

IMPRESSION

Interview with one new and one long-standing colleague

EMPLOYMENT

How does adesso manage to hire 700 new employees in one year?

INFLUENCE

Developing personnel, career profiles and methods at the highest level

COMMITMENT

Achieving (sporting) success with a team spirit



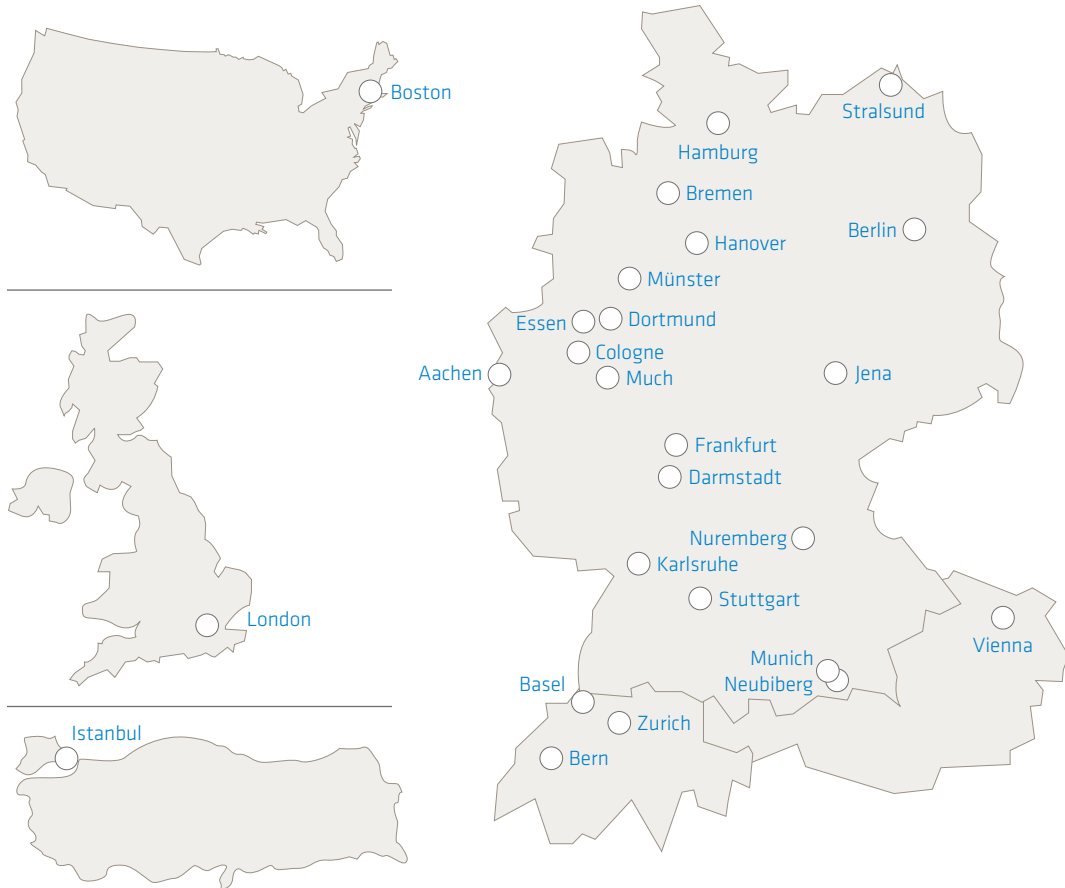
COVER

*Michael Koßer
Senior Consultant
Dortmund*

OUR MOTIVATION

Employees are the focus at adesso.
They are the basis of how we
create long-term value.

LOCATIONS



COMPANIES IN ADESSO GROUP

adesso AG Dortmund

adesso Schweiz AG Zurich, Switzerland 100%	adesso Austria GmbH Vienna, Austria 100%	adesso Turkey Bilgi Teknolojileri Ltd. Şti. Istanbul, Turkey 100%	adesso mobile solutions GmbH Dortmund 100%
adesso insurance solutions GmbH Dortmund 100%	smarthouse adesso financial solutions GmbH Karlsruhe 100%	ARITHNEA GmbH Neubiberg 100%	e-Spirit AG Dortmund, 100%
adesso as a service GmbH Dortmund 100%	A3A Strategy Consulting GmbH Cologne 100%	gadiv GmbH Much 61%	US UK CH
adesso Transformer GmbH Vienna, Austria 51%	alleato assekuranzmakler GmbH Dortmund 74%	com2m GmbH Dortmund 59%	percision services GmbH Dortmund 100%
		inQventures GmbH Berlin 85%	medgineering GmbH Dortmund 100%

START-UPS

MISSION STATEMENT

adesso optimises companies' core business processes with the targeted use of information technology. We offer customers expert consulting based on our in-depth industry knowledge and use our technical knowhow to develop customised software solutions. For a defined set of operational tasks adesso provides innovative solutions and products.

As an independent partner, we aim to help our customers make the most of their business potential while retaining flexibility in the future.

EMPLOYEES* – OUR TOP ASSET

OUR MOTIVATION

adesso continued its organic growth trajectory in 2017, while recording an above-average increase in staff numbers compared with other businesses and the wider market, despite a shortage of qualified staff in the sector. Employees continue to be the most important resource in adesso's highly personnel-intensive core business. This asset now provides a broader foundation which will also determine adesso's growth rate in future years.

Because employees are all the more valuable if they are highly motivated to work together, finding suitable employees and appointing them is not the only important issue when it comes to staffing. So what is it that motivates employees in the adesso Group? What makes the work environment pleasant and productive? What is the source of the team spirit that motivates us year after year? And above all, how has the spirit of adesso changed over recent years?

The answers to these questions and to why we are successful in our recruitment, the challenges we identify at present in the employment market and our proactive approaches to tackling them can be found starting on page 16.

CONTENT

6	Foreword by the Executive Board	34	Group Management Report	142	Investor Relations
9	Report by the Supervisory Board	66	Consolidated Financial Statement	150	Management and Directors
14	Highlights 2017	74	Consolidated Notes	154	Glossary
16	OUR MOTIVATION			157	Finance Calendar

* To maintain a better readability, this Annual Report largely dispenses with the simultaneous use of female and male forms of language. Terms such as "employee" or "colleague" thus equally encompass both genders.

KEY FIGURES

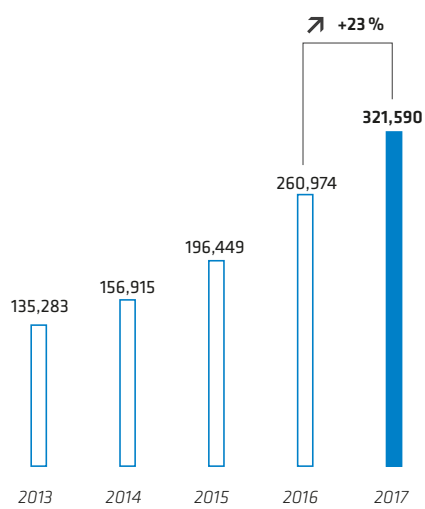
<i>in EUR k</i>	2017	2016 ^{*)}	Change	<i>in %</i>
PROFIT SITUATION				
Sales revenues	321,590	260,974	60,616	23
domestic	259,990	215,077	44,913	21
foreign	61,600	45,897	15,703	34
EBITDA	25,378	23,419	1,959	8
EBITDA margin (in %)	7.9	9.0	-1.1	-12
Consolidated earnings	11,331	12,599	-1,268	-10
BALANCE SHEET				
Balace sheet total	202,812	183,079	19,733	11
Equity	67,023	58,315	8,708	15
Equity ratio (in %)	33.0	31.9	1.2	4
Liquid assets	46,497	43,144	3,353	8
Net cash position	342	-4,954	5,296	107
EMPLOYEES				
Employees (FTE)	2,712	2,174	538	25
domestic	2,391	1,926	465	24
foreign	321	248	73	29
Gross profit/Employees	112	119	-7	-6
SHARE				
Number	6,174,203	6,167,423	6,780	0
Price at the end of the period (in EUR)	54.67	46.00	8.67	19
Market capitalisation at the end of the period (in EUR m)	337.5	283.7	53.8	19
Earnings per share (in EUR)	1.79	2.11	-0.32	-15
Dividend per share (in EUR)	0.40 ^{**)}	0.36	0.04	11
P/E ratio	30.5	21.8	8.7	40

* Comparative figures adjusted in accordance with IAS 8 (see notes section "Revaluation in accordance with IAS 8")

** Subject to the approval of the Annual General Meeting

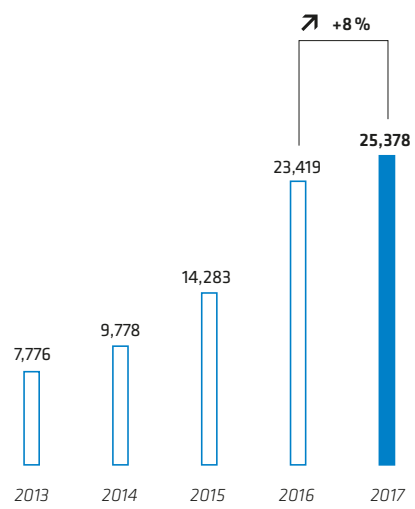
GROWTH IN SALES

in EUR k



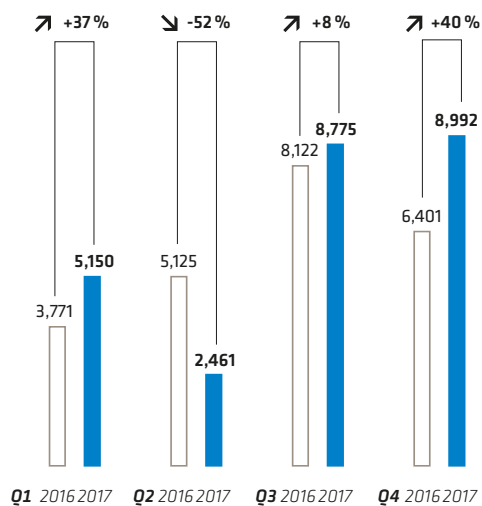
EBITDA-DEVELOPMENT

in EUR k



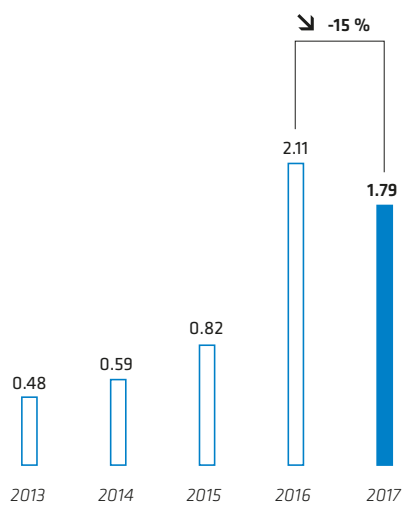
EBITDA DEVELOPMENT (PER QUARTER)

in EUR k



EARNINGS PER SHARE

in EUR



FOREWORD BY THE EXECUTIVE BOARD

*Dear Shareholders, Employees and
Friends of the Company,*

Against the backdrop of a positive market climate for IT companies, as well as adesso's outstanding position in the modernisation of application environments and the digitalisation of business processes, our targets for organic sales growth and the hiring of additional employees were particularly high in 2017. Thanks to a wide range of initiatives and close cooperation between all business areas, we succeeded in achieving our goals. Over 700 new hires and sales growth of 23 %, 19 percentage points of which were organic, send a clear signal: even 20 years after its founding, adesso is one of the fastest-growing IT companies in Europe.

Following uncertainty in the first half of the year, the company succeeded in meeting and exceeding the economic targets for sales and the operating result, despite investing additional time and money into achieving a high rate of growth. adesso reached new highs, with sales of EUR 322 million – after EUR 261 million in the previous year – and an operating result (earnings before interest, taxes, depreciation and amortisation, or EBITDA) of EUR 25.4 million. Based on these developments, the Executive Board and the Supervisory Board have proposed to further increase the dividend by 11 % to EUR 0.40 per share, pursuing the aim of a steadily rising dividend payout to our shareholders for the fifth year in a row.

The motivation of adesso's employees is absolutely essential to continued rapid growth. Employees are the focus at adesso. We invite you to read more about various aspects of this philosophy and aspiration in this Annual Report. We have hired more new employees than ever before. The fact that we have once again been named Germany's best major IT employer bears witness to our efforts to uphold our approach to interacting with each other and our corporate culture while also offering our customers a high degree of professionalism. This award means a great deal to us, as it is based on an anonymous, independent employee survey.

The expansion of business relationships with satisfied existing customers is the key to strong sales growth. We have been very successful in our efforts on this front. What is more, the company once again succeeded in attracting major new customers and orders in 2017. In Turkey, the Group's order volume from two of the financial sectors' leading players amounted to three times its previous annual sales. The number of employees in the country has already doubled to over 100. In Germany, adesso was awarded a major contract worth EUR 21 million to develop a new software system for the healthcare sector. The company attracted additional customers in all segments for the in|sure product family for insurance companies, which has been expanded to include the health and property insurance segments. Income also rose by over 25 % in the US. The Group picked up two major orders for the use of adesso transformer, which enables the highly efficient modernisation of outdated core systems.



Christoph Junge, Andreas Prenneis, Michael Kenfenheuer (left to right)

adesso's avowed strategy is to grow at a significantly faster pace than the market through innovation and motivation while increasing its operating margin through growing product business in the long term. At the same time, it aims to further raise dividends and act from a solid financial position. adesso is also using company acquisitions to expand its business and customer portfolio, increase its local footprint and recruit entrepreneurial talent or support start-ups.

Following a targeted search process, Darmstadt-based UnitCon GmbH was taken over last year to round out the portfolio of Arithnea, a Group subsidiary. UnitCon specialises in SAP customer engagement, business analytics and HANA. As a result, Arithnea is one of the first companies in the German-speaking world to offer a comprehensive range of services focusing on the SAP Hybris portfolio from a single source. adesso is also investing in innovations beyond the company. In 2017, it focused on taking over medigeneering GmbH (technical platform and app for first aider notification), increasing its stake in com2m GmbH (development of outstanding solutions for the Internet of Things featuring a proprietary platform), investing in the start-up

soccerwatch.tv GmbH (fully automated streaming of amateur football featuring proprietary camera technology and virtual, human-like camera work based on machine-learning algorithms) and setting up an e-health joint venture for modern communication between doctors and patients.

We will keep up the pace in 2018 and work on the advancement of the company, supported by the strong motivation of all our employees. The market for digitalisation, e-commerce, the Internet of Things, the analysis of large quantities of data and increasing efficiency by developing of state-of-the-art software systems remains dynamic and provides a good foundation for further growth. adesso is determined to seize the new opportunities through organisational clusters for Industry 4.0, business intelligence, machine learning and bots. We also believe that the time has come to set up further national subsidiaries in Europe, with appropriate caution. All told, we expect sales growth of at least 9 % to over EUR 350 million in 2018, as well as EBITDA growth of at least 9 % to over EUR 27.7 million.

We would like to sincerely thank all of our employees, who help advance adesso through their dedication and commitment. We would like to thank you, our customers, for placing your trust in us. And we would like to thank all our shareholders for their loyalty and continued interest.

Dortmund, March 2018

The Executive Board



Michael Kenfenheuer



Christoph Junge



Andreas Prenneis

REPORT BY THE SUPERVISORY BOARD



Prof. Dr. Volker Gruhn

Advising and Monitoring of Management

In financial year 2017, the Supervisory Board continued to constantly monitor the management activities of the Executive Board in accordance with legal provisions and the company's bylaws, and advised it in all important decisions in the management of the company. In compliance with its duty to provide information in a timely and comprehensive manner, the Executive Board informed it regularly, in written and oral form, about the situation and the course of business development at the company and its key subsidiaries, as well as about incidents and measures that were relevant for the company. The Supervisory Board received documents about the asset, financial and earnings situation for this purpose on a quarterly basis. Additionally, it received detailed information from the Executive Board about relevant business transactions.

The Supervisory Board is thoroughly convinced that the operating and financial risks are hedged through organisational and internal approval processes. A sound reporting system and an internal control system exist for the company and the Group, both of which are subject to continued further development. The Supervisory Board was informed at regular intervals about the development of particularly relevant projects and the development of the Group companies.

The members of the Supervisory Board had sufficient opportunity at all times to critically examine the reports and proposals presented by the Executive Board and contribute their own suggestions. In particular, the Supervisory Board discussed in depth all business transactions that were of significance for the company on the basis of written and oral reports by the Executive Board. The Supervisory Board issued its consent to individual business transactions to the extent required by the law, the Articles of Association or the bylaws. Between the board meetings, the Supervisory Board Chairperson additionally remained in close and regular contact with the Executive Board to exchange information and ideas, and keep abreast of key developments.

Subjects of the Supervisory Board Meetings

Five Supervisory Board meetings took place in financial year 2017, of which four were regular meetings and one took place as a telephone conference. All members of the Supervisory Board participated in at least more than half of the meetings. One essential component of all meetings were the Executive Board's reports on the current asset, financial and earnings situation within the context of the business development of the company and the subsidiaries; on strategy; on risk management and controlling; and on personnel development and policies. The members of the Supervisory Board also discussed important individual business transactions and projects. In addition, individual current topics were discussed in regular meetings between the members of the Executive Board and the Chairperson of the Supervisory Board. The Supervisory Board was informed of events of extraordinary significance for the situation and development of the adesso Group without delay. Transactions that required the approval of the Supervisory Board were always discussed before they took place and in good time. The Supervisory Board formed no committees.

As in previous years, the meeting that took place in March of the year under review focussed on the financial statements and the development of the individual companies. At the time the meeting was held, the financial statements for adesso AG were not yet available in full, which meant that this agenda item was postponed.

The CFO presented the figures for the Group companies in financial year 2016 and explained the results, which in sum significantly exceeded both the projected figures for the year under review and the development of the previous year. The companies that had experienced negative developments were examined in detail. adesso Turkey Bilgi Teknolojileri was able to record positive results in the first two months of 2017, while adesso Austria continued to lag behind expectations for it to achieve the growth structurally necessary to generate profits.

The members of the Executive Board also reported on the individual companies, their business models and planned investments at the meeting.

During this meeting, the Supervisory Board presented the procedure for evaluating the auditing companies taking part in the tender process that had been approved beforehand and explained to the Executive Board its proposal to recommend the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, as auditor of the Annual Financial Statements and Consolidated Financial Statements at the Annual Shareholders' Meeting.

The projected 2017 figures for the individual companies were then discussed and adopted. The Corporate Governance report that had been submitted was also approved.

The Supervisory Board Chairperson discussed the expiry of the contracts of the Executive Board members Andreas Prenneis and Christoph Junge, and proposed to extend their appointments. This proposal was adopted unanimously.

At the April meeting that took place as a telephone conference, the CFO presented and explained the Annual and Consolidated Financial Statements that had been submitted in advance. The Supervisory Board acknowledged and agreed with the auditor's reports, approved the Annual and Consolidated Financial Statements for financial year 2016, and adopted the Annual Financial Statements. In addition, the report by the Supervisory Board for financial year 2016 was approved.

Moreover, a resolution was passed to follow the recommendation made by the Executive Board to propose the payment of a dividend of EUR 0.36 per share for financial year 2016 at the Annual Shareholders' Meeting, amounting to a distribution of EUR 2,220,272.28. The other agenda items and proposed resolutions for the Annual Shareholders' Meeting were also discussed and adopted.

At the May meeting, the CFO presented and explained the interim financial statements for adesso AG and the quarterly financial statements for the Group. The members of the Executive Board reported on the individual subsidiaries in relation to acquisitions, growth and capacity. At this meeting, there was a special focus on the national adesso subsidiaries as well as an analysis of their capacity utilisation. Potential measures to increase sales were suggested and discussed in detail.

At the September meeting, the focus was on the half-yearly interim financial reports for adesso AG and the Group. The individual companies were examined in detail in terms of their EBITDA forecasts, and the figures that had been submitted were discussed. Much lower EBITDA compared to the previous year's figure was attributed to the decline in earnings for adesso AG. The Executive Board Chairperson presented the details of the analysis and reported on the measures resulting from it, which had already been initiated and recorded their first positive results.

The Executive Board described the changes relevant to the Supervisory Board that had been brought about by the German Auditor Oversight Reform Act (Abschlussprüferaufsichtsreformgesetz – APAREG) relating to permitted non-audit services and the controlling of both the content and scope of the non-audit services provided by the auditor. In order to ensure that these changes were dealt with in a coordinated, effective manner, the Executive Board proposed pre-approval guidelines with maximum budgets and specific approval obligations. The Supervisory Board approved the proposal.

Further company acquisitions, which had already been approved by the Supervisory Board beforehand, were also presented and discussed at this meeting.

Moreover, the Supervisory Board spoke about updating targets relating to the German law on the equal participation of women and men in management positions. The resolution passed on 15 September 2015 covered the period ended 30 June 2017. As a result, the Supervisory Board resolved to leave the previous targets for the Supervisory Board and the Executive Board unchanged until 30 June 2022.

The last meeting of the year focussed on the interim report for adesso AG and the Group for the period ended 30 September 2017. The key figures and items in the consolidated income statement were presented and discussed, and key figures in the balance sheet and the liquidity development were analysed and discussed. Moreover, the CFO explained the current business situation of the individual companies in the Group. The members of the Executive Board reported on the development of the individual companies from both a sales and an earnings perspective. Previously defined plans for the individual companies in 2018 were presented and correspondingly analysed.

As in previous years, current developments pertaining to corporate governance were also a subject of discussion. The update to the statement of compliance with the German Corporate Governance Code was also adopted during this meeting.

2017 Annual Report

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, the auditor elected by the Annual Shareholders' Meeting, has audited the Annual Financial Statements and the Management Report of the parent company (adesso AG), the Consolidated Financial Statements and the Group Management Report for financial year 2017 and has issued an unqualified audit opinion.

The responsible auditor from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft explained the key findings of the audit and was available to answer questions from the Supervisory Board. He informed the Supervisory Board about the services performed by the auditing company in addition to the audit. The Supervisory Board thoroughly examined the Annual Financial Statements and Management Report of adesso AG, the Consolidated Financial Statements and Group Management Report as at 31 December 2017, as well as the Executive Board's proposed appropriation of profit. To do so, the Supervisory Board consulted the auditor's reports. The Supervisory Board has agreed with the findings of the audit of the Annual Financial Statements and of the Management Report of adesso AG, and has approved the Annual Financial Statements and Consolidated Financial Statements for financial year 2017.

The Annual Financial Statements have therefore been approved (Section 172 of the German Stock Corporation Act – Aktiengesetz, AktG).

The Supervisory Board concurs with the Executive Board's proposed appropriation of profit.

As part of its examination, the Supervisory Board also reviewed the content of the separate Consolidated Non-Financial Report submitted by the Executive Board for adesso AG as required by Section 171 AktG and the Group as required by Sections 289b and 315b HGB. This report, with which adesso AG fulfils the reporting duties that arise from the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz), was prepared in line with the German Sustainability Codex (Deutscher Nachhaltigkeitskodex – DNK). The Supervisory Board has also ascertained that the non-financial information was reported on legally, regularly and appropriately.

The Supervisory Board would like to thank the members of the Executive Board, as well as all employees of adesso AG and its affiliated companies, for their enormous efforts, which made the success of financial year 2017 possible in the first place.

Dortmund, 22 March 2018

Für den Aufsichtsrat



Prof. Dr. Volker Gruhn, Vorsitzender

HIGHLIGHTS 2017

January

Germany's second biggest primary insurer chooses an adesso product in the life insurance sector

adesso has made a dynamic start to the new year. Generali in Germany has decided to use PSLife from the adesso in|sure product family in the context of the group-wide updating of its existing systems for life components. AachenMünchener Lebensversicherung AG will be the first of the group's brands to employ adesso software for its new business. The investment volume is expected to exceed ten million.

adesso develops software solutions for GEMA worth around EUR 4 million

adesso AG has developed a complex software solution, completed at the end of 2016, for GEMA Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (Society for Musical Performing and Mechanical Reproduction Rights). As well as reporting on the successful conclusion of the sub-project, adesso can also announce the issuing of an order for the follow-up project. In cooperation with GEMA, adesso will also lend support with technical software-related reorganisation and modernisation in the radio segment.

February

adesso takes over SAP consulting company UnitCon GmbH

In February, adesso AG is taking over UnitCon GmbH in its entirety in order to enable the strategic reinforcement of the subsidiary Arithnea in the field of SAP Customer Engagement, Business Analytics and HANA. Thanks to UnitCon's services, Arithnea can round off its own portfolio with respect to customer engagement and commerce. The newly acquired knowledge makes the adesso subsidiary one of the first companies in Germany, Austria and Switzerland to offer the entire SAP Hybris portfolio from a single source.

April

adesso supports Union Investment with a digitisation project

The fund company Union Investment is utilising the expertise of adesso AG for the mobilisation of business processes within the scope of its digitisation. Through to the end of 2018, adesso will assist with the implementation of the company's enterprise mobility strategy. This will enable Union Investment employees to complete key business processes when out and about in future thanks to smartphone applications.

May

adesso celebrates its 20th birthday

Under the motto "Now. Future. Develop." adesso is celebrating its 20th birthday. Across the entire anniversary year, adesso is organising a range of events and promotions aimed at both IT experts and the next generation. The highlight of the events is the adesso IT conference "The Essence of Software Engineering", with leading international software experts delivering keynote speeches.

August

Münchener Verein chooses in|sure General

In the shape of Münchener Verein Allgemeine Versicherungs-AG (Münchner Verein), another customer has decided to utilise the standard software of adesso insurance solutions GmbH in the property and casualty area. Following on from in|sure PSLife for portfolio and benefit management in life insurance and in|sure Partner for partner administration, the insurance group is thus introducing another component of in|sure in in|sure General. Alongside acquisition of the licence, the mandate also includes services for the introduction, the migration of existing contracts as well as a multi-year maintenance contract.

adesso awarded contract by the Federal Network Agency for the introduction of electronic files

As part of a consortium of bidders, the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railways in Bonn has commissioned adesso to deliver, integrate and introduce standard software for electronic file management. The contract is worth around 3.5 million euros. The Federal Network Agency is thus setting the course for entirely electronically based document management in its offices.

September

adesso receives major order worth around EUR 21 million for the development of a new software system in healthcare

As the general contractor, adesso AG has been awarded the contract by the MDK Gemeinschaft (German medical health insurance services consortium) for a major multi-year project for the development of a new software system in healthcare. The volume of the order amounts to around EUR 21 million in total. The awarding of the contract underlines the importance of adesso's consulting and software development expertise in healthcare.

October

adesso acquires start-up and expands its portfolio in the field of e-health solutions

Through the acquisition of medgineering GmbH, adesso is further expanding its portfolio of healthcare solutions and gaining access to additional customers in the shape of both public institutions belonging to the states and municipalities as well as clinics throughout Germany. Moreover, adesso is now able to integrate Germany's market-leading solution for a smartphone-based first-aider notification system into its portfolio.

November

adesso back on course for success following a strong third quarter

With reports of a strong third quarter of 2017, adesso is back on track for success following somewhat weak half-year figures. As forecast, EBITDA was above the values seen in the first two quarters of 2017. This was the result of a considerable increase in the share of customer-chargeable hours, as well as additional licensing and maintenance income from the in|sure product family.

December

in|sure property insurance segment goes into operation as planned

The in|sure systems for portfolio and claim management in the property insurance segment are being completed as planned. The INTER insurance group was able to successfully take the software into operation in the area of accident insurance in mid-December. Full contract management for new business will now take place via the new system in|sure General Policy. The migration of existing business will take place in 2018.

JAN JUNGNITSCH

Head of a Competence Center

“adesso’s communication culture is characterised by direct contact, open exchange and mutual esteem – this doesn’t just foster respectful interactions; it also means I can work efficiently as a manager.”



DANIELA HELLMANN

Employee of the
Corporate Administration

“The welcoming culture at adesso means that all outside visitors and new employees are given a warm reception. At our Welcome Days, where new adessi come along, get acquainted and network, they are drawn right into our team from the start and immediately sense that they are part of the whole.”



OLAF BRAUN

Principal Consultant

“There is a special sense of ‘togetherness’ about our friendly work environment, and we even have a word to describe ourselves: ‘adessi!’”



Satisfied, motivated employees not only carry mostly a smile, but above all like responsibility. They form the basis for entrepreneurial success and attract more highly qualified skilled workers.



EMPLOYEES – OUR TOP ASSET

OUR MOTIVATION

“It is no longer a secret that businesses with exemplary professional development and highly motivated employees also have a significant advantage when it comes to competing for the best skilled personnel.”

In the adesso Group’s personnel-intensive core business, our own employees are significant assets in the generation of long-term value. They are of key significance from every point of view. When it comes to personnel, finding suitable employees and appointing them is not the only important issue. It is much more important that they quickly come to identify with the business and learn to appreciate and further develop its culture and values, so that they can become a part of the team and make their own contribution to advancing the business. There is no doubt that this requires a sensitively and actively managed process, because employees are all the more valuable if they are highly motivated to work together.

It is no longer a secret that businesses with exemplary professional development and highly motivated employees have a significant advantage when it comes to competing for the best skilled personnel. The personnel management work and supporting measures that nurture knowledge and cooperation among employees, and also ensure high motivation, are less standardised by comparison. So, what is it that motivates employees in the adesso Group? What makes the work envi-

ronment pleasant and productive? What is the source of the team spirit that motivates us year after year? And above all, how has the spirit of adesso changed over recent years?

We asked these specific questions – and more – not just of ourselves, but of adesso Group employees, so that we can furnish you with insights into our business, a business which in 2017 alone grew significantly again by 25 % to around 3,000 employees. We will also outline how we have achieved such success in our recruiting, what challenges we see in the employment market at present, and our proactive approaches to tackling them.

We believe that team and motivation are inextricably linked, and that they foster each other. This was the only way for adesso to continue on its organic growth trajectory and achieve growth in staff numbers above the average for businesses and in the marketplace, despite a shortage of qualified staff in the sector. The new strength of our team, resting on this broader foundation, will determine adesso’s growth path in the years to come.



**FELIX
PENGER**

Sales Assistant

“Our excellent culture and work atmosphere is what is special to me about adesso. The mutual trust and respect, the way people at different levels address each other with “Du”, and the camaraderie and team spirit help me feel very much at home here!”

ON BOARD (ALMOST) FROM THE START! – THE OLD HAND

Dr. Alfred Bröckers (52) has been with adesso since 1998 and knows the company better than anyone. Within the adesso Group, as Managing Director of the subsidiary adesso insurance solutions GmbH, his responsibilities now include ongoing development of the technology platform for in|sure, the successful family of products for the insurance industry, for example. Dr. Bröckers, who has a doctorate in engineering sciences and a degree in informatics, also spends his leisure time on high-performance machines: he is an avid motorcyclist.



PROFILE

„I believe that the success of adesso is fundamentally based on the fact that employees are given responsibility for their output, and that they welcome that responsibility.“

So, tell us a bit about what your work on a typical day at adesso involves.

I'm currently one of a number of directors of adesso insurance solutions GmbH. We develop and distribute standard software products for the private insurance industry. My role is to look after the underlying platform and the in|sure Health Policy product, a contract portfolio system for private health insurers.

How long have you been doing that?

Formally, since about 2014. To start with it was combined with managing a Line of Business (LoB) at adesso AG, and then the subsidiary's growth took off, so it has been full-time since 2016.

You've worked for adesso for a long time. Can you briefly outline your career path in the company?

I joined in 1998 as a consultant and project leader. At the time Java hadn't been in use in the industry for very long. Our first projects introduced the technology to clients in the insurance industry, along with component-based architecture. Over the years I was given more and more responsibility, first as the head of a competence centre, then as manager of a department and LoB. Apart from an "excursion" into statutory health insurance, I've always worked with clients in the insurance industry.

How did you hear about adesso?

Through personal contacts. I have known one of the founders, Prof. Dr. Volker Gruhn, since my student days. As a research associate, he also supervised my degree thesis. We kept in contact even after I moved to the University of Kaiserslautern. So naturally I couldn't fail to hear about adesso being established a year before I joined.

Can you still remember your first day at work? How was your start at adesso?

I only remember that on my first official workday in October 1998 I went straight to Cologne on a project. But my real introduction was a week earlier than that, because I took part in the first staff workshop on Mallorca. It's remarkable how many of the people who attended the workshop are still with adesso to this day.

Imagine you could travel back in time to your first day working for adesso. What advice would you give yourself for the journey, given what you know now?

My advice would be to make sure you take advantage of all the opportunities for networking with current and future colleagues, so that you get to know the people at adesso as more than just names on the organisation chart. I think that's how you get the best feel for the organisation and what makes it tick. There is a really well-thought-out onboarding programme for new employees, in particular, that gives them that opportunity.

adesso was still quite a bit smaller at that time. As you see it, where do you think the biggest changes have happened to date, and what – if anything – has remained the same?

In 1998 everyone knew each other. That hasn't been the case for quite a while, of course, although the friendly atmosphere has remained. Also, at that time there were hardly any defined processes for business operations and administration. That has changed a great deal in the course of transforming from a small GmbH to a listed company. But defined processes and organisations have only ever been introduced where needed.

PROFILE



adesso has grown a great deal over recent years. What is adesso doing differently in the market to enable this to happen?

I believe that the success of adesso is fundamentally based on the fact that employees are given responsibility for their output, and that they welcome that responsibility. That applies to our project business operations just as much as it does to shared departments and the administration.

What part do the subsidiaries play in that?

I'd prefer to put the question the other way around: what does adesso do for the subsidiaries? Because the list of the benefits is longer for us. After all, our business concept developed out of opportunities that have emerged in our business operations. Shared functions such as Human Resources, Accounts and IT Procurement are currently supplied for us by the relevant departments at adesso. We also benefit a great deal from the adesso learning curve. In relation to organisational aspects, we are in the process of asking ourselves what adesso looked like at a similar size, and what measures were taken there. Close cooperation with a reliable partner is also really important to us. That applies to distribution and the projects in which we introduce our software products to our clients.

To you, what are the core values of the adesso corporate culture?

Three concepts occur to me right away: responsibility, empathy and respect. An adesso client can expect that every employee involved in a project will feel responsible for its success. And it's not just business operations – the administrative and shared departments also assume responsibility at adesso. This is evident from the start, from the way applicants are welcomed during the recruitment process and the impression made by the work of the service staff in preparing the meeting rooms. These employees are all pulling together. Relating to empathy and respect: If you do your best to understand other people's situations and acknowledge the importance of your colleagues' work output, mutual respect is pretty simple. Perhaps that sounds very altruistic, but it really is part of the success of the business. There are no "unimportant" roles or departments when you have that common goal.

Do you think that also applies to all the other businesses in the adesso Group?

Absolutely.

Why do you enjoy working for adesso? Putting your professional and technical contribution to one side, are there special things about your daily work in comparison to previous stages of your career?

At adesso you are always very close to what's going on. It has always been easy to identify what a client has gained from us, and how success is judged. That also includes transparency about how business is going. The key indicators for all the business units are presented and discussed at employee events. That also applies to the short- and long-term corporate strategy.

From your perspective, what motivates you the most about that, or in general?

The open communication and enjoying work and being at work.

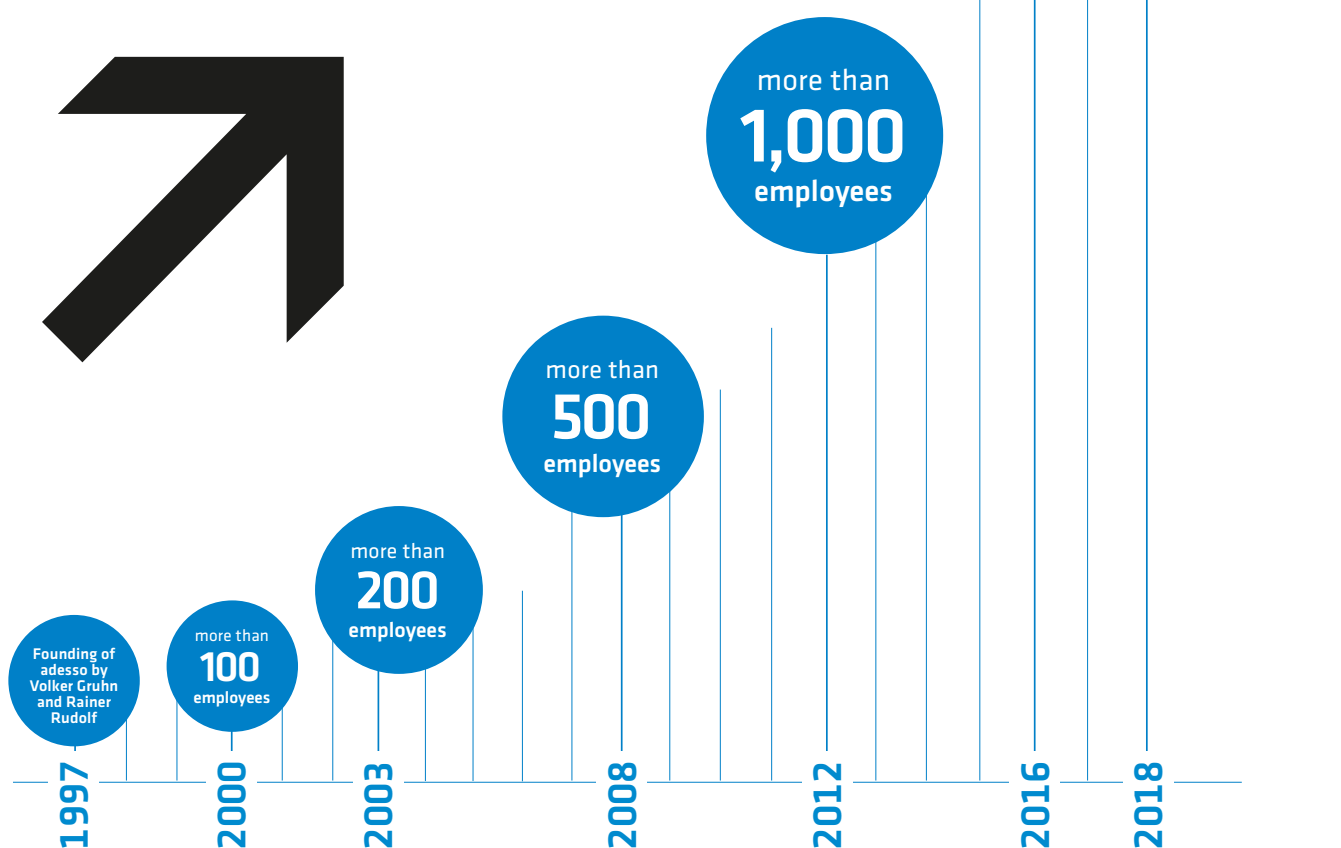
In your opinion, how will adesso develop over the next five years?

I wouldn't venture to predict that adesso will grow at the same rate as it has over the past five years. But I wouldn't put it past the company. I have seen how adesso has developed in the last ten years in the IT market for insurance companies. The standing that adesso has in that area now is very likely to continue to improve.

GROWTH

ON TRACK AND FOCUSED

adesso is aiming to become one of the leading consultancy and technology firms for sector-specific business processes in central Europe, and there is one thing, above all, that it needs in order to achieve this in a growth market: the right employees. Since the company's founding in 1997, adesso has been able to successfully expand the business with above-average organic growth. Interactions among colleagues that are characterised by respect and esteem, as well as a friendly work atmosphere, have always been a key factor in this growth.



THE THREE-THOUSANDTH - NOT JUST THE “NEW GUY”

Michael Schiblon (32) started just at the beginning of 2018 as the 3,000th employee of the adesso Group. His impressions of the business are still quite “fresh,” although he himself has quite a bit of experience from his BA degree in the fields of communications design and advertising. He has joined the team at the subsidiary adesso mobile solutions GmbH (ams) as a senior UX designer. With an holistic approach that bears the end users of apps and mobile solutions in mind Michael ensures a recognisable identity for content, brands and products, along with positive client experiences. In his leisure time he is interested in Dungeons & Dragons, Netflix and other media platforms, and DIY projects, and he enjoys eating out.



PROFILE

“When you walk down the corridors and pay attention to your colleagues, you can sense a certain underlying satisfaction and a really pleasant work environment. Not to mention people’s willingness to help with questions and requests.”

You are relatively new to the adesso Group team, having come on board at the start of 2018 as the 3,000th employee at adesso. How did you find out about that?

Right away, on the first day, the manager of my department caught up with me even before my orientation began and told me about it. You really don’t expect something like that.

Is that important to you?

Apart from the fact that now almost everyone in the adesso Group knows me, at least from a photo, it’s more about the feeling of belonging that it gives me. Starting out as the 3,000th employee in a company really is quite different from just being the “new guy”.

So, tell us a bit about what your role is within the adesso Group.

I’m a UX designer at adesso mobile solutions GmbH at the Dortmund office and I’m currently digging my way through the many app projects that we have implemented so far and that we are going to implement. I also provide consulting support for new client acquisition on concept development and everything associated with it.

