

GROUP PRINCIPLES

Business Model, Targets and Strategies

adesso is a fast growing IT services 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. By developing its own software solutions, adesso increases its market penetration, carving out a prominent position in IT topics of the future such as mobilisation or 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, the company's value is continually being enhanced. adesso puts 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 company in the field of software development which invests more than average in the training and development of its workforce and in the ongoing development of its own 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.

For 2014, the Executive Board set sales growth targets well above the market average of 6 % to 9 % of between EUR 144 million and EUR 148 million, higher operating earnings, measured as EBITDA, of between EUR 8.5 million and EUR 9.0 million, and an increase in the EBITDA margin to more than 6.0 %. All targets were met and exceeded.

The Supervisory Board appointed a new member to the Executive Board on 1 April 2015 in order to maintain the pace of growth while continuing the strategy of intensively involving the Executive Board in business operations.

Employees and Structure

Founded in 1997, adesso had a total of 1,377 employees (FTE) in Germany, Austria, Switzerland, England, Turkey, and the USA at the end of 2014. While the adesso Group employs 141 (previous year: 115) staff outside of Germany, 882 (previous year: 768) employees are deployed in Germany and work for the parent company, adesso AG, which represents the largest operating unit in addition to the holding company. 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 costs as low as possible, adesso maintains eight other offices in all of Germany's major economic regions. Worldwide locations are Boston, Istanbul, London, Vienna and Zurich. The newest location in Jena with a focus on e-commerce business models was opened in 2014.

In addition to adesso AG, the largest operating unit and parent company, the Group also includes majority-owned companies, consolidated subsidiaries of subsidiaries, a joint venture company and a minority interest as of 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 in the shape of home-grown products or standard software products. The company is publicly traded and listed on nearly all German stock exchanges (ISIN code: DE000A0Z23Q5, WKN [national security identification number]: A0Z23Q).

Management System

adesso AG spearheads adesso Group and defines the strategy and operational targets of all group companies. It controls the legally independent group companies by implementing a target system, an ongoing reporting process and by occupying positions in the supervisory bodies. Operational control is ensured by a reporting system which has been implemented group-wide. In the process, each group company prepares full monthly financial statements based on national legal regulations. Key performance indicators featured in the reports are sales, EBITDA, pre-tax earnings (EBT), EBT margin, number and proportion of employees not operating at full capacity, headcount and net liquidity. The most important performance indicators are subject to continuous comparisons with plan and actual data. All indicators are carried forward and subject to an internal group benchmark. An updated rolling forecast will be created for the full year in order to detect possible deviations for each group company early on. 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 adesso's turnover is generated through its sales in IT services. With few exceptions, adesso solutions represent the core of project solutions which are then tailored to customer requirements in client-specific projects. Research expenses in IT Solutions segment are negligible in relation to group expenses. None of the group companies has its own dedicated research department.

ECONOMIC REPORT

Macroeconomic Climate and Industry-specific Conditions

Macroeconomic Climate

Economic growth in Germany accelerated in 2014 for the first time since 2010. After very moderate growth of 0.1 % in gross domestic product during the previous year, 1.6 % growth was achieved in 2014. Developments varied during the year even though the German economy proved stable overall on average. After economic output actually decreased in the second quarter and only moderate positive growth was achieved in the third quarter, the German federal government scaled back its economic forecast for the entire year significantly in the autumn by 0.6 percentage points to 1.2 %. Uncertainty has increased in Germany as well in view of geopolitical crises, and the economic expectations were affected by the moderate development of the world economy with increasingly uncertain sales opportunities. A recovery commenced in the final months of the year, driven by high employment levels and strong consumption. The weaker euro boosted exports and lower oil prices caused real incomes to rise. Incoming orders, sales and industrial production increased in the final quarter.

Accordingly, the German economy was able to perform well in a challenging global economic environment in 2014. As in previous years, high employment levels and private consumption proved themselves as stabilising factors. Investments in equipment and buildings along with foreign trade provided additional impulses. The German federal government expects the economic recovery started in the final quarter of 2014 to initially continue in 2015. Its annual projection for 2015 calls for 1.5 % GDP growth during the year.

Solid GDP growth of 1.8 % was achieved in Switzerland during 2014 as well. On the other hand, the economic recovery failed to meet expectations in Austria with GDP growth between 0.3 % and 0.4 % in 2014.

Industry-specific Conditions

According to investigations carried out by the BIT-KOM industry association, the German IT products and services market expanded by 4.3 % to EUR 77.8 billion in 2014. Momentum increased again for the first time since 2010, and in fact nearly doubled compared to the previous year. In relation to overall economic development, the IT market developed almost three times as fast. After losing some momentum in the previous year, the software segment grew by 0.6 percentage points to 5.6 % and reached a market volume of EUR 19.1 billion in 2014. adesso's sales in its key IT Services segment grew by 1.0 percentage points over the previous year to 2.7 %. The market volume of this segment now amounts to EUR 36.3 billion. Industry-specific conditions therefore continued to be positive for adesso's business performance.

