according to the registry court

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

Accounting disclosures including measures under tax law

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 stipulated otherwise by law, the annual financial statements contain **all** assets, liabilities, 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**. Measurement was performed in line with the **prudence principle** taking into account all foreseeable risks and losses originating before the balance sheet date, even if they only became 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.

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

In accordance with the option under section 248(2) sentence 1 HGB, **internally generated intangible assets** are capitalized at production cost 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. By contrast, the costs of the research phase are not capitalized but rather expensed immediately. Development costs include the direct costs, appropriate portions of production overheads and general administrative expenses that relate to the production period. Interest on debt capital is not included in production costs. Internally generated intangible assets are amortized on a straight-line basis over their planned useful life from the date of completion.

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

In previous years, the difference by which the consideration paid to acquire an entity exceeded the value of the entity's individual assets less liabilities at the acquisition date was recognized as **goodwill**. Goodwill is amortized over its 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 non-current assets is expected to be permanent in order to recognize them at the lower value to be attributed to them on the reporting date.

Movable non-current 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 related companies and other investees and investors at cost
- Entitlements from life insurance at capitalized value

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

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

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

Cash and cash equivalents 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 carried at their settlement amount.

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

Principles for translating foreign-currency items into 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 were 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 following table shows the deferred taxes recognized for the past fiscal year and the previous year.

	31 Dec. 2022 EUR thou.				31 Dec. 2021 EUR thou.			
	Commercial accounts	Tax accounts	Difference	Deferred taxes	Commercial accounts	Tax accounts	Difference	Deferred taxes
Internally generated intangible assets	3,011	0	3,011	907	1,822	0	1,822	549
Intangible assets under development	0	0	0	0	1,031	0	1,031	310
Goodwill	29	0	29	9	59	0	59	18
Total				916				877

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 non-current assets for the individual items of non-current 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 non-current assets at the end of the notes.

Research and development expenses

Development costs 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 rather expensed immediately.

Research and development expenses amounted to EUR 3,851 thousand in total in the reporting year. EUR 840 thousand of this amount was attributable to the development of internally generated intangible assets, which were capitalized accordingly. Since October 2022, OTRS software has been developed according to agile methods. Expansions and improvements are no longer released bundled in a new version, but they are continually added to the software on an ongoing basis. Given the constant programming within short time periods, capitalization of these developments as internally generated intangible assets is no longer appropriate. Since then, development cost have therefore been recognized in full as expenses.

Goodwill amortization

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

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

	Carrying amount	Shareholding	Result	Equity
Related companies	EUR thou.	%	EUR thou.	EUR thou.
OTRS Inc., Cupertino, USA	2,183	100	280	31
OTRS S.A. de C.V., Mexico City, Mexico	1 ₁₎	50	107 ₁₎	292 ₁₎
OTRS Do Brasil Soluções Ltda., São Paulo, Brazil	156	93	16	28
OTRS ASIA Pte. Ltd., Singapur	414	100	2	194
OTRS Magyarország Kft., Budapest, Ungarn	9	100	52	103
Total	2,763			
Other investees				
OTRS Ltd., Hongkong	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 can therefore be waived in accordance with section 286(3) sentence 1 no. 1 HGB.

Disclosure on receivables

Type of receivable as of 31 Dec. 2022	Total amount of which with a remaining term as of 31 Dec. 2022 less than 1 year more than 1 year		
	EUR thou.	EUR thou.	EUR thou.
Trade receivables	1,932	1,932	-
Receivables from related companies	396	396	-
Receivables from equity investments	0	0	-
Other assets: miscellaneous	206	206	-
Total	2,534	2,534	-

Other assets

Other assets essentially include advances to personnel of EUR 15 thousand (previous year: EUR 4 thousand), security deposits of EUR 1 thousand (previous year: EUR 1 thousand), creditors with debit balances of EUR 5 thousand (previous year: EUR 2 thousand), trade tax assets of EUR 82 thousand (previous year: EUR 0 thousand), corporation tax assets of EUR 90 thousand (previous year: EUR 0 thousand) and miscellaneous other assets of EUR 13 thousand (previous year: EUR 22 thousand).

Payments made before the balance sheet date were recognized as **prepaid expenses** (EUR 129 thousand; previous year: EUR 104 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

By resolution of the Annual General Meeting on 21 July 2022, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 900,000 in return for cash or non-cash contributions on one or more occasions until 21 July 2027, whereby shareholders' pre-emption rights can be disapplied.

Legal reserve

An amount of EUR 17 thousand was transferred to the legal reserve in accordance with section 150 AktG in the fiscal year. This corresponds to a one-twentieth share of net income for the year. The legal reserve amounts to EUR 179 thousand as of the reporting date.

Disclosures and notes on provisions

Other provisions developed as follows in the fiscal year:

Provision for	01 Jan. 2022	Utilization	Reversal	Addition	31 Dec. 2022
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Remaining vacation	171	171	-	191	191
Management Board bonuses	147	147	-	151	151
Employee bonuses/commission	40	40	-	59	59
Supervisory Board remuneration	4	4	-	23	23
Occupational health and safety agency	18	18	-	20	20
Audit of annual financial statements	19	19	-	19	19
Duty to preserve records	18	-	-	-	18
Outstanding invoices	32	29	3	16	16
Costs of preparing the annual financial statements	15	15	-	15	15
Financial accounting	1	1	-	1	1
Total	465	444	3	495	513

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 610 thousand (previous year: EUR 624 thousand).