How did you become aware of adesso and why did you choose to work for adesso?

adesso does its recruiting really well. Otherwise so many new staff probably wouldn’t have joined last year. I first became aware of ams because of an approach made through XING. I had previously been focusing on the traditional advertising agencies.

The very professional interviews to get to know each other, and the opportunity to use mobile solutions to simplify problems – from complex business processes to day-to-day issues – won me over pretty quickly.

And how did you find the appointment process?

Things really moved very quickly at adesso mobile. Two days after my last interview, the draft contract was already in my inbox. I was even able to clarify my queries on a number of topics with the relevant staff in advance. It made a really professional impression and confirmed my decision for me.

Can you describe a few impressions from your first days at work for us? How were you received by your colleagues, and how were you prepared for your duties?

My first impressions were really favourable. The colleagues I started with at the beginning of the year and I were given a very warm welcome. However, instead of doing an induction phase, I was involved in two client projects and a client workshop straight away. I think that’s probably a bit atypical, but it really helped me in those first days to get to know lots of processes and colleagues based on a practical example. A week later there was a “proper” Welcome Day with all the information about ams and day-to-day processes.

Have you already had contact with other employees from the adesso Group beyond the boundaries of your company, or collaborated with them?

PROFILE



Certainly. I have already been tasked with concept development tasks for a mutual client of adesso and ams. I find the exchange within the adesso Group to be really positive. It means you can draw on the knowledge of the other units and learn a lot.

Many colleagues at adesso feel a special team spirit that is part of the corporate culture. Can you confirm that, or are there other aspects that have struck you?

When you walk down the corridors and pay attention to your colleagues, you can sense a certain underlying satisfaction and a really pleasant work environment. And then there is people's willingness to help with questions and requests. Management staff will always listen to you, too.

Did you imagine your work in the adesso team just as it is or are you surprised by some aspects?

Of course, I have certain expectations of my new employer and the tasks involved. Many aspects I could not have imagined in advance, which now turn out to be very positive. On other aspects I can only comment in the next few months.

In your opinion, what are the strengths of adesso and what characterises the corporate culture?

Of the things I've been able to observe so far, exchange between the individual departments and locations is a particular strength. People are happy to share knowledge and do so quickly, and teams are structured very flexibly in the project business.

The genuine openness and common-sense attitude typical of the Ruhr Valley takes care of everything else.

What particularly motivates you in your work?

You are not left to do a job all by yourself. It is really enjoyable to be faced with complex tasks and problems and then to solve them as part of an interdisciplinary team of developers, designers, and concept developers. This is a given at ams thanks to the range of disciplines in the business segments – and because everyone is working towards one goal, from work placement students to the managing director.

If you wanted to convince an IT professional that they should work for the adesso team too, what would be the first argument that occurred to you?

I think the most powerful arguments are the large, motivated team and colleagues who know what they are doing.

How will adesso develop over the next five years, in your opinion?

We will continue to expand the market sectors we cover, which will ensure further growth. I also very much expect that the demand for and expectations of mobile solutions will increase in all areas of business, meaning that we at ams will continue to find joint projects, along with our own big projects. And maybe there will be some international projects at ams outside the German-speaking countries.

PROMOTING SPORTS

TEAM SPIRIT ON THE PATH TO PEAK PERFORMANCE

“Shared experiences promote social contact and time spent by colleagues with each other outside work. That is why adesso has always supported many recreational activities with a focus on engaging in sport. It helps to build and strengthen social skills.”

As is well known, regular sporting activities are not only healthy, but they also help in many different ways to build social skills or to strengthen them. Team spirit, fair play, motivation, assertiveness, endurance, being a team player and leadership qualities are important in sport just as they are in professional life. Shared experiences also promote social contact and colleagues spending time with each other outside work. That is why adesso has always supported many leisure activities with a focus on sports: because people whose work mainly involves sitting at a workstation are the very people who need to exercise regularly and to clear their head once in a while.

The corporate runs held at all locations across Germany, in which adesso participates at various times each year with a large number of employees and considerable success, have been a highlight in this area for several years. It is a matter of honour that adesso not only puts up the starting money but also offers regular, professionally supervised preparatory training free of charge for those who participate. Running clothing supplied by adesso completes the package. Those who prefer to run shorter distances can build their fitness up to the level of a marathon. adesso employees have repeatedly completed marathons in locations as far away as New York. 2016, after an internal elimination round, adesso has even paid the travel and accommodation costs for the New York Marathon for some employees.

adesso's promotion of sporting activities doesn't stop at running. For example, at adesso, employees enjoy the benefit of a monthly allowance for an active membership in a fitness studio or club. adesso also assumes the entire cost if a number of employees lease a sports hall, a football field or badminton court. Each year adesso puts together a football team for a major client football tournament, and during residential training courses it organises a showdown between the adesso teams from all company locations.



Achieving goals together: for many years, adesso has been sponsoring participation in sporting events, such as corporate runs featuring teams from multiple locations.

adesso has also entered into a framework agreement with a bicycle leasing company for the benefit of those employees who want an environmentally friendly commute to and from work and would also like to do something for their health. This means employees can obtain a tax benefit from leasing a bicycle, with adesso assuming the cost of their insurance.

Sport connects people, even beyond the boundaries of an individual company, so this is an important contribution to society as a whole. In terms of social engagement, adesso doesn't just focus on supporting a wide variety of sporting activities for its own employees; adesso also makes donations to not-for-profit organisations as well as children's and youth services to promote sports or nurture talent.

MORE THAN ONE NEW COLLEAGUE EACH DAY

“We have instituted values of cooperation and management principles. For all that, new influences will always arise, and the culture develops its own features. That’s normal, and it’s also a good thing for a business that is growing. But the heart of its culture always remains.”

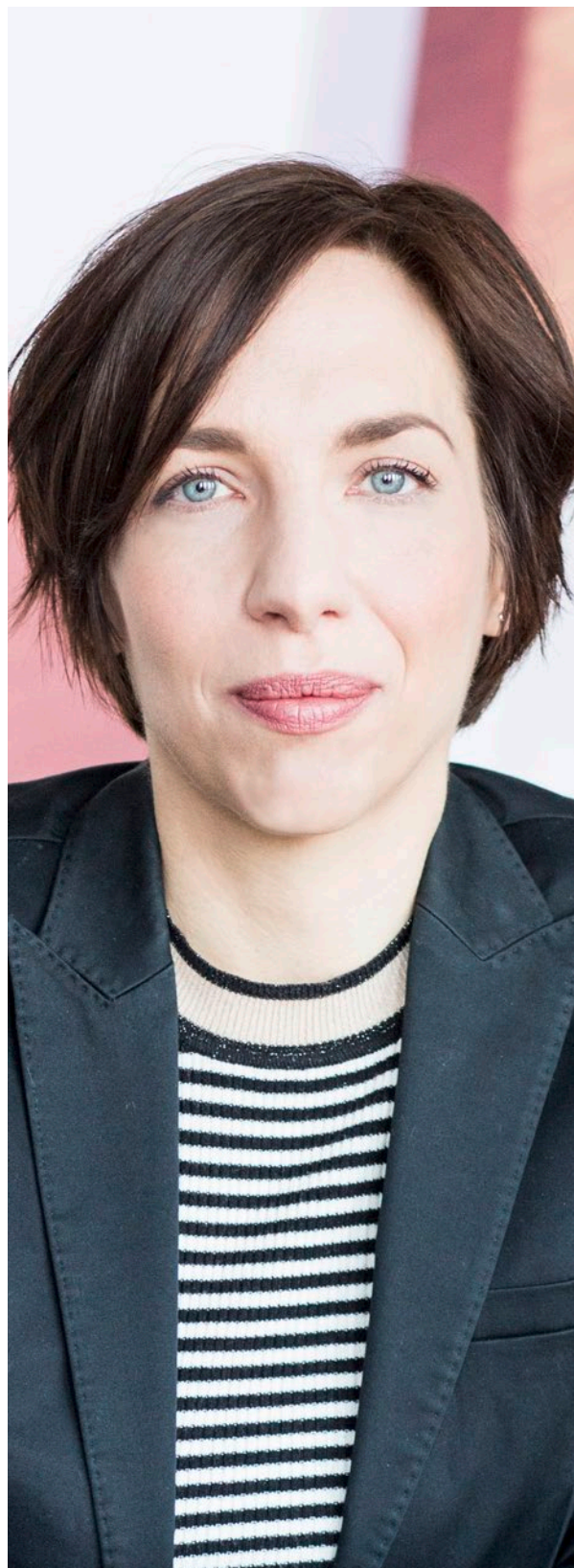
First of all, congratulations on the extraordinarily successful recruitment activities in the past business year. How many employees has the adesso Group actually appointed now, and how many of those work at the parent company, adesso AG?

Not only were we able to attract a large number of employees in 2017, but we also increased the growth in application numbers. That is naturally a fundamental building block for successful growth. We recently attracted 428 new employees to adesso AG. Counting all the companies in the adesso Group, we appointed over 700 staff.

Originally the goal was to appoint 365 new employees to adesso AG. That’s an increase of almost one-third. How did this ambitious plan come about, and what were the biggest challenges?

Staff numbers are an important driver of growth in adesso’s core business. The demand for our services is also great enough to make the recruitment of new employees – and of course retaining our existing employees as well – one of adesso’s strategic goals. We wanted to make this clear by using a memorable figure in 2017. It was particularly challenging to find a sufficient number of qualified applicants, and to manage that volume of applications and appointment processes quickly and accurately.

Kristina Gerwert (41) has been working for adesso since 2001; today she is head of Human Resources Management. In this role she guided adesso AG’s ambitious 2017 programme to expand its team by more than a third. She makes use of her considerable experience and knowledge of the company to manage the challenges this poses to her, to her team and to the company. In her leisure time, the commerce graduate combines her hobbies of travel and running with the goal of running a marathon on every continent.



PROFILE

Were there particular job profiles or career phases you were looking for? Who are the 365 and more new employees?

We were recruiting in particular for our operational areas of Consulting and Software Development, and across all levels of seniority in those areas. The focus was on the development area, however, and within that area, primarily on the “experienced” software developer, software architects and project manager positions. Given our strong growth, though, we also appointed staff in the supporting departments.

What measures were taken – and, of those, which were particularly successful?

We implemented a wide range of different measures. Along with several marketing campaigns in higher education institutions, they also included radio spots in North Rhine-Westphalia, advertising on posters and even trams, and also an online game aimed at the target group. At the same time, we expanded our internal employee recommendation programme to the entire adesso Group. This is our most efficient and successful channel for recruitment.

Why did the employee recommendation programme in particular work so well for adesso?

We have found that our own employees know most about who adesso is looking for and who is suited to adesso. They are also well connected in the relevant circles, so they can make recommendations. But it’s not enough just to single out one particular measure from all of them. It’s the sum total as well as the mix of the various activities that resulted in us receiving over 13,000 applications in 2017.

Has staff turnover increased noticeably due to the rapid increase in staff numbers?

Our turnover rate has actually increased slightly – by 0.5 percentage points – but it has remained at a very good level of under 8%. We have certainly gone through a learning curve in this respect. In light of our challenging growth target, in some instances we imputed more positive personal or professional growth to candidates than ultimately proved to be the case in the employment relationship. We will now examine even more thoroughly whether it will be possible to reconcile mutual expectations.

Do you believe that adesso’s corporate culture is suffering from the strong growth that has occurred over recent years? What is being done to avert such tendencies?

We have a large number of employees at adesso who have been with us from the early years and play a key role in upholding our culture. We have instituted cooperative values that apply to all employees, and management principles that guide our management personnel. For all that, new influences will always arise, and the culture changes somewhat or develops its own characteristics



at our different locations. But that’s quite normal, and it’s also a good thing for a business that is growing and developing. The heart of our culture has always remained intact through all the growth.

The much-reported shortage of qualified staff in the IT sector doesn’t seem to be a problem for adesso. How do you explain that?

Of course, we too are aware that the relationship between supply and demand for IT professionals has changed over the last few years, and we really have to make a huge effort. By opening more locations we can increase our profile across Germany and continue to grow. We target our personnel marketing towards those places where we still see potential for recruiting, and we will continue to use this strategy in the coming years. Since we operate exclusively in the B2B sector, the adesso brand is not necessarily known to everyone. This means that we can still score points with more campaigns, particularly in university settings, even now.

adesso welcomed its 3,000th employee at the start of 2018, but only 2,712 employees are reported as of 31 December 2017, which is noticeably fewer. How do you explain that?

For us in the HR department, each of our colleagues at adesso is counted as an employee, regardless of whether they work on a part-time or full-time basis. In January 2018, we passed the 3,000 mark after taking on more than 70 new members of staff. However, the staff numbers which we publish quarterly are calculated in full-time equivalent numbers. In this process, jobs are converted to full-time jobs. Hence this number is a little lower and is better for the purpose of comparability.

In 2018, adesso is aiming for employee growth at the same level. Is the challenge going to be a little harder this time round, or easier?

I think that 2018 will be equally challenging, since there is a trend whereby the pool of IT applicants is getting smaller, and our competitors have similarly ambitious goals. We must continue to press ahead with our recruiting measures just as vigorously and go down new paths once again.

A VIEW TO THE FUTURE

INNOVATION AS A DRIVER IN CHANGE PROCESSES



“adesso reacts early to changes in market demands and prepares its own employees for new and exciting challenges. This ensures that skills profiles remain in demand and employee motivation remains strong.”

adesso's business success is inextricably linked to its employees. Their knowledge and experience are why adesso is regarded as a leading partner sought after for a wide variety of clients' IT requirements. At the same time, today's IT experts have sophisticated demands regarding their career paths and professional development opportunities – and rightly so. Because due to the industry's short innovation cycles, it is imperative to stay out in front in terms of one's own knowledge and flagship projects. This is sometimes regarded as more important than the amount of remuneration, the work location or working hours.

adesso reacts early to changed market demands and prepares its own employees for new, exciting challenges. This ensures that skills profiles remain in demand and employee motivation remains strong. The basis for this is a corporate culture that promotes creative and innovative thinking, permits new ideas and regards change as the norm.

Hands-on training is already a challenge in this context, but given the ongoing acceleration of digitalisation in all fields of society, the IT sector already has fresh tasks: the even more comprehensive penetration of software solutions into all areas of application requires not just expert knowledge, engineering services and technical project planning, but in particular a more integrated approach to planned development with the timely inclusion of all stakeholders. adesso is therefore fostering a new type of understanding of the software development process. All participants are equipped with methods to help them better understand the software to be developed in its entirety and to take into account the possible consequences and impacts right from the start.

What is even more important than the methods used is, however, the role of an overall coordinator for digital transformation projects; this role, astonishingly, despite all the specialisations within IT professions, does not yet exist. adesso is directly involved in the development of the new vocational profile of “digital designer”¹ as part of a task force set up by industry association Bitkom e.V. The digital designer pools

adesso promotes new IT vocational profiles as well as the use of progressive methods



competencies and takes a formative management role to represent the client and the latter's stakeholders. He or she is a specialist for all design questions from clients and developers.

adesso has always fostered the development of new proprietary methods or integrated third-party methods that have proved to be relevant into its own portfolio. The examples are numerous: “Design Thinking”, “Lego Serious Play” and “Future Search” are already being applied successfully by adesso as part of ambitious client projects. This not only allows adesso to offer its clients added value, but also enables employees to participate in concrete terms in the development of innovative solutions and to think in a completely new way from the start. In research projects with partners from research and industry, adesso also enables its staff to see the broader picture, to work in a multidisciplinary way and to learn about new technologies and approaches to solutions, independent of client-specific projects.

¹ www.bitkom.org/digitaldesign (available only in German)

INDIVIDUAL TRAINING FOR CHALLENGING TASKS

“Alongside the traditional training and further education programme, tailored professional development is particularly attractive to present and future employees. adesso’s programmes, which are optimally suited to particular career phases, provide clear career paths, good chances of advancement in the context of a growing company and consistently high employee motivation.”



PROFESSIONAL DEVELOPMENT

While digitalisation advances in all areas of society and the demand for software solutions continues to grow, development of the labour market that underpins this advancement remains sluggish. The competition for highly qualified IT professionals continues to increase in the industry, which is characterised by a shortage of qualified personnel. That is why adesso took steps to lay the groundwork early on and set up its own training programmes. Based on many years of on-the-job experience, employees are given optimal preparation for the demands of the market and of adesso's clients. Alongside the traditional training and further education programme, adesso's professional development programmes for specific employee target groups are particularly attractive to current and future staff. adesso's programmes, which are optimally suited to particular career phases, provide clear career paths, good chances of advancement in the context of a growing company and thereby consistently high employee motivation.

At adesso, key personnel from all business areas can be nominated by their managers, for example, to participate in the "academy", the adesso Group's one-and-a-half-year academy programme. Along with teaching specialised topics, the academy fosters personal development and other skills through the accompanying coaching. The outdoor week, in which participants learn about team building and leadership through activities such as building a raft, is a highlight of the programme. The ambitious academy programme has been completed by 37 candidates already in two intakes since 2011, who then take on an even more responsible role in projects or a management function. Experienced software developers now have the option of completing internal training towards an "adesso Master of Software Architecture" at adesso. There is also a specific training path for project managers. IT advisors, in turn, complete packaged training courses with a final report in order to obtain certification as an IT consultant. Designated management personnel who are new to adesso have the opportunity of attending the "Licence to Lead" management training course in preparation for their management role.

Digital learning has also recently been made possible at adesso. Alongside face-to-face training, the introduction of the "eCampus" learning portal has made the first digital learning opportunities available: online training courses for self-study, webinars, blended learning courses and digital study material that is available to download. This enables learning on demand – right when knowledge is required in projects.

The trainee programme set up by adesso in 2012 is a complete success, particularly with respect to the recruiting of graduates. It offers higher education graduates an ideal introduction to professional life throughout a year of intensive support. The programme has enabled more than 100 graduates to transfer into a permanent position at adesso since its inception. In 2017, the programme was expanded considerably once again, with over 80 trainees. It is targeted towards bachelor's graduates with some initial job experience (for example through work placements), who take full responsibility for tasks in software development projects as adesso trainees and can thus put the theoretical knowledge they have acquired in their studies to the test in practice. Within the framework of this model, the trainees initially work for adesso clients free of charge, or at very reasonable daily rates. At the same time, they can take advantage of training courses that are part of adesso's internal training programme. An experienced mentor is available to every trainee to answer any questions that arise and guide the trainee through the programme. After successfully completing the year, the trainee has the option of either launching their career as a permanently employed IT expert at adesso or starting a Masters course. This enables adesso to attract qualified young professionals to the business.

ADESSO ACADEMY

37
graduates

of the 1 ½-year academy
programme since 2011

MORE THAN

100
graduates

of the trainee programme
taken on as permanent employees



“A great place to work is one in which you trust the people you work for, have pride in what you do, and enjoy the people you work with.”

Robert Levering, Co-Founder,
Great Place to Work®

Further improvements in three categories

In comparison to the 2016 assessments, which were themselves very good, adesso was able to improve even further on many aspects when it participated in the most recent survey of 2018. The assessment is based on an anonymous, representative and independent survey of our own staff.

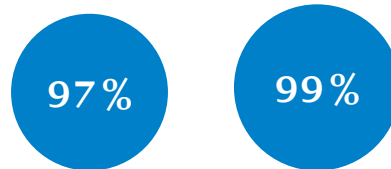
“AS A NEW EMPLOYEE, YOU FEEL WELCOME AT ADESSO.”



2016

2018

“THE WORK ATMOSPHERE IS FRIENDLY.”



2016

2018

“I BELIEVE I CAN MAKE A SIGNIFICANT CONTRIBUTION HERE”



2016

2018

“ADESSO IS A GOOD WORKPLACE.”



2016

2018

WITH DISTINCTION

A GREAT PLACE TO WORK

In six surveys since 2012, adesso has been honoured to count among “Germany’s best employers”, a title which only the 100 top-performing organisations are permitted to use. In its size category, adesso made first place for the first time in 2016 and again 2018 of the best employers in the ITC industry in Germany. Across all industries, adesso achieved fourth place in the nationwide competition in its size category. Great Place to Work used two key tools to decide what company is the most attractive employer in the opinion of employees. First of all, the institute evaluates the quality of the measures that an organisation uses in its personnel activities to support and encourage its employees. In addition, it surveys employees anonymously on key workplace issues such as management, trust in collaboration, identification, team spirit, professional development, remuneration, health promotion and work-life balance. In 2018, adesso was able to improve its results even more in all five major categories of credibility, respect, fairness, pride and team spirit. For example, 100 % of our employees feel welcome,

In the year under review, adesso once again took part in the Great Place to Work® benchmark study, the results of which were published in March 2018. Once again, adesso achieved the top position as "Best Employer in ITC" among large companies. The study is carried out by an independent market research institute.

and 99.9 % of our employees confirm that they experience a friendly atmosphere. Furthermore, 96 % of employees agree that they can be “themselves” at adesso and do not need to put on an act. In summary, 95 % of our employees say that they have found a good workplace at adesso. adesso doesn’t just use its regular participation in the benchmark study for personnel marketing purposes. More importantly, the results are used to find out more about how employees view adesso as an employer, and how this assessment may change over time. This independent channel is thus an important yardstick in competition, allowing adesso to continuously introduce new improvement measures. The results provide valuable impetus for the optimisation of personnel activities; happily, they have also corroborated our team-oriented work atmosphere for years, which is characterised by fair and respectful interaction. adesso works hard to achieve this, but the returns are even greater. Our clients – and, indirectly, their business success as well as our own – benefit greatly from the satisfaction of adesso employees, their great commitment and their motivation in a Great Place to Work.





GROUP MANAGEMENT REPORT

36

GROUP PRINCIPLES

- 36 Business Model, Targets and Strategies
- 36 Employees and Structure
- 37 Management System
- 37 Research and Development

37

BUSINESS REPORT

- 37 Macroeconomic Climate and Industry-specific Conditions
- 39 Business Performance
- 39 Position

51

FORECAST, OPPORTUNITIES AND RISK REPORTS

- 51 Forecast Report
- 53 Opportunities and Risk Report
- 60 Internal Control System and Risk Management System in Terms of the Consolidated Accounting Process
- 60 Takeover-relevant Information
- 63 Declaration of Conformity, with the Corporate Governance Code and Non-Financial Group Declaration
- 63 Remuneration Report

GROUP PRINCIPLES

Business model, targets and strategies

The adesso Group is a fast-growing IT company which has set its sights on becoming one of the leading consulting and technology groups for industry-specific business processes in Central Europe. With a high level of expertise in the areas it caters to, adesso operates at the interface between business processes and IT, implementing software projects at the highest technical level. The development of in-house software solutions increases the company's market penetration and strengthens its position in promising IT fields, such as mobilisation and enterprise content management. adesso pursues the internationalisation of its own product sales as a strategic goal. Enterprise development is complemented by a well-defined acquisition strategy.

Fuelled by past growth and growth in the making, a focused business model and an insistence on outperforming industry average margins, adesso Group's value is continually increasing. To achieve this, adesso invests significant resources in targeted business development, the expansion of sales capacities, recruiting and marketing. These investments, coupled with extensive industry and consulting expertise, enable growth rates, which exceed the industry average by far.

adesso is a leading technology group in the field of software development and invests more than average in the training and development of our workforce and in the ongoing development of the adesso model for the software development process.

The Executive Board is committed to a strategy of striving for the right balance of growth, solid finances and profitability. The company aims to open additional national subsidiaries in accordance with these principles.

For 2017, the Executive Board defined targeted sales growth of 4 % to 15 % to EUR 270 million to EUR 300 million, increased operating profit measured as EBITDA between EUR 23.0 million and

EUR 27.0 million (adjusted during the course of the year to EUR 20.0 to 24.0 million) and an increased minimum EBITDA margin of 7.5 % compared to the previous year. With sales increasing by 23 % to EUR 322 million, of which 19 % was organic, EBITDA amounting to EUR 25.4 million and an EBITDA margin of 7.9 %, the adesso Group achieved its targets.

Employees and structure

Founded in 1997, adesso employed a total of 2,712 employees (FTE) (previous year: 2,174) in Germany, Austria, Switzerland, Turkey and the USA at the end of 2017. While the adesso Group employed 321 (previous year: 248) staff members outside of Germany, 1,587 (previous year: 1,234) employees were deployed in Germany and worked for the parent company, adesso AG, which is the holding company and by far the largest operating unit.

adesso AG's largest location is Dortmund, which is also the city in which the company was founded and where its corporate headquarters are located. To stay close to its customers and keep travel times and costs as low as possible, adesso maintains eighteen other offices in all of Germany's major economic regions. This broad local presence is also extremely important in terms of recruitment. International locations include Basel, Bern, Boston, Istanbul, London, Vienna and Zurich.

In addition to adesso AG, the largest operating unit and parent company, the adesso Group also includes 21 majority-owned companies, consolidated second-tier subsidiaries and minority interests as at the reporting date.

adesso has two different segments: IT Services and IT Solutions. While the IT Services segment offers customised, project-oriented services in the areas of consulting and software development, the IT Solutions businesses market their own solutions as home-grown products or standard software products.

The parent company adesso AG is publicly traded and listed on nearly all German stock exchanges (ISIN code: DE000A0Z23Q5, WKN [national security identification number]: A0Z23Q).

Management system

As the holding company of the adesso Group, adesso AG defines the strategy and operational targets of all group companies. It controls the legally independent group companies by implementing a target system, carrying out an ongoing reporting process and occupying positions in the supervisory bodies and management teams.

Operational control is ensured by a reporting system, which has been implemented uniformly across the Group. In the process, each group company prepares full monthly financial statements based on national legal regulations. Key performance figures for reporting are sales, EBITDA, earnings before tax (EBT), the EBT margin, number and proportion of employees not fully utilised, number of employees and net liquidity. The most important performance indicators are subject to continuous comparisons with forecast and actual data. All indicators are carried forward and subject to an internal group benchmark. Updated forecasts are prepared for each group company on a rolling basis for the entire year to identify possible planning deviations in a timely manner. Fixed reporting channels and cycles have been defined, and there is also a fixed appointment schedule for management meetings. There are no fundamental differences between key performance indicators in the reporting systems for each segment.

Research and development

The bulk of the adesso Group's sales is attributable to IT services. Research costs in the IT Solutions segment are negligible in relation to Group expenses. None of the group companies has its own dedicated research department.

BUSINESS REPORT

Macroeconomic climate and industry-specific conditions

Macroeconomic climate

In 2017, the German economy continued to grow strongly. According to initial calculations by the German Federal Office of Statistics, economic growth is expected to accelerate to 2.2 % following on growth of 1.9 % in the previous year. This would exceed the original projection of the federal government for 2017 considerably by 0.8 percentage points.

According to the estimates of the Federal Ministry of Economy, the German economy is experiencing a strong upswing, even if the strong economic dynamics weakened slightly at the end of 2017. As in previous years, consumption was the driving force of the economy. Private consumer spending increased by 2.0 % in real terms, and government consumer spending increased by 1.4 %. In 2017, as a result of the improved economic situation, there were also increased foreign trade impulses. The Federal Ministry of Economy has concluded that there will be an upswing based on broad domestic and foreign trade. However, the scarcity of skilled employees became noticeable in segments of the employment market.

Even if the strong economic dynamics weakened a bit in the final quarter, the considerable incoming orders and positive business expectations indicated that the economic development in Germany will continue to develop in a lively manner in 2018 as well.

For Switzerland, the Federal Government's Expert Group expects only moderate GDP growth of 1.0 % owing to the weak first half of the year 2017. This corresponds to a weakening of the dynamics in comparison to the previous year (1.3 %) and is considerably lower than the forecast originally made for the entire year at the end of 2016. Over the course of the year, however, the Swiss economy gained increasingly in momentum and accelerated the tempo of its growth from quarter to quarter.

In Austria, the economy continues to improve. After a GDP growth of 1.5 % in the previous year, the leading economic research institutes are expecting a strong acceleration in growth for 2017 (between 3.0 % and 3.1 %).

In Turkey, the OECD is expecting a strong GDP growth of 6.1 % in 2017 (2016: 3.3 %) driven by fiscal impulses and the recovery of export markets.

In the USA, the OECD is expecting an acceleration in the GDP growth dynamic of 2.2 % in 2017 after 1.5 % in 2016.

The conditions of the economy as a whole were, therefore, generally positive for adesso's business performance.

Industry-specific conditions

The industry association Bitkom expects that the German market for information technology product and service providers grew by 3.4 % to EUR 85.8 billion in 2017. As a result, the growth dynamic accelerated considerably compared to the previous year's figure of 2.6 %. Essential in this regard was, above all, the trend reversal in the IT hardware area, which demonstrated stronger growth of 2.6 % again after a decline of -0.5 % in the previous year. However, the IT market once again grew over 50 % quicker than the economy as a whole.

The highest rate of growth was, as before, enjoyed by the Software segment, whose growth once again increased slightly by 0.1 % to 6.3 % in 2017. The market volume reached EUR 23 billion.

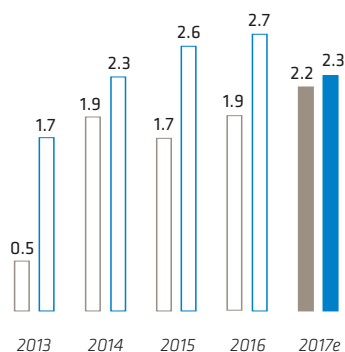
Growth in the IT services industry, which is the most important for the adesso Group in terms of sales, decreased slightly in comparison to the previous year by 0.4 % to 2.3 %. The market volume of this segment now amounts to EUR 39.0 billion.

Industry-specific conditions, therefore, continued to be positive for adesso's business performance.

GDP GROWTH RATES (REAL)
AND IT SERVICES

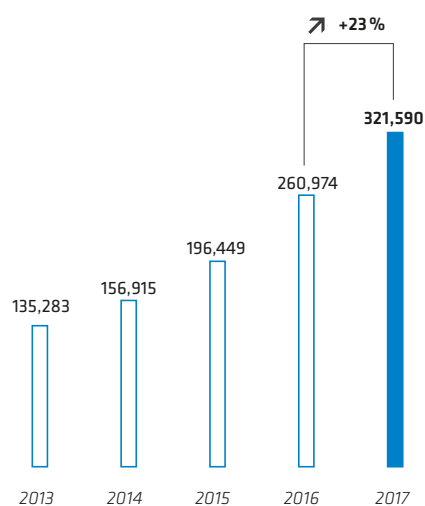
in %

■ GDP (real) ■ IT services



GROWTH IN SALES

in EUR k



Business performance

There were no individual events that could be seen as having significantly affected the business performance in the reporting period.

Overall statement on business performance by the management

The adesso Group was able to improve sales by 23 % (of which 19 % is organic) and operating earnings (EBITDA) by 8 % year on year and thus achieved its 2017 targets for these key performance figures. The company also achieved its target of generating a minimum EBITDA margin of 7.5 %, with the final margin coming in at 7.9 % and resulting in a margin increase of 1.0 percentage points.

Position

Earnings situation

Growth in sales

The adesso Group successfully increased its sales by 23 % to EUR 321.6 million in the 2017 financial year. The purely organic growth (without consideration of the company's acquisitions in 2016 and 2017) amounted to 19 %.

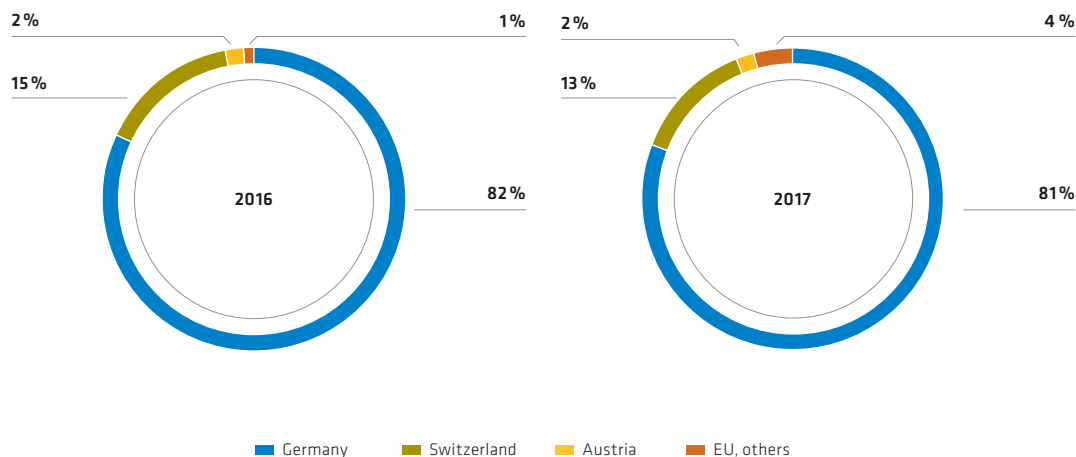
With an estimated market growth of 3.0 % for the industry, adesso, as it did in previous years, had a significantly higher organic growth than the market in 2017 and was, therefore, able to gain additional market share.

During the 2017 financial year, sales increased from EUR 149.6 million in the first six months to a new high of EUR 172.0 million in the second half of the year. This increase resulted from the number of employees, which continued to increase, and higher licence revenues.

Sales in both segments increased considerably, and growth in the IT Solutions segment was 2 % above that of the IT Services segment.

SALES BY COUNTRY

in %



In the IT Services segment, adesso AG, which is the most important national subsidiary in the Group owing to its size, considerably increased its sales in Germany compared to the previous year by 24 %, partly due to a higher amount of externally purchased services. In Switzerland, sales increased by 2 %, and in Turkey order acquisitions and increasing involvement in projects in Germany and Switzerland led to an impressive increase in sales amounting to 91 %. In contrast to other years, adesso AG managed to increase its sales in Austria by 23 %.

Most of the sales with external experts are generated in the context of adesso Group projects. External resources are used here for capacity reasons or to obtain specialised knowledge. The share of sales generated with external experts rose in 2017. An additional contribution to sales growth in the IT Services segment was made by the business activities with smart hosting, cloud services and e-commerce.

In the IT Solutions segment, the Content Solutions business area increased sales for the in-house content management system FirstSpirit by 2 %. Due to the increased share of contractual models with diverse sales realisation, such as in the case of software as a service agreements, there is a delay between rising

order intake and rising sales revenues from licences. This applies particularly in the USA, where new customers were once again acquired.

Sales in the Mobile Solutions segment rose significantly by 19 %. The mobilisation of web contents and business processes has become standard in the meantime and continues to be one of the disproportionately growing fields in IT. In this field, the adesso Group is a leading company for enterprise mobility in Germany.

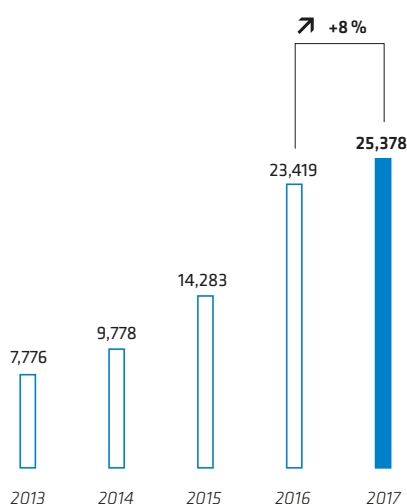
Continuing to expand the business with in|sure, adesso's own family of products for the insurance sector, is an important growth driver in the IT Solutions segment.

For the offer for modernising existing legacy applications based on transformer technology, adesso AG obtained two large orders with the corresponding licence revenue for the first time.

Percentage sales growth was highest in the core banking/financial services industry. Double-digit growth rates were achieved in banks/financial services and insurance, which account for the largest proportion of adesso's sales. The automotive and transportation industry, established as a new core industry in 2016,

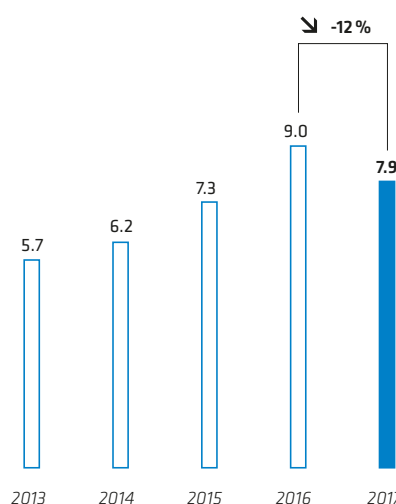
EBITDA-ENTWICKLUNG

in EUR k



EBITDA-MARGIN

in %



attracted new customers 2017 as well and enjoyed a double-digit revenue increase.

Sales to customers outside Germany increased by 34 % to EUR 61.6 million in 2017.

Earnings

In 2017, EBITDA increased by 8 % to EUR 25.4 million. Thereby, the original target corridor of EUR 23 to 27 million was reached after the expected earnings were reduced to EUR 20 to 24 million during the semi-annual financial reports for 2017. In spite of the organic growth of 19 %, the earnings contributions of the acquisitions made in 2016 and 2017 were the most important drivers for the growth in earnings.

The average number of employees (FTEs) increased by 27 % (532 employees) to 2,488 in 2017, meaning that the number of employees increased faster than sales with 23 %. At the same time, in comparison to the previous year, the materials usage rate increased from 10.8 % to 13.5 % through the use of external specialists. There has been a considerable decrease of 6 % in the gross profit per employee to EUR 112 thousand (previous year: EUR 119 thousand). In addition to the working potential, which was reduced by three working days, in the first half of 2017, a smaller

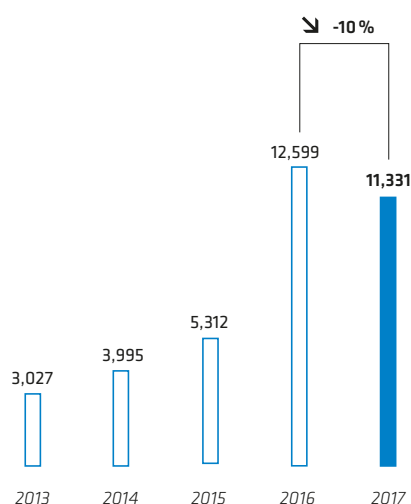
number of billable customer hours was reached per employee due to growth. At EUR 3.1 million, other operating income did not change in comparison to the previous year.

The cost of materials came in at EUR 43.3 million (previous year: EUR 28.4 million) and was mainly associated with the cost of integrating subcontractors into projects. It rose by 53 % and, therefore, much faster than sales. Despite the success in recruiting, which delivered a new record in the number of new hires and additional jobs, adesso Group could process the orders received only by involving an even higher number of external workers in the projects. This means that gross profit increased somewhat less than sales, namely by 20 % to EUR 278.2 million (previous year: EUR 232.6 million).

Personnel costs were up by 19 % to EUR 200.3 million. The increase, which was smaller than the increase in the number of employees, results from the fact that the adesso Group hired a large number of trainees and people starting their career as well as the considerable increase in the valuation of equity-related long-term incentives recorded in the previous year. There was a major decrease in the average personnel costs per employee from EUR 86 thousand to EUR 81 thousand.

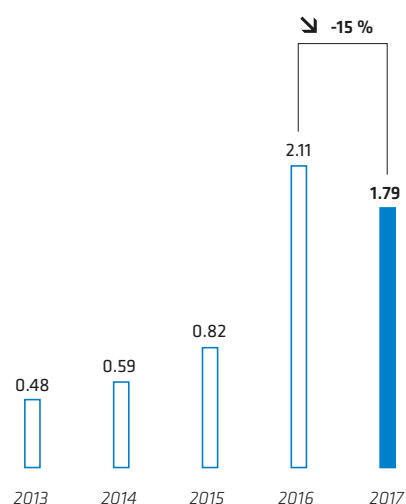
CONSOLIDATED EARNINGS

in EUR k



EARNINGS PER SHARE

in EUR



Other operating expenses increased by 28 % to EUR 55.7 million, a disproportionately high margin compared to sales revenues. A large share of this increase is due to the rise in the number of employees. Costs such as travel, vehicle and training expenses tend to increase proportionately with each employee. Occupancy and related costs also increased due to relocations and expansions. In 2017, the costs for employer branding, recruiting/personnel consulting and marketing were considerably higher, which was also due to activities marking the company's 20-year anniversary. In total, other operational expenses increased more quickly than sales, which reduced the margins.

Total operating earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 8 %, or EUR 2.0 million in absolute terms, to EUR 25.4 million in 2017. The EBITDA margin came to 7.9 %, up from 9.0 % in the previous year. The margin decline can be attributed to a lower gross profit per employee (caused by growth and a lower amount of billable customer hours in the first half of the year in Germany) and the disproportionate increase in other operational expenses, which were also primarily driven by growth.