Business Performance

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

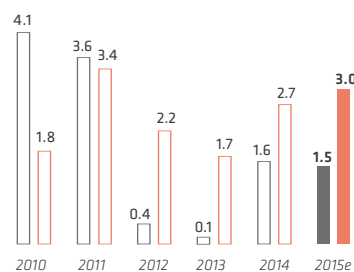
Overall Statement on Business Performance by the Management

The adesso Group was able to improve sales and operating earnings by 16 % and 26 % year on year respectively, achieving its 2014 targets in those key figures. The goal to increase the EBITDA margin to more than 6.0 % was also reached with 6.2 %. Requirements for further market penetration were met in the USA. An important milestone in setting up the future business area adesso insurance solutions was reached with the recruitment of a pilot customer for the development of additional industry products in health and property insurance. Pre-tax earnings increased from EUR 4.6 million to EUR 7.3 million. On this basis, the Executive Board has proposed to increase the dividend by 19 % to EUR 0.25 per share.

GROWTH OF GDP COMPARED
TO IT-SERVICES MARKET

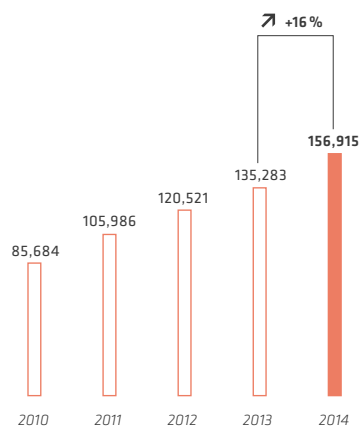
in %

■ BIP (real) ■ IT-services



GROWTH IN SALES

in EUR k



Position

Earnings Situation

Growth in Sales

In financial year 2014, adesso increased its sales from EUR 135.3 million to EUR 156.9 million, which amounted to sales growth of 16 %. All of this growth was organic by expanding the existing business activities and growing the service and product portfolio, without acquisitions. With market growth of 2.7 % for the industry, adesso once again had significantly higher organic growth than the market as it did in previous years, and was therefore able to gain market share.

During the year, sales revenues increased from EUR 74.6 million in the first six months to a new high of EUR 82.4 million in the second half of the year. The increase is due to the higher number of potential working days, a further increase in the number of employees and higher licence sales. Even though much higher sales were generated in 2014 by developing alternative business models, such as settlement by the number of transactions or the number of claims processed, the total remains below EUR 1 million.

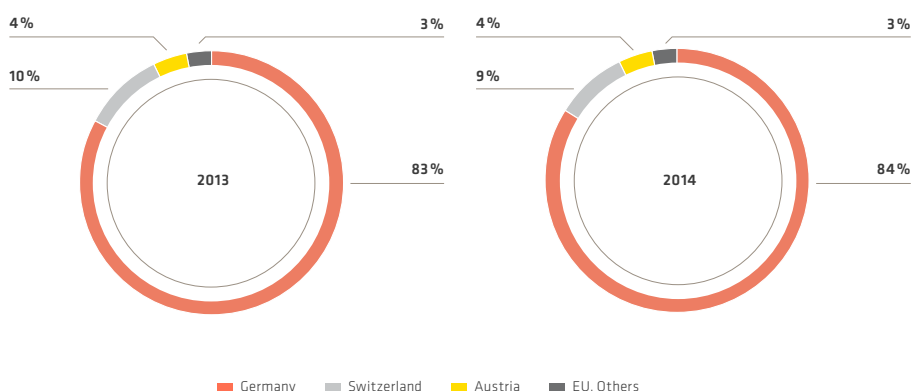
In the IT Services segment, the adesso subsidiary in Germany was able to significantly increase sales

by 16 %. Switzerland generated 16 % year-on-year growth after a challenging previous year and Austria posted growth of 12 %. A major project was stopped in Austria at the beginning of 2014, but this short-fall was more than compensated by new orders. This established the basis for the improvement in results that was achieved. "Expert Resourcing" developed successfully as well with 72 % sales growth to a total of EUR 10.2 million. 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 highly specialised knowledge. An additional contribution to sales growth in the IT Services segment was made by the business activities in Turkey as well as Smart Hosting & Cloud Services.

In the IT Solutions segment, licence and maintenance sales in the Content Solutions business area for the high-end content management system FirstSpirit were increased by 20 %. Here, the investments in our international presence paid off in the form of significant sales in the USA, Switzerland and Benelux. Sales once again increased disproportionately in the Mobile Solutions business area, by 28 % to EUR 6.7 million. Mobilising web content and business processes is one of the fastest-growing areas in IT. In this field, adesso is a leading company for enterprise mobility in Ger-

SALES BY COUNTRY

in %



many. Our own in|MOTION technology along with proven expertise in the development of mobile applications and integration with knowledge about core business processes among adesso customers make a contribution here. Growing sales are being generated in this area with mobile strategy consulting services for companies, especially related to the digital transformation of many business models.

