

Interim announcement for the third quarter of 2018

adesso AG: strong third quarter in 2018, with increases in sales, earnings and margins

- Sales up to EUR 95.2 million in third quarter, EBITDA up to EUR 10.3 million (new quarterly records)
- After nine months, sales at EUR 272.7 million (+17 %), EBITDA at EUR 22.4 million (+37 %)
- Guidance for full year confirmed

Dortmund, 14 November 2018 – adesso AG further increased its sales revenues in the third quarter of 2018 compared to the prior quarter and the previous year. Operating earnings (EBITDA) were above the values seen in the first two quarters of 2018 and set a new record for a quarter. Development was driven by continued high organic growth in sales and the number of employees, solid capacity utilisation and a wide range of successfully completed fixed-price projects.

Business development in the third quarter

In the third quarter, adesso increased its sales for IT consulting, software development and licensing of own products by 13 % as compared to the previous year for a total of EUR 95.2 million, thereby setting a new quarterly record. Employee growth through new hires, coupled with a positive market environment and the successful acquisition of a number of new projects and customers, led to rising sales revenues in the IT Services segment, especially in Germany. The company also generated further licensing sales and additional revenue from maintenance in the IT Solutions segment.

In the third quarter, the number of employees at the adesso Group increased by an additional 6 % compared to 30 June 2018 due to new hires, thereby laying the foundation for the continuation of organic growth in subsequent quarters.

Results of operations in the third quarter

While maintaining the focus on billable customer hours, operating earnings (EBITDA) rose by 18 % to EUR 10.3 million in the third quarter thanks to an

increase in the number of employees, continued good capacity utilisation and the equivalent highest number of working days (65) as in the previous year (Q2/2018: EUR 4.9 million and Q3/2017: EUR 8.8 million). The EBITDA margin stood at 10.8 % (previous year: 10.5 %).

In the third quarter, pre-tax profit stood at EUR 8.0 million (+21 %), with consolidated earnings of EUR 5.2 million (+7 % due to a lower tax rate in the previous year) and earnings per share of EUR 0.85 (previous year: EUR 0.79).

Nine-month overview

Sales in the first nine months of 2018 increased by 17 % year on year to EUR 272.7 million, and did so almost entirely organically. Growth was generated in nearly all regions and business areas. The adesso Group's portfolio is geared towards seizing the opportunities presented by the digitalisation, mobilisation and modernisation of IT systems and generating high growth rates.

The adesso insurance solutions business area once again grew disproportionately, driven by the increased number of implementation projects related to insure products and rising maintenance revenue. With a 25 % increase in sales, adesso AG's core business in Germany posted particularly strong performance. adesso mobile and the business involving the operation of solutions for adesso customers also saw disproportionately high growth.

Since early 2018, adesso has been pursuing the strategy of increasingly entering markets outside the DACH region (Germany, Austria and Switzerland), including service business, and setting up locations for the SmartShore project business. As a result of these efforts, sales at the adesso subsidiary in Turkey have more than doubled (net of currency effects). The expansion of the workforce is making good progress in Bulgaria and Spain. The cumulative earnings contribution made by these three national subsidiaries was already positive in the first nine months of 2018.

Due to high demand from orders received, the involvement of external parties in projects increased once again. Both personnel costs and gross profits increased by 16 % to EUR 172.7 million. Other operating expenses rose by just 10 % to EUR 44.4 million, resulting in a margin increase. Operating earnings (EBITDA) for the first nine months came in at EUR 22.4 million (previous year: EUR 16.4 million), equating to a 37 % rise. At EUR 6.4 million, depreciation and amortisation increased by just 6 % due to the decrease in the

share attributable to purchase price allocations from EUR 2.1 million to EUR 1.7 million.

Earnings before taxes stood at EUR 15.7 million (previous year: EUR 10.1 million), and consolidated earnings amounted to EUR 10.2 million (previous year: EUR 7.1 million). Earnings per share increased by 44 % to EUR 1.66 (previous year: EUR 1.15).

Additional figures and information

The number of employees increased by 16 % year on year to 3,104. adesso held liquid assets of EUR 40.9 million as at 30 September 2018 (previous year: EUR 23.8 million; 31 December 2017: EUR 46.5 million). Interest-bearing financial liabilities stood at EUR 47.9 million on 30 September 2018, following EUR 42.4 million in the previous year. As a result, the net cash position improved significantly from EUR -18.6 million in the previous year to EUR -7.0 million. Liquid assets are expected to increase in the fourth quarter due to positive cash flow from operations. These and other indicators can be downloaded in table form under Investor Relations at www.adesso-group.de.

Outlook

Good capacity utilisation during the third quarter is extending into the fourth quarter. Organic growth is expected to continue. The conclusion of new licence agreements will result in additional opportunities in the product business area, especially as regards the in|sure product family for the insurance industry. The Group is expected to easily meet its earnings forecast for 2018 as a whole, with EBITDA of at least EUR 27.7 million.

The Executive Board

Contact person for Investor Relations:

adesso AG
Martin Möllmann
Manager Investor Relations
Adessoplatz 1
44269 Dortmund
Germany
T: +49 231 7000-7000
F: +49 231 7000-1000
ir@adesso.de
www.adesso-group.de/en/ | www.adesso.de/en/