An EBITDA of EUR 7.6 million (previous year: EUR 8.9 million) was generated in the first half of the

MULTI-PERIOD OVERVIEW OF INCOME STATEMENT

<i>in EUR k</i>	2017	2016	2015	2014	2013
Sales revenues	321,590	260,974	196,449	156,915	135,283
Other operating income	3,135	3,212	1,862	2,069	2,150
Own work capitalised	47	0	165	274	0
TOTAL INCOME	324,772	264,186	198,476	159,258	137,433
Cost of materials	-43,347	-28,389	-22,975	-18,980	-13,789
Personnel costs	-200,309	-168,737	-125,144	-98,903	-87,739
Other operating expenses	-55,738	-43,641	-36,074	-31,597	-28,129
EBITDA	25,378	23,419	14,283	9,778	7,776
Depreciation and amortisation	-8,193	-6,352	-4,877	-2,407	-2,936
EBIT	17,185	17,067	9,406	7,371	4,840
Income from financing and investment activities	-554	-2	69	-83	-217
EBT	16,631	17,065	9,475	7,288	4,623
Income taxes	-5,300	-4,466	-4,163	-3,293	-1,596
Consolidated earnings	11,331	12,599	5,312	3,995	3,027
Gross profit	278,243	232,585	173,639	138,209	121,494
Gross income margin	87 %	89 %	88 %	88 %	90 %
EBITDA-margin	7.9 %	9.0 %	7.3 %	6.2 %	5.7 %
Sales development	23 %	33 %	25 %	16 %	12 %
Change in personnel costs	19 %	35 %	27 %	12 %	13 %
Change in other operating expenses	28 %	21 %	14 %	12 %	9 %

year, which rose to EUR 17.8 million in the second half (previous year: EUR 14.5 million). The increase during the year is largely due to the amount of billable customer hours and higher licence revenue, which increased once again.

In the IT Services segment, the national subsidiaries in Switzerland, Austria and Turkey, in particular, improved their earnings contribution. In the IT Solutions segment, the smarthouse business with solutions for the financial sector generated higher earnings.

Depreciation and amortisation increased by 29 % in the reporting period to EUR 8.2 million. This significant increase was due both to organic growth and to the amortisation of intangible assets from the acquisition. This includes amortisation resulting from company mergers of EUR 2.9 million (previous year: EUR 2.3 million; +22 %). This also includes depreciation of property, plant and equipment and amortisation of intangible assets, which increased significantly by 33 % to EUR 5.3 million. Drivers for the increase in depreciation and amortisation are both the company's growth and the considerable site expansion achieved by expanding and opening new facilities in Germany and Switzerland. As in the previous year, no unplanned goodwill impairments were recognised.

Income from financing and investment activities amounted to EUR -0.6 million following on around EUR 0.0 million in the previous year. The interest expenditure increased considerably by 64 % to EUR 0.8 million as a result of the acquisition loan. Income from financing activities amounted to EUR 0.2 million following on EUR 0.4 million in the previous year.

At EUR 16.6 million, the earnings before tax (EBT) remained almost unchanged in spite of the higher operating results from the increase in depreciation and amortisation and the higher interest expense (previous year: EUR 17.1 million). Expense from income taxes amounted to EUR 5.3 million (previous year: EUR 4.5 million). The effective tax rate came in at 32 % (previous year: 26 %). The utilisation of tax loss carry-forwards, on which no deferred tax assets had been formed in previous years, had a positive effect on the tax result from the previous year. Overall, this led to positive consolidated earn-

ings of EUR 11.3 million in 2016, following on EUR 12.6 million in the previous year. The proportion of consolidated earnings allocated to minority interests remained unchanged compared to the previous year at EUR 0.3 million, so that the portion allocated to adesso shareholders amounts to EUR 11.0 million. The earnings per share amount to EUR 1.79 following on EUR 2.11 in the previous year, which exerted one-time impacts on taxes.

Order development

The order intake during 2017 accompanied the increase in employees and sales. A general slump in demand was not observed in any region, segment or industry. Business activities continued at the start of 2018 with the majority of the leading customers for 2017. The volume of offers that have been made to customers but not yet accepted in the most important market, Germany, was considerably above the value of the previous year on the reporting date.

Employee indicators

The leading performance figures for employees developed as follows:

EMPLOYEE INDICATORS

	2017	2016	2015	2014	2013
Employees at year end	2,980	2,382	1,840	1,499	1,352
Full-time equivalents (FTE) at year end	2,712	2,174	1,702	1,377	1,221
Full-time equivalents (FTE), average for the year	2,488	1,956	1,534	1,298	1,156
Sales per Ø FTE (in EUR k)	129	133	128	121	117
Gross profit per Ø FTE (in EUR k)	112	119	113	106	105
Personnel costs per Ø FTE (in EUR k)	81	86	82	76	76

Financial position

Financial management principles and objectives

adesso pursues a balanced financial policy. The objective of financial management is to assure short-term liquidity, including a margin of safety, as well as to secure and acquire financial assets to fund medium-

and long-term investment projects. In principle, the company does not enter into investment transactions with speculative elements.

There are no variable interest rates on investments. In light of the zero- or even lower investment interest rates for low-risk investments, the company invests the existing liquid funds almost exclusively on a daily basis so that it can flexibly take advantage of investment opportunities when they arise.

Central cash management at the level of daily account clearing has not been set up. Bank borrowing was centralised with the parent company. The account balances and financial position of all companies are transparent to the Group's Executive Board and constitute a standard element of the monthly reporting system. All interest-bearing liabilities are denominated in euros, except for the 2015 acquisition in Switzerland, which was denominated in Swiss francs. Factoring or other methods of selling receivables are not used at this time.

Capital structure

Financing is needed primarily for the receivables portfolio and services that have not been settled in the amount of EUR 81.5 million (previous year: EUR 70.1 million). Working capital (accounts receivable trade plus PoC receivables less account payable trade and less and PoC liabilities) came to EUR 58.2 million as at 31 December 2017 (previous year: EUR 47.0 million). As a result, the need for advance financing of business operations rose by 24 % year on year while sales increased by 23 %. The slightly disproportional increase results from the claims from projects that have been begun; the accounts receivable trade, in contrast, demonstrated a disproportionately low growth of 13 %.

The entire portfolio of interest-bearing financial liabilities was EUR 1.9 million under the value of the previous year at EUR 46.2 million on the reporting date as a result of instalment payments and despite new intake. Interest is fixed over the respective entire term. All interest-bearing liabilities are denominated in euros or Swiss francs. Credit balances are available in the short term. Net liquidity after deducting the financial liabilities is EUR 0.3 million (previous year: EUR -5.0 million). With a value of 0.0 (previous year: -0.2), the net liquidity in relation to EBITDA is considerably higher than the maximum target of -1.5 the

company set itself. Please note that the net liquidity on the reporting date 31/12 regularly lies close to the maximum value over the course of a year.

Investments, acquisitions and divestments

The adesso business model requires relatively low investments in property, plants and equipment. The capital assets of EUR 8.7 million (previous year: EUR 6.7 million) and therefore 4 % of the sum of all asset items largely consist of hardware, such as laptops and servers, and office furnishings. The increase resulted from the investments made in additional employee growth, the expansion of office areas at the locations and furnishing locations that had recently been opened. There are no significant subsequent obligations from property, plant and equipment investment projects as at 31 December 2017, and no investment backlog to report. At the end of 2018 and at the beginning of 2019, the second phase of construction of the group headquarters in Germany, involving an investment sum of around EUR 4 million, will be furnished, made ready for use and equipped with technical infrastructure. As a result, the depreciation and amortisation of the commodities with lesser value and the fixed assets portfolio will increase above and beyond normal growth in 2018. A credit amounting to EUR 4 million was taken out for the investments at the beginning of 2018.

In February 2017, adesso took over the SAP consulting firm UnitCon GmbH and thereby expanded its business in the area of SAP Customer Engagement, Business Analytics and HANA. The company paid the purchase price of EUR 5.5 million using only existing liquid assets. The profitable and debt-free company generated approximately EUR 1 million EBIT and an EBIT margin of more than 20 % in the year prior to the takeover. The acquired company was completely merged and integrated into the group company Arithnea GmbH during the year. The sellers continue to develop the joint business there in responsible roles.

In March 2017, adesso invested in the start-up soccerwtach.tv with 30 % involvement. The company from Essen developed a fully automatic camera system and an online streaming service for broadcasting amateur football games live. Promoting innovations and designing new solutions that drive forward digital transformation are some of adesso's important

DEVELOPMENT OF CASH AT BANK AND FINANCIAL LIABILITIES

<i>in EUR k</i>	<i>Cash at bank</i>	<i>Change in %</i>	<i>Financial liabilities</i>	<i>Change in %</i>
2013	21,644	+1	6,091	-41
2014	23,724	+10	5,724	-6
2015	28,162	+19	21,746	+280
2016	43,144	+53	48,098	+121
2017	46,497	+8	46,155	-4

DEVELOPMENT IN LIQUIDITY

<i>in EUR k</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>Change 2017</i>
Liquid assets	46,497	43,144	28,162	+3,353
(-) Financial liabilities	46,155	48,098	21,746	-1,943
(=) Net liquidity	342	-4,954	6,416	+5,296
Net liquidity to EBITDA	0.0	-0.2	0.5	+0.2
Liquid assets	46,497	43,144	28,162	+3,353
(+) Trade accounts receivable and receivables PoC	81,459	70,060	46,730	+11,399
(-) Current liabilities	92,366	80,581	55,540	+11,785
(=) Net liquidity 2	35,590	32,623	19,352	+2,967

DEVELOPMENT OF FINANCIAL POSITION

<i>in EUR k</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Liquide Mittel	46,497	43,144	28,162	23,724	21,644
Financial liabilities	46,155	48,098	21,746	5,724	6,091
Net liquidity	342	-4,954	6,416	18,000	15,553
Cash flow from operating activities	20,265	15,137	16,877	9,248	7,646
Cash flow from investing activities	-11,017	-30,066	-26,878	-5,408	-1,231
Cash flow from financing activities	-5,594	29,929	14,081	-1,735	-6,007
Currency differences	-301	-18	358	-25	-44
Total change in liquid assets	3,353	14,982	4,438	2,080	364

mission statements. The investment in soccerwatch.tv, which developed a pioneering business idea in the areas of digital transformation and cyber physical systems, fits well into this context. As part of milestone financing, adesso is committed to invest up to EUR 1.4 million as a premium for financing the development and the beta phase in soccerwatch.tv, depending on the achievement of operational targets. Part of the investment is returning to adesso in the form of commissions, especially those for developing the customer portal. The beta phase has been successfully started.

In October 2017, adesso acquired all shares in medgineering GmbH, Halle (Westphalia), and paid the buying price of EUR 0.7 million in cash. The company developed a first aid communication system for mission control centres, which is used to alert professional and volunteer first aiders in the immediate vicinity of an emergency situation at the same time as the emergency physician and the ambulance. adesso will promote the area-covering expansion of the system on a revised technical basis for all mission control centres in Germany. An earn-out agreement was made with the previous shareholder, who continues to support the company in a consulting role. The sales potential in Germany is lower than EUR 10 million. The first positive earnings contribution is expected in 2019.

In December 2017, adesso expanded its involvement in the Dortmund-based company com2m GmbH from 24.9 % (previously) to now around 60 % of the shares with effect as of 1 January 2018. The investment, amounting to less than EUR 1 million, was made against the background of a dynamically developing demand for consulting and solutions in the context of the Internet of Things (IoT). That has made it possible for adesso and com2m to acquire their first larger projects. com2m's IoT platform plays a considerable role in taking care of customer demands by using practical solutions and a result-oriented procedure.

The consolidated notes provide more details on the company acquisitions.

Liquidity

Cash and cash equivalents totalled EUR 46.5 million on the reporting date (previous year: EUR 43.1 million). They were partly offset by financial liabilities, mainly from acquisition loans, in the amount of EUR 46.2 million (previous year: EUR 48.1 million). Net liquidity after the deduction of financial liabilities increased by EUR 5.3 million to 0.3 EUR (previous year: EUR -5.0 million).

Cash flow from operating activities stood at EUR 20.3 million (previous year: EUR 15.1 million). In addition to the increase in EBITDA, this was mainly due to the reduction in the average period until the receipt of trade receivables. Cash flow from investment activities stood at EUR -11.0 million (previous year: EUR -30.1 million). In the previous year, higher payments (EUR 20.8 million higher) were made for the acquisition of subsidiary companies. Cash flow from financing activities amounted to EUR -5.6 million, compared to EUR +29.9 million in the previous year. In the previous year, the company took out EUR 30.5 million of new acquisition and money market loans and the addition of EUR 12.5 million from a cash capital increase.

Dividends of EUR 2.4 million (previous year: EUR 2.7 million) were paid out, of which EUR 2.2 million went to adesso AG's shareholders (previous year: EUR 1.7 million). All in all, liquid assets increased by EUR 3.4 million (previous year: increase of EUR 15.0 million, especially due to an increase in capital).

Variable salary components are paid from cash and cash equivalents and are paid out in the first few months of 2018. This is typical for the business. Thus, as in the previous years, the net liquidity in the first half of the year 2018 will very probably experience negative developments for the time being. Overall, the liquidity of the adesso Group is adequate to carry on current business operations, for the planned redemption of liabilities and to compensate for ordinary fluctuations in capacity utilisation.

Assets and liabilities

Analysis of asset structure

Total assets as at the reporting date increased year on year by 11 %, or EUR 19.7 million, to EUR 202.8 million. Next to organic growth, acquisitions were the main driving force behind the expansion of business activities.

MULTI-PERIOD OVERVIEW OF ASSETS AND LIABILITIES

<i>in EUR k</i>	2017	2016	2015	2014	2013
Balance sheet total	202,812	183,079	120,167	84,030	75,129
Current assets	133,357	117,897	78,656	60,789	53,004
Of which liquid assets	46,497	43,144	28,162	23,724	21,644
Of which trade accounts receivable and receivables PoC	81,459	70,060	46,730	34,655	29,011
Non-current assets	69,455	65,182	41,511	23,241	22,125
Current liabilities	92,366	80,581	55,540	38,209	32,687
Of which loans and other financial liabilities	13,877	14,099	4,212	1,583	2,567
Of which trade accounts payable and liabilities PoC	23,295	23,071	16,379	11,055	7,263
Non-current liabilities	43,423	44,183	22,476	7,073	6,398
Of which loans and other financial liabilities	32,278	33,999	17,534	4,141	3,525
Equity	67,023	58,315	42,150	38,748	36,044

FINANCIAL PERFORMANCE INDICATORS

	Target 2017	Actual 2017	Target
Growth in sales (organic)	4 to 15 % to 270 to EUR 300 million	23 % to EUR 322 million, of which 19 pp. are organic	At least double sector growth (2017: approx. 3,0 %)
EBITDA	EUR 23,0 to 27,0 million	EUR 25,4 million	Increase over previous year
EBITDA-margin (indirect)	> 7.5 %	7.9 %	9 to 11 % (Long-term)

Table source: Group figures - adesso Group

PERFORMANCE INDICATOR INVERSE UTILISATION RATE

	2017	2016	2015	Ziel
Annual average	9.1 %	9.0 %	12.0 %	9 % to 13 %
Maximum	10.6 %	13.4 %	14.4 %	15 %
Minimum	7.6 %	6.6 %	9.1 %	7 %

Table source: adesso AG

On the assets side, goodwill increased by EUR 1.8 million, thereof EUR +2.7 million as a result of acquisitions and -0.9 by exchange rate changes. Property, plants and equipment increased by EUR 2.1 million. Sales growth and the acquisition caused trade receivables to increase by EUR 7.3 million and PoC receivables by EUR 4.1 million. In absolute terms, current assets increased more quickly than non-current assets.

On the liabilities side, current and non-current financial liabilities fell as a result of ongoing principal payments, despite new borrowing of EUR 1.9 million net. Consolidated equity increased by EUR 8.7 million as a result of the positive group earnings, despite dividend payments, and stands at EUR 67.0 million. The consolidated equity rate, therefore, increased by 1.2 % points to 33.0 % compared to the previous year

Financial and non-financial performance indicators

The key financial performance indicators used for internal control of the Group are sales growth, EBITDA and the EBITDA margin. Targets and actual values for the reporting period, as well as the medium and long-term target corridor, are provided in the preceding table.

The adesso Group does not use any group-wide non-financial performance indicators for the internal control of the Group. Given the outstanding importance to the Group of adesso AG, which is responsible for over 50 % of adesso Group business, and the otherwise broad range of control-relevant performance indicators within the group due to the business it conducts, the financial and non-financial performance indicators used for the internal control of adesso AG are reported on below.

The development of earnings generated by adesso AG depends on a number of performance indicators. In addition to the growth rate which is achieved, these are in particular:

Employee capacity utilisation (proportion of employees working on customer projects)

The proportion of employees working on billable customer projects has a direct influence on earnings. The greatest possible constant and high utilisation, without severely limiting flexibility in staffing

new projects, is our goal. Since the end and beginning of projects cannot always be optimally scheduled in sequence, some basic non-utilisation of capacity is unavoidable. Utilisation is measured biweekly according to the number of employees in operations and is reported as the proportion of employees that are not assigned to a project.

A high utilisation was achieved again in 2017. The value lies in the target corridor.

Booking intensity (average of billed hours per project day)

The number of billable customer hours as the basis for sales and earnings is subject to fluctuations, which do not depend on the order situation, resulting from the number of potential working days, holidays taken, illness and capacity utilisation. When these effects are neutralised in the analysis of billable customer hours, it is possible to determine the average billable customer hours per project day for an employee assigned to a project, provided that structures remain unchanged. Changes to structures, such as the management team, career levels and working models, are also included in booking intensity. The booking intensity determined this way measures the development of quantitative value creation per employee in the project and structural efficiency.

Since additional or fewer hours worked per project day leave costs virtually unchanged, a change in the booking intensity has a direct impact on earnings. The booking intensity is also influenced by the intensity of pursuing internal projects for company development, business development or pre-sales. It is specified as a percentage of an eight-hour workday.

In 2017, the average posting intensity increased compared to the previous year. Nonetheless, it is still below the target corridor. Reasons for this are high growth and higher amounts of time with no ability to bill customers, for example, due to topic development or training sessions. Another factor in this constellation was the introduction of a trainee model, in which trainees are introduced to the company and project work through a mixture of training and project involvement that is either free for the customer or at a very low cost.

PERFORMANCE INDICATOR BOOKING INTENSITY*

	2017	2016	2015	Target
Annual average	92 %	90 %	93 %	93 % bis 99 %
Maximum	103 %	94 %	100 %	103 %
Minimum	85 %	86 %	82 %	83 %

Table source: adesso AG

* Due to a change in the system of calculating this indicator made in 2016 (inclusion of all managers and non-billable special roles in the basis for calculating the utilisation rate of operating divisions) and 2017 (inclusion of trainees), the values are higher than reported in the previous year, as they have been adjusted under the new system. The targets have also been adjusted (increased).

PERFORMANCE INDICATOR T&M DAILY RATE

	2017	2016	2015	Target corridor
Annual average	+ 2 %	+ 2 %	+ 2 %	at least + 2 %

Table source: adesso AG

PERFORMANCE INDICATOR FIXED-PRICE PROJECTS

	2017	2016	2015	Target corridor
Budget overruns (% of work in fixed-price projects)	9 %	0 %	3 %	< 5 %
Arithmetical daily rates	+ 9 %	+ 10 %	- 11 %	at least + 2 %

Table source: adesso AG

PERFORMANCE INDICATOR RECRUITING & FLUCTUATION

	2017	2016	2015	Target corridor
Development of applications	+ 12 %	+ 26 %	+ 13 %	>= Gross profit increase, previous year
Development of initial job interviews	+ 8 %	+ 20 %	+ 14 %	>= Gross profit increase, previous year
New hires (all positions)	568	472	359	Increase over previous year
Turnover ratio (change and maximum value)	+ 0.5 pp.; < 10 %	- 0.2 pp.; < 10 %	- 1.3 pp.; < 10 %	Improvement; < 10 %

Table source: adesso AG

PERFORMANCE INDICATOR SOFTWARE PRODUCTS**

	2017	2016	2015	Target value
Licence revenue	+ 16 %	+ 6 %	+ 1 %	> 5 %
Maintenance sales	+ 23 %	+ 23 %	+ 14 %	> 5 %

Table source: e-Spirit and adesso insurance solutions GmbH

** The insure product was included for the first time in 2016.

Average daily rates

The change in the average daily rates, both in projects billed on a time and materials basis and in fixed-price projects on a calculation basis, is a key earnings driver. In particular, compared to the change in labour cost per employee as the leading cost item, it has a significant impact on the operating earnings margin. Accordingly, the daily rates are a fixed internal control element. Their development is tracked on an individual customer basis, and they are purposefully examined for improvement potential. The change in the average daily rate is reported as a percentage compared to the previous period. In 2017, the daily rate – billed on a time and materials basis – was once again successfully increased within the target range.

Calculated daily rates and budget overruns for fixed-price projects

The number of project days in fixed-price projects that exceed the budget has a direct impact on earnings, since those days are not available for otherwise potential working hours. Even if they can be used only in combination with projects completed below budget for an overall image of the impact that fixed-price projects have on earnings, the change in budget overruns serves as a signal for progress or setbacks related to fixed-price projects. The evaluation is based on days and not on euros, so this is a qualitative assessment.

Together with the daily rates used in project calculations, the relationship between budget underruns and overruns is used to calculate the daily rate on fixed-projects in the final costing analysis. The budget overruns were above the target corridor in 2017. This was due almost entirely to the project for developing the health insurance division solution for anchor customers. The target corridor for developing the calculated daily rate was reached again in 2017, however.

adesso AG examines employee aspects as non-financial performance indicators. As a fast-growing premium IT service provider, adesso depends on the ability to gain many of the best graduates and experienced experts as new employees, to pursue their internal further development extensively and to

retain them over the long term. Here the following performance indicators are of particular relevance.

Recruiting performance figures and turnover

Recruiting examines the number of applications received, initial interviews conducted and new hires. The turnover ratio is based on resignations of permanent staff.

In 2017, the number of applications generated could not be increased at a higher rate than the gross profit in the previous year. This reflects the ongoing challenges in the competition for talented and experienced employees in the IT area. The company, nonetheless, continued its fast organic growth, as a result of which the number of new hires across all positions increased by 20 %. The fluctuation rate increased slightly and continues to remain at a good level within the target corridor.

Group management also examines the development of licence and maintenance revenues from the First-Spirit product and from the in|sure product for insurance companies as internal performance indicators, since licence revenue in a short-term quarterly and financial year view have a major direct impact on earnings and because maintenance revenues form the basis for growing the development and marketing cost base of products. Licence and maintenance revenue increased above the target value in 2017.

FORECAST, OPPORTUNITIES AND RISK REPORT

Forecast report

Group strategy for the next financial year

adesso's vision of becoming one of Central Europe's leading IT consulting firms for industry-specific business processes will be pursued with vigour. The strategic guidelines for profitable growth through industry segmentation, new industries, new technologies, regional expansion and the expansion of the company's solution portfolio will continue to determine the actions adesso takes over the next two years.

In 2018, the company will continue to invest primarily in its in-house products and solutions and noticeably increase investments compared to the previous year. adesso will retain its active acquisitions policy. It will continue to prioritise the rapid expansion of business activities while accepting that margins may be continue to be negatively impacted as a result.

The expansion of additional national subsidiaries in Europe augments the fields of action for the further development of the adesso Group. In 2018, the company was already working on opening locations in Spain and Bulgaria. The locations are to be incorporated into the networked supplier organisation of the adesso Group. Furthermore their purpose is to handle the local markets. In Bulgaria, inclusion in the projects of the adesso Group is of key importance.

Future Macroeconomic Situation

With a plus of 2.2 %, Germany achieved the highest economic growth since 2011 in 2017, even though 2017 contained fewer working days than the previous one. Although in its annual projection for 2017, the German Government still assumed that there would be a declining dynamic for the reporting year, it raised its expectations considerably over the course of the year, and they were exceeded. Further growth is also expected for 2018. GDP growth of 1.9 % with a slightly decreasing dynamic is expected in the most recent projection issued by the German

Government in autumn of 2017. The German Government estimates that the German economy has gained in momentum and breadth and will continue to grow in the coming years.

The forecasts of international organisations indicate that the global economy will grow, and global trade will continue to develop dynamically. In this vein, exports have increased, which stimulated private investment activity. Employment also continues to increase significantly. Due to strong domestic demand, imports shall increase more than exports. Nevertheless, a significant increase in exports is anticipated, as is an above-average utilisation of capacities in the industry, based on which companies can expand their investments considerably. The speed of growth of investments in equipment is expected to almost double to 3.7 % in 2018.

In addition to the ongoing increase in employment, the foreign trade environment and the positive prospects for the global economy as a whole support the vision of a solid and strong upswing in Germany.

Based on information provided by the Federal Government's Expert Group, SECO (the Swiss State Secretariat for Economic Affairs) expects the Swiss economy to pick up again after the growth slowed down slightly to 1.0 % in 2017. In the wake of the global economic upswing, GDP growth of 2.3 % is forecast for 2018 and a solid 1.9 % for 2019. Both foreign trade and the domestic economy play a role.

Based on projections of the Austrian Institute of Economic Research (WIFO) and the Austrian Institute for Advanced Studies (IHS), the Austrian Federal Ministry for Digitisation and Economic Location expects GDP growth to remain largely at the same level or slightly decrease suggesting a growth between 2.7 % (IHS) and 3.0 % (WIFO) in 2018. According to the projections, growth is expected to weaken more considerably in 2019. While the IHS anticipates GDP growth of 1.9 %, the WIFO expects 2.2 %.

In Turkey, the OECD anticipates a decrease in the growth of the GDP to 4.9 %, which is still strong, following on the soaring increase in economic dynamics in 2017.

In the USA, the OECD predicts growth of 2.5 % in 2018 and thus, once again, slightly more than in the previous year.

As a result, adesso expects a largely friendly macroeconomic market environment in 2018, associated with ongoing and some new risks in regards to actual development. For its projection, the German Government explicitly states that there shall be no sudden and considerable increase in uncertainty during the projection period, for example, during the Brexit negotiations. In addition, it is also assumed that the financial sector will remain stable and that there will be no further escalation in geopolitical risks. Based on previous measures and tendencies towards stabilisation of the financial sector and the eurozone, a serious worsening of the current positive economic development in the sectors important for adesso is not expected in 2018 and 2019.

Outlook for the industry

According to the assessment of the industry association Bitkom, the ITC market will continue to grow in 2018. Bitkom expects the overall ITC market to expand by 1.3 % to EUR 162.9 billion in 2018, whereby growth in IT services and software products is expected to be significantly higher. Growth in the previous year stood at 1.9 %.

According to the research institute Gartner, global IT investment is expected to rise by 4.5 % to USD 3.7 trillion in 2018. The Enterprise Software segment continues to achieve the largest growth rate in this regard with growth of 9.5 % (2017: 8.9 %) amounting to USD 389 billion. For IT services, Gartner predicts a growth rate of 5.5 % for 2018 (2017: 4.3 %) to USD 985 billion.

Internally, the adesso Group anticipates the market growth relevant to adesso in 2018 will be up by 3.0 %.

Anticipated Sales and Earnings Situation

The report on risks and opportunities is a pivotal part of the management's considerations of the further development of adesso and of the forecast report. Potential acquisitions or acquisitions targeted after the point at which the consolidated management report is prepared are not included in the forecast report.

Based on anticipated economic growth of 3.0 % in relevant segments of the IT market as well as on internal calculations, adesso's management expects the following developments in the 2018 financial year:

- > An increase of at least 9 % to at least EUR 350 million is expected for the sales revenues.
- > EBITDA is expected to increase by at least 9 % to EUR 27.7 million
- > At 7.5 %, the EBITDA margin is expected to remain at the same level as in the previous year. The EBITDA margin should, if possible, continue to expand in the direction of the long-term target corridor.

Sales growth significantly above the industry average is expected in both segments. The organic expansion of the number of employees in Germany throughout 2017 resulted in a corresponding rise in sales expectations for 2018.

The planned increase in the operating results is largely based on the growth targets. With respect to non-financial performance indicators utilisation, booking intensity, daily rates and fixed-price projects, the company expects them to remain at 2017 levels. Given the fierce competition for exceptional employees, the adesso Group can expect slightly decreasing key figures for the topic area recruiting and fluctuation. Earnings are expected to be higher in the second half of 2018 than in the first half of the year. This is due to the higher number of working days in the second half of the year (4 more), higher licence revenue based on empirical figures and assumed growth throughout the year.

For 2019, the adesso Group is anticipating further sales growth as well as further positive development of the operating result.

Financial outlook

The adesso Group's liquid asset base is considered solid and will be sufficient to cover financial obligations in 2018 should the forecast business development come to fruition. The consolidated balance sheet structure at the adesso Group and the balance sheet structure at adesso AG allow them to assume additional liabilities for investment projects to ensure that there are no shortfalls in terms of financing.

The adesso Group is aiming to achieve net debt of between zero and 1.5 times EBITDA in the past financial year. Only if there is an opportunity to acquire a company of unusual size and profitability with a high strategic value for the adesso Group would a deviation be considered.

The Executive Board intends to continue the dividend policy on this basis, calling for a balanced weighting of investments in growth, financial stability and shareholder participation in the company's earnings. If the earnings targets can largely be achieved, the Executive Board will strive to further increase the dividend. The dividend proposed for 2018 will reflect actual business development.

Opportunities and risk report

Risk management is a pivotal component of all decisions and business processes. adesso takes a broad view of risk, defined as the risk of not achieving financial and operating targets as planned and, in the strictest sense, factors endangering the existence of the company. In order to safeguard the success of the company over the long term, it is therefore essential that adesso identifies and analyses risks efficiently and combats or mitigates them by implementing sufficient control measures. adesso's active risk management therefore also opens up opportunities for the company.

Risk management system

The adesso Group possesses a system of processes and data analysis structures to monitor risks posed to the Group. No exclusive risk management software system is used. Instead, adesso uses an integrated system from the manufacturer Corporate Planning AG and a central management information system for results controlling and tracking additional key figures. All planned and actual data from all business areas are stored in a central file for the purposes of reporting. Current figures are recorded directly from the company's financial accounting. Key performance indicators such as sales per employee, available liquidity, resources not fully utilised, incoming orders and the order backlog are registered. All companies included in the scope of consolidation are part of the reporting system.

Fixed reporting channels have been established for other risks, such as those arising from the absence of contracts, high levels of receivables from customers or projects that are threatening to go over budget. Certain reporting thresholds apply, which, if breached, result in the issue being included on the agenda of Executive Board meetings. Similar risks posed to companies in the adesso Group are identified through close cooperation with the respective responsible Executive Board member of adesso AG. adesso does not have a central risk manager. Risk reporting and assessment is documented in a risk manual. The risk manual is submitted to the Supervisory Board and to the auditor so that the risk management system can be acknowledged and reviewed.

Recognising opportunities and new areas of business are just as important for the development of the adesso Group. Working groups consisting of the Executive Board, Business Development, the management of companies in the adesso Group and heads of business areas meet on a regular basis to analyse new business opportunities and develop new business models, industries, solutions or regions. The progress made in implementing these measures is presented at regular intervals.

Within the scope of a risk inventory, the following risks were assessed as relevant to the business and subsequently assessed in view of their probability of occurrence and amount of loss. In principal, only risks that would have negative implications for the asset, financial or profit situation are listed here.

Moreover, the adesso Group is potentially exposed to further risks which may not be known or be considered as major risks at the current time. The risk factor is calculated from the probability of occurrence and the amount of loss, which determines how relevant the risk is. The following risks were identified as at the reporting date and as at the preparation of the consolidated management report as having a risk factor worthy of inclusion in this report:

Primary risk carrier

Project risks

In the event of the budgeted time frame and costs being exceeded, fixed-price projects can lead to project-related losses. Budget deviations are identified and analysed constantly during every fixed-price project. There is also an escalation mechanism that

extends to the Executive Board. A customer has refused acceptance under a service contract as at the reporting date (previous year: one refusal of acceptance). One customer claimed back payments totalling more EUR 0.1 million (previous year: one customer). Several projects presented for customer approval have not yet been formally accepted by the customer. However, given that none of these customers has refused approval, this delay is not unusual in normal business practice.

The backlog of fixed-price projects that have yet to be invoiced in full rose year on year. The risks from projects are assessed as being unchanged since it was possible to keep the amount of budget overruns in fixed-price projects at a low level, and the increased amount of projects with agile approaches leads to earlier escalation of undesirable developments.

The adesso Group uses an Excel-based project controlling and reporting system, which directly draws on data from the ERP system implemented in mid-2016 and from the respective time and project management systems.

Depending on the project structure, sub-projects are defined and mapped in our web-based project and schedule management system. Expenses are distributed across the sub-projects, and times for milestones are defined. Over the course of the project, actual time and expenses are compared with planning figures, the expenses are calculated and compliance with the defined schedule is documented. Additional monthly or weekly assessments of work still to be completed are used to calculate the level of completion of the project underway.

By comparing the level of completion and the remaining expenses, any potential budget deviations can be identified at an early stage. Projects that are likely to exceed the budget are assigned the “overspend” status and are then added to the agenda of subsequent Executive Board meetings.

Aside from acknowledging the risk, the Executive Board meeting also discusses potential strategies to improve the situation by analysing the reasons for the overspending. In most cases, the estimations of remaining costs are determined and cost

development displayed as a graph in order to counteract the tendency that project inconsistencies are identified too late. However, the share of projects with fixed budgets in the form of service contracts in terms of overall adesso Group sales is low at under 20 %.

adesso AG has established a Project Management Office (PMO) where experts supervise particularly large or challenging projects using standardised tools and mechanisms alongside the regular project management team. These tools and processes are routinely used. Expenses arising from budget overspends for new fixed-price projects tended to be higher compared to the average of previous years due to the large project for developing division solutions for health insurances. The systemic risk evaluation remains unchanged, however.

Risks from a shortfall in planned sales

In the event of a high gross margin and a large proportion of fixed costs, low sales can be directly reflected in adesso's results. In 2015, 2016 and 2017, turnover increased compared to the previous year and exceeded the planned turnover. The general expectations for the economic development in the year 2018 remain positive. The demand dynamic therefore appears to be at a similar level to the one in the previous planning period. Planning in the IT Services segment expects utilisation to remain unchanged on average in 2018. However, a decline in order intake or the termination of important ongoing customer orders could result in idle periods with corresponding implications for the profit and financial situation within a short period of time. Since the IT Services business area in particular generates business over specific periods of time, such idle periods are difficult to compensate for. As this risk factor is highly relevant to the company, adesso monitors the following values on a monthly and sometimes biweekly basis in order to identify trends at an early stage and take corresponding action: Order backlog, order intake, number of hours invoiced and capacity utilisation rates, number of employees not working at full capacity. The planning security of the national subsidiary in Turkey increased considerably compared to the previous year and, in light of a good order balance, is

comparable with or better than the planning security in other national subsidiaries.

The IT Solutions segment pursues a product strategy. In this segment, even standard solutions developed by adesso are sold and implemented through licensing with maintenance contracts or software as a service (SaaS). While the established base of maintenance contracts represents a relatively stable basis for sales, the achievement of targets and the results of product companies are reliant on order intake and are much more volatile than the service business, given the low number of new licences sold. Sales revenues from maintenance activities do not cover total ongoing costs at any of the adesso group companies. As a result, the product companies' licence sales and related sales pipelines are monitored in detail in terms of structure and development over time. The planning deviation risk factor remains constant in the IT Solutions segment.

In each business area, there are detailed plans in which actual figures and previous year's figures are compared on a monthly basis. A forecast is also prepared and revised on a cycle, identifying possible future deviations in a timely manner. Corresponding reports form the basis for the monthly discussions of business development and prospects. This applies to all companies of the adesso Group.

The risk resulting from changed market and competition structures as a reason for failing to meet planned sales continues to be assessed as medium for 2018.

Financial risks

The risks posed by the financial situation and liquidity are estimated to be the same (previous year: slight increase).

The loans taken out must be repaid, regardless of the economic performance of the company. On the reporting date 31 December 2017, the liquid assets portfolio slightly exceeded the loan liabilities. Currency risks remain low. Only a small proportion of sales are conducted in a currency other than the euro. These transactions mainly concern adesso Schweiz AG and e-Spirit Schweiz AG, which conduct business in Swiss francs; adesso Turkey, which operates in Turkish lira; e-Spirit UK Ltd., which conducts

business in British pounds and e-Spirit Inc., which operates in US dollars. These companies process the majority of their business in the respective national currency. No currency hedging transactions were carried out.

As part of the review into the allocation of costs of the market launch and market entry of the FirstSpirit content management system in the USA, it was determined within the scope of an arm's length comparison that - unlike previous practices - the adesso Group company e-Spirit AG must bear significant shares of the losses which were incurred and continue to be incurred by the US subsidiary e-Spirit Inc. (categorised as a limited-risk distributor). All losses incurred in the USA have so far been fully financed by loans granted to e-Spirit Inc. by e-Spirit AG. For the years 2011 to 2016, the market entry compensation invoiced to e-Spirit AG by e-Spirit Inc. amounted to USD 8.7 million, including the reversal of impairments in previous years. This results in a temporary reduction in the total tax burden of adesso AG (as the controlling entity of the group taxation relationship for income tax purposes with, among others, e-Spirit AG) as well as the adesso Group. The reported tax rate for adesso AG and the adesso Group would be too low in the event of an incomplete or only partial recognition.

Financial risks can arise from the payment terms of service agreements for projects with significant volumes. In addition to prepayments and instalments, payments are often linked to the completion of the project. In the case of delayed completion, significant liquidity shortfalls can arise. The resulting risks can be predicted in the scope of project controlling, but may not be prevented. In some cases, project completion bonds must be deposited and are paid out if a project fails. In the case of major projects, service agreements can lead to large receivables, for example, if a customer has not paid two monthly invoices and the third month of service is already being provided. The level of unpaid receivables and their development are included in monthly reporting at the individual company level. The CFO includes major receivables on the part of adesso AG in the agenda of Executive Board meetings, where individual strategies for collection are determined. There are currently several major projects (previous year: several) that could have a sig-

nificant negative effect on adesso's liquidity. Projects relating to adesso solutions for the insurance industry in particular involve flows of liquidity that are largely independent of the provision of services. The corresponding risk factor was already increased in previous periods and remains at that level.

There were no notable risks from financial instruments.

Personnel risks

The adesso Group is an IT company, which most important assets are its employees. As a result, adesso constantly monitors and assesses a number of key performance indicators such as headcount, number of unproductive employees, number of employees on sick leave, employee, costs/sales per employee and capacity utilisation.

The top-level management is always informed about every dismissal and new recruit. The Executive Board regularly analyses trends and discusses measures in its meetings. This allows any potential loss of knowledge and expertise to be identified promptly. In the product segments, essential knowledge is concentrated around a small group of key developers. These developers are a particular focus of human resources activities.

The search for suitable, experienced employees remains characterised by a demand surplus from companies. Circumstances remain difficult with no change compared to the previous year. As in the past, the resulting entry-level salary expectations expressed by new recruits, as well as existing employees' expectations regarding pay rises, cannot always be compensated through a corresponding adjustment of market prices, meaning that the operating margin can be negatively impacted as a result.

adesso is able to maintain its position as a premium IT service provider thanks to its extraordinarily talented employees, who have a vast amount of experience in their respective fields. Companies in this area in particular continue to engage in stiff competition for employees. This is not only a quest for IT service providers but also for user companies and the IT industry. A small number of employees are responsible for adesso's outstanding position in its core industries. The simultaneous departure of more than one

of these employees would expose the company to medium-term risks in terms of its further development. Such risks are combated through active recruiting, strategies to intensify employee loyalty and excellent career prospects in a prospering company. The numbers of incoming applications and new hires were further increased in 2017 over the already high level in the previous year.

Employee turnover increased slightly year on year in 2017 (previous year: decreased), but it still remains under the industry average. The risk of insufficient availability of experienced employees for adesso is still considered high. The risk from higher employee turnover and salaries increasing disproportionately to market prices was assessed as constant with a slightly negative outlook. Personnel risk remains one of the Group's highly weighted main risks.

Internationalisation/risks from business activities in other legal systems

The adesso Group has expanded internationally in past years and entered new legal systems. This involves possible risks related to lacking knowledge of legal affairs and business practices, as well as difficulties with direct supervision by adesso AG's Executive Board due to distances.

In 2012, e-Spirit AG established the business operations of a company in the USA, e-Spirit Inc. based in Boston, and continuously expanded its structures and customer base. In the USA, the risk of product manufacturers taking legal action is greater than it is in Germany. e-Spirit Inc. has an insurance policy with the maximum amount of liability that it could be granted. In terms of both the legal structure of the company as well as internal cost allocation, it has been ensured that the potential for any problems to spread across to e-Spirit AG is as low as possible. The company acquired additional new customers in the USA in 2017. Thanks to SaaS contract models, they will generate ongoing sales in subsequent years as well and continue to reduce the shortfalls in the USA.