The IT Services segment achieved a growth rate of 18 %, and the IT Solutions segment 24 %. Intergroup sales between the segments increased by 38 %.

Sales were increased with many of the top 10 customers and the share of total sales remained nearly constant at 40 %. With a 16 % increase in total sales revenues, adesso successfully continued to strengthen its position as a strategic IT partner – also among the top 10 customers.

The biggest sales increase was achieved in the core public administration sector. Significant sales growth was also generated in healthcare. Sales increased again in the energy industry for the first time since completing the restructuring. Business with banks and insurance companies, which are core industries for adesso, nearly reached the very high level of the previous year. “Cross Industries”

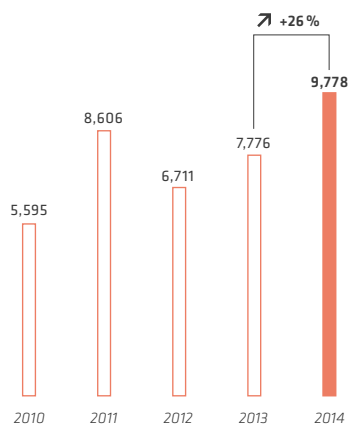
outside the core industries generated 31 % higher sales for a total of EUR 56 million. The increase is due to, among other things, several major projects in the e-commerce environment, higher licence sales with the cross-industry product FirstSpirit and more intensive business activities in the Automotive & Transportation sector. This is being transferred to a separate line of business in 2015 according to the adesso growth strategy, which will further promote the growing business with leading automobile manufacturers and suppliers. Sales with customers outside of Germany increased by 12 % in 2014 to EUR 24.7 million. This was achieved mainly outside the DACH region in the USA, the Netherlands and Turkey.

Earnings

Operating earnings (EBITDA) increased by 26 % in 2014 and the EBITDA margin was improved from 5.7 % to 6.2 %. The targets were therefore exceeded. Organic sales growth of 16 % was the most important driver for this major improvement in results. A higher gross margin per employee was also realised through improved daily rates. The profit margin from external resources and the maintenance and licence sales that were generated, which have a major influence on earnings, increased as well. Capacity utilisation remained virtually unchanged year on year.

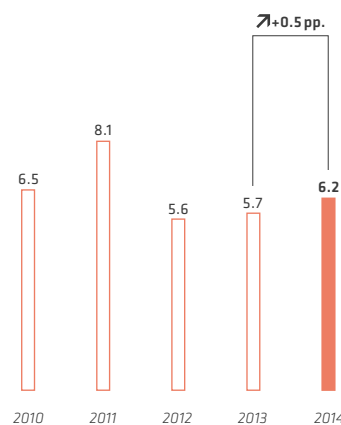
EBITDA DEVELOPMENT

in EUR k



EBITDA MARGIN

in %



At sales growth of 16 %, the average number of employees (FTE) grew by only 12 %, or 142 employees, to 1,298 in 2014. With a much higher material usage ratio of 12.1 % (previous year: 10.2 %), gross profit per employee nevertheless increased by 1 % to EUR 106 thousand (previous year: EUR 105 thousand). At EUR 2.1 million, other operating income fell by EUR 0.1 million year on year.

The cost of materials at EUR 19.0 million (previous year: EUR 13.8 million), mainly for the project integration of subcontractors, increased significantly faster at 38 % compared to sales. This development is not so much the expression of a controlled strategy. Rather it is the result of some special customer situations and the more restrictive policy of many enterprises in regard to the direct employment of freelancers in their own projects. Gross profit grew more slowly than sales, by 14 % to EUR 137.9 million (previous year: EUR 121.5 million), as a result. Personnel costs also increased by 13 % to EUR 98.9 million. There was a minor increase in the average personnel costs per employee to EUR 76 thousand. The year-on-year change in personnel costs therefore had a neutral effect on the operating margin.

Other operating expenses increased 12 % to EUR 31.6 million (previous year: EUR 28.1 mil-

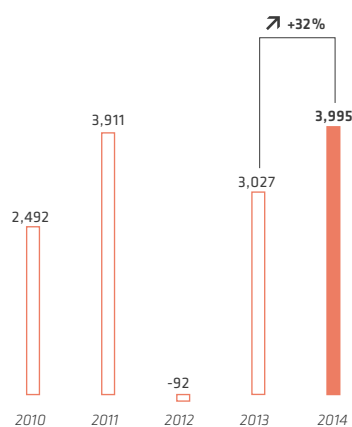
lion), mainly due to the greater number of employees. Costs such as travel, vehicle and training expenses tended to increase proportionately with each employee. There was a major increase in occupancy and related costs in 2014 due to moving into the new corporate headquarters in Dortmund. This became necessary in order to bring the staff, which had been distributed across three buildings because of growth, back to one central location and to provide space for further growth. The overall increase in other operating expenses was, however, less than the growth in sales, so that these cost types resulted in a margin increase in 2014.

