

Interim announcement for the first quarter of 2019

adesso AG: first quarter of 2019 characterised by marked growth in headcount and sales along with lower capacity utilisation

- Sales up 17 % to EUR 103.7 million
- EBITDA at EUR 8.9 million (adjusted for IFRS 16 effect: EUR 6.2 million; previous year: EUR 7.2 million)
- Earnings per share: EUR 0.40 (previous year: EUR 0.52)
- Group stands by full-year forecast

Dortmund, 13 May 2019 – adesso AG increased its sales revenues to a new record level in the first quarter of 2019 compared to the prior quarter and the previous year. As forecast, capacity utilisation was lower in Germany. Based on a promising sales pipeline for the product business, the Group stands by its full-year forecast, which predicts an increase to at least EUR 410 million in sales and EBITDA between EUR 40 million and EUR 45 million.

Business development

Sales revenues rose to a new record high of EUR 103.7 million in the first quarter. With the exception of a single percentage point, the 17 % increase was generated entirely organically and was broadly supported by the expansion of business activities in Germany and abroad, the expansion of the portfolio and headcount growth. The number of employees at the adesso Group increased year on year by a further 23 %, or 650, to 3,482 in the first quarter (previous year: +23 %, or 526). In the first quarter of 2019, the number of employees increased organically by 6 %.

A decline in economic momentum is now being felt in Germany. In light of the sharp rise in employee numbers, the sales growth was insufficient to keep capacity utilisation constant, especially at adesso AG in Germany, the Group's largest operating unit. Despite having a more marked impact than anticipated, this development was in line with the expectations expressed in the guidance.

The subsidiaries in Bulgaria, Spain and Turkey succeeded in more than doubling their sales revenues. Between them, they now employ more than 250

people. Switzerland and Austria also encouragingly recorded a rise in business volume.

Income development

adesso has used the new standard for reporting rental agreements and leases since 1 January 2019. Although expenses related to rental agreements and leases were previously recognised under other operating expenses, the rights of use are now to be capitalised on the balance sheet. At the same time, a liability is to be recognised for the obligation to make rental and lease payments in the future. adesso uses the modified retrospective method to report the transition to IFRS 16. Rights of use and liabilities were recognised to an equal extent as at 1 January 2019. As a result, rental and lease payments in the amount of EUR 2.7 million were recognised through profit or loss rather than under other operating expenses in the first quarter of 2019. The initial application of IFRS 16 has therefore led to a EUR 2.7 million increase in reported EBITDA, bringing the corresponding figure up to EUR 8.9 million in the first quarter of 2019, or EUR 6.2 million when adjusted for the effect of IFRS 16. EBITDA stood at EUR 7.2 million in the previous year.

Accompanied by reduced capacity utilisation in Germany, personnel costs rose disproportionately to sales and gross profit (+17 % respectively) by 18 % to EUR 69.9 million due to the growth in headcount. Other operating expenses increased by 32 % on a like-for-like basis. The sharp rise in other operating expenses was driven by the expansion of business operations, as well as higher recruiting expenses and expenditure related to the move into the second construction phase of the Group's headquarters in Dortmund, among other factors.

In line with the guidance, investments in the in|sure product family and FirstSpirit were significantly higher year on year. With a view to implementing customer requirements, at in|sure, over 2,000 man-days went into the development of the proprietary PayTras module for payment transactions and the technical integration of the newly acquired FABIS and CollPhir solutions for commission calculation and company pensions. At FirstSpirit, a number of employees from Professional Services were involved in the development of sales-oriented starter kits. The investments will continue in the quarters ahead, albeit to a lesser extent.

The earnings contribution made by adesso in Germany fell year on year due to capacity utilisation issues, with investments having an identical effect on the contribution to earnings made by adesso insurance solutions. By contrast, the

Group recorded a rise in the earnings contribution attributable to adesso mobile solutions and to the operation and hosting of applications, as well as in all countries other than Germany.

Depreciation and amortisation increased by EUR 2.3 million to EUR 4.4 million, of which EUR 2.2 million was attributable to the initial application of IFRS 16. Income from investment activities stood at EUR -0.1 million, with income from financing activities totalling EUR -0.7 million following EUR -0.1 million in the previous year; the figure contains EUR 0.6 million in interest expense due to the initial application of IFRS 16. Consolidated earnings stood at EUR 2.5 million (previous year: EUR 3.2 million), with earnings per share of EUR 0.40 (previous year: EUR 0.52).

Additional figures and information

adesso held liquid assets of EUR 40.5 million as at 31 March 2019 (previous year: EUR 43.4 million; 31 December 2018: EUR 45.9 million). Interest-bearing financial liabilities amounted to EUR 46.6 million, compared with EUR 44.6 million in the previous year. Equity rose by EUR 2.3 million to EUR 79.6 million in the first quarter. Additional indicators can be downloaded in table form under Investor Relations on the adesso website at www.adesso-group.de.

Outlook

Thanks to a raft of measures, capacity utilisation and the operating margin in Germany are expected to rise by the third quarter. The sales pipeline of the product business is promising and offers sufficient potential to exceed the licence revenues generated in the previous year and planned for 2019.

As in previous years, second-quarter earnings are expected to be down on the first quarter, since it has the lowest number of working days and many opportunities for long weekends by combining bank holidays and annual leave. Against this background, the Group stands by its full-year forecast, which predicts at least EUR 410 million in sales and EBITDA between EUR 40 million and EUR 45 million.

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