In 2013 the company established a Turkish subsidiary in Istanbul and began operations there. The company turned a profit for the first time in 2017. The company in Austria, which did not generate profit for several years, achieved a positive result with a positive outlook in the second half of 2017. The risk posed in the field of internationalisation and other legal sys-

tems are considered to be lower than previous risk inventories.

Other relevant risks

Risks from the customer structure

As sales from individual customers or customer groups increase, so does the risk posed by such customer relationships owing to potential project terminations or normal project expiry. The largest customer accounted for 5 % (half year; previous year total: 7 %) of total sales in 2017. 32 % of total sales were generated with the ten largest customers (half year; previous year total: 38 %). Customer structure risks tended to decrease with adesso's growth, and the proportion of sales with the top ten customers decreased further. Continued cooperation with most of the ten largest customers was agreed for 2018.

The risk is considered to be unchanged year on year (previous year: unchanged) and remains in the group of other relevant risks. However, the abrupt loss of one of the top three customers or more than one of the ten largest customers would have the potential to have a considerable negative impact on earnings and the situation of the Group, at least in the short term. The relationship to each of these top customers is managed by a member of the Executive Board or by the management of the respective subsidiary in order to recognise potential risks promptly and take appropriate action.

The top ten customers are regularly listed by sales, with each customer's share of overall sales also being calculated. This avoids concentration on a small number of customer relationships and therefore allows a cluster risk to be recognised promptly.

Declining or insufficiently increasing daily rates

A significant proportion of sales is generated by service agreements and the charging of hours or days of service provided to the customer. With rising salaries and prices providing the basis for other costs, increases in nominal hourly and daily rates are essential in order to maintain the earnings margin and ultimately the existence of the Group. However, one must differentiate between a change in the daily rate for a certain activity for a certain customer and a change in average daily rates resulting from a different combination of orders or changes in the customer structure.

At adesso AG, volumes and daily rates are recorded for all service agreements and analysed in terms of their development. The volume-weighted average daily rate of the contract is thus calculated on a monthly, quarterly and annual basis and reflected in the historical development. This does not include orders based on framework agreements or public tenders, which implies that the figures are suitable for general statements only. The daily rate for the orders increased by 2 % in 2017 compared to 2016 (previous year: 2 %), so that the risk of realised average daily rates is considered unchanged moderately in the context of low overall increases in costs.

The realised daily rates are also periodically recorded at adesso AG at customer level and tested by the Executive Board in terms of necessary adjustments. Any identified need for action will be implemented by sales wherever possible, which has anchored the relevant elements in its target-based system. Realised increases of daily rates are recorded for each customer, and a price history is maintained. Daily rates were increased slightly in many cases among existing customers during 2017, with new customers tending to pay significantly more than the average daily rate. However, it was not possible to increase the prices paid by several major customers. It was not necessary to accept a price reduction with any of the ten leading customers (previous year: none). The risk of insufficiently rising daily rates compared to salary increases and prices on the cost side therefore remains but has not changed compared to the previous year.

Risks from the development of new products and solutions

In recent years, the adesso Group has significantly increased its investment in the in-house development of new products and solutions and, therefore, expanded the risk profile of its heavily service-oriented business model by adding elements. The volume of investment was substantial in relation to the consolidated income statement in phases and, as a result, was included as one of the main risks for the first time in 2012.

With adesso insurance solutions, adesso is pursuing the following strategy from now on: in addition to providing service business, it shall become an important provider of software solutions for the insurance sector. With this aim in mind, the company is carry-

ing out major development projects for customers in the health insurance, property insurance and vehicle insurance segments. The existing systems for life and health insurance are already being marketed on a large scale. All these products involve increasing risk from service and maintenance obligations. In the development phase, there is also increased risk from higher-than-planned development costs, for which adesso is partially responsible. In 2018, the company is planning on having increased expenses for the development of additional modules. However, these risks are offset by increasingly considerable income from licences and maintenance. The marketability of three divisions allows us to assess the risk for adesso insurance solutions as unchanged despite higher investments in development. In 2018, the company will increase its investment in the development of additional functionalities of the content management system FirstSpirit from e-Spirit AG. Nonetheless, the increasing revenue from maintenance will leave the risk evaluation unchanged in this regard as well.

Risks from regulatory law

As a listed company on the regulated market, adesso AG is subject to a number of additional legal regulations and obligations, such as those resulting from the new Market Abuse Regulation (MAR), the Securities Trading Act (WpHG), the Securities Acquisition and Takeover Act (WpÜG) and the Stock Corporation Act (AktG). adesso follows corresponding developments in case law, obtains assessments from experienced solicitors and raises the awareness of its employees with respect to legal obligations of listed companies. Thus, adesso has established the position of a Compliance Officer, maintains an insider directory and continuously identifies transactions that could, over time, either constitute insider offences or lead to imbalances in the information supplied to the capital market.

In 2017, there was a change in the assessment of the potential amount of damage owing to legal risks because the entry into force of the Market Abuse Regulation increased requirements and considerably raised fines. The proceedings with the BaFin reported in the previous year have been resolved in the meanwhile. At this time, there are no further pending proceedings.

Risks from technical infrastructure

As an IT company, adesso AG has extensive technical expertise and resources in the area of internal IT infrastructure. Since a large part of customer-relevant added value is created on the basis of IT infrastructure, the availability of the latter is of considerable significance. System failure therefore entails a significant financial risk. The internal IT operations department is equipped with full-time administrators who are supported by several trainees, students and other employees from operational areas. Disciplinary and organisational responsibility are addressed in a separate management position. In 2016, the new position of CISO (chief information security officer) was established and staffed at adesso AG. The data on the production server is incrementally backed up on a daily basis and on suitable media. The file systems of all servers are also mirrored so they are failsafe. Once a week, a copy is stored outside of adesso's premises where it cannot be accessed by third parties.

The systems available on the Internet are protected against unauthorized access via a multi-level firewall system, and adesso operates a VPN to protect communication between the branches and subsidiaries. All systems have virus scanners from various product manufacturers whose virus signatures are automatically updated to comply with the latest standards.

In its main office in Dortmund, adesso has a data centre with safety procedures such as electronic access control, temperature-controlled server racks, fire extinguishing systems, uninterrupted power supply and flood protection. All external data connections are secured in compliance with the relevant technical standards and are redundantly structured. Most of the holding companies have their own IT systems and departments. Their risk statuses are not reported to adesso AG in any regular form. adesso is working towards an increasingly interconnected collaboration between the IT departments at adesso and the holdings. adesso has been certified to ISO 9001 and ISO 14001. The processes that have been documented and more strictly defined have maintained a constant risk position in terms of technical infrastructure in spite of increasing complexity. Customers' increasing awareness regarding data protection and data integrity increases the risk. This is especially true for banks and insurances as a result of extended regulation requirements. The

so-called cyber risks have increased and pose greater challenges to adesso and its customers. For 2017, there are no known instances during which unauthorized third parties were able to implant harmful software in adesso AG's servers (previous year: one instance). For 2017, there are no known instances during which unauthorized third parties were able to access the networks and servers of the adesso Group (previous year: no instances).

Other risks

The risk manual specifies a number of other risks as at the balance sheet date, the risk factor (probability of occurrence multiplied by the expected average loss) of which has not changed compared to the previous year and is lower than average. These risks are:

- > risks from falling order backlog
- > risks from insufficient sales pipeline
- > change to market and competition structure
- > liquidity risks from bank credit lines
- > risks from falling market volume
- > risks from lack of insurance cover

Overall Statement Concerning the Group's Risk Situation

Every risk is evaluated by estimating the probability of occurrence and the possible extent of damage. The risk factor of every risk can be calculated by multiplying the probability of occurrence (1-10) by the extent of damage (1-10). The overall risk profile, which is the sum of all risk factors, decreased minimally in comparison to the previous year by 5 points or 1 % to 487 points (previous year: increased by 16 points or 3 % to 492 points). Therefore, the overall risk profile is in the medium range of previous evaluations. The lower employee risks, improvements in internationalisation, a good order balance and the sales pipeline have a positive effect. The following, in particular, exerted a negative effect: the increased risk evaluation resulting from increasing investments in our own products, rising requirements placed on technical infrastructure with regards to cyber crime, data protection and data safety and risks from regulatory law.

None of the identified risks can be considered at the current point in time as risks that endanger the existence of the company as a going concern. However, the risks detailed above could have a negative impact

on the Group's asset, financial and earnings situation as well as on business performance.

Opportunities

The company introduced a series of measures to identify, assess and monitor opportunities for positive group development. In order to do so, organisational units were established to monitor portfolio development within a particular industry, to assess new technological developments and to evaluate the suitability of other industries for adesso. With the group further increasing in size, the systematic networking of all units within the adesso Group is leading to ever-increasing synergy effects, particularly in sales, and an integrated service approach for major customers.

In 2018, there will be a wide range of further opportunities to expand business activities and increase profits. The company also anticipates additional new customers for the in|sure system in the health and property insurance divisions. Via the partnership with an established manufacturer of a core banking system, adesso is setting its sights on taking part in the development of the next industry solution.

The increase in the number of employees during the year 2017, in particular at adesso in Germany, once again offers opportunities for growth that far outstrips market growth in 2018.

Across the Group, abilities, solutions and employees are being bundled for an overall offer regarding digital transformation initiatives. This includes strategic and technology consulting elements, our own IoT (Internet of Things) platform, machine learning and artificial intelligence, portals and apps, and virtual and augmented reality.

adesso continues to see itself as an active consolidator on the IT market. At the beginning of 2018, the company took over FABIS Sales Solutions GmbH & Co. KG, a commission solutions provider that is intended to become a component of the insurance solution in|sure in particular.

Our plans to open additional locations in Europe are guiding the next phase of corporate development to become a significant European provider. Until now, the company focused almost exclusively on the Ger-

man-speaking economic region. adesso is going to orient the intensity of its expansion towards fulfilling its goals for further growth in earnings, even though it shall have to reckon with losses during each expansion phase of the new locations. This shall lay the foundation for continuing our growth strategy in the medium and long term.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM FOR THE CONSOLIDATED ACCOUNTING PROCESS

In the accounting process, there is a risk that the financial reports based on the accounts could contain misrepresentations of facts that could have a significant influence on decisions made by the intended recipients of the reports.

These can include the misallocation of resources and non-performance of certain measures by the Executive Board in terms of the internal operational management of the Group, as well as misinterpretation on the part of report recipients, and particularly existing and potential shareholders. The processes and systems established at adesso are geared toward identifying potential sources of errors in the accounting process and thus limiting the resulting risks. They are intended to ensure that the annual report and consolidated financial statements are prepared in accordance with legal requirements. The report is standardised and identical in form for both the management report of the annual financial statement as well as for the group management report of adesso AG.

At adesso, no control and risk management system was defined and documented especially for the purposes of the accounting process. There is no internal auditing structure or risk committee. No external advisors or auditors were regularly engaged to review the efficiency of the controls in place as part of the consolidated accounting process.

A separate IT audit took place as part of the audit of the annual financial statements in 2017, which focused on the accounting system and the completeness and transparency of accounting systems due to the introduction of a new ERP system at adesso AG in mid-2016.

The structure of the internal control mechanisms and risk management system is primarily the result of how the accounting and reporting processes are organised. Accounting is typically handled locally by each of the Group's subsidiaries. As the parent company, adesso AG performs accounting services for some adesso group companies together with centralised administrative processes such as payroll accounting. These companies' accounts are primarily kept on the same accounting system as clients. The fact that the same people are responsible for this process throughout the Group and that the adesso AG CFO has ongoing, direct access provides a good basis for the standardised, correct representation of facts.

Almost all companies use a standardised consolidated accounts system, minimising the number of discrepancies from the standard style of accounts. The detailed coverage of Group accounts means that it is simple to coordinate internal Group performance processes. The respective management teams are responsible for individual annual financial statements. Each annual financial statement that forms part of the consolidated financial statement is reviewed by the group auditor in terms of its plausibility and compliance with group standards, irrespective of any audits performed by the local auditor or tax consultant. For this purpose, the auditor of the consolidated financial statements visits the respective local auditor and inspects the documentation of key group companies.

All individual financial statements are submitted to a centralised consolidation system in adesso AG's Finance department and consolidated into the consolidated financial statement in accordance with the IFRS reconciliation statement. The software solution specially procured for this purpose was audited and certified in accordance with the "Erteilung und Verwendung von Softwarebescheinigungen" auditing standards ("Issuance and Use of Software Certificates") published by the Institut der Wirtschaft-

Forecast, opportunities and risk report
Control System and
Risk Management System
Takeover-relevant Information

prüfer in Deutschland e.V. (IDW PS 880). All IFRS reconciliation and consolidation processes are fully documented and traceable.

The core elements of the control and risk management system when it comes to accounting is the monthly, standardised reporting of full monthly financial statements on the basis of the consolidated accounts system, the comparison of actual data with plan data and the update to the full-year forecast. A member of the adesso AG Executive Board is directly responsible for every company in the adesso Group. These Executive Board members discuss monthly financial statements with the respective company management and are thus able to identify abnormal developments and discrepancies in a timely manner. The monthly financial statements of all companies are analysed monthly by the adesso AG Executive Board. For the quarterly financial statements, each company must prepare an extensive IFRS package containing information for consolidation and details of the notes. This allows the Finance department of adesso AG to carry out a further audit of all information intended for external reporting during the financial year. The auditor of the consolidated financial statement is involved in selected issues.

TAKEOVER-RELEVANT INFORMATION

The adesso Group reports in accordance with Section 315a (1) and Section 289a (1) of the German Commercial Code (HGB) with the aim of providing potential takeover bidders with a complete overview of adesso as well as any potential takeover hurdles before they submit an offer.

There is only one type of share. Each common share grants one vote. adesso shares do not have restricted transferability. The Executive Board is authorised to increase the share capital until 3 June 2018 with the consent of the Supervisory Board in the amount of up to EUR 2,538,456 by issuing 2,538,456 new bearer shares on one or more occasions in exchange for cash contributions and/or

contributions in kind. Shareholders' subscription rights can be excluded for contributions in kind in the form of companies, parts of companies and investments in companies, licence rights or receivables as well as capital increases for cash which are smaller than 10 % of the share capital.

The Executive Board is authorised to acquire own shares of up to 10 % of the share capital with the consent of the Supervisory Board until 1 June 2020. This authorisation for the acquisition and utilisation of own shares can be exercised one or more times, at once or in several partial amounts, or for one or more purposes. When own shares are acquired through the stock exchange, the consideration paid per share is not permitted to exceed the opening price on the acquisition date by more than 10 % nor fall more than 20 % below it.

In case of acquisition through a public offer to buy, the offered purchase price or the limits of the purchase price range offered per share may not be more than 20 % higher or lower than the average values of the closing auction prices during the last three trading days in Frankfurt am Main prior to the day the offer is publicly announced. The own shares can be utilised by the Executive Board within the scope of stock option plans, sold to third parties with the consent of the Supervisory Board for cash or contributions in kind, especially in the context of company mergers or the acquisition of companies, offered to employees or managers, either to buy or as compensation elements, or also surrendered or withdrawn without consideration. As at the reporting date, adesso AG itself held none of its own shares. In addition, the company is not aware of any other restrictions with regard to voting rights. In principle, there are no restrictions in respect of the transfer of adesso shares. As at 31 December 2017, 28,405 adesso shares are subject to what is known as a soft lock-up agreement, under which a premature sale of adesso shares would lead to a retrospective reduction in the purchase price paid by adesso for the corresponding company. These soft lock-up agreements last until 13 September 2018 respectively 01 October 2018. The company is not aware of any further restrictions that could arise from agreements between shareholders.

Further information on equity and the company's capital measures can be found in the equity section of the notes.

As at 31 December 2017, founding shareholder and Supervisory Board Chair, Prof. Volker Gruhn held 27.9 % of share capital through a company he controls. Founding shareholder and a member of the Supervisory Board, Mr Rainer Rudolf held 17.6 % of shares as at 31 December 2017. Please refer to the notes to the consolidated financial statements for more information on the company's ownership structure.

The company is not aware of any other direct or indirect share capital participations which exceed 10 % of voting rights. As the shares in the company are bearer shares, the company is in principle only notified of changes to share ownership insofar as the changes of ownership are subject to notification obligations and the respective parties fulfil these obligations. The company is only made aware of transactions that are completed within minimum and maximum notification thresholds in exceptional cases. Voting rights announcements and the shareholder structure derived as a result are always kept up to date and can be accessed via the Investor Relations section of the website, www.adesso-group.de.

The Articles of Association do not permit any adesso shareholder to appoint members of the Supervisory Board. No shareholder possesses any other special rights that confer them powers of control. There are no restrictions to the voting rights of the adesso shares held by our employees.

Members of the Executive Board are appointed or dismissed in accordance with Sections 84 and 85 AktG. The Executive Board consists of at least one person in accordance with Article 6 of the Articles of Association. The Supervisory Board determines the number of Executive Board members, as well as the appointment and dismissal of members and the appointment of a member of the Executive Board as CEO. Changes to our Articles of Association are carried out in accordance with Sections 133 and 179 AktG by means of a resolution by the General Meeting passed with a majority of at least three-quarters of the share capital represented at said meeting. The Articles of Association do not

contain any derogative provision. The Supervisory Board is entitled to resolve changes to the wording of the Articles of Association (Article 10 (7) of the Articles of Association). The resolutions of the General Meeting are decided on the basis of a simple majority of submitted votes, unless a different voting system is stipulated by law (Article 15 of the Articles of Association).

The company is not part of any material agreement containing special provisions in the event of a change of control or acquisition of control, such as in the event of a takeover bid. Our Articles of Association do not contain any provisions which grant the Executive Board special powers in the event of a takeover bid. Agreements concerning the phantom share plan stipulate a shorter waiting period of phantom shareholders in the event of a change of control. Moreover, there are no agreements with members of the Executive Board or the Supervisory Board or any employees concerning compensation in the event of a change of control.

DECLARATION OF CONFORMITY (SECTIONS 289F, 315D HGB), WITH THE GERMAN CORPORATE GOVERNANCE CODE (SECTION 161 AKTG) AND NON-FINANCIAL GROUP DECLARATION (SECTION 315B HGB)

In accordance with No. 3.10 of the German Corporate Governance Code, the Executive Board and Supervisory Board of adesso AG report on an annual basis regarding the corporate governance of the company and publish this report in conjunction with the Declaration of Conformity in accordance with Section 289f or Section 315d HGB. In addition, as the parent company of the adesso Group, adesso AG issues a special, non-financial Group report as per Section 315b Paragraph 3 HGB with exempting effect for group companies subject to reporting. The reports and the declaration, including the Declaration of Conformity, have been made permanently available on the Internet at www.adesso-group.de/corporate-governance/.

REMUNERATION REPORT

Principles of the Remuneration System

At adesso, variable remuneration systems are in place throughout the Group for a variety of functions. Management remuneration is primarily geared toward the success of the company and industry standards.

In addition to fixed remuneration, the adesso AG Executive Board is compensated depending on the amount of operating earnings (in reference to EBITDA), as well as earnings per share at the Group level, constituting performance-based remuneration. The Executive Board participated in the company-wide stock option scheme open to many employees and which expired at the end of 2013. This was replaced by a model of virtual stock options for the Executive Board. Because this model has expired, no new virtual stock options are being issued.

The members of the Supervisory Board are reimbursed for their expenses and also receive annual remuneration.

Executive Board remuneration

Basic remuneration is paid as a monthly salary and is related to performance. The members of the Executive Board also receive payments in kind and other remuneration, including the use of a company car, reimbursement of travel expenses, coverage of direct insurance premiums, a personal pension and reimbursement of half the documented premiums for voluntary health and nursing care insurance.

Variable, performance-based remuneration

The variable remuneration model for the Executive Board is based directly on the relevant metrics of EBITDA and earnings per share (EPS), which are reported to adesso AG shareholders in the consolidated financial statements according to IFRS. Variable remuneration increases proportionally to EBITDA and EPS. As of a defined point, the increase sinks. One of two different variants, which are differentiated by the rate of increase and watershed, can be selected each year.

Long-term remuneration

A phantom share programme for certain members of the Executive Board and employees at the first management level of adesso AG was approved by the Supervisory Board in the 2009 financial year.

It was intended to help bind managers to the company in the long term. The phantom shares participate in dividends just like actual shares but the payments are included in salaries. After being with the company for a term of five to eight years, the holders of phantom shares have a right to receive the value represented at the time by the number of phantom shares and the underlying share price. Payment is included in salaries. The members of the Executive Board obtained additional rights from these phantom shares in 2017. In case a board member leaves the Executive Board, the following has been established with regard to the phantom share programme: If a board member leaves before the end of three years from the start of the programme (for one board member, three years and eight months) due to termination of contract, the board member only has to return the shares in exchange for compensation in case of a change of control. This is the case, if shareholders Prof. Volker Gruhn and Rainer Rudolf (or companies through which they hold their shares) hold less than 35 % of the company's share capital through the sum of their shares. If a board member leaves after at least three years (for one board member, three years and eight months) because the Supervisory Board dismisses the member, or due to the termination of their contract, or if the company fails to make a contract renewal offer at terms and conditions at least equivalent to those of the current contract, the board member has to return the shares. Compensation is 75 % of the applicable value. If a board member leaves after at least eight years (for one board member, six years and eight months), the shares have to be returned in exchange for compensation.

In 2017, several entitled parties from phantom shares, including the two members of the Executive Board who were entitled as a result as of 31 December 2017, agreed to an adjustment of the regulations. The adjustment curbed the effect on the Group earnings statement resulting from changes in the exchange rate above or below an exchange rate corridor.

The 2010-2013 share option plan of adesso AG duly expired on 31 December 2013. In view of the granted stock options, the Executive Board received virtual stock options for the 2014 financial year. The aim of the virtual stock options was for them to be financially equal to option rights

when post-tax income is used for subscribing the virtual stock options in order to buy adesso AG shares on the market. The same conditions apply to virtual stock options as for stock options granted by the programme expiring on 31 December 2013. The number of virtual stock options issued to the Executive Board depends on the variable performance-based remuneration component, which means it is also performance-based. The virtual stock options result in cash value compensation only if the exercise criteria are met after the end of the minimum holding period. 140 virtual stock options are granted for each EUR 1,000 paid as the performance-based variable remuneration component 1 for a year. The virtual stock options remain valid even if a board member leaves before exercising the virtual stock options. Due to the further development of the variable remuneration model based on EBITDA and earnings per share, the virtual stock options programme was terminated as well. This means the members of the Executive Board did not earn any new claims under this programme for 2017.

Former members of the Executive Board who have left the company do not receive any remuneration and were not granted any pension commitments. No loans or advances were granted to members of the Executive Board. A former member of the Executive Board has continued to work in the company as a manager since 1 July 2015 at adapted terms without Executive Board membership.

With respect to non-financial reporting the company has stated that the total remuneration per member of the Executive Board in 2018 is 19 % lower than the value in the previous year as a result of decreased growth in the value of long-term, share-based variable salary. Taking only the fixed and short-term variable salary components and fringe benefits and pension expenses into consideration, the total amount of payment per member of the Executive Board increased by 7 %, which remains below the increase in the EBITDA (+8 %), Group sales (+23 %) and the number of employees as at the reporting date (+25 %).

Supervisory Board remuneration

According to Section 11 of the by-laws, the members of the Supervisory Board are reimbursed for their expenses and also receive annual remuneration. This consists of a fixed component of EUR 5 thousand,

plus variable remuneration at a rate of 0.275 % of the company's balance sheet profit, reduced by 4 % of contributions to share capital. The Chairperson receives one and a half times this remuneration. Supervisory Board members who have not held their position for a full financial year receive remuneration according to their term in office. The chairperson of the Supervisory Board receives additional remuneration under a consulting and brokerage agreement.

adesso AG has neither granted loans or advances to members of the Supervisory Board nor issued bonds or guarantees on their behalf. There are no family ties between members of the Supervisory Board, nor between members of the Supervisory Board and the Executive Board. There are no service agreements between the Supervisory Board members and adesso or its subsidiaries that call for remuneration upon termination.

For further information regarding Supervisory Board and Executive Board remuneration, including detailed tables regarding individual remuneration of Supervisory Board and Executive Board members, information pursuant to Section 314 (1) No. 6 HGB and further information pursuant to the German Corporate Governance Code, refer to the consolidated notes.





CONSOLIDATED FINANCIAL STATEMENT

66

CONSOLIDATED FINANCIAL STATEMENT

- 68** Consolidated Balance Sheet
- 70** Consolidated Income Statement
- 70** Consolidated Statement of Comprehensive Income
- 71** Consolidated Cash Flow Statement
- 72** Consolidated Shareholders Equity Statement

74

CONSOLIDATED NOTES

- 74** General Information
- 74** Summary of Material Accounting Significant
- 98** Explanations for Items on the Consolidated Balance Sheet and Consolidated Income Statement
- 115** Information on the Cash Flow Statement
- 115** Information on Segment Reporting
- 120** Supplementary Information

CONSOLIDATED BALANCE SHEET

OF ADESSO GROUP AS OF 31 DECEMBER ACCORDING TO IFRS

ASSETS

<i>in EUR k</i>	<i>Notes</i>	<i>2017</i>	<i>2016*)</i>
NON-CURRENT ASSETS			
Goodwill	1.	42,823	40,981
Intangible assets	1.	13,949	15,447
Property, plant and equipment	2.	8,728	6,667
Shareholdings recognized under the equity method	3.	2,116	760
Financial assets	4.	929	793
Receivables from income taxes	5.	0	0
Deferred tax assets	5.	910	534
		69,455	65,182
CURRENT ASSETS			
Cash on hand and at bank	6.	46,497	43,144
Trade accounts receivable	7.	61,818	54,533
Receivables PoC	8.	19,641	15,527
Receivables from income taxes	5.	1,453	770
Financial assets	9.	314	299
Other assets	10.	3,634	3,624
		133,357	117,897
TOTAL ASSETS		202,812	183,079

*) Comparative figures adjusted in accordance with IAS 8 (see notes section "Revaluation in accordance with IAS 8")

Consolidated Balance Sheet

EQUITY AND LIABILITIES

<i>in EUR k</i>	<i>Notes</i>	<i>2017</i>	<i>2016^{*)}</i>
EQUITY			
	11.		
Subscribed capital		6,174	6,167
Capital reserve		17,226	17,235
Other retained earnings		42,796	33,989
Reserve for currency conversion		690	899
Non-controlling interests		137	25
		67,023	58,315
NON-CURRENT LIABILITIES			
Financial liabilities	13.	32,278	33,999
Pensions and similar liabilities	17.	168	186
Provisions	15.	7,491	7,198
Other liabilities	16.	108	105
Deferred tax liabilities	5.	3,378	2,695
		43,423	44,183
CURRENT LIABILITIES			
Financial liabilities	13.	13,877	14,099
Trade accounts payable	14.	12,713	11,257
Liabilities PoC	14.	10,582	11,814
Liabilities from income taxes	5.	4,201	2,217
Provisions	15.	6,976	4,539
Other liabilities	16.	44,017	36,655
		92,366	80,581
TOTAL EQUITY AND LIABILITIES		202,812	183,079

CONSOLIDATED INCOME STATEMENT

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	<i>Anhang</i>	<i>2017</i>	<i>2016*)</i>
Sales revenues	18.	321,590	260,974
Other operating income	19.	3,135	3,212
Own work capitalised	20.	47	0
TOTAL INCOME		324,772	264,186
Costs of material	21.	-43,347	-28,389
Personnel costs	22.	-200,309	-168,737
Other operating expenses	23.	-55,738	-43,641
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)		25,378	23,419
Depreciation on property, plant and equipment	24.	-8,193	-6,352
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		17,185	17,067
Earnings from shares recognized under the equity method	25.	178	416
Interest income and similar income	25.	22	43
Interest expenses and similar expenses	25.	-754	-461
INCOME FROM ORDINARY ACTIVITIES (EBT)		16,631	17,065
Income taxes	26.	-5,300	-4,466
CONSOLIDATED EARNINGS		11,331	12,599
of which attributable to shareholders of adesso AG		11,025	12,346
of which attributable to non-controlling interests		306	253
Number of shares at the end of the period		6,174,203	6,167,423
UNDILUTED EARNINGS PER SHARE (IN EUR)	27.	1.79	2.11
Diluted earnings per share (in EUR)		1.78	2.10

CONS. STATEMENT OF COMPREHENSIVE INCOME

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	<i>Anhang</i>	<i>2017</i>	<i>2016*)</i>
Consolidated earnings		11,331	12,599
OTHER COMPREHENSIVE INCOME, NOT SUBSEQUENTLY TRANSFERRED TO THE INCOME STATEMENT			
Actuarial gains (+) and losses (-)	17.	5	-20
Deferred taxes on actuarial gains and losses		-2	7
OTHER COMPREHENSIVE INCOME, SUBSEQUENTLY TRANSFERRED TO THE INCOME STATEMENT			
Currency translation differences		-209	233
OTHER COMPREHENSIVE INCOME		-206	220
TOTAL INCOME		11,125	12,818
of which attributable to shareholders of adesso AG		10,818	12,570
of which attributable to non-controlling interests		307	248

* Comparative figures adjusted in accordance with IAS 8 (see notes section "Revaluation in accordance with IAS 8")

Consolidated Income Statement
 Cons. Statement of Comprehensive Income
 Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT**)

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	2017	2016 ^{*)}
EARNINGS BEFORE TAX	16,631	17,065
Income from financing activities	732	418
Depreciation and amortization on property, plant and equipment and intangible assets	8,193	6,352
Result from shares recognized under the equity method	-178	-416
Non-cash income/expenses	87	81
Change in pension provisions	-18	-4
Change in other provisions	2,619	4,131
Tax payments	-4,525	-4,060
Losses (+)/Gains (-) from the disposal of property, plant and equipment	3	-10
Change to net operating assets	-3,279	-8,420
CASH FLOW FROM OPERATING ACTIVITIES	20,265	15,137
Sale of property, plant and equipment	24	159
Purchase of joint ventures	-578	0
Investments in property, plant and equipment	-5,753	-2,308
Investments in intangible assets	-380	-2,822
Acquisition of subsidiaries (less cash and cash equivalents acquired)	-4,330	-25,095
CASH FLOW FROM INVESTMENT ACTIVITIES	-11,017	-30,066
Dividend payments	-2,370	-2,654
Dividends from shares recognised under the equity method	477	270
Capital increase	52	12,537
Purchase of non-controlling interests	-148	-5,626
New liabilities to banks	5,500	30,500
Repayment of financial liabilities	-8,519	-4,678
Payments from non-controlling interests	4	0
Interest paid	-593	-430
Interest received	3	10
CASH FLOW FROM FINANCING ACTIVITIES	-5,594	29,929
Currency differences	-301	-18
CHANGE IN CASH AND CASH EQUIVALENTS	3,353	14,982
Cash and cash equivalents at the beginning of the period	43,144	28,162
Cash and cash equivalents at the end of the period	46,497	43,144

* Comparative figures adjusted in accordance with IAS 8 (see notes section "Revaluation in accordance with IAS 8")

** See notes section "Information on the Consolidated Cash Flow Statement"

CONSOLIDATED SHAREHOLDERS EQUITY STATEMENT

OF ADESSO GROUP FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

<i>in EUR k</i>	<i>Share capital</i>	<i>Capital reserves</i>
31.12.2015	5,800	10,619
Correction	0	0
01.01.2016*)	5,800	10,619
Share-based compensation	0	2
Effects from the purchase of additional shares in subsidiaries (including the issue of new shares)	42	-5,600
Capital increase	293	12,015
Increase in share capital by exercises of stock options	32	199
Other results at the end of the financial year	0	0
Consolidated result	0	0
Total	0	0
Dividends	0	0
31.12.2016*)	6,167	17,235
Share-based compensation	0	45
Effects from the purchase of additional shares in subsidiaries	0	-99
Share of non-controlling interests in newly established subsidiaries	0	0
Increase in share capital by exercises of stock options	7	45
Other results at the end of the financial year	0	0
Consolidated result	0	0
Total	0	0
Dividends**)	0	0
31.12.2017	6,174	17,226

* Comparative figures adjusted in accordance with IAS 8 (see notes section "Revaluation in accordance with IAS 8")

** Dividend payment of EUR 2,220 thousand corresponds to EUR 0.36 per share

Cons. Shareholders Equity Statement

		<i>Other comprehensive results of the financial period</i>			
	<i>Other reserves</i>	<i>Reserves for Currency translation</i>	<i>Equity of adesso AG shareholders</i>	<i>Non-controlling shares</i>	<i>Total Equity</i>
	23,662	690	40,771	1,704	42,475
	-270	-24	-294	-30	-324
	23,392	666	40,477	1,674	42,151
	0	0	2	0	2
	0	0	-5,558	-143	-5,701
	0		12,308		12,308
	0	0	231	0	231
	-8	233	225	-5	220
	12,345	0	12,345	253	12,598
	12,337	233	12,570	248	12,818
	-1,740	0	-1,740	-1,754	-3,494
	33,989	899	58,290	25	58,315
	0	0	45	0	45
	0	0	-99	-49	-148
	0	0	0	4	4
	0	0	52	0	52
	2	-209	-207	1	-206
	11,025	0	11,025	306	11,331
	11,027	-209	10,818	307	11,125
	-2,220	0	-2,220	-150	-2,370
	42,796	690	66,886	137	67,023

CONSOLIDATED NOTES

OF ADESSO GROUP FOR FINANCIAL YEAR 2017

I. General Information

The adesso Group (hereinafter referred to as adesso) is an IT service provider independent of manufacturers. It focuses on consulting and software development. adesso uses information technology to provide optimised core business process design and support to its customers.

adesso AG is a corporation under German law. Its registered office is in Dortmund, Germany. The address is: adesso AG, Stockholmer Allee 20, 44269 Dortmund, Germany. The commercial register is likewise located in Dortmund (HRB 20663).

The declaration on the German Corporate Governance Code required pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued and was made permanently available to the shareholders at www.adesso-group.de/corporate-governance/.

The consolidated financial statements and the Group Management Report were approved by the Supervisory Board on 22 March 2018 and released for publication by the Executive Board.

II. Summary of Significant Accounting Principles

The consolidated financial statements were prepared by adesso AG according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), applicable as at 31 December 2017 and adopted by the EU, and according to the supplementary regulations per Section 315e (1) of the German Commercial Code (HGB). adesso meets all requirements of the applied standards and interpretations.

The consolidated financial statements of 31 December 2017 are denominated in euros. They were prepared according to the historical cost principle unless other valuation methods were required by IFRS. Uniform accounting methods based on IFRS were applied to the assets and liabilities of the companies included in the consolidated financial statements. The individual financial statements of the companies included in the consolidated financial statements are issued for the reporting date of the consolidated financial statements.

Assets and liabilities are classified in the consolidated balance sheet as current or non-current items according to their maturities. In principle, assets and liabilities are classified as current insofar as they are realised or mature within the normal business cycle or within twelve months after the end of the reporting period. The consolidated income statement is structured according to the total cost method. The accounting methods are used consistently for all periods unless otherwise specified.

All amounts are in EUR thousand (EUR k) unless otherwise specified. As a result of rounding, some amounts may not add up to the disclosed sums.

New Accounting Standards

Provisions Applied for the First Time

- > In January 2016, the IASB published amendments to IAS 7 (cash flow statements). The following changes to debt attributable to financing must be stated exemplary: (a) changes in cash flows attributable to financing activities; (b) changes in the acquisition or loss of control over subsidiaries or business units; (c) effects of exchange rate changes; (d) changes in fair values; and (e) other changes. The statement of reconciliation demanded is shown under III.13.
- > In January 2016, the IASB published amendments to IAS 12 (income taxes). The IASB clarifies that differences between the carrying amount of an asset measured at fair value (e.g. fixed rate bond) and the tax value (calculated on the basis of amortised cost) are considered temporary differences, irrespective of future use. In addition, the IASB specifies how future taxable profit should be determined when it is to be based on the recognition of deferred tax assets. This change has no significant impact on the consolidated financial statements of adesso.
- > In December 2016, the IASB adopted amendments as part of the annual improvement project. The amendments concern IFRS 1 (First-Time Adoption of IFRS), clarifications to IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures) on the issue of the preconditions under which shares in associated companies and joint ventures may be assessed at fair value. The amendments to IFRS 12 for financial years apply as of 1 January 2017. This change has no significant impact on the consolidated financial statements of adesso.

Approved Financial Reporting Standards that have not been Applied

The IASB has approved standards, amendments to standards and interpretations with mandatory application for financial years beginning with or after 1 January 2018. Application of the following regulations is not yet mandatory, and they have not been applied by adesso yet.

- > In January 2016, the IASB approved IFRS 16 (Leases), which will have to be applied for financial years beginning on or after 1 January 2019; the standard establishes new provisions for the recognition, measurement, presentation and disclosure of leases. According to IFRS 16, all leases generally have to be included on the balance sheet of the lessee. In this case, a right-of-use asset and the corresponding lease liability are recognised in the balance sheet of the lessee. Deviations are permitted only if the lease term is twelve months or less or the underlying asset has a low value, in which case the cost of the lease can generally be recorded on a straight-line basis over the lease term. The lessor largely essentially continues to classify a leasing arrangement as an operational or finance lease. This standard was approved by the EU on 31 October 2017. adesso will apply the standard as of 1 January 2019 and will exercise the simplification measure to determine the leased assets and the leased liability as at 1 January 2019 (so-called modified retrospective method). adesso has significant lease agreements with regard to the leasing of office space and vehicles.

Were IFRS 16 to be applied as at 1 January 2018, this would likely impact 2018 as follows:

	Change in EUR k	
	01.01.2018	31.12.2018
<i>Consolidated balance sheet</i>		
Non-current assets	37,598	27,256
Deferred tax assets	0	127
Equity	0	-261
Liabilities	37,598	27,644
<i>Consolidated income statement</i>		
		2018
Other operating expenses		10,928
EBITDA		10,928
Depreciation and amortisation		-10,343
EBIT		585
Interest expense		-974
EBT		-388
Deferred tax income		127
CONSOLIDATED PROFIT/LOSS		-261

All lease agreements valid as of 01. January 2018 are considered including contracts for leased assets with low value and contracts with a residual maturity of 12 months or less. In determining the cash value, future payments for maintenance were taken into account, especially in the area of car leasing. The applied discount rate is 3 %. Significant new lease agreements are not expected for 2018. A lease for business premises of the Dortmund branch is not included in this information. The building is currently under construction and is expected to be handed over to adesso in January 2019. It is predicted that the book value of the building and the liability will initially amount to 12,623 EUR thousand.

- > In July 2014, the IASB approved the final version of IFRS 9 (Financial Instruments). The standard replaces the provisions of IAS 39 (Financial Instruments: Recognition and Measurement). According to IFRS 9, financial assets are allocated to the following categories: amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Financial assets are allocated to category of amortised cost if that these are being held to receive contractually agreed cash flows and the financial asset is not to be sold. Furthermore, financial assets can be allocated to this category only if the expected cash flows from the financial assets include repayment and interest payments. The financial assets allocated to this category are measured at amortised cost. The interest result is to be calculated on the basis of the gross book value (before impairment). The financial assets allocated to the other two categories must be measured at fair value. Changes in value are to be recorded either in the consolidated income statement or in other income for the period. IFRS 9 also includes new provisions on recording the impairment of financial assets. According to IFRS 9, impairments are generally to be recorded for financial assets in the amount of the loss to be expected in the coming twelve months. If the default risk of a financial asset rises significantly, the impairment is to be recognised in the total default amount expected over the term of the financial asset. The latter is to be applied to trade receivables for reasons of simplification. If, alongside the default risk of a financial asset rising significantly, objective evidence of an impairment arises,

the impairment must be entered in the total default amount expected over the term of the financial asset. The interest result is to be calculated on the basis of the net book value (after impairment). According to IFRS 9, financial liabilities are generally to be measured at amortised cost. They are to be measured at fair value only in exceptional cases. There is also the option of measuring financial liabilities at fair value. IFRS 9 also includes principles for the recognition, measurement, presentation and disclosure of hedges. IFRS 9 applies to financial years beginning on or after 1 January 2018. IFRS 9 was adopted into European law as at 23 November 2016. As part of the implementation project, adesso has analysed all financial assets and financial liabilities to evaluate the impact of the application of IFRS 9. For claims arising from POC trade receivables, adesso will make use of the exempting provision and determine the impairment on the basis of the losses expected over the period. adesso's financial liabilities continue to be measured at amortised cost. The first-time adoption of the standard will have no notable impact on adesso's consolidated financial statements.