Total operating earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 26 %, or EUR 2.0 million, in 2014 to EUR 9.8 million (previous year: EUR 7.8 million). The target corridor for 2014 of EUR 8.5 million to EUR 9.0 million was therefore exceeded. The operating EBITDA margin is 6.2 % compared to 5.7 % in the previous year.

Income increased significantly in the second half of the year. After EBITDA of EUR 3.3 million and an EBITDA margin of 4.4 % in the first half of 2014, the results in the second half of the year increased to EUR 6.5 million and 7.9 %, respectively. The increase during the year is largely due to the higher

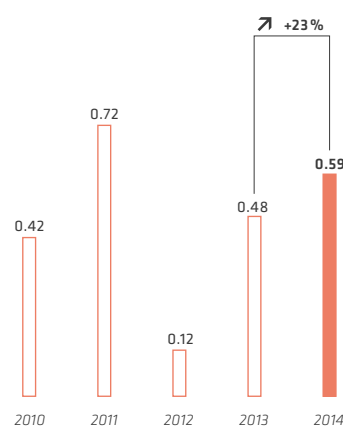
CONSOLIDATED EARNINGS

in EUR k



EARNINGS PER SHARE

in €



number of potential working days, improved earnings in Austria and higher licence sales.

Both segments contributed to the increase in earnings. Higher earnings in the IT Services segment were mainly due to the divisions Arithnea (e-commerce), adesso Austria and the business with external specialised precision services. In the IT Solutions segment, the adesso mobile solutions division generated 125 % growth in profits and e-Spirit improved earnings among other things thanks to progress in developing the international presence. Depreciation and amortisation fell by EUR 0.5 million to EUR 2.4 million in the reporting period. This figure includes scheduled amortisation of intangible assets such as customer lists and order backlog from mergers in the amount of EUR 0.4 million (previous year: EUR 0.8 million). It also includes depreciation on property, plant and equipment, which increased

significantly by EUR 0.5 million to EUR 1.8 million due to moving into the new building in Dortmund. Goodwill impairment losses of EUR 0.2 million on the gadiv business unit were also recognised in 2014. Extraordinary depreciation and amortisation of EUR 0.8 million on the business unit in Austria was recognised in the previous year.

Income from financing and investing activities amounted to EUR -83 thousand, after EUR -217 thousand in the previous year. Interest expenses fell due to the decrease in the average portfolio of interest-bearing liabilities from the regular repayment of loans. Earnings before taxes (EBT) increased significantly due to higher operating earnings, the decrease in depreciation and amortisation, and the higher income from financing and investing activities, by 58 % to EUR 7.3 million (previous year: EUR 4.6 million). Income tax expenses were

CONSOLIDATED INCOME STATEMENT

in EUR k	2014	2013	2012	2011	2010
Sales revenues	156,915	135,283	120,521	105,986	85,864
Other operating income	2,069	2,150	2,857	1,703	1,350
Own work capitalized	274	0	290	910	0
TOTAL INCOME	159,258	137,433	123,668	108,599	87,034
Costs of material	-18,980	-13,789	-13,767	-13,292	-9,422
Personnel costs	-98,903	-87,739	-77,426	-65,454	-54,604
Other operating expenses	-31,597	-28,129	-25,764	-21,247	-17,413
EBITDA	9,778	7,776	6,711	8,606	5,595
Depreciation and amortisation	-2,407	-2,936	-4,154	-3,454	-2,934
EBIT	7,371	4,840	2,557	5,152	2,661
Income from financing and investment activities	-83	-217	-139	-150	-203
EBT	7,288	4,623	2,418	5,002	2,458
Income taxes	-3,293	-1,596	-2,510	-1,091	34
Consolidated earnings	3,995	3,027	-92	3,911	2,492
Gross income	137,935	121,494	106,754	93,695	76,262
Gross income margin (in %)	88 %	90 %	89 %	88 %	89 %
EBITDA margin (in %)	6.2 %	5.7 %	5.6 %	8.1 %	6.5 %
Growth in sales	16 %	12 %	14 %	24 %	20 %
Change in personnel costs	12 %	13 %	18 %	20 %	20 %
Change in other operating expenses	13 %	9 %	21 %	22 %	21 %

EUR 3.3 million (previous year: EUR 1.6 million). No deferred tax assets were recognised on current losses of subsidiaries in the amount of EUR 2.1 million, so that the arithmetical tax rate came in at 45 % (previous year: 35 %). Overall, this resulted in positive consolidated earnings of EUR 4.0 million in 2014 compared to EUR 3.0 million in the previous year. The proportion of consolidated earnings allocated to minority interests increased from EUR 0.2 million in the previous year to EUR 0.6 million, due in particular to higher earnings of the Arithnea division. As a result, the proportion of consolidated earnings allocated to adesso's shareholders rose by 23 %, from EUR 2.8 million to EUR 3.4 million. Earnings per share are EUR 0.59 compared to EUR 0.48 in the previous year.