Type of liability as of 31 Dec. 2022	Total amount		of which with a remaining term		
	as of 31 Dec. 2022		Less than 1 year	1 to 5 years	More than 5 years
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Trade payables	189	189	-	-	-
Liabilities to related companies	38	38	-	-	-
Liabilities to equity investments	0	0	-	-	-
Other liabilities	383	383	-	-	-
Total	610	610	-	-	-

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 263 thousand (previous year: EUR 214 thousand), wage and church tax liabilities of EUR 104 thousand (previous year: EUR 117 thousand), creditors with debit balance of EUR 9 thousand (previous year: EUR 4 thousand), employees' social security liabilities of EUR 5 thousand (previous year: EUR 8 thousand), liabilities to the Management Board of EUR 0 thousand (previous year: EUR 2 thousand) and miscellaneous other liabilities of EUR 2 thousand (previous year: EUR 3 thousand).

Deferred income

Deferred income (EUR 6,505 thousand; previous year: EUR 5,874 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 2022.

Other unrecognized financial commitments

Other financial commitments mature as follows:

Type of commitment	Maturing			
	EUR thou.			
	2023	2024	2025	2026
Rental commitments	177	78	0	0
Least commitments	157	83	13	0
Total	335	237	13	0

Revenue

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

By area of activity	2022	2021
	EUR thou.	EUR thou.
IT Services und Support	10,743	9,845
Consulting Services	1,058	1,132
Custom Engineering	9	44
Other	29	22
Total	11,839	11,043

By geographically defined market	2022	2021
	EUR thou.	EUR thou.
Germany	8,337	7,667
Rest of world	3,502	3,376
Total	11,839	11,043

Disclosures on changes in net income

The company generated net income for the past fiscal year of EUR 335 thousand, which will be carried forward to a new account taking into account the previous year's net retained profits and the transfer to the legal reserve.

Changes in net income break down as follows:

Appropriation of profits	2022	2021
	EUR thou.	EUR thou.
Net income for the year	335	1,194
Retained profits/accumulated losses brought forward	2,946	1,946
Distribution	-287	-134
Transfer to legal reserve	-17	-60
= Net retained profits/accumulated losses	2,977	2,946

Restriction on distribution

The total amount restricted from distribution in accordance with section 268(8) HGB is EUR 2,104 thousand. It consists of the amount of capitalized internally generated intangible assets (EUR 3,011 thousand) less the related deferred tax liabilities (EUR 907 thousand). The restriction on distribution amounted to EUR 1,994 thousand in the previous year.

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 authorized to represent the company and to enter into a legal transaction in the name of the company with themselves as an agent 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 Admin. graduate
Prof. Oliver Hein (Supervisory Board Member)	Frankfurt/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 862 thousand in the past fiscal year. The total remuneration of the members of the Supervisory Board amounted to EUR 23 thousand.

Advances extended to members of the Management Board and Supervisory Board

The member of the Management Board Ms. Sabine Riedel was granted an advance with a balance of EUR 4 thousand as of the balance sheet date. The interest rate is 2 % p.a.

A settlement account is kept for Mr. André Mindermann's current expenses. The settlement account bears interest at 2 % rate and has a receivable balance of EUR 12 thousand as of 31 December 2022.

Advances to members of the Management Board were as follows in 2022:

	01 Jan. 2022 EUR thou.	Addition EUR thou.	Repayment EUR thou.	31 Dec. 2022 EUR thou.
Sabine Riedel	4	0	0	4
André Mindermann	-2	304	290	12

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

No loans or advances 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 79 (previous year: 74). They work in the following areas:

	Number of employees	
	Fiscal year	Previous year
Customer Solutions (formerly Global Managed Services)	16	20
Solution Management (formerly Global Software Development)	28	20
Consulting Services	7	8
Marketing & Sales	12	12
Administration	16	14
Total	79	74

Significant events after the balance sheet date

There were no events of particular significance to the financial position or financial performance of the company in the period between the end of the reporting period and the preparation of the financial statements.

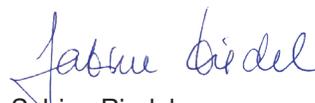
Oberursel, 31 March 2023



André Mindermann
Chairman of the
Management Board



Christopher Kuhn
Member of the
Management Board



Sabine Riedel
Member of the
Management Board

INDEPENDENT AUDITOR'S REPORT

To OTRS AG

Audit opinions

We have audited the annual financial statements of OTRS AG – consisting of the balance sheet as of 31 December 2022, the income statement for the fiscal year from 1 January 2022 to 31 December 2022 and the notes, including the presentation of the accounting policies. We have also audited the management report of OTRS AG for the fiscal year from 1 January 2022 to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the company as of 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022 in compliance with German generally accepted principles of proper accounting, and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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 responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of management and [those responsible for supervision] for the annual financial statements and the management report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German generally accepted principles of proper accounting. In addition, management is responsible for such internal control as they, in accordance with German generally accepted principles of proper accounting, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (e.g. manipulations of accounting or misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a management report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the German generally accepted standards for financial statement audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements/ presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German generally accepted principles of proper accounting.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with the law and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any/significant deficiencies in internal control that we identify during our audit.

Munich, 12 April 2023

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Wirtschaftsprüfungsgesellschaft/Auditing firm

Roland Weigl
Wirtschaftsprüfer [German Public Auditor]

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