> In May 2014, the IASB approved IFRS 15 (Revenue from Contracts with Customers). IFRS 15 provides a uniform framework for all questions relating to revenue from contracts with customers. The provisions included in IFRS 15 are to be applied uniformly for various transactions and across all industries. Contracts that fall within the scope of IAS 17 (Leases), IFRS 4 (Insurance Contracts) and IFRS 9 (Financial Instruments) constitute the only exception to this. The standard approved by the EU on 22 September 2016 is to be applied to financial years beginning on or after 1 January 2018. adesso will map the first-time application of IFRS 15 using the so-called modified retrospective method. Thereafter, the effects of the transition to IFRS 15 on contracts not concluded as of 31 December 2017 will be recorded in the (profit) reserves as of 1 January 2018. The previous year's figures are not adjusted. As part of the conversion project, adesso has analysed the business model, contracts and the resulting performance obligations. The original expectation that IFRS 15 will have no significant impact on adesso's sales revenue was confirmed. Impacts are expected from the capitalisation and write-off of expenses for the contract closing. These are mainly commission payments in adesso's sales area. In individual cases, changes also result from payments to existing customers for future sales proceeds from the software solutions developed at these customers. The following table shows the impact of IFRS 15 on the consolidated balance sheet of adesso as of 1 January 2018:

<i>Consolidated balance sheet</i>	<i>Change in EUR k</i>
Activated long-term contracting costs	264
Deferred tax assets	492
Activated short-term contracting costs	346
TOTAL	1,102
Equity	-599
Non-current contractual liabilities	1,180
Current contractual liabilities	320
Deferred tax liabilities	201
TOTAL	1,102

- > In December 2016, the IASB adopted amendments to IAS 40 (Investment Property). According to this, a transfer to or from the investment property is permissible only if there is actually a change in usage, not at the point of a corresponding intention to carry out said change. The change has not yet been adopted by the EU. The amendments are expected to apply to fiscal years beginning on or after 1 January 2018. The changes will not affect adesso's consolidated financial statements.
- > In December 2016, the IASB adopted amendments as part of the annual improvement project for 2014-2016. The amendments concern IFRS 1 (First-Time Adoption of IFRS), clarifications to IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures) on the issue of the preconditions under which shares in associated companies and joint ventures may be assessed at fair value. The amendments to IFRS 1 and IAS 28 for financial years apply as of 1 January 2018. The changes are recognised by the EU. The changes are not expected to significantly affect adesso's consolidated financial statements.
- > In December 2016, the IASB adopted IFRIC Interpretation 22 (Foreign Currency Transactions and Advance Consideration). The interpretation clarifies which exchange rate is to be used to account for sales revenue for transactions in a currency differing from the functional currency when the company has received advance payments. The interpretation, which has not yet been adopted by European law, is to be applied for fiscal years beginning on or after 1 January 2018. The first-time application of the interpretation is not expected to have any impact on adesso's consolidated financial statements.
- > In May 2017, the IASB adopted Standard IFRS 17 (Insurance Contracts), which will replace IFRS 4 (Insurance Contracts). IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 shall apply to fiscal years beginning on or after 1 January 2021. IFRS 17 has not yet been incorporated into European law. The impact the standard shall have on the consolidated financial statements of adesso is still under investigation.
- > In June 2017, the IASB adopted Interpretation IFRIC 23 (Uncertainty over Income Tax Treatments), which contains clarifications on the question of how uncertain tax positions under IAS 12 are to be reported in financial statements. The interpretation, which has not yet been adopted by European law, is to be applied for fiscal years beginning on or after 1 January 2019. The impact the standard shall have on the consolidated financial statements of adesso is still under investigation.
- > In October 2017, the IASB published the amendment to IFRS 9 (Financial Instruments), "Prepayment Features with Negative Compensation". This amendment clarifies whether payments for the possibility of early termination (e.g. a loan agreement) are to be classified as payments of interest and repayments. The amendment, which has not yet been adopted by European law, is to be applied for fiscal years beginning on or after 1 January 2019. The amendment is not expected to have any impact on adesso's financial statements.
- > In October 2017, the IASB adopted amendments to IAS 28 (Investments in Associates and Joint Ventures). The IASB clarifies that IFRS 9 (Financial Instruments), including the impairment provisions for long-term financial assets, must be applied to associate companies or joint ventures (e.g. lending to these companies). The provisions of IFRS 9 (and thus, if applicable, an impairment) must be applied before the provisions of IAS 28 (according to which pro rata additional losses of the associate or joint venture may have to be recognised). The amendment, which has not yet been adopted by European law, is to be applied for fiscal years beginning on or after 1 January 2019. The amendment is not expected to have any impact on adesso's consolidated financial statements.
- > In December 2017, the IASB adopted amendments as part of the annual improvement project for 2015-2017. In particular, the amendments include clarifications to provisions of IFRS 3 (Business Combinations), IFRS 11 (Joint Arrangements), IAS 12 (Income Taxes) and IAS 23 (Borrowing Costs). The amend-

ments, which have not yet been adopted by European law, are to be applied for fiscal years beginning on or after 1 January 2019.

> In February 2018, the IASB adopted an amendment to IAS 19 (Employee Benefits), which specifies the provisions for accounting for plan amendments, reductions and settlements. The amendments, which have not yet been adopted by European law, are to be applied for fiscal years beginning on or after 1 January 2019. The amendments will affect adesso's consolidated financial statements if such an event occurs.

Revaluation in accordance with IAS 8

In the course of the reorganisation of the accounting process, adesso has subjected the figures reported in the 2016 consolidated financial statements to an intensive analysis. Some facts that were not correctly recorded were identified in the process. Although adesso regards the facts which were not accurately recorded individually and collectively as not significant, these have been retroactively recognised and corrected according to IAS 8 rather than in the current accounts. The amendments concern mainly the second half of 2016. The following table shows the identified impact on adesso's financial statements. Since the effects on 1 January 2016 are not separately significant, the presentation of the balance sheet per IAS 1.40A does not show a separate balance sheet for 1 January 2016.

<i>in EUR k</i>	<i>01/01/2016 reported</i>	<i>Correction</i>	<i>01/01/2016 corrected</i>	<i>31/12/2016 reported incl. correction for 01/01/2016</i>	<i>Correction</i>	<i>31/12/2016 corrected</i>
ASSETS						
Current assets	78,656		78,656	117,948	-51	117,897
Non-current assets	41,511		41,511	65,543	-361	65,182
ASSETS, TOTAL	120,167		120,167	183,491	-412	183,079
LIABILITIES						
Current borrowed capital	55,540		55,540	80,723	-142	80,581
Non-current borrowed capital	22,152	324	22,476	43,348	835	44,183
Equity	42,475	-324	42,151	59,420	-1,105	58,315
LIABILITIES, TOTAL	120,167	0	120,167	183,491	-412	183,079
SALES REVENUES				260,407	567	260,974
Other operating income				3,309	-97	3,212
TOTAL OUTPUT				263,716	470	264,186
Cost of materials				-28,078	-312	-28,389
Personnel costs				-168,288	-449	-168,737
Other operating expenses				-44,290	649	-43,641
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)				23,060	359	23,419
Depreciation of non-current assets				-6,352		-6,352
OPERATING RESULT (EBIT)				16,708	359	17,067
Income from investments				416		416
Interest income and similar income				43		43
Interest expenses and similar expenses				-445	-16	-461
RESULT FROM NORMAL BUSINESS ACTIVITIES (EBT)				16,722	343	17,065
Income taxes				-4,026	-440	-4,466
CONSOLIDATED PROFIT/LOSS				12,696	-97	12,599
of which attributable to non-controlling interests				173	80	253
of which attributable to shareholders of adesso AG				12,523	-178	12,346
Number of shares at the end of the financial year				6,167,423		6,167,423
UNDILUTED EARNINGS PER SHARE (IN EUR)				2.14		2.11
DILUTED EARNINGS PER SHARE (IN EUR)				2.14		2.10

Additionally, smarthouse adesso financial solutions GmbH was included in the IT Services segment in the financial year 2016, even though it ought to be imputed to the IT Solutions segment. The figures from previous years have been adjusted.

The figures from previous years reported in the following tables and explanatory notes have been corrected accordingly.

Company Acquisitions

On 10 February 2017, adesso acquired 100 % of the shares in UnitCon GmbH, Darmstadt, which was subsequently merged with Arithnea GmbH. With the acquisition, adesso is strategically strengthening its subsidiary Arithnea GmbH in the areas of SAP Customer Engagement, Business Analytics and HANA and is expanding its existing activities in the field of customer engagement & commerce (CEC). Thanks to UnitCon's services, Arithnea GmbH can round off its own portfolio with respect to customer engagement and commerce. The newly acquired knowledge makes Arithnea GmbH one of the first companies in Germany, Austria and Switzerland to offer the entire SAP Hybris portfolio from a single source. This makes Arithnea GmbH one of the market leaders for consulting and implementing SAP Hybris solutions. The purchase price was paid in cash and amounted to EUR 5,500 thousand. In addition, another payment of EUR 1,200 thousand is due in March 2019. This is fully dependent on the seller's performance and is therefore, until the due date, recorded pro rata in the consolidated income statement under the personnel costs item.

The fair value of the acquired trade receivables was EUR 443 thousand. The contractual cash flows from receivables amount to EUR 443 thousand. Ancillary acquisition costs totalled EUR 37 thousand. They are recorded under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of UnitCon GmbH, which cannot be capitalised under IFRS. It is allocated to the company Arithnea GmbH (legal successor to UnitCon GmbH) as a cash-generating unit. The goodwill is not tax deductible. The purchase price allocation has been finalised.

On 26/09/2017 adesso acquired 100 % of the shares in medgineering GmbH, Dortmund (previously Halle, Westphalia), the IT service provider and system developer of the Mobile Retter association. Together with its partner, Microsoft, adesso has been supporting the non-profit association Mobile Retter e.V. since last year by expanding its rapid-response communication system for all of its command centres in Germany. The aim is to use a modern alarm system to improve first care for people in acutely life-threatening situations. With the acquisition, adesso is further expanding its healthcare and e-health solution portfolio.

The purchase price was paid in cash and amounted to EUR 747 thousand. In addition, another conditional payment is due in spring 2021. This payment, which has no upper limit, depends on the achievement of certain sales targets, as well as on the seller's performance and is therefore recorded pro rata in the consolidated income statement under third-party services, for a vesting period until 30 June 2020. The possible range of payment is between 0 and 1,677 EUR thousand.

The fair value of the acquired trade receivables was EUR 37 thousand. The contractual cash flows from receivables amount to EUR 37 thousand. Ancillary acquisition costs totalled EUR 9 thousand. They are recorded under "Other operating expenses" in the consolidated income statement.

The goodwill resulting from the merger primarily represents the expected future contributions to profit that are not to be considered as separate intangible assets. These contributions to success are due to the special combination of the non-profit organisation Mobile Retter e.V., the emergency call centres and the acquired system developer medgineering itself. It is assigned to medgineering GmbH as a cash-generating unit. The goodwill is not deductible for tax purposes.

The purchase price allocation is preliminary with regard to the identification of intangible assets.

<i>Amounts in thousand EUR</i>	<i>UnitCon GmbH</i>	<i>medgineering GmbH</i>
Goodwill	2,244	464
Customer relations	1,486	450
Order backlog	848	0
Property, plant and equipment	52	5
Deferred tax assets	0	22
Trade receivables	443	37
Receivables from income taxes	25	0
Other current receivables	27	2
Liquid assets	1,891	27
TOTAL ASSETS	7,016	1,007
Long-term financial liabilities	300	0
Current provisions	61	50
Trade accounts payable	205	2
Tax liabilities	39	0
Liabilities to credit institutions	10	0
Other financial liabilities	112	0
Other liabilities	69	61
Deferred tax liabilities	720	147
TOTAL LIABILITIES	1,516	260
NET ASSETS	5,500	747
Consideration	5,500	747
Cash and cash equivalents received	1,890	27
ACTUAL CASH OUTFLOW FOR ACQUISITION	3,610	720

The revenue recognised in adesso's financial statements and the earnings contribution of UnitCon GmbH cannot be determined due to the merger of Arithnea GmbH following the acquisition and the related economic and organisational integration into the company.

The sales revenues of medgineering GmbH included in adesso's consolidated financial statements stand at EUR 32 thousand. The net period loss reported in the consolidated financial statements of adesso amounts to EUR 34 thousand.

If UnitCon GmbH and medgineering GmbH had already been consolidated as at 1 January 2017, consolidated sales revenues would have been EUR 321,870 thousand and net consolidated profit for the period would have been EUR 10,930 thousand.

Acquisitions in the Previous Year

On 4 May 2016, adesso acquired 100 % of the shares in Smarthouse Media GmbH, Karlsruhe, Germany. The acquisition allowed adesso AG to swiftly expand its visibility and its portfolio in banking, a core sector. The company's specialist expertise in the development and operation of bank portals for complex financial products was an ideal match for adesso's sector approach. Smarthouse Media GmbH was subsequently renamed smarthouse adesso financial solutions GmbH. The acquisition costs were paid in cash and amounted to EUR 23,943 thousand.

The fair value of the receivables resulting from supplies and services acquired was EUR 4,621 thousand. The contractual cash flows from receivables amounted to EUR 4,640 thousand. Ancillary acquisition costs totalled EUR 88 thousand. They are recorded under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of Smarthouse Media GmbH, which cannot be capitalised under IFRS.

On 14 September 2016, adesso acquired 100 % of the shares in flitcon GmbH, Düren, Germany. By taking over a 100 % stake in the business intelligence specialist, adesso expanded its portfolio to include technologies and services that are of increasing importance, particularly for banks and insurance companies. flitcon GmbH developed high-performance solutions for the business analytics and business intelligence software produced by the worldwide leading manufacturer SAS. flitcon's former managing director and founder will continue to be Head of Business Intelligence at adesso. The purchase price was paid in cash and amounted to EUR 1,500 thousand. EUR 700 thousand was also paid to the sellers of the shares. This amount is to be repaid in the event that the seller either sells, within a period of two years, the adesso AG shares that must be acquired as part of the purchase agreement, or if the seller is, within a period of two years, no longer in the same position as when the shares were sold. According to IFRS 3, this amount must be classified as remuneration for post-combination services. As a result, the EUR 700 thousand is to be recorded on a straight-line basis over a period of two years. The amount not yet recognised through profit and loss is to be deferred and recognised under other assets. As of 31 December 2017, the book value of the asset is EUR 263 thousand. adesso assumes that the EUR 700 thousand shall not be refunded.

The fair value of the acquired trade receivables was EUR 412 thousand. This corresponds to the contractual cash flows from receivables. The incidental acquisition costs were EUR 17 thousand. They are recorded under "Other operating expenses" in the consolidated income statement.

Goodwill resulting from the merger mainly represents the workforce of flitcon GmbH, which cannot be capitalised under IFRS.

On 5 September 2016, 100 % of the shares in SP Integration GmbH, Sulzbach, Germany, were acquired by notarised purchase and transfer agreement. SP Integration supervised IT projects, from the mapping out of requirements to architecture consulting to implementation. The highly qualified staff bring comprehensive expertise to adesso, especially in the areas of business intelligence, groupware and portals, and will thus make a lasting contribution to the continued growth of adesso. The purchase price was paid in cash and amounted to EUR 265 thousand. EUR 135 thousand must also be paid to the sellers of the shares; this amount is conditional on the sellers' performance. According to IFRS 3, this amount must be classified as remuneration for post-combination services. As a result, the EUR 135 thousand is to be recognised on a straight-line basis over a period of two years. After a first amount of EUR 91 thousand was paid in 2017, the liability amounted to EUR 27 thousand as at 31 December 2017. adesso assumes that the remaining amounts are also to be paid.

The fair value of the acquired trade receivables was EUR 836 thousand. The contractual cash flows from receivables amount to EUR 850 thousand. The incidental acquisition costs were EUR 14 thousand. They are recorded under “Other operating expenses” in the consolidated income statement.

The Group obtained the following assets and liabilities in the course of the merger:

<i>Amounts in thousand EUR</i>	<i>Smarthouse Media GmbH</i>	<i>flitcon GmbH</i>	<i>SP Integration GmbH</i>
Goodwill	16,794	741	0
Customer lists	3,844	448	0
Orders	1,010	159	0
Software	1,470	207	0
Other fixed assets	810	23	37
Trade receivables	4,621	412	836
Receivables from income taxes	80	139	0
Other current receivables	106	0	58
Other assets	39	1	0
Cash and cash equivalents	1	578	35
TOTAL ASSETS	28,776	2,708	966
Non-current provisions	0	0	0
Other non-current liabilities	0	300	0
Current provisions	95	6	5
Trade payables	448	98	128
Tax liabilities	0	214	0
Other liabilities	2,338	332	568
Deferred tax liabilities	1,952	258	0
TOTAL LIABILITIES	4,833	1,208	701
NET ASSETS	23,943	1,500	265
Consideration	23,943	1,500	265
Cash and cash equivalents received	1	578	35
ACTUAL CASH OUTFLOW FOR ACQUISITION	23,942	922	230

The sales revenues of Smarthouse Media GmbH included in adesso’s consolidated financial statements are EUR 11,848 thousand. The period results of Smarthouse Media GmbH included in the consolidated financial statements is EUR 269 thousand.

The sales revenues of flitcon GmbH included in adesso’s consolidated financial statements are EUR 646 thousand. The period results of flitcon GmbH included in the consolidated financial statements is EUR -12 thousand.

The sales revenues of SP Integration GmbH included in adesso's consolidated financial statements are EUR 760 thousand. SP Integration's sales revenues for the period included in the consolidated financial statements are EUR 88 thousand.

If the acquired subsidiaries had already been consolidated as at 1 January 2016, consolidated sales revenues would have been EUR 270,647 thousand and net consolidated profit for the period would have been EUR 12,746 thousand.

Consolidation

a) Subsidiaries

Subsidiaries are companies controlled by adesso. adesso is deemed to have control over a company if adesso has power over this company, is exposed to variable returns and/or rights to the same and can use its power over the company to influence returns. adesso has power over a company if existing rights mean that adesso has the ability to direct the relevant activities of the company. Relevant activities are activities that significantly affect the company's returns. Potential voting rights from options or convertible bonds need to be taken into account in addition to current voting rights, for instance.

Subsidiaries are fully consolidated from the date on which adesso obtains control. This means that assets, liabilities, income and expenses are to be allocated to the Group from this date. Subsidiaries are deconsolidated as soon as the company is no longer controlled by adesso.

Pursuant to IFRS 3, mergers are reported using the acquisition method. The consideration for the acquired shares is comprised of the fair values of the assets acquired, received and acquired debt as well as the equity instruments issued, each valued at fair value. Any agreed conditional considerations are also to be taken into account at fair value. Pursuant to IAS 39, assets and liabilities from conditional considerations are measured at fair value; income and expenses are recognised either in the consolidated income statement or in other comprehensive income. If conditional consideration is classified as equity, current changes in value are not recognised, and differences are recognised in equity when the conditional consideration is paid. During company mergers, shares previously held in a subsidiary (successive share purchase) are considered at fair value. The resulting income and expenses are recognised in the consolidated income statement. The acquisition costs of business combination must be recognised directly in the consolidated income statement. Pre-existing relationships (such as from obligations) at the time of acquisition of control have to be eliminated prior to consolidation. The resulting profit contributions must be recognised directly in the consolidated income statement.

The acquired assets and liabilities have to be recognised insofar as they meet the definition of an asset or a liability. In general, the acquired assets and liabilities are recognised at fair value. Non-controlling interests can be valued according to the pro-rata net assets measured pursuant to IFRS 3 or at fair value. The latter option also includes the recognition of goodwill for the non-controlling interest. adesso values non-controlling interests according to the pro-rata net assets measured pursuant to IFRS 3. The goodwill allocated to the parent company's shareholders generally corresponds to the difference between the value of consideration given in exchange for control plus the fair value of the pre-merger shares held in the subsidiary and the pro-rata assets acquired, as measured according to IFRS 3.

Insofar as the identification and evaluation of the acquired assets and liabilities and/or the determination of the consideration given has not been completed on the reporting date following the merger, preliminary reporting of the merger in the consolidated financial statements is required. Reporting for the merger has to be concluded within twelve months of the merger date (measurement period).

Intra-group relationships between the consolidated companies are eliminated. As part of the consolidation of capital, participations in subsidiaries are offset against the acquired pro-rata equity of the respective subsidi-

ary allocated to adesso. Obligations between the companies included in the consolidated financial statement are eliminated in the course of debt consolidation. Intercompany profit and loss from intragroup transactions included in the assets and liabilities is eliminated as part of the elimination of interim results; income and expenses from intercompany transactions are eliminated in the course of income and expense consolidation.

Changes in the participation percentage in a subsidiary that do not result in a loss of control are reported as equity transactions. Differences between the fair value of consideration and the pro-rata equity are reported in capital reserves.

A company is deconsolidated when adesso no longer exercises control. The assets and liabilities, as well as the income and expenses, are no longer allocated to adesso from this date. Any share in the former subsidiary remaining with adesso is measured at fair value. The difference between the net assets attributable to the remaining shares at the date of deconsolidation and the fair value of the shares is reported in the consolidated income statement.

adesso holds the majority of the voting rights in all subsidiaries. This enables adesso to direct the relevant activities of the subsidiaries.

The number of fully consolidated subsidiaries increased to 21 (previous year: 19).

For the listing of companies included in the consolidated financial statements, please refer to the list of shareholdings according to Section 313 (2) HGB under “Subsidiaries” and “Associated Companies and Joint Ventures” in the “VI. Supplementary Information” section.

On 28 February 2017, adesso acquired the outstanding shares in adesso as a service GmbH (formerly adesso hosting GmbH), Dortmund, for EUR 148 thousand. The non-controlling shares were reduced by EUR 49 thousand in this context. The difference of EUR 99 thousand between the purchase price for the additional shares and the amount of the non-controlling shares is recorded in the capital reserve.

On 16 February 2017, with a capital contribution of EUR 21 thousand, adesso received 85% of the shares in the newly founded inQventures GmbH, Berlin. inQventures GmbH will promote entrepreneurs and start-ups in adesso’s core competence areas.

On 23 November 2017, adesso founded adesso it + GmbH, Berlin, which has not yet commenced operations.

With effect from 1 October 2017, phb services GmbH was merged with adesso insurance solutions GmbH. The entry in the Commercial Register was made on 19 December 2017.

adesso’s consolidated financial statements do not include any material minority interests.

b) Joint Arrangements and Associates

Pursuant to IFRS 11, joint arrangements are classified as joint operations or joint ventures. Joint operations are joint arrangements where the joint operators have rights to the assets and liabilities relating to the joint arrangements. In the case of joint ventures, the partner companies have rights to the net assets included in the arrangement. In the case of joint operations, the joint operator accounts for the assets and liabilities, including its share of those held jointly, its income and its share of the joint income of the arrangement, as well as its expenses, including its share of any expenses incurred jointly. Pursuant to IFRS 11, interests in joint ventures are consolidated using the equity method described in IAS 28.

A company is considered to be an associate of adesso if adesso has significant influence over the company, does not control the company and does not control the company together with another. Significant influence is

assumed when adesso holds 20% to 50% of the shares in a company. Like joint ventures, associates are consolidated using the equity method.

According to the equity method, the interests are recognised at cost when they are recognised. If, at the time that the company is consolidated using the equity method for the first time, the cost exceeds the pro-rata fair value of the net assets of the company, the share must include fair value. An amount equal to the difference is to be recognised if the reverse is true. As a result, the results of joint ventures and associated companies are to be reported proportionately to adesso.

The profits and losses of the joint venture and associated companies are recognised pro-rata in the consolidated income statement, while other comprehensive income of the joint venture and associated companies is to be recognised pro-rata in other period sales results; in both cases, an adjustment is to be made to the carrying amount of the shares. Dividend distributions from joint ventures and associates reduce with no overall effect on outcomes the carrying amount of the interests in equity. The losses that exceed net investments will not be recognised so long as the pro-rata losses recognised exceed net investment in the joint venture or associated companies (shares plus non-current receivables, for example). The negative equity value is amortised by means of a separate calculation. It is included in the consolidated balance sheet once it is positive again.

If shares in the joint venture are sold and consolidation using the equity method continues, the amounts recognised in other comprehensive income are reported pro-rata in the consolidated income statement, provided that this would also be the case with the disposal of the corresponding assets and/ or liabilities.

Pursuant to IAS 39, adesso conducts a check on each balance sheet date to determine whether there is any objective evidence that the carrying amount of the net investments are impaired. The impairment test is then conducted pursuant to the provisions of IAS 36. An impairment loss is to be recognised in the amount of the difference between the recoverable amount of the net investment in the joint venture or associated company and the carrying amount of the net investment. As the impairment relates to the entire carrying amount and not the carrying amount of the individual assets included in the carrying amount, a reversal of impairment losses pursuant to IAS 36 may have to be recognised in the future.

Intercompany profit and loss from upstream and downstream transactions are eliminated on a pro-rata basis.

On 24 March 2017, adesso concluded a notarised participation agreement with soccerwatch.tv GmbH, Essen, Germany. Within the scope of a capital increase, adesso received a participation percentage of 30% of the share capital of the company. soccerwatch.tv GmbH develops and sells a fully automated camera system and an online streaming service for live transmissions of amateur football matches. The acquisition cost amount to EUR 1,488 thousand and includes a conditional payment of a maximum of EUR 1,100 thousand dependent on the achievement of certain milestones, the fair value of which was EUR 1,074 thousand at the time of purchase and which is payable into the capital reserve of soccerwatch.tv GmbH. As of 31 December 2017 the obligation has been settled in full, after another agreement was concluded from which adesso now has to pay EUR 1,000 thousand, paying this sum however earlier than originally agreed.

The book value of the shares in soccerwatch GmbH as at 31 December 2017 is EUR 1,166 thousand. The pro rata annual result of the joint venture attributable to adesso for the 2017 financial year amounts to EUR -322 thousand.

On 26 October 2017, adesso and another partner founded the joint venture re:Doc GmbH, Dortmund. re:Doc GmbH is developing an app-based encrypted communication system for physicians and patients. adesso

holds 50 % of the shares and has the option to acquire a further 25.1 % of the shares in October 2019. The total adesso-proportionate start-up costs amount to EUR 164 thousand.

The book value of the shares in re:Doc GmbH as at 31 December 2017 is EUR 161 thousand. The pro rata annual result of the joint venture attributable to adesso for the 2017 financial year amounts to EUR -3 thousand.

adesso holds shares in three associates in the following amounts:

- > Barmeria IT+ GmbH, Wuppertal, Germany; 24.0 % of the shares.
- > com2m GmbH, Dortmund, Germany; 24.9 % of the shares.
- > 1Buch GmbH, Gütersloh, Germany; 30.0 % of the shares.

All associated companies are classified as not essential. The share in the earnings of Barmeria IT+ GmbH allocated to adesso is 90 %. The carrying amount of the shares in associated companies amounts as of 31 December 2017 to EUR 785 thousand (previous year EUR 760 thousand). The pro-rata annual profit of associates allocated to adesso for financial year 2017 totals EUR 503 thousand (previous year EUR 416 thousand). Dividends were paid in the amount of EUR 478 thousand (previous year EUR 270 thousand).

c) Translation into a Foreign Currency

Each of the companies included in the consolidated financial statements prepares its separate financial statements in their respective functional currency. The functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. This functional currency for the companies included in the adesso consolidated financial statements corresponds to the respective currency of the country where the company has its registered office. Transactions conducted in a currency other than the functional currency are translated into the functional currency using the spot and/or respective exchange rate. The expenses and income resulting from this and from the settlement of such transactions are recognised in the consolidated income statement, provided that the amounts are not recognised as respective profit amounts in other comprehensive income.

Conversion of the financial statements prepared in the national currency of companies whose functional currency is not the euro is performed according to the modified closing rate method. The equity of the companies with functional currencies other than the Euro included in the consolidated financial statements is translated using historical exchange rates. All assets and liabilities are translated using the spot rate. The income and expenses, as well as the annual profit recognised in the consolidated income statement, are translated using the transaction rate; for reasons of simplicity, the average rate is used where permitted. The translation differences arising in the current year are recognised correspondingly in other comprehensive income. In the following, the prices are quoted according to the usual quantitative quotes. This means, for example on 31 December 2017, that the following applies: EUR 1 equals CHF 1.17.

FOREIGN CURRENCY AT EUR 1

	Closing rate		Average rate	
	2017	2016	2017	2016
Swiss franc (CHF)	1.17	1.07	1.11	1.09
British pound (GBP)	0.89	0.86	0.88	0.82
US dollar (USD)	1.20	1.05	1.13	1.11
Turkish lira (TRY)	4.55	3.71	4.12	3.34

Financial Reporting**a) Sales Revenues**

adesso mainly generates sales revenues from consulting projects, sales of licences, and maintenance, smart cloud and hosting contracts.

Sales Revenues Recognition Principles

Sales revenues for services are recognised from fixed-price projects and Time&Material projects (T&M). While T&M projects are charged on an hourly basis and on the basis of material consumption (always corresponds de facto to a percentage of completion of 100 %), sales revenues for fixed-price projects are to be recognised in line with the stage-of-completion method or the percentage-of-completion method. The percentage of completion generally corresponds to the costs incurred as at the reporting date as a proportion of the expected total costs for the project. Sales revenues cannot be recognised using the percentage-of-completion method if the expected total costs and/or the expected total income cannot be reliably estimated. In this case, sales revenues are to be recognised at a level no more than the expenses incurred. If the expected total expenses of a fixed-price project exceed the expected total income, meaning that there is a risk that the project will incur losses, the loss is to be immediately recognised in full irrespective of the percentage of completion.

Sales revenues from sales of licences are generally recognised if a contract exists that transfers the risks and opportunities associated with ownership of the licence to the buyer, the sales revenues can be reliably measured and the sales price will likely flow to adesso.

Sales revenues for maintenance, smart cloud and hosting contracts are usually time-based, which is why the sales revenues are allocated to the periods in instalments on a pro-rata basis. The same applies to revenues from the temporary rental of software.

Multi-Component Contracts

In order to recognise sales revenues, contracts must be analysed to determine whether they comprise more than one performance-based component, or multiple contracts are to be analysed to determine whether they are to be accounted for as a contract. The performance-based components are to be identified and the resulting sales revenues are to be recognised in line with the provisions for the individual performance-based components. For example, if a contract sees a software licence being disposed of and the same contract also concludes a maintenance contract for the software licence, the sales revenues from the sale of the licence are to be recognised immediately – provided that the conditions are complied with. The income attributable to the maintenance contract is to be deferred and generally recognised on a pro-rata basis. For sales revenues recognition purposes, the purchase price agreed in the contract is to be allocated to the performance-based components included in the contract.

adesso generally negotiates the individual performance-based components separately. The negotiations usually cover prices, which are in the same league as the retail price. There is often a margin of discretion regarding

the presentation of multi-component contracts, as sales revenues from goods and licences sold are not recognised pursuant to the principles for the recognition of sales revenues from goods and licences, provided that a subsequent adjustment of the software is an essential element of the contract. The adjustment of the software is seen as essential if a significant adjustment need has been agreed and this cannot be readily provided by third parties. No sales revenues are to be recognised directly from the sale of the software in the event that the adjustment of the software is qualified as being essential. Instead, the sales revenues attributable to the software licence are to be taken into account when recognising the sales revenues for the service.

b) Borrowing Costs

Borrowing costs are generally included as an expense in the consolidated income statement. Pursuant to IAS23, the borrowing costs of qualifying assets make up part of the cost. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. adesso did not identify any qualifying assets in the reporting period for which borrowing costs had to be capitalised.

c) Goodwill

In case of a merger, goodwill is the positive difference between the consideration rendered in the business combination plus the fair value of the shares previously held as well as the non-controlling interests valued at the proportionate net assets and the pro-rata equity of the acquired company at the time of the business combination measured according to IFRS 3. For impairment testing purposes, goodwill has to be assigned to the (groups of) cash-generating units that benefit from the merger. According to IAS 36.80, the highest allocation level in the company is the level on which goodwill is observed by management, and no higher than the level of operating segments pursuant to IFRS 8 before they are combined into reportable segments. For details on the impairment test, please refer to (h) Impairment of Non-Financial Assets.

d) Intangible Assets and Property, Plant and Equipment

Intangible assets and property, plant and equipment are recognised at cost. If depreciable, they are subsequently valued at amortised cost. Assets are depreciated and amortised using the linear method over the course of their expected useful economic life. Residual values are taken into account in determining depreciation on property, plant and equipment. For intangible assets, residual values are only taken into account insofar as a third party is obligated to assume the intangible asset at the end of its useful life. Furthermore, residual values are taken into account when there is an active market for the intangible asset, the residual value can be established in reference to said market and the active market is expected to exist at the end of the useful life of the intangible asset.

The preparation of non-current intangible assets is to be split into a research and a development phase. Expenditure in the research phase must always be recognised as expenses. Expenditure in the development phase is to be capitalised from the date on which the following can be satisfied:

- > The technical feasibility of completing the intangible assets so that it is available for use or sale;
- > The intention to complete the intangible assets and use or sell it;
- > The ability to use or sell the intangible asset;
- > How the intangible asset will generate future economic benefits;
- > adesso has sufficient resources to complete the intangible asset; and
- > The cost of the intangible asset can be measured reliably.

Intangible assets are generally amortised on a linear basis over three years. Additions as a result of mergers, such as customer lists, software or order backlog, are exceptions. The carrying amount of the order backlog is written off as soon as the sales revenue on the respective order is realised. Customer lists have a useful life of three to six years. The PSLife software acquired in 2015 is being amortised over ten years. Internally generated software is amortised over four years.

Property, plant and equipment is classified as technical equipment and machinery, which is generally depreciated over three years, as well as office and other equipment, which is depreciated on a linear basis over five to twenty years.

Depreciation and amortisation is reported on the income statement under Depreciation and Amortisation.

The carrying amount of intangible assets with an indefinite useful life is EUR 29 thousand (previous year EUR 29 thousand).

The total development expense is amortisation of the internally generated intangible assets and amounts to EUR 105 thousand (previous year EUR 119 thousand).

Please refer to the next section for details on the impairment of intangible assets and property, plant and equipment.

e) Impairment of Non-Financial Assets

Pursuant to IAS 36, goodwill, non-current intangible assets and property, plant and equipment all have to be tested for impairment. A review must be performed to determine at the balance sheet date if there are indications of an impairment. An impairment test is to be performed where such indications exist. In derogation of this, impairment tests are to be performed at least annually for goodwill, intangible assets with an indefinite useful life as well as intangible assets not yet available for use. The date on which the mandatory impairment tests are performed can be selected at will and must be applied consistently. Impairment tests must be performed during the course of the year for all assets which fall within the scope of IAS 36 where there are indications of impairment.

Impairment tests are performed for individual assets. The impairment test will be performed at the level of a cash-generating unit in the event that the recoverable amount cannot be calculated for an individual asset. Such a unit is the smallest group of assets that comprise the asset to be tested and for which cash flows that are largely independent from other assets can be identified. Goodwill is always to be tested for impairment on the basis of a single or a group of cash-generating units.

When testing for impairment, the carrying amount of an asset and/or a cash-generating unit including, where appropriate, the carrying amount of goodwill is compared to the recoverable amount of the cash-generating unit. The recoverable amount is the higher of the value in use and the fair value less disposal costs.

An impairment loss is to be recognised should the carrying amount be higher than the recoverable value. The carrying amount of an asset is to be reduced if an individual asset is tested for impairment. Should a cash-generating unit be tested for impairment, the goodwill first has to be written down to as low as EUR 0 where applicable. If an additional impairment loss has to be recorded, the carrying amounts of the assets of the cash-generating units covered by IAS 36 have to be reduced on a pro-rata basis according to the total carrying amounts. This may not be lower than the recoverable amount of the respective asset. The addition of goodwill is not allowed.

f) Leases

Lease transactions are classified as financing leases or operating leases based on the economic nature of the transaction. The transaction is classified as a financing lease insofar as all material risks and opportunities are transferred to the lessee, and otherwise as an operating lease.

When a lease transaction is classified as a financing lease, the lease object is recognised by the lessee at the present value of the minimum lease payments or the lower fair value. A lease liability of the same amount is recognised. The lease object is depreciated over the shorter of the economic useful life and the lease term. Since the lease payments are allocated to interest and redemption, interest on the remaining lease liability remains constant.

Gains on sale and leaseback transactions are deferred as liabilities and allocated over the lease term insofar as the new lease transaction is classified as a financing lease.

When a lease transaction is classified as an operating lease, the lease payments are recorded over the lease term on a linear basis. The benefits of agreed rent-free periods are allocated over the term of the rent term.

No hidden leasing relationships are present.

g) Financial Assets

Financial assets include loans issued, receivables, equity securities and debt instruments as well as cash and cash equivalents. They are recognised as soon as adesso becomes a contractual partner for a corresponding financial instrument. Financial assets are assigned to the following categories: loans and receivables, available for sale, measured at fair value through profit or loss, and financial assets held to maturity. The financial assets are valued depending on the categorisation. Financial assets are measured at fair value when they are recognised. Transaction costs are capitalised except for financial assets in the category of measured at fair value through profit or loss. Adesso does not use the categories available for sale, measured at fair value through profit or loss, or financial assets held to maturity.

Loans and receivables are primary financial assets with a payment or series of payments that is fixed or can be determined, and that are not traded in an active market. They mainly encompass cash on hand and bank balances, trade receivables and loans issued. Loans and receivables are valued at amortised cost using the effective interest method. According to the effective interest method, the effective interest rate applicable to the financial asset in the future is determined as at the date at which the financial asset is recognised. The effective interest rate is equal to the interest rate where the present value of the cash flows expected in the future from the financial assets corresponds to the initial carrying amount.

Where there is objective evidence of an impairment, the difference between the carrying amount and the present value of the expected future cash flows, discounted using the original effective interest rate, is to be reported in the consolidated income statement as an impairment loss. Objective evidence of impairment is generally provided as far as the bankruptcy or similar proceedings have been opened over the assets of a debtor. In addition, payment behaviour and maturities are taken into account. This analysis is carried out on a customer-specific basis. Impairments are initially recorded in the form of specific provisions. The adjusted loans and receivables for which no specific loan loss provisions are established are then divided into groups with a similar risk of default. On this basis, impairments are recorded in the form of flat-rate specific provisions for the individual groups. Impairments of loans and receivables are not recorded directly against the corresponding financial asset, but rather in an impairment account. The impairment loss is only recorded against the financial asset once default (in part) becomes final, for instance based on a new contractual agreement.

Financial assets are to be derecognised either when rights to future cash flows no longer exist or the asset is transferred to a third party. A financial asset is classed as having been transferred when adesso no longer has any rights to future cash flows or if adesso still has such rights but is at the same time obligated to pass these payments on to a third party.

h) Other Assets and Other Liabilities

The accruals and other receivables and liabilities reported under this item are generally measured at nominal value.

i) Receivables PoC/Liabilities PoC

Fixed-price projects in progress are recognised according to the percentage of completion (PoC) method pursuant to IAS 18. Progress is determined on the basis of project costs incurred by the reporting date as a proportion of the estimated total costs. The amount reported in the consolidated balance sheet is the sum of the cost, the pro-rata recognised profit and, where applicable, a contingent loss which is to be recognised in full, less partial settlements. Received down payments are reported under liabilities PoC.

j) Cash on Hand, Cash at Bank

This item includes cash on hand and bank balances as well as current, highly liquid assets with a residual term of no more than three months from the acquisition date. These assets can be converted into a specific amount of cash at any time and are subject to immaterial valuation risk only.

k) Financial Liabilities

Financial liabilities are recognised as soon as the adesso Group becomes a contractual partner for a corresponding financial instrument. Current liabilities are measured at amortised cost, which largely corresponds to the repayment amount. Non-current liabilities are recognised at the fair value of the consideration received on the transaction date. Transaction costs are included in the carrying amount of liabilities when they are recognised. Non-current liabilities are valued at amortised cost using the effective interest method.

A financial liability is to be derecognised when the contractual obligation ends, is met or is lifted.

The option to classify financial liabilities as measured at fair value through profit or loss, as per IAS 39.9, was not exercised.

l) Provisions

Provisions are recognised for actual, legal or factual obligations arising from past events which are likely to result in an outflow of economic resources and the amount of which can be estimated reliably. For similar obligations, such as product guarantees, the probability of utilisation is considered on the basis of the overall group of obligations. Provisions for pending losses from pending transactions are valued on the basis of the excess obligation. If the compensation or fines resulting from non-fulfilment are less than the excess obligation, the provision is to be valued on the basis of the compensation or fine.

Provisions may be discounted when the discount amount is material. The interest rate to be applied is an interest rate before taxes, which reflects current market expectations with regard to the interest effect and the risks pertaining to the debt. Provisions are generally valued at the cash value of future expected cash flows required to settle the obligation. The determination of future cash flows must take into account cost increases.