Orders

The order volume continued to increase in parallel to sales growth. Demand remained consistently dynamic in the course of the year. A general slump in demand was not observed in any region, segment or industry. A large order was obtained in the insurance sector for the development of additional components for adesso insurance solutions. Business activities continue at the start of 2015 with the vast majority of the leading customers for 2014.

Employees

The leading performance figures for employees developed as follows:

EMPLOYEE INDICATORS

	2014	2013	2012	2011	2010
Employees at year end	1,499	1,352	1,138	922	789
Full time equivalents (FTE) at year end	1,377	1,221	1,084	847	729
Full time equivalents (FTE), average for the year	1,298	1,156	1,007	784	683
Sales per Ø FTE (in EUR k)	121	117	120	135	126
Gross profit per Ø FTE (in EUR k)	106	105	106	118	112
Personnel costs per Ø FTE (in EUR k)	76	76	77	83	80

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. The maximum investment term is six months, with investments on a daily basis being the most common in view of interest rates tending towards zero for low-risk investments in order to remain flexible in response to investment opportunities that arise. Central cash management based on daily account clearing has not been set up. Bank borrowing is 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. Factoring or other methods of selling receivables are not used.

Kapitalstruktur

Financing is needed primarily for the receivables portfolio and services that have not been settled in the amount of EUR 34.7 million (previous year: EUR 29.0 million). Working capital (trade accounts receivable plus receivables PoC less trade accounts payable less liabilities PoC) was EUR 23.6 million as of 31 December 2014 (previous year: EUR 21.7 million). The need for advance financing of business operations therefore increased by 9 % year on year, whereas sales rose by 16 %. However, there were no significant changes in customer payment patterns or in receivables management. Two loans for acquisitions totalling EUR 2.2 million were taken out in 2014 to finance furnishings for the newly occupied corporate headquarters in Dortmund. The portfolio of interest-bearing financial liabilities increased as a result, from EUR 5.4 million in the previous year to EUR 5.7 million on the reporting date. The remaining terms of the loans on the reporting date range from six months to seven years. Interest is fixed over the entire term. A fixed interest rate was secured for a variable interest-bearing loan by means of an interest rate swap. This loan was fully repaid by 31 December 2014. All interest-bearing liabilities are denominated in euros. Credit balances are largely available in the short term and bear interest at fixed rates. Net liquidity (liquidity less interest-bearing liabilities) is EUR 18.0 million (previous year: EUR 16.3 million).

Investments, Acquisitions and Divestments

The adesso business model requires relatively low investments in property, plant and equipment. The property, plant and equipment of EUR 4.9 million (previous year: EUR 2.0 million) largely consist of hardware such as laptops and servers as well as office furnishings. This significant increase is due to the investments in the new corporate headquarters. There are no significant subsequent obligations from property, plant and equipment investment projects as of 31 December 2014, and no investment backlog to report. There were no company acquisitions in the reporting period. adesso founded a company together with a customer in 2014, with adesso holding 24 % of the shares and a stake of EUR 120 thousand of paid-up share capital.

Liquidity

Cash and cash equivalents total EUR 23.7 million on the reporting date (previous year: EUR 21.6 million). They are partly offset by interest-bearing liabilities, mainly from acquisition loans, in the amount of EUR 5.7 million (previous year: EUR 5.4 million). As a result, net liquidity (liquidity less interest-bearing liabilities) increased by EUR 1.7 million to EUR 18.0 million (previous year: EUR 16.3 million).

Cash flow from operating activities rose noticeably from EUR 7.6 million in the previous year to EUR 9.2 million. This increase is largely due the EUR 2.7 million growth in earnings before taxes. Following the release of EUR 2.0 million in the previous year resulting from the change to net operating assets, an additional EUR 0.2 million was tied up in 2014 due to the disproportionate increase in trade accounts receivable compared to sales. Cash flows from investment activities were EUR -5.4 million (previous year: EUR -1.2 million). This pronounced increase resulted from expenditures for acquiring new office and technical equipment for the new corporate headquarters in Dortmund. Cash flows from financing activities were only EUR -1.7 million compared to EUR -6.0 million in the previous year. This was the result of taking out EUR 2.2 million in new loans and the reduced repayment of financial liabilities in the amount of EUR 2.6 million (previous year: EUR 4.3 million, of which EUR 1.1 million was a subsequent purchase price payment to the sellers of Arithnea GmbH). Dividends of EUR 1.5 million (previous year: EUR 1.6 million) were paid out, of which EUR 1.2 million went to adesso AG's shareholders (previous year: EUR 1.0 million). Accordingly, cash and cash equivalents changed by EUR 2.1 million, compared to EUR 0.4 million in the previous year.