When the amount of a provision is expected to be reimbursed, for example based on insurance coverage, a reimbursement is only recognised as a separate asset if it is as good as certain. The income of reimbursement is not offset against expenses.

m) Provisions for Pensions

Provisions for pensions are measured at the present value of the defined benefit obligation. Plan assets were not endowed by adesso. Pursuant to IAS 19.120 (c), actuarial gains and losses are recorded in other comprehensive income in the course of the remeasurement of the net liability. The present value of provisions for pensions is determined using the projected unit credit method in accordance with IAS 19. The calculations are based on the biometric parameters of the Heubeck 2005G mortality tables. adesso commissioned external experts to value the pension obligation as at 31 December 2017. The applied discount rate corresponds to the interest rate on corporate bonds with the best credit rating and a term corresponding to the provisions for pensions.

n) Share-Based Payment

adesso has issued employee options for the acquisition of shares in adesso AG in the past (so-called “equity-settled”). The vesting period pursuant to IFRS 2 is four years. Total personnel costs to be recognised are determined by multiplying the fair value of the option on the grant date by the number of options expected to be exercisable after the end of the vesting period. In general, the total personnel costs are recognised on a linear basis against the capital reserve over the vesting period. The number of options expected to be exercised after the end of the vesting period has to be adjusted to current estimates on each reporting date. Debt from share-based payment issued in payment instruments is remeasured at present value on each reporting date. Changes in the amount of this debt flow to the consolidated income statement. In this context, adesso has granted virtual stock options and so-called phantom shares to employees and members of the Management Board in the past.

o) Income Taxes

Income taxes include both actual income taxes and deferred taxes. The actual tax liabilities and taxes receivable encompass all obligations and claims for domestic and foreign income tax. They are calculated based on the applicable tax laws.

Deferred taxes are recognised on deductible or taxable temporary differences. These are positive or negative differences between the carrying amount according to IFRS and the tax value of an asset or liability with a future impact on taxable income. Deferred taxes are measured at the future tax rate expected to be applicable on the date when the difference reverses. Furthermore, deferred tax assets have to be recognised for the benefit associated with a tax loss carry-forward. Deferred tax assets on deductible temporary differences are recognised at least in the amount applicable to taxable temporary differences with the same tax authority and that reverse in the same period as the deductible temporary differences. Furthermore, deferred tax assets are recognised in the amount of the corresponding future economic benefit that is expected to be realised. The benefit of tax loss carry-forwards eligible for capitalisation is determined by adesso over a maximum period of five years.

p) Government Grants

According to IAS 20, government grants have to be classified as investment grants or grants for expenses. Grants are only recognised according to IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) when it is sufficiently certain that the related conditions will be met and the grants issued. They are allocated through profit or loss in the periods in which the expenses compensated by the grants are incurred. Investment grants are deducted from the acquired assets. Grants for expenses are recorded through profit or loss in the period in which the corresponding expenses are recognised.

q) Dividends

Dividends are recognised as liabilities as soon as a binding dividend proposal has been resolved.

r) Fair Values

Numerous IASB regulations demand that financial and non-financial assets and liabilities be recognised at fair value or be included in the notes. According to IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Determining fair values of financial assets and liabilities is based on observable parameters wherever possible. If none are available, non-observable parameters are to be applied. IFRS 13 defines a valuation hierarchy for determining fair value, which comprises three levels. Allocation to level depends on the valuation parameters.

The parameters are allocated to the following levels:

- > Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities which the company can access at the valuation date.
- > Level 2: Input parameters other than the quoted prices on level 1 which are either directly or indirectly observable for the asset or liability.
- > Level 3: Non-observable input parameters for the asset or liability.

If parameters of different levels are used for measurement, the fair value is to be assigned to the same level as the input parameter of the lowest level used for measurement.

Fair values are either determined by adesso or external specialists.

At the end of the financial year, adesso did not have any material assets or liabilities subject to the scope of IFRS 13 which are measured at fair value regularly or on the reporting date.

Estimates and Assumptions

Numerous estimates and assumptions have to be made by the management of adesso AG in preparing the consolidated financial statements. These relate to the following in particular:

- > Mergers: In general, the identifiable assets and liabilities acquired in a merger are measured at fair value. Since there is no active market for many assets and liabilities, the fair values have to be determined on the basis of recognised measurement methods. For example, these include the relief from royalty method and the multi-period excess earnings method. Significant valuation parameters that have to be estimated for these methods are the future cash flows resulting from the assets and liabilities as well as the applicable discount rates. In the financial year, adesso acquired customer lists in the amount of EUR 1,936 thousand (previous year EUR 4,292 thousand) and order backlogs of EUR 848 thousand (previous year EUR 1,169 thousand) in the course of mergers. For the measurement of contingent payment obligations related to mergers, assumptions have to be made regarding the values of parameters underlying the valuation.
- > Consolidated Group: adesso has the opportunity to gain control of re:Doc GmbH in October 2019 due to the purchase option, moving from of 25.1 % of the shares in re:Doc GmbH to then holding 75.1 % of the shares. Up to that point, adesso cannot direct the relevant activities of re:Doc GmbH without the partner. Therefore, adesso believes that re:Doc GmbH should be classified as a joint venture. adesso increased its stake in com2m GmbH from 24.9 % to 59 % after 31 December 2017. Due to company-contractual regulations, adesso does not have the options to direct the relevant activities of com2m GmbH. From the date of acquisition of the additional shares, com2m GmbH is classified as a joint venture. Since the previously held shares are not revalued in accordance with IAS 28.24, this transaction has no immediate effect on the financial statements of adesso.

- > Non-current assets: The useful life of non-current assets subject to depreciation and amortisation has to be estimated. An estimate of the residual value, which has to be taken into account in calculating depreciation and amortisation, is also required.
- > Impairment test: According to IAS 36, numerous parameters have to be estimated for the impairment test to verify the recoverability of the assets held by adesso. These primarily include estimates of future cash flows, growth rates as well as the interest rate applicable for the future cash flows. Here, risks are primarily associated with goodwill (carrying amount EUR 42,823 thousand; previous year EUR 40,981 thousand).
- > Receivables: The recoverability of trade receivables (EUR 61,818 thousand; previous year EUR 54,533 thousand) and receivables PoC (EUR 19,641 thousand; previous year EUR 15,527 thousand) has to be assessed. This requires an estimate of the extent to which adesso customers meet their payment obligations.
- > Provisions and contingent liabilities: Recognising provisions often requires an assessment of whether the grounds for recognising a provision are met. For example, this applies to possible provisions for contingent losses on orders, warranty provisions, provisions for removal, shut-down or similar obligations, as well as provisions for legal risks and other provisions. The measurement of provisions requires an estimate and assumptions regarding the future amount required to redeem or settle the debt. This also applies to employee benefits after the end of the employment relationship. If a reliable estimate for the amount of an obligation cannot be made, it needs to be disclosed in the notes as a contingent liability. Discount rates must also be estimated in connection with provisions. There are no contingent liabilities at the reporting date.
- > Provisions for pensions and the related income/expenses are determined on the basis of actuarial calculations. The calculation of provisions for pensions (EUR 168 thousand; previous year EUR 186 thousand) is based on actuarial assumptions (probability of death and disability, interest rate and other biometric assumptions).
- > Deferred taxes: The measurement and realisation of deferred tax assets on loss carry-forwards requires a management estimate of the extent to which the benefit associated with the tax loss carry-forward can be realised. The benefit of the tax loss carry-forwards can only be realised to the extent they are approved by the fiscal authorities. For the future benefit from tax loss carryforwards, a deferred tax is capitalised in the consolidated financial statements for the tax loss carryforwards to be offset within a maximum of five years. Additional benefits are not activated.
- > Current taxes: A market entry compensation and sales promotion agreement was concluded between e-Spirit Inc. and e-Spirit AG in financial year 2016. Taking into account the reversal of impairments in previous years, e-Spirit AG's expenses resulting from this agreement amount to EUR -5.1 million. This results in a reduction in the total tax burden of adesso AG (as the controlling entity of the group taxation relationship for income tax purposes with, among others, e-Spirit AG) as well as the adesso Group, as no deferred tax assets were recognised for the losses in the USA. In the 2017 financial year, e-Spirit AG made payments to e-Spirit Inc. of EUR 1,813 thousand from this agreement. adesso assumes that the specified e-spirit AG expenses are deductible for tax purposes.
- > As of 31 December 2017, a tax audit for the years 2014 and 2015 is pending at adesso AG. A conclusion of this audit is not to be expected before April 2018. After consultation with tax advisers, the management of adesso believes that uncertain positions in this ongoing process cannot be recognised.

- > Sales revenues: adesso provides services for its customers pursuant to IAS 18. According to IAS 18, sales revenues from services must be recognised using the percentage-of-completion method. This means sales revenues are realised according to the percentage of completion. Estimating the percentage of completion is of particular importance with this method. Furthermore, it is necessary to estimate the entire project costs that will be incurred up to completion, the entire project income, the risks associated with the project and other key parameters.

- > Share-based compensation expenses: To recognise personnel costs from share-based compensation, management has to estimate how many rights are expected to be exercisable after the end of the vesting period.

III. Explanations for Items on the Consolidated Balance Sheet and Consolidated Income Statement

Information on the Consolidated Balance Sheet

1. Intangible Assets and Goodwill

Intangible assets and goodwill developed as follows:

2017 / in EUR k	Goodwill	Customer lists	Order backlog	Internally generated intangible asset	Other intangible assets	Total
Gross value 1 January	43,376	15,469	2,784	452	17,735	79,816
Accumulated depreciation 1 January	2,395	9,722	2,646	157	8,467	23,387
Carrying amount 1 January	40,981	5,747	138	295	9,268	56,429
Currency translation differences	-865	-137	0	0	-2	-1,004
Company acquisitions	2,708	1,935	848	0	0	5,491
Additions	0	0	0	47	336	383
Depreciation	0	1,448	936	105	2,037	4,526
Disposals	0	0	0	0	0	0
Gross value 31 December	45,219	8,576	3,533	499	18,062	75,889
Accumulated depreciation 31 December	2,395	2,479	3,485	262	10,496	19,117
CARRYING AMOUNT 31 DEC	42,823	6,097	49	237	7,566	56,772

2016 / in EUR k	Goodwill	Customer lists	Order backlog	Internally generated intangible asset	Other intangible assets	Total
Gross value 1 January	25,747	11,176	1,615	422	13,332	52,292
Accumulated depreciation 1 January	2,395	8,562	1,572	140	6,172	18,841
Carrying amount 1 January	23,352	2,614	43	282	7,160	33,451
Currency translation differences	94	-47	0	0	0	47
Company acquisitions	17,535	4,292	1,169		1,834	24,830
Additions	0	0	0	30	2,912	2,942
Depreciation	0	1,112	1,074	17	2,638	4,841
Disposals	0	0	0	0	0	0
Gross value 31 December	43,376	15,469	2,784	452	17,735	79,816
Accumulated depreciation 31 December	2,395	9,722	2,646	157	8,467	23,387
CARRYING AMOUNT 31 DEC	40,981	5,747	138	295	9,268	56,429

Intangible assets are mainly comprised of the PSLife software acquired in 2015 (EUR 3,797 thousand; previous year: EUR 4,379 thousand) and customer lists acquired in the course of mergers (EUR 6,097 thousand; previous year: EUR 5,747 thousand). The residual useful life of the customer lists is 5.5 years (previous year: 5.5 years).

For impairment testing purposes pursuant to IAS 36, goodwill has to be assigned to the (groups of) cash generating units that benefit from the merger. According to IAS 36.80, the highest allocation level in the company is the level on which goodwill is observed by management, and no higher than the level of operating segments before they are combined into reportable segments. For the purpose of impairment testing, adesso allocates goodwill to the operating segments according to IFRS 8. Goodwill was allocated to the following operating segments at the end of 2017. The table also shows the parameters applied to the impairment test in 2017:

<i>in EUR k</i>	2017	2016	Interest before tax	Gross margin	Assigned to segment
adesso AG	7,371	7,371	6.18 %	3.26 %	IT-services
adesso Austria GmbH	3,552	3,552	6.44 %	-1 % to 4.6 %	IT-services
Arithnea GmbH	5,054	2,810	5.78 %	7.3 % to 10.2 %	IT-services
adesso Schweiz AG	9,588	10,454	5.42 %	10.5 % to 11.7 %	IT-Services
smarthouse adesso financial solutions GmbH	16,794	16,794	4.50 %	11.4 % to 13.5 %	IT-solutions
medgineering GmbH	464	0	9.04 %	-3.9 % to 76.9 %	IT-solutions
SUMME	42,823	40,981			

The increase in goodwill at Arithnea GmbH is due to the acquisition and subsequent merger of UnitCon GmbH. The change in goodwill at adesso Schweiz AG is solely due to the effects of exchange rates.

An impairment test for goodwill has to be performed on this basis at least once a year and whenever there are indications of impairment. Until 2016, the impairment test was performed at the end of the financial year. From 2017, the impairment test will be performed on 30 June each year.

The realisable value of the operating segments is the value in use determined using the discounted cash flow method. In principal, this is determined based on cash flows before taxes and interest. The management of adesso believes that the value in use of the cash-generating units mainly responds to changes in the estimated sales revenues growth, the estimated gross margin and the discount rate.

Estimating the value in use and therefore also estimating cash flow is based on management's most recent operational planning. Detailed planning covers one to three years. Sales revenues growth is calculated individually for each operating segment. If it is apparent with one year of planning and an expected increase of incoming cash flows that an impairment will not have to be recognised, further detailed planning is omitted. Thus, as a basis sales revenues growth of each segment was considered to be from 0 % to 11.5 %. Future sales revenues growth estimates are based on past sales revenues development, expected sales revenues growth in the operating segments and the future development of the market and the overall economy. Hence, the calculation is based on a long-term growth rate for cash flows of 1 % – as in the previous year. This growth rate does not exceed the long-term expected growth rate for adesso's markets. Where possible, adesso bases its estimates for future cash flows on estimates by external analysts. The gross margin ((EBT/(sales revenues less cost of materials)) results from the planning for the individual segments. In addition to sales revenues, they also result from the expected expenses incurred by the segments. These are determined individually on the basis of historical performance and expected future developments. The underlying gross margin in the period was between -1 % and 13.5 %. At medgineering GmbH, the margin can be up to 76.9 % due to the special business model.

adesso conducts its impairment test based on an after tax assessment. The interest rate before taxes is then calculated in accordance with the IFRS. This is the interest where the cash value of cash flows before taxes corresponds to the amount calculated according to an after tax assessment. The interest rate before taxes calculated according to this method is between 5.4 % and 6.4 % in the IT Services segment (previous year: 5.5 % to 7.4 %) and between 4.5 % to 9 % for the IT Solutions segment. This interest rate after taxes corresponds to the weighted average cost of capital determined using the capital asset pricing model. Key parameters for this calculation are the risk-free interest rate (1.24 %, previous year: 0.95 %), a beta factor derived separately for the IT Services and IT Solutions segments from a representative peer group (to illustrate the systematic risk), a market risk premium (6.3 %; previous year: 6.3 %; the difference between the expected yield of a reference market and the risk-free interest rate), the tax rate and the borrowing cost rate. The parameters underlying the calculation of the weighted average cost of capital, except for the tax rate and the borrowing cost rate, are based on sources external to the company.

In the course of a sensitivity analysis, adesso examined the need for goodwill impairment in case of possible changes to key parameters for the impairment test. An increase in the weighted average cost of capital by 1 percentage point before taxes, 10 % lower cash flows and a 1 percentage point lower gross margin (EBT/(sales revenues less cost of materials)) were assumed as possible changes. A corresponding change in the interest rate as well as the gross margin would result in an impairment loss at cash-generating unit adesso Austria GmbH.

30/06/2017	Amount by which the recoverable amount exceeds the carrying amount (K EUR)	Parameter, the possible change in which caused an impairment loss, plus the amount	Required change in the parameter to ensure that the recoverable amount equals the carrying amount
adesso Austria GmbH	483	Interest rate; 6.4 %	+ 0.66 percentage points
		Gross margin (3.0 % to 4.6 %)	- 0.49 percentage points
31/12/2016	Amount by which the recoverable amount exceeds the carrying amount (K EUR)	Parameter, the possible change in which caused an impairment loss, plus the amount	Required change in the parameter to ensure that the recoverable amount equals the carrying amount
adesso Austria GmbH	315	Interest rate; 6.3 %	+ 0.45 percentage points
		Cash flow	- 8.04 %
		Gross margin (3.0 % to 4.6 %)	- 0.36 percentage points

At the end of the financial year, adesso analysed and revised the calculation of the interest rate, especially the selection of the peer group required for the beta factor, and updated the impairment tests at the end of the financial year. In consideration of the tax rate of 32.8 %, on 31/12/2017, the interest rate before taxes amounted to 8.6 % for the IT Service segment and 10.2 % for the IT Solutions segment. Based on the newly calculated discount rate, an impairment of goodwill would not have been required as at 30/06/2017 nor as at 31/12/2017. The analysis as at 31/12/2017 also showed that, due to a positive development at adesso Austria GmbH, the determined value in use is so high that that changes to key parameters in the goodwill impairment test considered possible would not result in an impairment loss and the above information would therefore not need to be published.

2. Property, Plant and Equipment

Property, plant and equipment developed as follows:

<i>in EUR k</i>	2017	2016
Gross value 1 January	17,099	14,597
Accumulated depreciation 1 January	10,432	9,304
Carrying amount 1 January	6,667	5,293
Currency translation differences	-55	0
Additions	5,751	2,308
Company acquisitions	59	726
Disposals	27	149
Depreciation	3,667	1,511
Gross value 31 December	22,543	17,099
Accumulated depreciation 31 December	13,815	10,432
CARRYING AMOUNT 31 DEC	8,728	6,667

Property, plant and equipment mainly comprises factory and office equipment as well as IT hardware and leasehold improvements.

3. Companies Recognised At Equity

adesso does not hold any shares in significant joint ventures or associates. The carrying amount as well as the comprehensive income for the period were comprised as follows:

<i>in EUR k</i>	2017		2016
	<i>Joint Ventures</i>	<i>Associated Companies</i>	<i>Associated Companies</i>
CARRYING AMOUNT AS AT 31.12.	1,331	785	760
Share in the comprehensive income for the period	-326	503	416
Share in the other comprehensive income of the financial period	0	0	0
SHARE IN THE TOTAL	-326	503	416

4. Non-current Financial Assets

Non-current financial assets are comprised as follows:

<i>in EUR k</i>	2017	2016
Deposits	563	516
Loans	300	205
Employee loans	66	72
TOTAL	929	793

Non-current financial assets are neither impaired nor overdue.

5. Receivables and Liabilities Deferred Taxes

Deferred tax assets and liabilities were comprised as follows as at the balance sheet date:

<i>in EUR k</i>	2017	2016
DEFERRED TAX ASSETS		
Intangible assets and property, plant and equipment	401	292
Provisions	752	607
Other liabilities	69	47
Loss carry-forwards	662	552
<i>Subtotal (thereof current: EUR 806 thousand; previous year: EUR 621 thousand)</i>	<i>1,884</i>	<i>1,498</i>
Offset	-974	-964
Total	910	534
DEFERRED TAX LIABILITIES		
Intangible assets	2,353	2,148
Companies recognised at equity	9	7
Trade Receivables	133	179
Receivables PoC	1,505	978
Provisions	352	347
<i>Subtotal (thereof current: EUR 2,000 thousand; previous year: EUR 2,114 thousand)</i>	<i>4,352</i>	<i>3,659</i>
Offsetting	-974	-964
Total	3,378	2,695

Deferred taxes are measured based on the applicable future tax rates for the respective companies. The applicable overall tax rate is 32.8 % (previous year: 32.8 %). It is comprised of the corporate tax rate of 15.0 %, the solidarity surcharge of 5.5 % and the trade income tax rate of 16.98 %. A tax rate of 21.45 % was applied for the subsidiary in Switzerland, 25.0 % for the subsidiary in Austria, 28.11 % for ARITHNEA based in Neubiberg, Germany, 20.0 % for the subsidiary in Turkey and 23.25 % for the company in the USA. Deferred tax assets and liabilities are offset according to the provisions of IAS 12.74.

Deferred tax assets on tax loss carry-forwards are capitalised based on medium-term planning over a period of five years. The planning results are considered sustainable unless material reasons speak against that. Deferred tax assets on tax loss carry-forwards are recognised for the benefit that can most likely be realised within the next five years. The future benefits are not sufficiently certain for further capitalisation. Recognition of deferred tax assets on tax loss carry-forwards at adesso Austria in the amount of EUR 382 thousand (previous year: EUR 251 thousand), at areal drei advisory in the amount of EUR 52 thousand (previous year: EUR 16 thousand) and medgineering GmbH, acquired during the financial year, in the amount of EUR 34 thousand is based on the development of the companies, which is considered sustainable.

The tax loss carry-forwards can be carried forward perpetually. This does not include loss carry-forwards from the Turkish subsidiary (EUR 641 thousand; previous year: EUR 1,356 thousand), which can be carried forward for five years. No deferred taxes were recognised on the tax loss carry-forwards of companies based in Germany in the amount of EUR 271 thousand (previous year: EUR 249 thousand) and the tax loss carry-forwards of companies based outside Germany of EUR 2,125 thousand (previous year: EUR 4,752 thousand).

In accordance with IAS 12.39, a deferred tax liability of EUR 149 thousand (previous year: EUR 141 thousand) for temporary differences of EUR 9,084 thousand (previous year: EUR 8,626 thousand) in connection with shares in subsidiaries was not recognised on 31/12/2017 (outside basis differences), as adesso can control their reversal, which is not planned in the foreseeable future.

6. Cash on Hand and at Bank

Cash on hand and at bank is EUR 46,497 thousand (previous year: EUR 43,144 thousand).

7. Trade Receivables

Trade receivables are all due within one year. The impairment of trade receivables at risk of default developed as follows:

<i>in EUR k</i>	2017	2016
As at 1 January	181	239
Availment	16	78
Reversal	1	0
Addition	161	20
AS AT 31 DECEMBER	325	181

The following table shows the maturity structure for unimpaired trade receivables:

2017 / in EUR k	Carrying amount	Neither impaired, nor overdue	Not impaired and overdue as follows				Value adjusted
			Not more than 3 months	More than 3 months and not more than 6 months	More than 6 months and not more than 1 year	More than 1 year	
Trade Receivables	61,818	48,078	12,809	353	227	351	0

2016 / in EUR k	Carrying amount	Neither impaired, nor overdue	Not impaired and overdue as follows				Value adjusted
			Not more than 3 months	More than 3 months and not more than 6 months	More than 6 months and not more than 1 year	More than 1 year	
Trade Receivables	54,533	44,020	8,468	1,555	377	113	0

The recoverability of the value of unimpaired receivables is not in doubt.

8. Receivables PoC

Receivables PoC are comprised of costs plus pro-rata profit less recognised order losses. Receivables PoC amount to EUR 19,641 thousand (previous year: EUR 15,527 thousand). Down payments received from customers in the amount of EUR 10,582 thousand (previous year: EUR 11,814 thousand) are reported under current liabilities.

9. Current Financial Assets

Current financial assets break down as follows:

in EUR k	2017	2016
Deposits	258	222
Secured liquid assets not at free disposal	0	74
Employee loans	56	3
TOTAL	314	299

The current financial assets are neither impaired nor overdue.

10. Other Current Assets

Other current assets comprise:

<i>in EUR k</i>	2017	2016
Accruals	2,728	2,138
Receivables from personnel	72	92
Receivables from input tax surpluses	561	227
Other	273	1,167
TOTAL	3,634	3,624

11. Equity

Share capital

The subscribed capital of adesso AG, Dortmund, Germany, is EUR 6,174,203 (previous year: EUR 6,167,423). It is divided into 6,174,203 (previous year: 6,167,423) bearer shares (no-par shares). The face amount per share is EUR 1. The EUR 6,780 increase in subscribed capital is due to the issue of 6,780 shares from the employee share option program. The entry in the Commercial Register was made on 25/01/2018. The issued shares are fully paid up.

Authorised capital

From the Authorised capital originally amounting to 2,873,858, there is left EUR 2,538,456 as at 31/12/2017. It is therefore unchanged from the previous year.

The Executive Board is authorised to increase the share capital until 3 June 2018 with the consent of the Supervisory Board in the amount of up to EUR 2,538,456.00 by issuing 2,538,456 new no-par bearer shares, on one or more occasions, in exchange for cash contributions and/or contributions in kind (authorised capital 2013). Shareholders are generally entitled to subscription rights. The new shares may be assumed by one or more banks with the obligation to offer subscription rights to the shareholders. In certain individual cases, the Executive Board, with the consent of the Supervisory Board, has the right to exclude shareholder subscription rights one or more times.

The Executive Board also has the right to establish additional details of the capital increase and its realisation with the consent of the Supervisory Board. The Supervisory Board is authorised to amend Article 3 of the bylaws after the increase in share capital is realised in full or in part according to the respective utilisation of the authorised capital and, if the authorised capital is not or not fully utilised by 3 June 2018, after the end of the authorisation period.

Conditional capital

The value of the conditional capital as at 31/12/2017 is EUR 510,619. The conditional capital is intended to exercise subscription rights granted to employees and members of the Executive Board of affiliated companies under the share option plans.

A detailed overview of the composition and development of equity in the consolidated financial statements is provided in the consolidated statement of changes in equity.

Other reserves

The capital reserves primarily include all premiums received from the issue of shares. The differences between the price for shares and the proportional net assets when acquiring non-controlling amounts or

disposing of shares in subsidiaries, if adesso AG does not lose the controlling position with this subsidiary as a result of such a transaction, are also recognised. The retained annual results as well as actuarial gains and losses from performance-based retirement plans are recorded in other reserves. The other reserves reported in the consolidated financial statements in accordance with IFRS only provide a limited indication of the possibility of future distributions. With regard to the possibility of a future distribution as well as any existing restrictions on distribution, reference is made to the separate financial statements of adesso AG. The reserve for currency conversion contains differences from the conversion of the financial statements of subsidiaries to euros, whose functional currency does not correspond to the functional currency of adesso AG. Non-controlling interests contain the shares of the adesso Group's net assets attributable to the non-controlling shareholders.

12. Share-based compensation

Stock Options Plans

No options were able to be issued from the "conditional capital 2009" in the financial year.

In the financial year, 18,000 options from the "conditional capital 2015" were issued with an average fair value of EUR 10.52 (previous year: EUR 4.97). The vesting period of these options is 48 months. The maximum total term is 84 months. The options can be exercised, if the beneficiary has worked for adesso for 48 months and adesso AG's share price at the time the option is exercised is 10 % over the exercise price. The exercise price corresponds to the average price of the adesso share in the ten trading days prior to the commitment of the option. The exercise price for the outstanding options from the "conditional capital 2009" is EUR 7.31. A total of 1,890 options are still outstanding at the end of the financial year. The exercise prices for the outstanding options from the "conditional capital 2015" are between EUR 22.67 and EUR 55.07 (previous year: EUR 22.67 and EUR 26.47). The average weighted total residual term of the outstanding options is 5.9 years (previous year: 4.7 years). The outstanding options have a total term of seven and eight years, respectively. The number of outstanding options developed as follows:

	2017		2016	
	Number	Average exercise price per option in EUR	Number	Average exercise price per option in EUR
<i>As at 1 January</i>	20,170	17.11	40,971	7.25
Committed	18,000	52.70	11,500	24.26
Exercised	-6,780	7.70	-32,301	7.15
<i>As at 31 December</i>	31,390	39.55	20,170	17.11
<i>Earned and exercisable as at 31 December</i>	1,890	7.31	3,780	7.31

The issued options were valued using the trinomial model. The valuation was based on the following factors:

	2017	2016
Average share price (in EUR)	52.6	24.36
Average exercise price (in EUR)	52.7	24.26
Average expected volatility (in %)	33	33
Maximum term of the options (in years)	7	7
Expected dividend yields (in %)	1	1
Average risk-free rate (in %)	1.14	1.06

The expected volatility corresponds to the “long run forecast” based on the GARCH model (generalized autoregressive conditional heteroscedasticity). The valuation assumes that the options are exercised as soon as the market price of the shares is 10 % above the exercise price, or the options are “in the money” at the end of the term.

An expense of EUR 45 thousand (previous year: EUR 2 thousand) for the share option programme was recognised in the financial year. The weighted average market price of the adesso share was EUR 54.89 when the options were exercised.

Phantom Share Programme

A phantom share programme was initiated in financial year 2009. The market value of the adesso AG shares on 31/12/2017 is used for measurement. Redemption of the phantom shares in exchange for payment from the company is normally possible no earlier than eight years after the start of the commitment. The amount payable is accumulated during this period. The holder of the virtual phantom shares receives payments on said shares corresponding to the approved dividend per share. These payments are expensed. Expenses from the phantom share programme in the amount of EUR 1,182 thousand (previous year: EUR 3,692 thousand) were recognised in the financial year. The high expense in the previous year is mainly due to the higher stock market price of the adesso AG share by roughly 91 %. Total provisions of EUR 7,611 thousand (previous year: EUR 6,429 thousand) resulting from 207,942 phantom shares have been recognised. Payments of EUR 1,147 thousand are due under the phantom share programme in financial year 2018, based on the share price of adesso AG as at 31 December 2017. EUR 4,560 thousand is payable in financial years 2022 through 2019 and an additional EUR 1,904 thousand subsequently. As of the balance sheet date, no earned claims are to be reported.

Virtual Stock Options Plan

An additional 3,885 (previous year: 3,885) virtual share options were issued at the end of 2017. The corresponding provision is fully paid up at EUR 151 thousand (previous year: EUR 118 thousand). No further virtual share options will be issued.

13. Financial Liabilities

Financial liabilities break down as follows:

in EUR k	2017				2016			
	Total	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years	Total	Residual term up to 1 year	Residual term 1 to 5 years	Residual term > 5 years
Loans	44,770	13,405	22,193	9,172	47,059	13,530	20,359	13,170
Other financial liabilities	1,385	472	913	0	1,039	569	470	0
TOTAL	46,155	13,877	23,106	9,172	48,098	14,099	20,829	13,170

Liabilities from loans result from the loans taken out at fixed interest rates to acquire subsidiaries. The effective interest rate depends on the type of agreement as well as the term, and is between 1.00 % and 2.31 %. Loans totalling EUR 6,781 thousand (previous year: EUR 5,243 thousand) were repaid as scheduled in the reporting year. Other financial liabilities primarily include dividends that have not yet been paid out to existing shareholder Arithnea GmbH as planned (EUR 420 thousand; previous year: EUR 840 thousand) as well as accumulated liabilities from the acquisition of subsidiaries of EUR 636 thousand (previous year: EUR 28 thousand) with an effect on earnings.

Financial liabilities can be reconciled as follows:

in EUR k	2017
FINANCIAL LIABILITIES AS AT 1 JANUARY	48,098
Repayment	-8,519
Addition of soccerwatch.tv GmbH	1,074
Addition from merger	310
Other allocations	699
Use of loans	5,500
Changes recognised in profit	-74
Currency differences	-933
TOTAL LIABILITIES AS AT 31 DECEMBER	46,155

14. Trade Payable and Liabilities PoC

Trade payables are all due within twelve months. Liabilities PoC include down payments received from customers under service agreements and are therefore not generally refundable.

15. Provisions

Provisions are comprised as follows:

<i>in EUR k</i>	01/01/ 2017	Addition	Company acqui- sitions/ disposals	Avail- ment	Reclassi- fication	Currency differ- ence	Com- pound- ing	Reversal	31/12/ 2017
Warranty	1,279	758	21	570	0	-15	0	153	1,320
Other provisions	3,260	3,287	22	1,339	880	-20	0	436	5,656
TOTAL, CURRENT	4,539	4,045	43	1,909	880	-35	0	589	6,976
Warranty	576	207	0	0	0	0	0	0	783
Other provisions	6,622	976	10	15	-880	0	4	8	6,708
TOTAL NON-CURRENT	7,198	1,183	10	15	-880	0	4	8	7,491

Other non-current provisions include provisions for the phantom share programme (EUR 6,464 thousand; previous year: EUR 6,429 thousand). The amount ultimately paid and therefore the change in provisions for the phantom share programme is closely related to the change in the price of adesso AG shares. For future payment dates, see no. 12. The warranty provisions have a maximum term of two years. No significant effect was recorded from the amendment of the applicable discount rates.

Other current provisions mainly consist of provisions from the phantom share programme (EUR 1,147 thousand, previous year: EUR 0 thousand) and operational provisions (bonuses, discounts, etc. (EUR 2,731 thousand, previous year: EUR 1,832 thousand)). The remaining provisions are primarily comprised of outstanding obligations (Chamber of Industry and Commerce, Employer's Liability Insurance Association contributions, insurance premiums, taxation of corporate events and the like).

16. Other liabilities

Other current liabilities are due within twelve months. They mainly consist of amounts payable to personnel (under variable salary agreements, premiums and obligations for accumulated holiday time) in the amount of EUR 27,165 thousand (previous year: EUR 23,885 thousand), VAT payable of EUR 5,842 thousand (previous year: EUR 6,078 thousand), payroll taxes payable of EUR 5,352 thousand (previous year: EUR 4,763 thousand) and deferred maintenance and hosting income for the following financial year in the amount of EUR 4,427 thousand (previous year: EUR 2,285 thousand).

17. Provisions for Pensions

As at 31/12/2017, adesso has provisions for pensions for two former employees. They cover claims for (advanced) old age pension, disability pension and orphan's pension. Interest expense from compounding the obligation is included in the interest result. The pension obligations are recognised on the basis of an actuarial analysis prepared by an external expert.

Provisions for pensions developed as follows:

<i>in EUR k</i>	
DBO AS AT 01/01/2016	177
Interest expense	3
Payments	-14
Actuarial loss	20
thereof due to changes in financial parameters	18
thereof due to experience adjustments	2
DBO AS AT 31/12/2016	186
Interest expense	1
Payments	-14
Actuarial gain	-5
thereof due to changes in financial parameters	-10
thereof due to experience adjustments	5
DBO AS AT 31/12/2017	168

The calculation of provisions for pensions is based on the following parameters:

<i>in %</i>	2017	2016
Interest rate	1.51	0.80
Rate of pension progression	2.00	2.00

Future medical care is not part of the commitment.

The amount of provisions for pensions depends on the calculation of the underlying parameters. The following table shows the impact a change in the following parameters would have on provisions for pensions.

2017 / <i>in EUR k</i>	Change	Increase in parameter	Decline in parameter
Interest rate	+/- 0.5 percentage points	-6	7
Rate of pension progression	+/- 0.25 percentage points	3	-3
Residual life expectancy	+/- 1 year	17	-18
2016 / <i>in EUR k</i>	Change	Increase in parameter	Decline in parameter
Interest rate	+/- 0.5 percentage points	-9	8
Rate of pension progression	+/- 0.25 percentage points	3	-4
Residual life expectancy	+/- 1 year	18	-19

A sensitivity analysis shows the change in the provision according to a change in a specific parameter. The same method is used for calculating the carrying amount of provisions for pensions. It should be noted that a doubling in the change of a parameter for example, does not automatically result in a doubling of the effect of the carrying amount of the provisions for pensions. If several parameters change, this actual change in provisions for pensions does not automatically correspond to the total of the changes stated.

The expected payments from provisions for pensions are EUR 14 thousand in 2018, EUR 53 thousand in 2019 through 2022 and a total of EUR 24 thousand from 2023 forward. The weighted average residual term of the defined benefit obligations is 8.0 years.

See No. 22, regarding the amounts from defined contribution plans under statutory pension insurance.

Information on the Consolidated Income Statement

The consolidated income statement is structured according to the total cost method. An overview of the earnings structures by segments is provided in segment reporting.

18. Sales Revenues

Sales revenues are comprised as follows:

<i>in EUR k</i>	2017	2016
Services	306,350	248,290
thereof maintenance/hosting sales revenues	18,941	15,451
Licensing sales revenues	15,240	12,684
TOTAL	321,590	260,974

19. Other Operating Income

Other operating income is comprised as follows:

<i>in EUR k</i>	2017	2016
Grants for expenses	118	173
Income from the reversal of provisions	597	1,359
Income from translation differences	833	819
Other	1,587	861
TOTAL	3,135	3,212

The reversal of provisions results largely from a number of individual items in the course of ordinary business activities.

20. Own Work Capitalised

Own work capitalised relates to the development measures on the “Mobile-Retter-App”, which was taken over as part of the acquisition of medgineering GmbH.

21. Cost of Materials

<i>in EUR k</i>	2017	2016
Expenses for purchased merchandise	1,356	822
Expenses for purchased services	41,991	27,567
TOTAL	43,347	28,389

22. Personnel Costs

Personnel costs are comprised as follows:

<i>in EUR k</i>	2017	2016
Wages and salaries	172,001	145,442
Social security contributions	28,308	23,295
thereof pension scheme respectively pension provisions (with defined contribution plans)	12,749	10,448
TOTAL	200,309	168,737

The adesso Group had an average of 2,401 FTE (full-time equivalent) employees in 2017 (previous year: 1,956 FTE), thereof 2,285 employees.

23. Other Operating Expenses

An overview of the other operating expenses is provided in the following table:

<i>in EUR k</i>	2017	2016
Travel expenses	14,063	12,012
Room costs	8,259	6,392
Motor vehicle expenses	5,920	5,434
Marketing	4,083	3,266
Personnel recruitment	3,552	2,496
Telephone/Internet costs	2,341	1,183
Professional training	2,628	1,951
Payments for licenses and concessions	1,595	774
Insurances	398	308
Other	12,899	9,825
TOTAL	55,738	43,641

The “Other” expenses reported in the table include a number of various expenses and also include expenses for foreign currency differences of EUR 1,272 thousand (previous year: EUR 1,238 thousand). The expense recognized under minimum lease payments under operating leases amounts to EUR 9.7 million (previous year: EUR 8.4 million). The expense recognized under minimum lease payments under operating leases amounts to EUR 9.7 million (previous year: EUR 8.4 million).

24. Depreciation and Amortisation

The depreciation and amortisation of non-current assets amounts to EUR 8,193 thousand for the financial year (previous year: EUR 6,352 thousand). Of this amount, EUR 2,853 thousand (previous year: 2,336 thousand) is accounted for by the amortisation of intangible assets capitalised in the course of mergers.

25. Financial Result and Result from Shares Recognized Under the Equity Method

Total interest income for the reporting year is EUR 22 thousand (previous year: EUR 43 thousand) with EUR 3 thousand affecting payment; total interest expenses are EUR 754 thousand (previous year: EUR 461 thousand) with EUR 593 thousand affecting payment. The pro-rata profits of interests recognised at equity are recognised under income from investment activities.

26. Income Taxes

Income taxes are comprised as follows:

<i>in EUR k</i>	2017	2016
Current tax expense	5,826	4,357
Deferred tax income (previous year: deferred tax expense)	-526	109
TOTAL	5,300	4,466

Current taxes include a tax expense from adjustments in previous years of EUR 11 thousand (previous year: EUR 0). The benefit from utilising the tax loss carry-forwards, for which deferred taxes were not recognised at the end of the previous financial year, is EUR 163 thousand (previous year: EUR 911 thousand). The deferred tax assets on loss carry-forwards changed as follows:

<i>in EUR k</i>	2017	2016
1 JANUARY	552	1,572
Recognition of the company merger	22	0
Availment	-276	-1,117
Addition for previous years	315	235
Addition for current tax losses	68	0
Depreciation	0	-138
Currency difference	-19	0
31 DECEMBER	662	552

The deferred tax revenue from the change in the temporary differences amounts to EUR 419 thousand (previous year: EUR 813 thousand).

The table below shows the reconciliation of the theoretically expected tax expense to actual reported income tax expense pursuant to IAS 12.81 (c):

<i>in EUR k</i>	2017	2016
Consolidated earnings before income taxes	16,631	17,065
EXPECTED TAX EXPENSE	5,455	5,597
Effect of different tax rates	-516	-767
Non-deductible expenses	866	414
Tax-free income and expenses only recognised for tax purposes	-107	-219
Capitalisation of deferred taxes not recognised in previous years	-315	-235
Utilisation of loss carry-forwards for which deferred taxes were not recognised in the previous year	-163	-911
Depreciation of deferred tax assets	0	117
Non-capitalised deferred taxes on tax losses in the current financial year	31	369
Other	49	101
TAX EXPENSE REPORTED	5,300	4,466

The tax rate of the parent company at 32.8 % was used to determine the expected tax expense.

A deferred tax expense of EUR 2 thousand (previous year: tax revenue of EUR 7 thousand) was included in other comprehensive income in the financial year.

27. Earnings per Share

	2017	2016
Proportion of consolidated earnings allocated to adesso AG shareholders (in EUR k)	11,025	12,346
Average number of shares outstanding in the financial year	6,170,888	5,859,394
Effect of diluting options	7,520	6,468
Average number of shares outstanding, including the dilution effect of outstanding options	6,178,408	5,865,862
Undiluted earnings per share (in EUR)	1.79	2.11
Diluted earnings per share (in EUR)	1.78	2.10

IV. Information on the Consolidated Cash Flow Statement

In accordance with IAS 7, the cash flow statement shows the change in cash and cash equivalents of the Group during the reporting year as a result of inflows and outflows. Cash and cash equivalents are comprised of cash on hand and at bank. According to IAS 7 (Statement of Cash Flows), the cash flows are classified into operating, investment and financing activities.

In financial year 2017, cash inflows from operating activities increased by EUR 5,128 thousand and amount to EUR 20,265 thousand.

Cash outflows for investment activities fell by EUR 19,049 thousand year on year. The higher cash outflows from investment activity in the previous year resulted from the acquisition of smarthouse adesso financial solutions GmbH in 2016, for which EUR 23,943 thousand was paid. Cash outflows from investment activities primarily contain payments for investments in property, plant and equipment (EUR 5,753 thousand; previous year: EUR 2,308 thousand) as well as payments for the acquisition of UnitCon GmbH (EUR 5,500 thousand and medgineering GmbH (EUR 747 thousand).

Significant non-cash transactions are the build-up of liabilities from the acquisition of SP Integration GmbH, UnitCon GmbH and medgineering GmbH, recognised through profit, totalling EUR 699 thousand as well as the acquisition of soccerwatch.tv GmbH. Upon acquisition, a financial liability of EUR 1,074 thousand was recognized. The repayment of the liability in the amount of EUR 1,000 thousand is included in the position "Repayment of financial liabilities". See also the information on the joint ventures in section II. under Consolidation (b)

V. Information on Segment Reporting

adesso's consolidated balance sheet and consolidated income statement present data in aggregate form. In order to better identify the risks and opportunities of the adesso business activities, information on the basis of reportable segments are disclosed in segment reporting. The first step is to establish the operating segments. According to IFRS 8, a business area is an operating segment if it is engaged in business activities that generate income and expenses, the operating earnings are monitored regularly by a person in charge and separate financial information is available.

These criteria are met by adesso AG and its subsidiaries. Accordingly, each company is an operating segment pursuant to IFRS 8. For the purpose of segment reporting, in a second step similar operating segments are combined to the segments IT-services and IT-solutions regarding their similarity in products and services.

The IT Services segment focuses on industry-specific, individual IT consulting as well as software development. Consulting develops concepts for the optimum and efficient support of business processes through IT systems.

The IT Solutions segment distributes standard software products and industry-specific or industry-neutral solutions.

The individual companies are assigned to these segments as follows:

<i>IT-Services</i>	<i>IT-Solutions</i>
adesso AG	adesso insurance solutions GmbH*
adesso as a service GmbH (formerly: adesso hosting services GmbH)	adesso mobile solutions GmbH
adesso Austria GmbH	e-Spirit AG
adesso Schweiz AG	e-Spirit Inc.
adesso it+ GmbH	e-Spirit UK Ltd.
adesso Transformer GmbH	e-Spirit Schweiz AG
adesso Turkey Bilgi Teknolojileri Ltd. Şti.	gadiv GmbH
alleato assecuranzmakler GmbH	medgineering GmbH
Arithnea GmbH	smarthouse adesso financial solutions GmbH
A3A Strategy Consulting GmbH	
inQventures GmbH	
nhs Informatik GmbH	
percision services GmbH	

* phb services GmbH merged with adesso insurance solutions GmbH during the 2017 financial year

IFRS 8 consistently implements the so-called management approach for segment reporting. That means that the same information reported for internal purposes is disclosed externally. As the company reports it figures internally on the basis of the German Commercial Code (HGB), figures are generally also reported in segment reporting on the basis of HGB. Exceptions include information on sales revenues from external customers based on the customer's registered office and information on non-current assets based on the location of the assets. These disclosures must be based on the IFRS figures.

The published segment reporting shows the data presented to the leading decision makers in the course of internal reporting. These figures were determined according to HGB. The amortisation of goodwill from mergers according to HGB is eliminated for the purpose of internal reporting. Accordingly, this is the same in segment reporting.

Non-consolidated figures are reported for each operating segment. This means, for example, that sales revenues between the individual companies are not eliminated in segment reporting. HGB accounting differs from IFRS accounting in significant points. Material differences for the purpose of segment reporting are discussed below:

> Sales revenues for services are generally recognised according to the completed contract method under HGB. This means the sales revenues are only recognised when the contract is 100 % completed. According to IFRS, sales revenues for services and the corresponding expenses are recognised based on the percentage of completion on the reporting date. This results in a deviation in the allocation of earnings from service agreements. For clarification, this does not mean that sales revenues reported according to IFRS are generally higher than sales revenues reported according to HGB.

> Production costs according to IFRS encompass the full production-related costs. Other expenses, such as general administrative costs, can be included in production costs according to HGB but not according to IFRS.

- > According to IFRS, liabilities are not measured at the redemption amount but at the fair value of the consideration received less incidental costs. They are subsequently valued using the effective interest method.
- > According to IFRS 2, expenses from share-based remuneration are recognised through profit or loss against the capital reserve over the vesting period in case of plans based on equity compensation.

The “Reconciliation” column in segment reporting contains the differences between the sum of the amounts reported in the segments and the amount reported for the respective item in the consolidated financial statements. These differences mainly consist of amounts for transactions between the operating segments, accounting differences between IFRS and HGB and amounts that cannot be assigned to the segments. Amounts from the reconciliation from HGB to IFRS are shown separately in the „Reconciliation“ column for the first time regarding fiscal year 2017. For 2016, the amounts were not retroactively determined.

Transactions between the operating segments are settled at market prices.

SEGMENT REPORTING 2017

<i>in EUR k</i>	<i>IT Services</i>	<i>IT Solutions</i>	<i>Reconciliation</i>	<i>Consolidated</i>
Sales revenues with external clients				
Services	251,434	49,050	5,864	306,348
Licences	2,097	14,654	-1,509	15,242
Sales revenues with other operating segments	38,000	9,123	-47,123	0
TOTAL SALES	291,531	72,827	-42,768 (3,943)	321,590
Changes in inventories	3,286	-1,192	-2,094 (-2,094)	0
Own Work Capitalised	0	0	47 (0)	47
Other Operating Income	4,892	2,830	-4,587 (-96)	3,135
Cost of materials	-75,618	-13,690	45,961 (-639)	-43,347
Personnel costs	-160,793	-39,298	-218 (-955)	-200,309
Other operating expenses	-46,241	-13,260	3,763 (-297)	-55,738
Other taxes	-17	-2	19 (0)	0
EBITDA	17,040	8,215	123 (-137)	25,378
Depreciation and Amortisation	-3,762	-1,381	-3,050 (-2,814)	-8,193
Amortisation of goodwill	-3,087	-265	3,352 (3,352)	0
EBIT	10,191	6,569	425 (401)	17,185
Income from investments	6,089	-1,676	-4,235 (178)	178
Interest income	13	138	-129 (0)	22
Interest expenses	-1,447	-37	730 (12)	-754
Financial result	-1,434	101	601 (12)	-732
EARNINGS BEFORE TAXES (EBT)	14,846	4,994	-3,209 (591)	16,631
Amortisation of goodwill	3,087	265	-3,352	0
EBT before amortisation of goodwill	17,933	5,259	-6,561	16,631

SEGMENT REPORTING 2016

<i>in EUR k</i>	<i>IT Services</i>	<i>IT Solutions</i>	<i>Reconciliation</i>	<i>Consolidated</i>
Sales revenues with external clients				
Services	208,871	36,178	3,386	248,435
Licences	661	11,928	-50	12,539
Sales revenues with other operating segments	30,378	10,874	-41,252	0
TOTAL SALES	239,910	58,980	-37,916	260,974
Changes in inventories	1,824	1,065	-2,889	0
Other Operating Income	9,403	9,268	-15,458	3,213
Cost of materials	-56,517	-13,218	41,346	-28,389
Personnel costs	-143,766	-31,567	6,596	-168,737
Other operating expenses	-38,253	-15,900	10,512	-43,641
Other taxes	-8	-2	10	0
EBITDA	12,595	8,625	2,199	23,419
Depreciation and Amortisation	-3,333	-934	-2,085	-6,352
Amortisation of goodwill	-3,105	-265	3,370	0
EBIT	6,157	7,426	3,484	17,067
Income from investments	5,873	1,408	-6,865	416
Interest income	189	237	-383	43
Interest expenses	-1,173	-151	863	-461
Financial result	-984	86	480	-418
EARNINGS BEFORE TAXES (EBT)	11,046	8,920	-2,901	17,065
Amortisation of goodwill	3,105	265	-3,370	0
EBT before amortisation of goodwill	14,152	9,186	-6,272	17,065

The following table shows the allocation of sales revenues with external clients by the client's place of business and non-current assets by the location of the assets to geographical segments as required by IFRS 8.

	External sales revenues by client's place of business		Non-current assets	
	2017	2016	2017	2016
Germany	259,990	204,159	50,244	43,459
thereof goodwill			29,683	26,975
Austria	6,741	5,789	3,650	3,606
thereof goodwill			3,552	3,552
Switzerland	43,008	42,825	11,438	15,959
thereof goodwill			9,588	10,454
Other	11,851	8,201	168	71

More than 10 % of the sales revenues generated by adesso were not applicable to any one customer in financial years 2017 and 2016.

VI. Supplementary Information

Other Financial Obligations

Other financial obligations are comprised as follows:

2017/in EUR k	Total	thereof due in year 1	in year 2 to 5	after 5 years
Space and equipment rental	50,004	6,234	20,889	22,881
Other leases	5,528	2,417	3,111	0
Other long-term contracts	4,270	2,463	1,807	0
Insurance	870	700	168	2
TOTAL	60,672	11,814	25,975	22,883

2016/in EUR k	Total	thereof due in year 1	in year 2 to 5	after 5 years
Space and equipment rental	32,669	6,181	17,934	8,554
Other leases	3,952	1,997	1,954	1
Other long-term contracts	1,278	694	584	0
Insurance	742	655	87	0
TOTAL	38,641	9,527	20,559	8,555

Other financial obligations from the leasing of space and equipment primarily stem from a signed, long-term leasing agreement for adesso AG. adesso has leased the main administration building for 15 years. The company has an option right to extend the lease by two additional terms of five years at the respective current market conditions.

There are no significant further financial obligations such as order commitments on the reporting date.

There were no contingent liabilities to be reported at the end of financial year 2017.

Financial Instrument Disclosures

The total financial assets held by adesso on the reporting date and in the previous year are assigned to the category „Loans and receivables“, and the financial liabilities to the category „Financial liabilities measured at amortised cost“. In addition, liabilities to be accumulated from the purchases of subsidiaries are to be measured on the basis of the fair value of the respective liabilities.

The table below shows the carrying amounts measured at (amortised) cost as well as the fair value of the financial assets and liabilities. Determining fair values of financial assets and liabilities is based on the market rates of similar financial instruments.

in EUR k	Valuation category	2017			2016		
		Carrying amount	Fair value	Fair value level*	Carrying amount	Fair value	Fair value level*
ASSETS							
Cash and cash equivalents	LaR	46,497	46,497		43,144	43,144	
Trade receivables	LaR	61,818	61,818		54,533	54,533	
Financial assets	LaR	1,243	1,243		1,092	1,092	
TOTAL		109,558	109,558		98,769	98,769	
LIABILITIES							
Trade payables	FL	12,713	12,713		11,257	11,257	
Loans	FL	44,770	45,103	3	47,059	47,440	3
Other financial liabilities		1,385	1,385		1,039	1,039	
thereof from purchase price payments recognised as instalments	PPR	636	636	3	28	28	3
thereof miscellaneous other financial liabilities	FL	749	749		1,011	1,011	
TOTAL		58,868	59,201		59,355	59,736	

* See section II. under Financial reporting (r).

LaR: Loans and receivables

FL: Financial liabilities, measured at (amortised) cost

PPR: Purchase price obligation recognised ratably

The fair value of the loans is calculated by discounting future cash flows from the loans by adesso's current borrowing rate. The fair value that underlies the liability from purchase price payments recognised as instalments is based on the expectation that all relevant persons will provide the agreed performance as well as the expected business development of medgingering GmbH.

The net results are comprised as follows:

2017 / in EUR k	From interest	Impairment	Write-up/ derecognition	Total
Loans and receivables	22	-161	1	-138
Financial liabilities measured at amortised cost	-754	0	0	-754
<hr/>				
2016 / in EUR k	From interest	Impairment	Write-up/ derecognition	Total
Loans and receivables	43	-20	0	23
Financial liabilities measured at amortised cost	-461	0	0	-461

Net results in the „Loans and receivables“ category are due to compounding non-current financial assets and interest-bearing investments in financial assets, as well as the impairment of financial assets at risk of default and the write-up of financial assets previously impaired. Net results in the category „Financial liabilities measured at amortised cost“ are due to interest expenses.

The Group is exposed to a variety of risks due to its business activities. These include default risk, liquidity risk and market risk.

Default Risk

The Group is exposed to default risk on the recognised trade receivables and receivables PoC. Existing and major customers continue to dominate the customer portfolio in the financial year. A number of the new customers added in 2017 are also major customers.

Any applicable risks are covered by specific provisions. No flat-rate specific provisions for groups of receivables were required. The maximum default risk corresponds to the carrying amount of the receivables.

Liquidity Risk

adesso is exposed to liquidity risk due to the possibility that future financial obligations may not be met. Medium- and long-term liquidity management is centralised in Dortmund, Germany, under the responsibility of the CFO. All Group companies independently plan and monitor their liquidity. Central cash management has not been implemented. Liquidity is mainly assured by cash flow from operating activities as well as a high level of cash and cash equivalents. The Group companies periodically report their short-, medium- and long-term liquidity to adesso AG based on various time horizons.

The tables below show the carrying amounts and cash flows (interest and repayments) of the financial liabilities. The difference between the carrying amount and the total of future cash flows corresponds to the interest due in future:

2017 (in EUR k)	Carrying amount	Maturity up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	12,713	12,713	0	0
Loans	44,770	13,985	23,522	9,646
of which interest		580	1,329	474
Other financial liabilities	1,385	472	913	0
TOTAL	58,868	27,170	24,435	9,646

2016 (in EUR k)	Carrying amount	Maturity up to 1 year	> 1 and < 5 years	> 5 years
Trade payables	11,257	11,257	0	0
Loans	47,059	14,084	22,057	13,703
of which interest		554	1,698	534
Sonstige Finanzverbindlichkeiten	1,039	569	470	0
SUMME	59,355	25,910	22,527	13,703

Market Risk

Sales revenues are largely realised in the national currencies of the respective companies. The exchange rate risk can therefore continue to be considered low. Likewise, the interest rate risk is classified as low. The borrowings are fixed interest. In addition, the interest expense is low in relation to the liquid assets.

Capital Management

The equity ratio of adesso is 33 % (previous year: 32 %). Active capital management is not performed. The Executive Board manages the company using earnings, yield and liquidity indicators. No capital measures other than the authorised and conditional capital disclosed in section 11 have currently been approved.

Executive Board

Composition of the Executive Board

The following persons were members of the adesso AG Executive Board in the reporting year:

- > Michael Kenfenheuer, Frechen, Germany, Chairperson of the Executive Board
(Banking, Health and Insurance business areas)
- > Dipl.-Wirtschaftsingenieur (industrial engineer) Christoph Junge, Münster, Germany, member of the Executive Board
(Finance, Personnel, Administration and Law as well as Mergers & Acquisitions)
- > Dipl.-Stat. Andreas Prenneis (statistics graduate), Dortmund, Germany, member of the Executive Board
(Automotive & Transportation, Cross Industries, Energy Industry, Public Administration, Microsoft business areas as well as IT Management-Consulting)

All Executive Board members were granted the power of sole representation. They are exempt from the restrictions of Section 181 of the German Civil Code (BGB).

Executive Board Remuneration

The Executive Board remuneration contains short-term and share-based components. The following tables illustrate the components of the Executive Board remuneration separately in remunerations granted and paid as well as a reconciliation on the expenses, to be reported in accordance with IAS 19 and IAS 24.

Remuneration for members of the Executive Board is mainly determined according to business performance and accepted industry standards. It is based on contractual provisions established with the Supervisory Board, and includes basic remuneration as well as additional, performance-based remuneration.

In market and corporate standards, the Company grants further benefits to all members of the Board from their contracts that are partly viewed as non-cash benefits and taxed accordingly. Especially the provision of a company car and payments to social insurance are to be named.

The Executive Board remuneration principles as well as other details are presented in the Remuneration Report contained in the Management Report.

In 2017, the total amount of payments (accrual) of all members of the Board during this period was EUR 1,248 thousand (previous year: EUR 989 thousand). This includes dividends from the phantom share program amounting to EUR 35 thousand (previous year: EUR 46 thousand).

The tables below provide an overview of benefits paid and granted to the members of the Executive Board as well as remuneration recognised as expense. Long-term variable compensation includes the debt from the phantom share plan and a liability for 3,885 stock options granted to Mr. Kenfenheuer in the past:

BENEFITS PAID

in EUR k	Michael Kenfenheuer CEO		Christoph Junge Executive Board member		Andreas Prenneis Executive Board member	
	2017	2016	2017	2016	2017	2016
PERFORMANCE-INDEPENDENT REMUNERATION						
Fixed remuneration	240	208	194	192	184	182
Fringe benefit	20	19	13	13	15	14
Benefit expense	9	8	9	9	7	7
<i>Total</i>	269	235	216	214	206	203
PERFORMANCE-BASED VARIABLE REMUNERATION						
Short-term variable remuneration	174	112	174	112	174	84
Long-term variable remuneration	21	17	14	12		
<i>Total</i>	195	129	188	124	174	84
TOTAL REMUNERATION	464	364	404	338	380	287

Liabilities for Executive Board remuneration amounted to EUR 504 thousand as at the reporting date (previous year: EUR 479 thousand); this amount will be paid in the subsequent financial year as well as the liabilities from share-based remuneration indicated above. The 3,885 virtual share options were granted to Mr Kenfenheuer in an individual agreement.

The members of the Executive Board of adesso AG held the following adesso AG shares as at 31 December 2017:

Executive Board	Number of no-par bearer shares
Michael Kenfenheuer, Frechen, Germany	33,238
Christoph Junge, Münster, Germany	11,014
Andreas Prenneis, Dortmund, Germany	0
TOTAL	44,252

In the financial year, the Executive Board members received EUR 18 thousand in dividends from the shares held in adesso AG. As at the reporting date, Christoph Junge held 1,890 fully earned and exercisable share options with a total fair value of EUR 3 thousand at the time of issue.

Former members of the Executive Board do not receive any remuneration, nor were any pension commitments made. A former member of the Executive Board continues to work in the company holding a different position and receives market pay rates. No loans or advances were granted to members of the Executive Board.

The members of the adesso AG Executive Board also hold the following positions in supervisory boards and other governing bodies according to Section 125 (1) Sentence 3 in conjunction with Section 125 (2) AktG:

- > Michael Kenfenheuer, Frechen, Germany
Chairperson of the Supervisory Board of e-Spirit AG, Dortmund, Germany

Supervisory Board

Composition of the Supervisory Board

The members of the Supervisory Board in 2017 were as follows:

- > Prof. Dr Volker Gruhn, Dortmund, Germany, Chairperson of the Supervisory Board
Head of the Software Engineering Department at University of Duisburg-Essen, Germany
- > Dr Friedrich Wöbking, Pullach, Germany,
Deputy Chairperson of the Supervisory Board Management consultant
- > Prof. Dr Gottfried Koch, Stein, Switzerland
Professor of Insurance Information Technology at Leipzig University
- > Dipl.-Kfm. Hermann Kögler (business management graduate), Bonn, Germany
Management consultant
- > Dipl.-Math. Heinz-Werner Richter, (mathematics graduate), Dortmund, Germany
Actuarial trustee, management consultant
- > Dipl.-Inform. Rainer Rudolf (IT graduate), Dortmund, Germany
Member of the Executive Board of W3L AG, Dortmund, Germany

The members of the adesso AG Supervisory Board also hold the following positions in supervisory boards and other governing bodies according to Section 125 (1) Sentence 3 in conjunction with Section 125 (2) AktG:

- > Prof. Dr Volker Gruhn
Member of the Supervisory Board of e-Spirit AG, Dortmund, Germany
- > Dipl.-Kfm. Hermann Kögler (business management graduate)
Member of the Supervisory Board of Cognos AG, Cologne, Germany
Member of the Supervisory Board of HHL gemeinnützige GmbH, Leipzig, Germany,
Graduate School of Management (until 15 March 2018)
- > Prof. Dr Gottfried Koch
Chairman of the Supervisory Board of automobilität AG, Bühler, Switzerland
- > Dr Friedrich Wöbking, Pullach, Germany
Member of the Supervisory Board of Erste Financial Service GmbH (EFS), Düsseldorf, Germany

The other members of the adesso AG Supervisory Board also hold no additional positions in supervisory boards and other governing bodies according to Section 125 (1) Sentence 5 AktG.

Supervisory Board Remuneration

Total remuneration in calendar year 2017 for all members of the adesso AG Supervisory Board appointed in this period was EUR 46 thousand (previous year: EUR 46 thousand) for Supervisory Board activities.

Supervisory Board remuneration paid in the financial year.

<i>Amounts in EUR k</i>	<i>Basic remuneration</i>	<i>Variable share</i>	<i>Reimbursement of expenses</i>	<i>Total</i>
Prof. Dr. Volker Gruhn	8	0	0	8
Prof. Dr. Gottfried Koch	5	3	2	10
Hermann Kögler	5	3	0	8
Heinz Werner Richter	5	3	0	8
Rainer Rudolf	5	0	0	5
Dr. Friedrich Wöbking	5	3	0	8
GESAMT	33	12	2	47

All transactions with related parties are concluded at market terms and conditions. Liabilities to members of the Supervisory Board on the reporting date were EUR 185 thousand (previous year: EUR 65 thousand). Liabilities for Supervisory Board remuneration of EUR 33 thousand were created in the current financial year. Expenses of EUR 548 thousand (previous year: EUR 414 thousand) for commissions, fees and allowances were recognised.

adesso has neither granted loans to members of the Supervisory Board nor issued bonds or guarantees on their behalf. There are no family ties between members of the Supervisory Board, nor between members of the Supervisory Board and the Executive Board. There are no service agreements between the Supervisory Board members and adesso or its subsidiaries that call for remuneration upon termination. Former members of the Supervisory Board do not receive any remuneration, nor were any pension commitments made.

The Supervisory Board members (not including Setanta GmbH) received dividends of EUR 400 thousand (previous year: EUR 333 thousand).

	<i>Number of no-par bearer shares</i>
Prof. Dr. Volker Gruhn, Dortmund, (mittelbar über die Setanta GmbH, Dortmund)	1,719,767
Rainer Rudolf, Dortmund	1,088,195
Prof. Dr. Gottfried Koch, Stein/Schweiz	15,921
Dr. Friedrich Wöbking, Pullach	6,800
Herrmann Kögler, Bonn	0
Heinz-Werner Richter, Dortmund	0
SUMME	2,830,683

Related Party Disclosures

In addition to the members of the Executive Board and Supervisory Board, the following companies are considered to be related parties of adesso:

Joint ventures/associates:

- > Barmeria IT+ GmbH, Wuppertal, Germany
- > com2m GmbH, Dortmund, Germany
- > re:Doc GmbH, Dortmund
- > soccerwatch.tv GmbH, Essen
- > 1Buch GmbH, Gütersloh, Germany

Other:

- > CampusLab GmbH, Essen, Germany
- > ForenService Holding, Leipzig, Germany
- > IT Factum GmbH, Munich, Germany
- > Setanta GmbH, Dortmund, Germany (wholly owned by Prof. Dr Volker Gruhn)
- > Versicherungsforen Leipzig GmbH, Leipzig, Germany

Receivables from and liabilities to related parties were as follows as at 31 December:

in EUR k	2017		2016	
	Receivables	Liabilities	Receivables	Liabilities
Joint ventures	87	0	0	0
Associates	439	9	17	0
Other	0	172	0	68
TOTAL	526	181	17	68

The following income (primarily from service agreements) and expenses with related parties were recognised in the financial year:

in EUR k	2017		2016	
	Income	Expenses	Income	Expenses
Joint ventures	73	-	-	-
Associates	294	-	68	1
Other	3	262	12	139
TOTAL	370	262	80	140

For further details on transactions with Executive Board and Supervisory Board members, see the two sections before. adesso received dividend payments of EUR 478 thousand (previous year: EUR 270 thousand) from a company recognised at equity. Setanta GmbH received dividends of EUR 619 thousand (previous year: EUR 516 thousand) from adesso AG, which were paid in full. No other transactions took place with Setanta GmbH in the financial year, as was the case the previous year.

Audit Fee

According to German law, the auditor is nominated by the Supervisory Board and chosen by the Annual Shareholders' Meeting. Once the auditor has been chosen, the Supervisory Board issues the mandate, approves the conditions and scope of the audit, as well as all audit fees, under its own responsibility, and monitors the independence of the auditor.

The Annual Shareholders' Meeting chose the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, Germany, nominated by the Supervisory Board, as the auditor for 2017. In the previous year, DOSU AG Wirtschaftsprüfungsgesellschaft, Dortmund, Germany, was the appointed auditor.

The activities of the auditing firm are reportable and disclosed in the table below:

<i>in EUR k</i>	<i>Ernst & Young 2017</i>	<i>DOSU 2016</i>
Year-end audit	168	231
Tax advisory services	14	0
Other consulting services	0	15
TOTAL	182	246

Events after the Reporting Date

Upon payment of the purchase price on 2 January 2018, adesso AG acquired a further 34 % of the shares in com2m GmbH and now holds 59 % of the shares in the company. The newly acquired shares resulted in acquisition costs of EUR 725 thousand for adesso AG. The acquisition means that com2m can now be classified as a joint venture and no longer as an associate. Irrespective of this, com2m continues to be recognised in adesso's consolidated financial statements using the equity method.

On 8 February 2018, adesso signed a purchase agreement for 100 % of the shares in FABIS Sales Solutions GmbH & Co. KG, Bamberg, Germany, to expand its product portfolio with standard modules for sales control and commission settlement. FABIS Sales Solutions GmbH & Co.KG will merge with adesso insurance solutions GmbH in the near future. Acquisition costs totalled EUR 1,500 thousand. The effects of the company merger are currently being analysed.

At the end of 2018 and beginning of 2019, the second construction phase of the Group's headquarters in Dortmund will be set up ready for occupancy and equipped with technical infrastructure. For the investment of around EUR 4 million loans amounting to EUR 4 million were raised at the beginning of 2018.

Appropriation of Net Income

On 30 May 2017, the Annual Shareholders' Meeting of adesso AG resolved to pay a dividend of EUR 0.36 per no-par bearer share for the 2016 financial year. The dividend payment made by adesso AG in the reporting period totalled EUR 2,220 thousand.

For the 2017 financial year, the Executive Board and Supervisory Board shall propose the distribution of EUR 2,469,769.20, or EUR 0.40 per no-par bearer share to the Annual Shareholders' Meeting. The distribution of dividends has no income tax consequences for adesso.

Declaration on the Corporate Governance Code according to Section 161 AktG

The Executive Board and Supervisory Board of adesso AG declare in accordance with Section 161 AktG that the recommendations of the „Government Commission on the German Corporate Governance Code“ in the current version published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) have and will be complied with. Possible deviations from the recommendations are listed and commented on in the compliance statement.

The Executive Board and Supervisory Board of adesso AG report on corporate governance for the company annually, and publish this information as part of the management report. The report and declaration, including the compliance statement, are permanently available online at www.adesso-group.de/corporate-governance/.

Reporting Obligations

adesso AG received the following reports pursuant to Article 19 (1) MAR for financial year 2017:

<i>Transaction</i>	<i>Name</i>	<i>Description</i>	<i>Shares</i>	<i>Price</i>
03/01/2017	Christoph Junge	Disposition	6,000	47.65
17/02/2017	Michael Kenfenheuer	Disposition	10,000	54.00
22/02/2017	Michael Kenfenheuer	Disposition	10,000	53.97
12/06/2017	Michael Kenfenheuer	Disposition	7,000	56.55
16/06/2017	Michael Kenfenheuer	Acquisition from share options program	1,890	7.31

Shareholder Structure

The shareholder structure was as follows as at the balance sheet date:

<i>Shareholder</i>	<i>Date the threshold was transgressed</i>	<i>Share in %</i>
Prof. Dr. Volker Gruhn (Setanta GmbH)	13/08/2007	27.9
Rainer Rudolf	02/10/2007	17.6
Ludwig Fresenius	18/04/2017	9.9
Michael Hochgürtel (MIH Hochgürtel UG & Co. KG)	19/12/2016	4.8

At the balance sheet date, a further 0.5 % of the shares are subject to a so-called soft-lock-up agreement. According to the free float definition of Deutsche Börse AG, the free float thus amounts to 44.1 %.

The following notification was submitted to adesso AG in financial year 2017 pursuant to Section 21 WpHG or Section 25 WpHG:

On 24 April 2017, Ludwig Fresenius, Germany, informed us that his share of the voting rights in adesso AG, Dortmund, Germany, had fallen below the 10 % threshold of the voting rights on 18 April 2017 and on that day amounted to 9.96 % (corresponding to 614,000 voting rights).

Tochterunternehmen

Company	Headquarters	Equity ⁴⁾	Annual profit ⁴⁾	Capital share
adesso as a service GmbH (vormals: adesso hosting services GmbH)	Dortmund, Germany	666 T€	409 T€	100 %
adesso Austria GmbH	Vienna, Austria	-3,510 T€	-370 T€	100 %
adesso insurance solutions GmbH ²⁾	Dortmund, Germany	3,898 T€	1,639 T€	100 %
adesso it+ GmbH	Berlin, Germany	24 T€	-1 T€	100 %
adesso mobile solutions GmbH ¹⁾	Dortmund, Germany	343 T€	0 T€	100 %
adesso Schweiz AG	Zurich, Switzerland	3,701 TCHF	1,852 TCHF	100 %
adesso Transformer GmbH	Vienna, Austria	355 T€	568 T€	51 %
adesso Turkey Bilgi Teknolojileri Ltd. Şti.	Istanbul, Turkey	-470 TTRY	111 TTRY	100 %
alleato assekuranzmakler GmbH	Dortmund, Germany	-169 T€	-20 T€	74 %
ARITHNEA GmbH	Neubiberg, Germany	3,983 T€	1,566 T€	100 %
A3A Strategy Consulting GmbH	Cologne, Germany	-139 T€	-115 T€	100 %
e-Spirit AG ¹⁾	Dortmund, Germany	4,563 T€	0 T€	100 %
e-Spirit Inc.	Delaware, USA	484 TUSD	12 TUSD	100 %
e-Spirit Schweiz AG	Zurich, Switzerland	-66 TCHF	142 TCHF	100 %
e-Spirit UK Ltd.	London, UK	-1,356 TGBP	-73 TGBP	100 %
gadiv GmbH	Much, Germany	292 T€	18 T€	61 %
inQventures GmbH	Berlin, Germany	24 T€	-1 T€	85 %
medgineering GmbH	Dortmund, Germany	-55 T€	-103 T€	100 %
nhs Informatik GmbH	Bern, Switzerland	145 TCHF	-3 TCHF	100 %
percision services GmbH	Dortmund, Germany	-2,368 T€	542 T€	100 %
percision Schweiz AG i. L., ³⁾	Zurich, Switzerland	-133 TCHF	-2 TCHF	100 %
smarthouse adesso financial solutions GmbH	Karlsruhe, Germany	4,245 T€	1,731 T€	100 %

¹⁾ Annual profit EUR 0 thousand due to the profit transfer agreement with adesso AG.

²⁾ phb services GmbH merged with adesso insurance solutions GmbH during the 2017 financial year.

³⁾ Information as at 31 December 2016.

⁴⁾ The equity and the annual result are stated according to the respective state law.

Associates and joint ventures

<i>Company</i>	<i>Headquarters</i>	<i>Associates (A)/ joint ventures (JV)</i>	<i>Pro-rata equity ²⁾</i>	<i>Pro-rata annual profit ²⁾</i>	<i>Capital share</i>
re:Doc GmbH	Dortmund, Germany	JV	160 T€	-3 T€	50,0 %
soccerwatch.tv GmbH	Essen, Germany	JV	107 T€	-322 T€	30,0 %
Barmenia IT+ GmbH	Wuppertal, Germany	A	986 T€	537 T€	24,3 %
com2m GmbH ¹⁾	Dortmund, Germany	A	-66 T€	-39 T€	24,9 %
1Buch GmbH	Gütersloh, Germany	A	108 T€	6 T€	30,0 %

¹⁾ The shareholding was increased to 59 % during the period of preparation of the consolidated financial statements.
Please also refer to the "Events after the Reporting Date" for more information.

²⁾ The equity and the annual result are stated according to the respective state law.

Utilisation of exemption provisions

The following domestic group companies in the legal form of a joint-stock company satisfied the necessary conditions for utilising the exemption provisions pursuant to Section 264 (3) HGB and will therefore not be preparing a Management Report and Notes, nor will the annual financial statements be audited by an auditor or be disclosed for the 2017 financial year:

- > e-Spirit AG
- > adesso mobile solutions GmbH

STATEMENT OF THE LEGAL REPRESENTATIVES

We confirm that the consolidated financial statements, in accordance with the applicable accounting principles and to the best of our knowledge, present a true and fair view of the group's net assets, financial position and results of operations, and that the consolidated management report presents a true and fair view of the group's results of operations and position in addition to describing the material opportunities and risks for the expected development of the group.

Dortmund, Germany, 22 March 2018

adesso AG



Michael Kenfenheuer



Christoph Junge



Andreas Prenneis

REPRODUCTION OF THE AUDITOR'S REPORT

For the consolidated financial statements and the consolidated management report, we have issued the following auditor's report:

'Independent auditor's report

To adesso AG

Note on the audit of the consolidated financial statements and the consolidated management report

Audit opinions

We have audited the consolidated financial statements of adesso AG, Dortmund, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017, as well as the consolidated notes including a summary of significant accounting methods. In addition, we have audited the consolidated management report of adesso AG for the financial year from 1 January 2017 to 31 December 2017.

In our opinion, based on the findings of our audit,

> the consolidated financial statements attached comply in all material respects with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the asset and financial situation of the group as of 31 December 2017, as well as its results for the financial year from 1 January 2017 to 31 December 2017, in accordance with these regulations, and

> imparts an overall accurate impression of the group's position. In all material respects, this consolidated management report agrees with the consolidated financial statements, complies with the German legal requirements, and gives a true and fair view of the opportunities and risks associated with future developments.

In accordance with Section 322 (3) (1) HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements and the consolidated management report.

Basis of the audit opinions

We have carried out our audit of the consolidated financial statements and consolidated management report in accordance with Section 317 HGB and the EU Audit Regulation (no. 537/2014) in accordance with the generally accepted German standards for the audit of financial statements determined by Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these regulations and principles are further described in the section of our auditor's report entitled 'Responsibility of the auditor for the audit of the consolidated financial statements and the consolidated management report'. We are independent of the group companies in accordance with the European and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services under Article 5 (1) of the EU Audit Regulation. In our opinion, the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the consolidated management report.

Particularly important audit matters in the audit of the consolidated financial statements

Particularly important audit matters are those matters that, in our best judgement, were most significant in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters have been taken into account in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not deliver a separate opinion on these matters.

Below we describe what we consider to be particularly important audit matters:

1. Impairment of goodwill

Reasons for determination as a particularly important audit matter

adesso AG performs the impairment test to be carried out in accordance with IAS 36, Impairment of Assets, as of 30 June of the financial year or additionally on an ad hoc basis. There, the recoverable amount must be compared with the recoverable amount of a goodwill-bearing cash-generating unit. The company determines this using a discounted cash flow method. Against the background of the associated complexity and discretionary scope, the impairment test for goodwill was a particularly important issue during our audit. The impairment test is based on assumptions that are derived from corporate planning and that are influenced by expected future market and economic conditions. The impairment test is also significantly based on the appropriate accrual of the cash-generating units carrying the goodwill. Each recoverable amount depends in particular on the future cash flows in the medium-term planning of the cash-generating units as well as the assumed discount and growth rates. The definition of these parameters is the responsibility of the legal representatives and is discretionary. There is a risk that changes to these discretionary decisions could result in material changes to the impairment tests of the respective cash-generating units.

Auditing procedure

As part of our auditing procedures, we have reconstructed the process established by the company for conducting impairment tests with regard to its ability to determine potential depreciation needs. In doing so, we have dealt with the planning process and the controls implemented by the company for the correct integration of individual planning into group planning. As part of this, we have discussed and documented the key planning assumptions with the legal representatives of the parent company, in consultation with our valuation experts. The focus here was on the assessment of the expected future cash flows in the medium-term planning of the major cash-generating units as well as on the discount rates and growth rates used. For this purpose, we have reconstructed the premises underlying the impairment test by comparing them with general and industry-specific market expectations. In this context, we have also reconstructed the planning loyalty of the cash-generating units by comparing the medium-term planning of the previous years with the actual figures for the financial year. In addition, we have compared the medium-term plans used in the impairment tests with the medium-term plans approved by the Supervisory Board and assessed the mathematical correctness of the valuation models in random samples.

The focus of our audit activities was additionally the assessment of the information provided by adesso AG in the consolidated notes. In this regard, we have reviewed the information provided by the legal representatives regarding their completeness in random samples and compared them with our expectations. In particular, the legal representatives' statement regarding which changes in the main planning assumptions could lead to a possible need for impairment was a major focus of the audit within the consolidated notes. In this context, due to the material significance of goodwill, we conducted our own sensitivity analyses (book value in comparison to the recoverable amount) of significant cash-generating units in order to understand the impact of changes in certain parameters on the valuation models.

Our audit procedures found no objections with regard to the recoverability of goodwill.

Reference to related information

The information provided by adesso AG on goodwill is contained in Sections II. ‘Summary of Material Accounting Principles’ under ‘Consolidation’ and ‘Estimates and Assumptions’, III.1. ‘Intangible Assets and Goodwill’ and V. ‘Information on Segment Reporting’ of the consolidated notes.

2. Accrual accounting and recognition of revenue

Reasons for determination as a particularly important audit matter

The significant revenue streams in the consolidated financial statements of adesso AG stem from licence sales, consulting projects and maintenance, SmartCloud and hosting contracts. Due to their complexity, the proper recognition and accrual of these different revenue streams are subject to a particular risk of incorrect accounting. Against this background, we have classified the recognition of significant revenue streams as particularly significant for our audit of the consolidated financial statements.

Auditing procedure

As part of our audit, we first assessed the process of recognising significant revenue streams and the associated control environment against the criteria of IAS 18 Revenue and IAS 11 Construction Contracts by engaging with process-independent and process-related controls for complete and accrual recognition of all billable services and underlying times – also with the help of intelligent data analysis programs. In order to understand the regularity of revenue accrual as of the balance sheet date, we have reviewed key contracts, selected and obtained external customer confirmations using a statistical procedure and performed sample-based document checks of proofs of delivery, customer invoices and incoming payments as of the balance sheet date. With the help of analytical analyses of the entire revenue-relevant data stock of the 2017 financial year, we have reproduced a correlation analysis as well as daily revenue bookings using intelligent data analysis programs. In doing so, we compiled our expectations on the basis of industry and market-related data as well as previous year’s figures and compared these with the results of the data analyses of adesso AG as the largest company in the group.

The percentage of completion determined by the company for the application of the so-called ‘percentage of completion method’ in the area of fixed price projects has been sampled on the basis of the controls we have identified and inspection of the respective hourly calculations and project documents (contracts, customer communication, confirmation of the project manager). In addition, we have performed historical plan/actual comparisons of the project calculations. Based on this, we have used the expenses of the company yet to be paid as estimated by the company to determine whether there is a need for impairment of the capitalised receivables.

The risk that manual revenue bookings could be made by the management in addition to the standardized revenue process was countered by relying on extensive surveys of legal representatives and the use of intelligent data analysis programs for our audit opinion. In this context, we randomly examined the database to ensure that no unauthorized access was made in the 2017 financial year.

Our audit procedures found no objections with regard to accrual accounting and revenue recognition.

Reference to related information

The information of the company for the recognition of revenues is contained in Sections II. ‘Summary of Material Accounting Policies’ under ‘Consolidation’ and ‘Estimates and Assumptions’ and III. ‘Explanations for Items on the Consolidated Balance Sheet and Consolidated Income Statement’ in Note 18 ‘Revenues’ of the consolidated notes.

3. Recognition and measurement of deferred tax items

Reasons for determination as a particularly important audit matter

Adesso AG has recognised deferred tax assets and liabilities in its consolidated financial statements that are attributable to temporary differences and losses carried forward. The recognition and measurement of deferred tax assets is a particularly significant issue for us as part of our audit because it requires a high degree of management discretion. In addition, the recoverability of deferred tax assets is largely based on a tax planning calculation, which is influenced by uncertain future developments.

Auditing procedure

Tax specialists were included in our audit to assist in auditing the deferred tax assets. As part of the calculation of deferred taxes and the amounts recognised in the balance sheet, we have sampled temporary differences between the respective tax balance sheets and the carrying amounts according to IFRS. In particular, we have reviewed whether the respective tax regulations as well as current or future legal changes were taken into account in the calculation of deferred taxes by adesso AG. In addition, we have assessed the assumptions of the adesso AG Executive Board with regard to the recoverability of capitalised losses carried forward through corresponding future taxable profits by comparing the tax planning calculation of adesso AG with its corporate planning. We have reconstructed the information given in the consolidated notes – in particular the tax reconciliation statement – and checked both for mathematical accuracy and for compliance with the underlying tax calculations.