As in the previous year, lines of credit with several banks of EUR 1.7 million could be utilised. There was no avilment of credit lines on the reporting date.

Variable salary components are paid from cash and cash equivalents and are paid out in the first few months of 2015. This is typical for the business. 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.

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>
2010	17,021	-2	7,659	-11
2011	22,491	32	5,878	-23
2012	21,280	- 6	10,359	76
2013	21,644	1	6,091	-41
2014	23,724	10	5,724	-6

DEVELOPMENT OF LIQUIDITY

<i>in EUR k</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>Change 2014</i>
Liquid assets	23,724	21,644	21,280	2,080
(-) Interest-bearing liabilities	5,747	5,356	7,707	391
(=) Net cash position	17,977	16,288	13,573	1,689
Net cash positions in relation to sales	11 %	12 %	11 %	-1 %-Pkt.
Liquid assets	23,724	21,644	21,280	2,080
(+) Trade accounts receivable and receivables PoC	34,655	29,011	29,306	5,644
(-) Current liabilities	38,209	32,687	33,746	5,522
(=) Net cash position 2	20,170	17,968	16,928	2,202

FINANCIAL POSITION

<i>in EUR k</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Liquid assets	23,724	21,644	21,280	22,491	17,021
Interest-bearing liabilities	5,747	5,356	7,707	4,785	6,852
Net cash position	17,977	16,288	13,573	17,631	10,169
Cashflow from operating activities	9,248	7,646	373	10,188	4,209
Cashflow from investment activities	-5,408	-1,231	-2,624	-1,876	-573
Cashflow from financing activities	-1,735	-6,007	1,103	-2,888	-4,034
Currency translation differences	-25	-44	25	46	79
Total change in liquid assets	2,080	364	-1,211	5,470	-319
Income from financing	-83	-220	-139	-150	-203

Net Assets

Analysis of the Asset Structure

Total assets on the reporting date increased year on year by 12 %, or EUR 8.9 million, to EUR 84.0 million. On the assets side, trade accounts receivable increased by EUR 5.1 million, which was mainly due to sales growth, while property, plant, and equipment increased by EUR 3.0 million because of the investments in the new corporate headquarters. Overall, current assets therefore grew faster than non-current assets. On the liabilities side, the current liabilities, in particular trade accounts payable, increased by EUR 5.5 million in parallel to developments on the assets side. Equity increased as well, amounting to EUR 38.7 million compared to EUR 36.0 million in the previous year. The equity ratio fell to 46.1 % compared to 48.0 % in 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 table.

adesso does not use any group-wide non-financial performance indicators for the internal control of the group. Since adesso AG is of paramount importance to the group, generating around two-thirds of the adesso Group's business, reporting on the financial and non-financial performance indicators used for the internal control of adesso AG follows.

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 is the goal, without severely limiting flexibility in staffing new projects. 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.

Capacity utilisation was improved in 2014 compared to the previous year. The value is within 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, such as 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. The booking intensity determined this way measures the development of quantitative value creation per employee in the project. 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.

The booking intensity fell in 2014 compared to the previous year. It is only just within the target corridor.

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 2014 the increase in the daily rate for projects billed on a time and materials basis was satisfactory.

Calculated Daily Rates and Budget Overruns for Fixed-price Projects

MULTI-PERIOD VIEW OF ASSETS AND LIABILITIES

<i>in EUR k</i>	2014	2013	2012	2011	2010
Balance sheet total	84,030	75,129	76,940	69,850	62,320
Current assets	60,789	53,004	52,735	46,690	38,907
of which liquid assets	23,724	21,644	21,280	22,491	17,021
of which trade accounts receivable and receivables PoC	34,655	29,011	29,306	22,718	20,285
Non-current assets	23,241	22,125	24,205	23,160	23,413
Current liabilities	38,209	32,687	33,746	29,261	23,921
of which loans and other financial liabilities	1,597	2,567	4,482	2,236	2,173
of which trade accounts payable and liabilities PoC	11,055	7,263	7,284	8,205	5,771
Non-current liabilities	7,073	6,398	8,718	6,221	7,497
thereof loans and other financial liabilities	4,150	3,525	5,877	3,642	5,486
Equity	38,748	36,044	34,476	34,368	30,902

FINANCIAL PERFORMANCE INDICATORS

	2014 target	2014 actual	target corridor
Growth in sales (organic)	6 to 9 % up EUR 144 to 148 million	16 % to EUR 157 million (EUR 157 million organic)	At least twice industry growth (2014: 2.7 %)
EBITDA	EUR 8.5 to 9.0 million	EUR 9.8 million	-
EBITDA margin (indirect)	> 6.0 %	6.2 %	9 to 11 %

PERFORMANCE INDICATOR CAPACITY UTILISATION INVERSE

	2014	2013	target
Annual average	7.1 %	7.3 %	6 % to 8 %
Maximum	9.6 %	9.2 %	10 %
Minimum	3.9 %	4.7 %	4 %

PERFORMANCE INDICATOR BOOKING INTENSITY

	2014	2013	target corridor
Annual average	88 %	92 %	85 % to 95 %
Maximum	93 %	97 %	100 %
Minimum	73 %	75 %	75 %

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 other potential working time. Even if they can only be used 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 view.

Together with the arithmetical daily rates used in project calculations, the under- and over-budget ratio is used to derive the calculated daily rate on fixed-projects during post-calculation. In 2014, the calculated daily rate for fixed-price projects was increased even though budget overruns went up.

adesso AG also examines employee aspects as non-financial performance indicators. As a fast-growing premium IT service provider, adesso depends on the ability to attract many of the best graduates and experienced experts as new employees, to pursue their internal further development as extensively as possible and to retain them over the long term. Here the following two 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 employee resignations of permanent staff. In 2014, the number of applications received and the initial interviews were increased significantly above the sales growth rate. The number of new hires on the other hand fell so that this target was not met. While the turnover ratio increased, it remained within the target corridor.

Group management also examines the development of licence and maintenance sales from the FirstSpirit product as an internal performance indicator, since licence sales in a short-term quarterly and financial year view have a major direct impact on earnings, and because maintenance sales form the basis for growing the development and marketing cost base of the product. Licence and maintenance sales were increased in 2014 and the targets were exceeded.

SUBSEQUENT EVENTS

No further events of material importance to adesso AG occurred after the reporting date on 31 December 2014.

FORECAST, OPPORTUNITIES AND RISK REPORTS

Forecast Report

Group Orientation over the Next Two Financial Years

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 growth through industry segmentation, portfolio expansion in IT Services, internationalisation and the expansion of the company's solution portfolio in the IT Solutions business area will continue to determine what action adesso takes over the next two years. The same acquisition policy will be pursued. Irrespective of the acquisition policy, organic growth will continue to be spurred on in all industries and regions. Sales generated abroad are to be increased, in particular, through further internationalisation of sales of the FirstSpirit product and the adesso subsidiary being established in Turkey. The planned bundling of solutions for insurance products, as part of the development of adesso insurance solutions, should help adesso to position itself increasingly as a product partner, in addition to its strong positioning as a sought-after IT service partner. As the company aims to maintain its high pace of growth and innovation, there will be a negative impact on the operating EBITDA margin in the next two years. However, a reduction of that margin should be avoided.

Future Macroeconomic Situation

After three years of decreased economic growth in Germany, in 2014 there was a significant 1.6 % year-on-year increase in gross domestic product. Since the summer of 2014, which was negatively affected by crises, the German federal government believes there are indications that the current recovery may solidify. The recovery is expected to continue in 2015, even though growth is not expected to accelerate over the year as a whole. In its annual

Economic Report
Subsequent Events
Forecast, Opportunities and
Risk Reports

LEISTUNGSINDIKATOR TAGESSATZ T&M

	2014	2013	target corridor
Annual average	+ 4 %	- 2 %	at least + 2 %

PERFORMANCE INDICATOR FIXED-PRICE PROJECTS

	2014	2013	Target corridor
Budget overruns (% of work in fixed-price projects)	+ 4 pp.	- 13 pp.	< 0 pp.
Arithmetical daily rates	+ 2 %	+ 11 %	at least + 2 %

PERFORMANCE INDICATOR

	2014	2013	Target corridor
Development of applications	+ 24 %	+ 29 %	> Growth in Sales compared to previous year
Development of initial job interviews	+ 17 %	+ 15 %	> Growth in Sales compared to previous year
New hires (all positions)	259	294	> previous year
Fluctuation rate (change and maximum)	+ 1,8 pp., < 10 %	- 1,3 pp., < 10 %	Improvement and < 10 %

PERFORMANCE INDICATOR FIRSTSPIRIT

	2014	2013	Target corridor
License sales	+ 36 %	- 20 %	> 5 %
Maintenance revenues	+ 10 %	+ 24 %	> 5 %

economic forecast, the German federal government predicted an average year-on-year GDP increase of 1.5 %. Positive impetus in the domestic economy will result from increases in income and ongoing job creation, as well as the minimum wage and the extension of pension benefits. The international economic environment continues to be seen as difficult as a result of geopolitical tensions and continuing weak growth in the eurozone. Low oil prices will drive growth. The low value of the euro means moderate increases in exports are expected.

Based on information provided by an expert group commissioned by the Swiss government, the Swiss State Secretariat for Economic Affairs, SECO, is expecting moderately increased growth of 2.1 % in 2015 and of 2.4 % in 2016, following growth of 1.8 % in 2014. The forecast is based on the assumption that the recovery in the eurozone will continue and signals increasing uncertainty regarding economic development based on the most recent indicators of sentiment.