Our audit procedures found no objections with regard to the recognition and measurement of deferred tax items.

Reference to related information

Information on this was provided in the consolidated notes in Sections II. 'Summary of Material Accounting Policies' under 'Consolidation' and 'Estimates and Assumptions' and III. 'Explanations for Items on the Consolidated Balance Sheet and Consolidated Income Statement' under Note 25 'Taxes on Income and Profit'.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the consolidated management report

The legal representatives are responsible for the preparation of the consolidated financial statements in compliance, in all material respects, with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315a (1) HGB and for ensuring that the consolidated financial statements give a true and fair view of the asset, financial and earnings situation of the group in accordance with these regulations. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's ability to continue as a going concern. They also have responsibility to disclose matters relating to continuation as a going concern, if relevant. In addition, they are responsible for accounting for continuation as a going concern on the basis of the accounting principle, unless there is an intention to liquidate the group or discontinue business operations, or if there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the consolidated management report, which imparts an overall accurate impression of the group's position, is in all material respects consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks associated with future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable

the preparation of a consolidated management report in accordance with the applicable German legal requirements and for being able to provide sufficient suitable evidence for the statements in the consolidated management report.

The Supervisory Board is responsible for overseeing the group's accounting process for preparing the consolidated financial statements and the consolidated management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the consolidated management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the consolidated management report imparts an overall accurate impression of the group's position and corresponds to the consolidated financial statements and the findings of the audit in all material respects, that it complies with German legal requirements and accurately reflects the opportunities and risks associated with future development, and to issue an audit report that includes our audit opinions on the consolidated financial statements and the consolidated management report.

Sufficient security refers to a high degree of security, but no guarantee that a test conducted in accordance with Section 317 HGB and the EU Audit Regulation in accordance with the generally accepted German standards for the audit of financial statements determined by Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from breaches or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these consolidated financial statements and this consolidated management report.

During the audit, we exercise due discretion and maintain a critical attitude.

Moreover,

- > we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and the consolidated management report, plan and execute audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misstatements may not be detected is higher for violations than for inaccuracies, as violations may include fraud, falsification, intentional incompleteness, misrepresentations or the discontinuation of internal controls;
- > we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the consolidated management report in order to design audit procedures that are appropriate in the given circumstances, but not with the aim of expressing an opinion on the effectiveness of these systems;
- > we assess the appropriateness of the accounting methods used by the legal representatives and the reasonableness of the estimates and related information provided by the legal representatives;
- > we draw conclusions about the appropriateness of the accounting principle used by the legal representatives in continuation as a going concern and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that could pose significant doubts about the group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related information in the consolidated financial

statements and the consolidated management report or, if this information is inadequate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the group being unable to continue as a going concern;

- > we assess the overall presentation, structure and content of the consolidated financial statements including the information provided and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements are prepared in compliance with the IFRS applicable in the EU and the supplementary applicable German regulations according to Section 315a (1) HGB and give a true and fair view of the asset, financial and earnings situation of the group;
- > we obtain sufficient audit evidence for the accounting information of the companies or business activities within the group in order to provide audit opinions on the consolidated financial statements and the consolidated management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions;
- > we assess the consistency of the consolidated management report, its legal conformity and the impression it imparts of the group's position;
- > we conduct audits of the forward-looking statements presented by the legal representatives in the consolidated management report. On the basis of sufficient suitable audit evidence, we, in particular, reproduce the significant assumptions on which the forward-looking statements are based, and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings that we identify during our audit, including any deficiencies in the internal control system.

We provide a statement to the supervisors that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the protective measures taken for that purpose.

Of the matters we discussed with the supervisors, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most important audit matters. We describe these matters in the audit report, unless laws or other legal provisions exclude public disclosure of the matter.

Other statutory and other legal requirements

Other information pursuant to Article 10 of the EU Audit Regulation.

We were elected as group auditors by the Annual Shareholders' Meeting on 30 May 2017. We were commissioned by the Supervisory Board on 18 October 2017. We are acting as the group auditors of adesso AG for the first time for the 2017 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (audit report).

Responsible auditor

The auditor responsible for the audit is Andreas Muzzu.'

Dortmund, 22 March 2018

Ernst & Young GmbH
Auditing firm

Muzzu
German public auditor

Kavun
German public auditor

INVESTOR RELATIONS

The Share

The Trading Year 2016 – General Conditions

The DAX, Germany's leading stock market index, closed 2017 at 12,918 points, marking a strong gain of 13 % compared to only single-digit growth of 7 % in the previous year. After the TecDAX posted the poorest performance among the selection indices in the previous year, it resumed its usual strong development in 2017 and was up by a full 40 % at year-end compared to 2016. 2017 was a relatively calm trading year compared to the volatile previous years. After the restrained start to the year with sideways movement of the markets, the selection indices showed a rising trend starting in the second week of February that extended into June. This was due to favourable economic prospects and the assessment of political risks for Europe, which had decreased considerably again. These had been seen in a protectionist policy of the new US president. Furthermore, the stock market mood continued to brighten due to the outcome of elections in the Netherlands and France, where populist forces were unable to assert themselves. Based on the close of the previous year, the DAX rose by up to 12 % in this environment, shooting above 12,800 points several times but consolidating shortly afterwards in each case. Apparently investors perceived the high valuations as harbouring a risk of a reversal. After the index reached a new all-time high of 12,952 points on 20 June 2017 in the course of trading, the mood worsened again considerably in expectation of a tighter monetary policy in the Eurozone and due to the pronounced increase in the EUR/USD exchange rate. A recovery phase at the start of the last six months was followed by renewed negative signs in Germany's stock markets beginning in the second half of July. For one thing, the euro continued to increase in value against the dollar, and as a result, investors lowered their export expectations. For another, the diesel vehicle manipulation scandal expanded to engulf additional German carmakers and culminated in a cartel accusation. The flaring up of the North Korea crisis was another detrimental factor. By the end of August, the DAX lost most of its interim gains and posted a mere 4 % gain on 29 August 2017 compared to the end of the previ-

ous year. The TecDAX was also unable to escape this trend, but its downturn was less dramatic, and so it widened its lead over the DAX. Driven by favourable economic prospects and a majority of strong quarterly company figures with ongoing low prime rates, the indices subsequently began a real price rally that lasted into the second week of November. The DAX reached a new all-time closing price high of 13,479 points on 3 November 2017. This was a gain of 17 % over the close of the previous year. Subsequently the repeat of the euro's increase in value compared to the dollar had a negative impact on the DAX and considerably worsened sentiment. The failure of exploratory discussions to form the new federal government also contributed to this, as Germany's future political direction remained uncertain for the time being. Starting from its high point, the DAX lost 5 percentage points of its gains since the end of 2016 by the start of December. The DAX failed to set a clear direction towards the end of the year and largely moved sideways. Growth of the TecDAX also remained moderate until the close of the year.

Development of the adesso Share

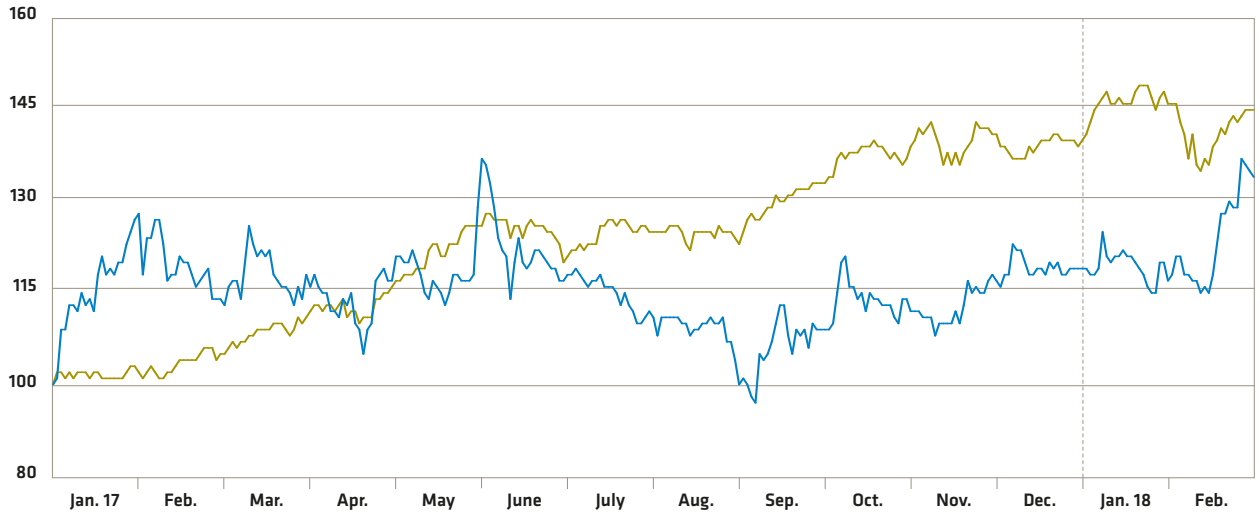
With an increase of 19 % compared to the close of the previous year, the adesso share outperformed the DAX in 2017 but was beaten by the TecDAX as its reference index for the first time since the end of 2012. Its development was 21 percentage points better than adesso's performance by the end of the year after a slight downturn in the previous year. The adesso share closed at EUR 54.67 at the end of 2017, which was almost 13 % below its new high from 31 May 2017. A closing price of EUR 62.80 was reached at the end of May and the price hit a peak of EUR 63.81 in the course of trading. The adesso share made a brilliant recovery from the annual low of EUR 44.56 on 4 September 2017 to a rise of nearly 23 % by the end of the year.

In 2017 the adesso share initially got off to an excellent start. The value of the adesso share increased by nearly 8 % on the second trading day with high trading volumes after a major insurer announced the

DEVELOPMENT OF THE ADESSO SHARE COMPARED TO THE TECDAX

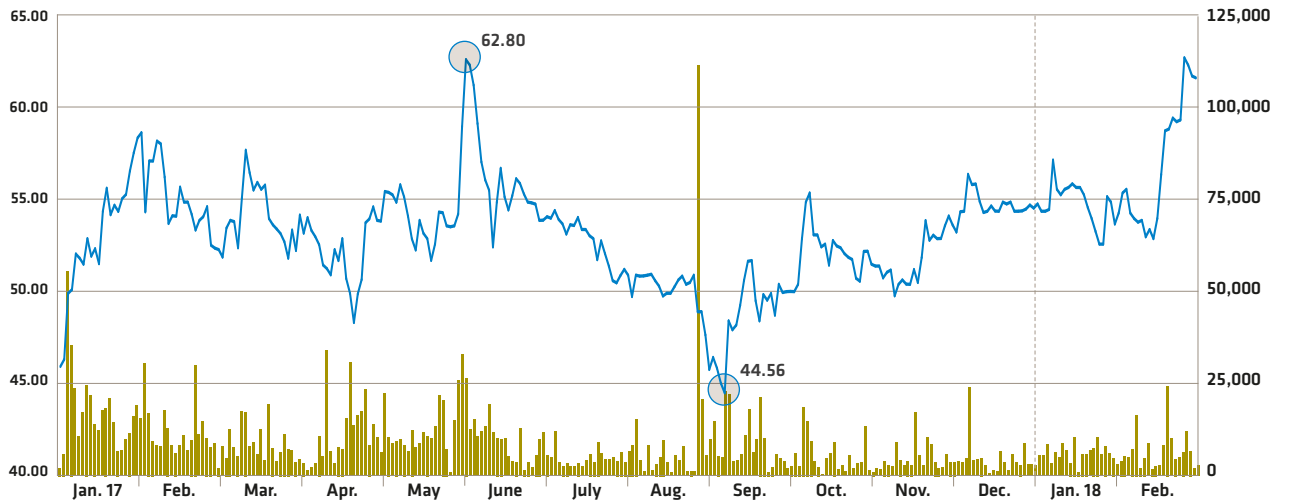
indexed

■ adesso AG ■ TecDAX



DEVELOPMENT OF THE ADESSO SHARE AND TRADING VOLUMES (XETRA)

in EUR / trading volumes in shares



decision to implement the adesso software product for its life insurance division. After news of an additional order was made public and with continued high trading volumes, also following the adesso presentation at a capital market conference in France, the share price had increased by 28 % on 30 January 2017 and was now at EUR 58.80. At this time the adesso share was outperforming the TecDAX and remaining selection indices by 26 percentage points. The share was unable to sustain this level when trading volumes decreased again somewhat, partially due to profit taking. Despite positive analyst assessments due to another company acquisition and with some major price jumps in both directions, the price gradually dropped to EUR 51.99 on the last day of February. With no new signals, March was comparatively volatile for the adesso share. Closing prices fluctuated in a range of almost EUR 6 between EUR 51.93 and EUR 57.84. Thus the share moved sideways while the positive development of the indices continued, largely eating up the adesso share's lead. The price initially continued to fall in a generally subdued stock market environment due to the presidential elections in France, but recovered quickly after the publication of strong consolidated and annual financial statement figures on 21 April 2017. It increased by over 11 % within 7 trading days from EUR 49.89 to EUR 53.96 on the last day of April. The adesso share did not find a clear direction with no new signals, until the publication of the figures for the first quarter on 26 May 2017. Carried by another noticeable increase in trading volumes starting at the end of May, it began to rise again on the day of the Annual General Meeting (30 May 2017) with a one-day gain of almost 9 %. Another 6 % price increase on the following day catapulted the share to its annual high of EUR 62.80, its all-time high to date on a closing price basis. At this time the adesso share had increased in value by more than 36 % in 2017 and left the TecDAX behind by 10 percentage points. However, the price decreased gradually due to profit taking and a worsening of the general stock market environment until the end of June, with no new signals and a renewed decline in trading volumes. While the development of the TecDAX was highly positive in the second half of the year with only a few setbacks, the adesso share continued to lose value into August before posting a gain of 12 % over the close of the previous year on 23 August 2017. The forecast adjustment based on preliminary figures for the first half of 2017 published

the following day as an ad-hoc release caused a drop of almost 4 %. Trading volumes were high and some investors used the opportunity of this setback to buy the share or expand their positions. In the release, adesso announced a negative impact on results of operations due to a massive increase in the number of employees and locations on the one hand and, on the other hand, that the new employee recruitment goal was reached more quickly than planned. Many investors regarded the resulting opportunities for future development as more important than other considerations, and consequently the share – from its annual low of EUR 44.56 on 4 September 2017 – returned to a level of around EUR 50 where it had been prior to the setback, even before the half-year report with the complete figures was published on 15 September 2017. The share received another boost at the start of October, carried by high trading volumes in a stock market environment with renewed positive sentiment, causing the price to increase to EUR 55.50. Renewed profit taking with no new signals initially eliminated this interim gain. Only after the publication of strong financial figures for the third quarter and due to numerous discussions with investors at capital market conferences in November did the price establish a lasting positive trend above EUR 50 with high trading volumes, reaching EUR 56.52 on 4 December 2017. With additional price increases until the end of the year, the adesso share closed up 19 % compared to the previous year's close and posted a price of EUR 54.67 when trading ended. The market capitalisation of adesso therefore increased further in 2017 to EUR 337.5 million compared to EUR 283.7 million at the end of 2016.

Trading Volume

There was a noticeable general increase in share trading again in 2017 after overall trading volumes of all shares on the spot market, including Tradegate, decreased by 15.9 % in the previous year. The volume increased by 9.9 % in the year under review to EUR 1.3 billion. Investors continued to primarily invest in the top-ranking securities. Approximately 91 % of the total volume of transactions involved securities from the selection indices, although that figure decreased by 1 percentage point year on year in favour of the other shares. Turnover with the shares not listed in a selection index increased disproportionately by 33 % with an overall higher trading volume in 2017.

The following table shows the most important share data for 2017 per quarter:

SHARE DATA

	Q1	Q2	Q3	Q4	2017
Price at the end of the period	53.45	54.20	50.50	54.67	54.67
Development (in%)	16	18	10	19	19
Development of TecDAX (in%)	13	21	34	40	40
Highest price in EUR	58.80	62.80	54.54	56.52	62.80
Lowest price in EUR	46.39	48.41	44.56	49.87	44.56
Volatility (90 days at the end of the quarter in%)	48.6	39.3	36.5	32.0	32.0
Trading volumes in shares per trading day	17,064	15,889	10,952	6,883	12,739
Trading volumes in EUR per trading day	920,590	865,978	539,008	366,045	674,712
Number of shares	6,167,423	6,174,203	6,174,203	6,174,203	6,174,203
Market capitalisation in EUR million	329.6	334.6	311.8	337.5	337.5

BASIC SHARE DATA

			2017	2016
ISIN Code	DE000A0Z23Q5	Number of shares at the end of the year	6,174,203	6,167,423
WKN (national security identification number)	A0Z23Q	Xetra closing price at the end of the year (EUR)	54.67	46.00
Symbol/Code	ADN1	Market capitalisation at the end of the year (EUR million)	337.5	283.7
Reuters Instrument Code	ADNGk.DE	Earnings per share (EUR)	1.79	2.11
Bloomberg Symbol	ADN1:GR	Cash flow per share (EUR)	3.28	2.45
First day of trading	21.06.2000	P/E ratio	30.5	21.8
Trading platforms	Xetra	Price/cash flow ratio	16.7	18.8
Market segment	General Standard	Dividend per share	0.40	0.36
Number of shares	6,174,203	Return on dividend	0.7 %	0.8 %
Currency	EUR			
Nominal value	No share with nominal value: EUR 1.00 (mathematically)			
Share capital	6,174,203 €			
Voting rights per share	1			
Index	CDAX, DAXsector All Software, DAXsubsector All IT-Services, General All-Share, General Standard Index			
Reporting standard	IFRS			
End of financial year	31.12.			

Following a considerable increase of 237 % in the previous year, the trading volume of the adesso share increased again in 2017 by 234 %, from EUR 50.9 million to EUR 170.0 million. Nearly two-thirds of this was generated in the first half of the year. January was the best trading month at EUR 29.7 million. Trading in December was a mere EUR 6.7 million. An average of 12,739 shares changed ownership per trading day in 2017. That is an increase of around 118 % compared to 2016. On average, 267,510 adesso shares were traded each month. Around 75 % of the 2017 trading volume used the Xetra platform, an increase of 4 percentage points over 2016.

Year to Date Development 2018

The mixed mood in December initially appeared to be forgotten at the start of 2018 due to positive economic data and a return to a more favourable euro. With strong growth of 5 % in the year's first few weeks of trading, the DAX reached a new all-time closing price high on 23 January 2018 at 13,560 points. Investors seized the opportunity for profit taking in view of the high valuation and in expectation of renewed consolidation. The "hot" stock markets cooled noticeably after that. Starting in the USA, many stock markets including those in Germany suffered a massive downturn. Rising interest rates in the bond market, the renewed strength of the euro and rising fears of inflation therefore brought the DAX down by over 1,452 points or about 11 % below its recent high within a few days by 9 February 2018. The subsequent recovery lasted until the end of the month, with the result that the DAX, with 12,436 points at the close of trading, was down by only 4 % on 28 February 2018 compared to the start of the year. The adesso share only followed the general stock market trends to a limited extent in January 2018. While the indices reached new highs, the price after gains at the start of the year was actually 4 % below its previous year close in the midst of the bull market. Only after adesso issued an ad-hoc release on 16 February 2018 announcing a strong fourth quarter and the expectation that it would exceed the forecast that had been lowered during the year did the adesso share receive a noticeable boost with high trading volumes. The price increased to EUR 58.90. Reports of another acquisition, recommendations in financial media and higher analyst estimates caused the share to increase further to EUR 61.80 by the end

of February. Prices of up to EUR 63.20 were paid in the course of trading during the second half of February. Investors were therefore able to post a book gain of 13 % in the first two months of 2018 on a closing price basis. Thus the share outperformed the TecDAX by 9 percentage points to date.

Corporate Actions

Share capital rose by 0.1 % in the reporting period from EUR 6,167,423 to EUR 6,174,203 after stock options from the company's stock options programme were exercised. The increase of EUR 6,780 took place in June of 2017.

Dividends

The Annual General Meeting held on 30 May 2017 approved the proposal by the Supervisory Board and Executive Board on the appropriation of net income and resolved to increase the distributed dividend by 20 % to EUR 0.36 per share. The dividend was credited to shareholders' custodian accounts from 2 June 2017.

Shareholder Structure

The largest shareholder of adesso AG, with 27.9 % of the voting rights, is Professor Dr Volker Gruhn, who holds his shares indirectly via the Setanta GmbH investment company. Professor Dr Gruhn is the Chairperson of the Supervisory Board of adesso AG and its co-founder. Rainer Rudolf as a co-founder, a former Executive Board member and, since 2013, also a Supervisory Board member holds the second-largest share of voting rights at 17.6 %. adesso AG's Supervisory Board holds 45.9 % of the company's share capital, while its Executive Board holds 0.7 % of the share capital. 76.2 % of the assigned voting rights, and therefore the majority, is held by private investors. The proportion of institutional investors was further increased considerably to 18.0 %. The remaining 5.8 % of the company's shares cannot be clearly assigned to a specific class of investors. Due to agreements as part of acquisition proceedings, 0.5 % of the shares are subject to a contractual lock-up. According to Deutsche Börse AG's definition, the free float is 44.1 %. It increased by 0.7 percentage points compared to the value in the 2016 annual report. This is due to the exercising of options under the company's stock option programme, the expiry of lock-up agreements and portfolio changes of a shareholder classified as non-free float.

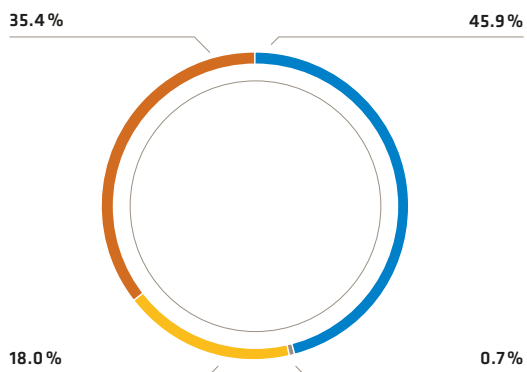
Investor Relations Activities

Our investor relations activities are dedicated to active communication and ensure that our business activities are transparent. We not only strive to offer ultimate transparency and readily available access to information, but also actively seek dialogue with institutional and private investors, analysts and the financial press. In doing so, we regularly present the development of the company in the course of one-on-one meetings or roadshows. We also take advantage of numerous investor conferences to present adesso AG and enhance our contact to the capital market.

adesso AG was presented at the German Equity Forum in Frankfurt in 2017, and at the DVFA Spring Conference (Deutsche Vereinigung für Finanzanalyse und Asset Management), which was also held in Frankfurt. Furthermore, the company was presented at five additional conferences and investor events in Berlin, Frankfurt, Hamburg and Lyon. A road show was also held with investors in London. The financial calendar for 2018 fea-

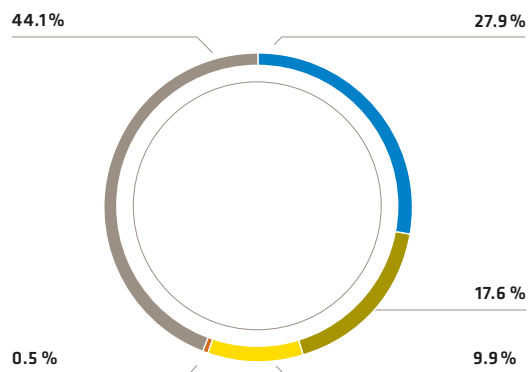
tures plans for a similarly high number of investor conferences. We also published information relevant to the capital market and presentations on our company regularly during the financial year. Interested capital market participants have access to comprehensive information in the “Investor Relations” section of the company website, which goes far beyond the mandatory disclosures. As a service, the menu item “Questions for the CFO” enables direct dialogue with the responsible Executive Board member. Distribution lists for mailing or electronically distributing company press releases and reports allow us to actively and automatically supply interested parties with the latest information on adesso AG. More than 540 individuals and companies have already registered to take advantage of this service. adesso offers an investor folder for download, which is primarily aimed at analysts but also serves all other interested investors; in addition to the regular publications for the past twelve months, the folder includes a multi-period overview of the income statement and the most important performance figures on a quarterly and annual

SHAREHOLDER STRUCTURE *in %*



■ Supervisory Board ■ Executive Board ■ Institutional Investors ■ Other

SHAREHOLDERS *in %*



■ Prof. Dr. Volker Gruhn (Setanta GmbH)* ■ Rainer Rudolf* ■ Ludwig Fresenius ■ Lockup ■ Freefloat
* Supervisory Board

basis, as well as the consolidated and interim financial statements in Excel format. adesso was analysed regularly in 2017 by various analysts. Updates to analyst studies are offered on the adesso website.

adesso AG is a member of the German Investor Relations Association e.V. (DIRK).

Analyses/Research

The adesso AG share has been evaluated regularly by Warburg Research with updates and comments since the publication of the baseline study in October of 2016. Furthermore, assessments are published by the independent analysts of SMC Research, who have been tracking adesso's development since May of 2013. As part of the merger of WGZ BANK AG with DZ BANK, the new financial institution operating under the name of DZ BANK continued its coverage of adesso AG in August 2016, which had commenced in May 2012. Following a change of the analyst, a new DZ BANK baseline study appeared in mid-September 2017. In November, DZ BANK announced that the coverage would cease for the time being for internal reasons. Since then, the investment recommendation has been "Not assessed" (previously: "Buy"). The latest updates of the remaining analysts were published in February of 2018. Both rated the adesso share as "buy" (Warburg Research, 19 February 2018: price target EUR 67.00/SMC Research, 20 February 2018: price target EUR 76.60).

Since the beginning of 2011, trading of the adesso share has been supported by Oddo Seydler Bank AG (formerly: Close Brothers Seydler Bank AG), the designated sponsoring market leader.

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RECOMMENDATIONS FROM THE FINANCIAL MEDIA AND ANALYSTS' OPINIONS

<i>Date</i>	<i>Subject/ Recommendation</i>	<i>Evaluation</i>	<i>Source</i>
2018-02-28	adesso: Going Strong	A consistent share price and solid financial figures describe adesso's current situation. [...] It appears that the company [...] succeeded in gathering speed, especially during the second half of the year, billing more hours. adesso also plans to continue growing through acquisitions. Recommendation from 2 November 2016, edition 45/16, recommended price EUR 39.60, current price EUR 59.50, +/- in % +50.25, new stop EUR 52.90	Focus Money
2018-02-23	Strong Finish	[...] Bolstered by a positive news flow, the share is expected to break out of several months of sideways movement soon and start a new upward trend.	Der Aktionär
2017-02-20	Buy	Target Price: EUR 76,60.	SMC Research
2018-02-19	Buy	Target Price: EUR 67,00	Warburg Research
2018-02-19	Final Quarter Drives adesso	[...] We believe an EBITDA increase of more than 25 % is not unlikely for 2018. This would also justify an apparently high P/E ratio of 24. That means the time to buy adesso again has come. Accumulate the share up to EUR 58.00 and secure with a stop at EUR 46.40.	PLATOW Börse
2017-12-22	adesso: Rocking in the Double Digits Again with Discipline	[...] However, the high speed of growth took its toll, as earnings could not keep pace. The valuation, based on this phenomenon, suddenly appeared to be no longer justified. Meanwhile, however, the stock market believes that the double-digit growth will lead to rising margins and prices again with increased cost discipline.	Nebenwerte Journal
2017-09-20	adesso: Unbroken Growth Continues	[...] Currently the 2018e P/E ratio is relatively favourable at 20 since the strong growth is expected to continue and cause the price to rise again.	Nebenwerte Journal Extra
2017-09-15	Buy	[...] On balance, boersengefluester.de is maintaining its positive assessment of the adesso share. Investors with a long-term orientation should not be too rattled by a weak quarter as long as the underlying prospects are good. Nevertheless, adesso is now under particular scrutiny by many institutional investors.	boersengefluester.de
2017-03-09	Favourites for Conservative Investors – Focus on Shares	[...] The IT service provider adesso is a real gem when it comes to yield. Current price EUR 53.99 / price potential: EUR 63.	Effecten Spiegel

MANAGEMENT AND DIRECTORS

Executive Board



Michael Kenfenheuer

CEO

Michael Kenfenheuer (born in 1958) is a member of the Executive Board and responsible for the departments Banking, Health and Insurance. In the Executive Board of adesso he is furthermore in charge of the adesso shareholdings adesso insurance solutions GmbH, ARITHNEA GmbH, A3A Strategy Consulting GmbH, e-Spirit AG, gadiv GmbH, phb services GmbH and smarthouse adesso financial solutions GmbH. He was appointed as a member of the adesso AG Executive Board for these responsibilities in 2000. With his many years of business management and project management experience, Michael Kenfenheuer is having a major impact on the development and expansion of the company's network of technical and industry experts. From 2011 to mid- 2015 Michael Kenfenheuer was the Co-Chairman of adesso AG. Since 1 July 2015 he assumes the Chairmanship.



Christoph Junge

Member of the Executive Board

Christoph Junge (born in 1970) is a member of the Executive Board and responsible for Finance, Human Resources, Administration and Legal Affairs also Mergers & Acquisition. He is furthermore in charge of the adesso shareholdings alleato assekuranzmakler GmbH and percision services GmbH and CFO of e-Spirit AG. Before he was appointed as a member of the BOV AG (now adesso AG as the result of a merger) Executive Board in May 2005, he helped shape the company's business operations as Director of Finance and Company Development.



Andreas Prenneis

Member of the Executive Board

Andreas Prenneis (born in 1965) is a member of the Executive Board and responsible for adesso's automotive & transportation, cross industries, energy sector business, public administration, Microsoft and IT management consulting and is furthermore in charge of the adesso shareholdings adesso as a service GmbH, adesso mobile solutions GmbH, com2m GmbH and medgineering GmbH. He was appointed as a member of the adesso AG Executive Board for these responsibilities in 2015. Andreas Prenneis joins adesso from CompuGroup Medical Germany, where he managed a number of business areas in his role as Area Vice President Telematik & AddOn.

Supervisory Board

Prof. Dr. Volker Gruhn

Chairperson of the Supervisory Board



Prof. Dr. Volker Gruhn (born in 1963) was a co-founder of adesso AG in 1997 and is now the Chairperson of the Supervisory Board. He is Head of the Software Engineering Department at University of Duisburg-Essen. His main researches focus on mobile applications and the examination of the effects of digital transformation, especially the development and operation of cyber physical systems. Prof. Dr. Gruhn is the author and co-author of more than 300 national and international publications and conference contributions. The BIPRO initiative is an association of finance companies that aim to optimize cross-company processes by developing functional and technical standards.

Further mandates in Supervisory Boards:

Besides being the chairperson of the Supervisory Board of adesso AG, Prof. Dr. Gruhn is a member of the Supervisory Board of e-Spirit AG, Dortmund.

Dr. Friedrich Wöbking

Member of the Supervisory Board



Dr. Friedrich Wöbking (born in 1950) is a declared expert on information technology and the banks and insurance industries. He was member of the Executive Board at Dresdner Bank AG between 2003 and 2009 and took responsibility for the IT Services and Operations department. Previously, during the 1990s, he was member of the Executive Board at Allianz Versicherungs-AG/Allianz Lebensversicherungs-AG and Deutsche Versicherungs-AG where he was head of the Private Customer Business department as well as head of the departments IT and e-Business. Wöbking owns a doctor's degree in Information Technology and Mathematics and currently runs FW ADVISORY Management Beratung.

Further mandates in Supervisory Boards:

Besides being a member of the Supervisory Board of adesso AG, Dr. Wöbking is a member of the Supervisory Board of Erste Financial Services GmbH, Düsseldorf.

Prof. Dr. Gottfried Koch

Member of the Supervisory Board



Prof. Dr. Gottfried Koch (born in 1951) is a professor of insurance IT and member of the management board of the IT institute at Leipzig University. Before he took up the professorship in 1998, he worked at Helvetia insurance group in St. Gallen and Frankfurt, and was also active as a freelance consultant. In addition, he was managing director of FJA AG in Austria and Switzerland until 2000. He studied at the German Insurance Academy in Cologne, at Goethe University in Frankfurt, and at the University of St. Gallen, where he also received his doctorate. Having initially trained as an insurance clerk, he started his career at Frankfurter-Allianz Versicherungs AG.

Hermann Kögler

Member of the Supervisory Board



Hermann Kögler (Born 1955) was for over 12 years Director of Finance/Controlling and Spokesman of the Board at COGNOS AG, one of the biggest privately-owned, independent education groups in Germany. After his departure from the Board of Executive Directors at his own request, he was elected Member of the Supervisory Board at COGNOS AG in 2016. After studying Business Administration at the University of Cologne, he began his career as a self-employed wholesaler. He later held a number of senior management positions, including those at the Otto Wolff Group and Rhenus AG. In early 1996 he moved to the international steel distributor Klöckner & Co., where he was an executive until 2001, most recently as Director of Finance/Controlling. Before he joined COGNOS AG in 2004 the graduate business administrator worked as a consultant and interim manager.

Further mandates in Supervisory Boards:

Besides being a member of the Supervisory Board of adesso AG, Hermann Kögler is a member of the Supervisory Board of COGNOS AG.

Heinz-Werner Richter

Member of the Supervisory Board



Heinz-Werner Richter (born in 1951) has been a member of the management board of Barmeria Versicherungen from 1996 to 2013 and was responsible for the IT and mathematics divisions in the health and life insurance sectors. Additionally, he was a member of the management board of the German actuarial association for many years as well as a member of numerous bodies within the German Insurance Association, and the association of private health insurers. Today, Mr. Richter works as an actuarial trustee for private health insurers and performs an advisory function in IT projects. Before starting his career at Barmeria in 1977, Heinz-Werner Richter studied mathematics and informatics at the University of Bonn where he graduated with a degree in mathematics.

Rainer Rudolf

Member of the Supervisory Board



Rainer Rudolf (born in 1962) is member of the board of the software technology company W3L AG. The graduated computer scientist co-founded adesso AG in 1997 and led the company as CEO until the end of 2010. In this capacity, he was responsible for the management of the entire company until 2007, which comprised all business and administrative activities in addition to the company's HR and legal teams. His contribution played a major role in shaping adesso AG's solid economic growth and progress. From September 30, 2011, after stepping down from the Management Board, to October 2016, Rainer Rudolf was managing director of Stock Informatik GmbH & Co. KG, a leading software company in the field of occupational medicine and safety. The company was taken over in 2015 by CompuGroup Medical Deutschland AG and prepared for the complete integration under his direction.

GLOSSARY

Commercial terminology

Account clearing

The accumulation of the balances of various bank accounts in a target account, taking account of defined minimum levels. This produces a balance of available liquidity in the target account, which is used for various forms of investment.

Benchmark

Benchmarking describes comparative analysis on the basis of set reference values (benchmarks).

Cash flow

Cash flow is an economic measure that represents the net flow of liquidity resulting from sales and other continuing activities in a certain period.

Cash management

Cash management and liquidity management are terms used in commercial finance management. Cash management includes all measures relating to the current financial planning of a company

Cost of materials ratio

The cost of materials ratio represents the relationship between expenditure on materials and services and turnover. It is expressed as a percentage.

The DACH region

DACH is an acronym comprised of abbreviations of the German names of the countries in the region: Germany (D), Austria (A), and Switzerland (CH). The term is usually used to refer to the German speaking economic area.

Discounted cash flow method

The DCF method is used to determine the value of companies. Future cash flow is discounted by taking into account the cost of capital on a reporting date.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin

The ratio of EBITDA to sales. The EBITDA margin is a measure of a company's productivity and is independent of its income from financial assets, extraordinary items, and taxes.

Factoring

Factoring is a financial service used to finance current sales. The factor purchases the accounts receivable of its factoring client vis-à-vis a debtor. In exchange for the accounts receivable the factor pays the factoring client the value of the receivable immediately.

Forecast

A forecast is a projection used in budget planning. During the progress of a period, forecasts are used to update expectations for the period compared the original budget.

Free float definition (of Deutsche Börse)

Deutsche Börse's definition for the classification of free floating and fixed share holdings. An example can be found in the "Guide to the Equity Indices of Deutsche Börse".

FTE

Abbreviation of Full Time Equivalent. The FTE value is used to compare the relative staffing levels of a company and as a basis for calculations; the FTE value is used to convert figures regarding absolute staffing levels to their equivalent in terms of full-time positions. For example, two 50 % contracts would be counted as one employee, even if two different individuals are employed.

German Corporate Governance Code

The German Corporate Governance Code (often shortened to DCGK) is a system of regulations established by a commission of the German Federal Government. It is primarily composed of guidelines regarding good corporate governance, including ethical employee behaviour and the leadership of companies and organisations.

Goodwill

Goodwill is the amount a purchaser is prepared to pay for a business or company with regard to its expected future earnings (= earnings value) above the value of individual assets after the deduction of debts (= net asset value).

Gross domestic product (GDP)

The value of all goods and services produced by an economy, as defined by its territorial border, within a given year. GDP includes the services of foreigners working in a country, whereas the services of natives working abroad are not included.

Gross profit

Gross profit is the difference between a company's revenue and its expenditure on goods and services.

IAS International Accounting Standards

See IFRS

IASB

The International Accounting Standards Board (IASB) is an independent international committee of legal experts which is responsible for the development, and where required, the revision of the International Financial Reporting Standards (IFRS).

IFRS

The International Financial Reporting Standards (IFRS) is a set of international standards used by organisations when reporting their financial results. They include the standards of the International Accounting Standards Board (IASB), International Accounting Standards (IAS), the International Accounting Standards Committee (IASC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Impairment Test

An impairment test is a mandatory test used to evaluate fixed assets. The accounting regulations US-GAAP and IFRS call for the periodic evaluation of possible indicators of sustained loss of value.

Percentage of completion method (PoC)

A method for estimating the progress of an assignment. This method allows the costs incurred during an assignment to be allocated to the revenue from the assignment according to the progress made. This produces a picture of expenses, revenue and results as regards the progress made.

Second-tier subsidiaries

Subsidiaries of subsidiaries are described as second-tier subsidiaries from the perspective of the group.

Working capital

Working capital refers to the difference between current realisable assets (those that can be liquidated within a year) held by a company and its current liabilities. It is the portion of current assets which are not tied up in covering current liabilities, and can therefore be "put to work" in purchasing, production, and working processes.

Xetra trading

Xetra is an electronic trading system operated by Deutsche Börse AG for the spot market. Its central servers are located in Frankfurt.

IT terminology

Bitkom

The Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (the German Federal Association for Information Technology, Telecommunications and New Media) is Germany's digital association. Founded in 1999 as a merger of individual industry associations in Berlin, it represents more than 2,500 companies in the digital economy.

Content solutions

In the context of its expansion strategy, adesso is developing a portfolio of solutions. The focus is on functions that are of interest to a large number of clients in the same or similar form, and can therefore be marketed as a solution. adesso's Content Solutions include solutions for the generation and management of content.

Enterprise Content Management

Enterprise Content Management (ECM) includes the methods and technologies and tools used to collect, manage, save, protect, and provide content and documentation for the support of organisational processes in a company.

FirstSpirit

The name of content management system produced by the adesso subsidiary e-Spirit AG.

Internet of Things

The term Internet of Things or in brief IoT describes that conventional personal computers (PC) are increasingly disappearing as a device and replaced with "smart objects". The "Internet of things" is meant to support people unnoticeably in their everyday activities. For this purpose, computers/sensors become smaller and smaller to be embedded in objects. Hence, they neither distract the users nor being noticed at all. They serve to collect and to process data, can be networked to communicate or initiate useful processes.

Mobile solutions

In the context of its expansion strategy, adesso is developing a portfolio of solutions. The focus is on functions that are of interest to a large number of clients in the same or similar form, and can therefore be marketed as a solution. adesso classes all solutions that help make information, content and applications remotely accessible as mobile solutions.

FINANCE CALENDAR

<i>Date</i>	<i>Event</i>
2018-01-11/12	ODDO BHF Forum, Lyon
2018-04-03	Publication of the 2017 annual report, financial press/analyst conference, Dortmund
2018-05-15	Interim announcement of the group within the 1st half-year
2018-05-16	Spring Conference 2018, Frankfurt/Main
2018-06-05	Regular ASM, Dortmund
2018-06-21	Warburg Highlights 2018, Hamburg
2018-08-31	Publication of the 2018 half-year figures
2018-11-14	Interim announcement of the group within the 2nd half-year
2018-11-26/28	Deutsches Eigenkapitalforum/One-on-Ones, Frankfurt/Main

IMPRINT

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Concept and Layout adesso AG / **Photography** Martin Steffen Fotografie, Christian Nielinger
Fotografie und Gestaltung (www.nielinger.de), christoph meinschäfer FOTOGRAFIE

SOLUTION

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