On the basis of forecasts published by the Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS), the Austrian Federal Ministry of Economics, Family and Youth is anticipating growth in Austrian GDP of between 0.5 % and 0.8 % in 2015 and between 1.1 % and 1.6 % in 2016.

As a result, 2015 will continue to offer a favourable macroeconomic climate for adesso, although, taking into account actual development in previous years, it also continues to pose risks. The key assumption underlying the German federal government's projections is that the financial sector will remain stable and that there will be no negative developments in the eurozone or global economy, which would create renewed uncertainty among market participants. However, due to measures taken and the trend towards stabilisation of the financial sector and the eurozone thus far, it is not yet expected that the positive trend in terms of further economic growth in adesso-relevant sectors will take a turn for the worse in 2015 and 2016.

Future Industry Situation

According to industry association BITKOM, the IT market in Germany will continue to develop far more positively than the economy as a whole in 2015, with

market volume increasing to EUR 79.7 billion. The expected growth rate of 2.4 % in 2015 is almost 1 percentage point higher than that of gross domestic product overall, although the sector will be significantly less dynamic than in 2014. Within the information technology sector, BITKOM expects the software segment to achieve the highest growth, at an almost unchanged rate of 5.5 %. The IT services segment, which is particularly relevant to adesso, is expected to grow by a further 3.0 %. According to BITKOM's forecasts, the growth of the IT market in 2015 will be exclusively driven by the IT services and software segments, which are relevant to adesso and which will compensate for the slight decrease in the third market segment, hardware. adesso's internal forecasts predict growth of 3 % in the markets relevant to the company in the DACH region.

Anticipated Sales and Earnings Situation

The report on risks and opportunities is a pivotal part of management's considerations of the further development of adesso and of the forecast report. Potential acquisitions are not included in the forecast calculations. Based on anticipated economic growth of 3 % in relevant segments of the IT market as well as on internal calculations, adesso's management is expecting the following in 2015:

- > An increase in sales revenues of between 6 % and 9 % to between EUR 166 million and EUR 171 million is expected (2014: sales revenues of EUR 157 million were achieved, target: EUR 144 million to EUR 148 million).
- > An operating result, EBITDA, in the range between EUR 9.8 million and EUR 10.5 million is expected (2014: an operating result of EUR 9.8 million was achieved, target: EUR 8.5 million to EUR 9.0 million), a planned increase of 7 %.
- > The operating EBITDA margin is again expected to be at least 6.0 % (2014: an operating EBITDA margin of 6.2 % was achieved, target: at least 6.0 %).

This growth, which is significantly above the industry average, is expected to predominantly originate from the IT Services business area. The 12 % expansion of the headcount in the adesso subsidiary in Germany in 2014 has also led to rising expectations for 2015 in terms of sales. Turkey is also expected to register growth. In view of the

sustained high demand for consultancy services and development in the enterprise mobility segment, adesso mobile solutions is also expected to continue its above-average growth

The planned increase in the operating result is primarily based on growth targets and the expected improvement in results in Austria and Turkey. A large increase in operating results will be offset by investment in the regional expansion of Group companies Arithnea (e-commerce) and adesso mobile solutions, and an increase in the cost base in the USA relating to the envisaged even broader positioning of FirstSpirit, as well as the disproportionate increase in fixed costs at adesso AG resulting from the forward-looking construction of its new corporate headquarters in Dortmund.

A higher contribution to earnings is expected in the second half of the year because it has 131 potential working days, which is nine days, or 7 %, more than the first half of the year. Based on previous years, this makes an enormous difference. Moreover, experience has shown that licence sales are higher in the second half of the year.

For 2016, we are anticipating further sales growth as well as further positive development of the operating result.

Expected Financial Position

adesso's liquid asset base is solid and will be sufficient to cover financial obligations in 2015 should the forecast business development come to fruition. adesso's balance sheet structure allows it to assume additional liabilities for investment projects to ensure that there are no shortfalls in terms of financing. adesso continues to strive for a positive net cash position. Only in the event of the potential acquisition of an unusually large or profitable company of extremely high strategic value for adesso, would there be any deviation from this strategy.

Based on this, the Executive Board is continuing to pursue its dividend policy, which envisages a well-balanced combination of investments in growth, financial stability and the participation of shareholders in the company's profit. If the profit targets can be achieved to a large extent, the Executive Board will strive to further increase the dividend. The dividend proposed for 2015 will reflect actual developments.

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

adesso possesses a system of processes and data analysis structures to monitor risks posed to the company. An exclusive risk management software system is not used. Instead, adesso uses an integrated system developed by Corporate Planning AG for financial and operational planning as well as operational controlling. All plan and actual data from all business areas is stored in a central database 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 and 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 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 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

adesso. Working groups consisting of the Executive Board, Business Development, the management of companies in 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, adesso 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 of the reporting date and as of the preparation of the 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. As of the reporting date, there were no cases where a customer refused to accept delivery (previous year: one case). No customers claimed back payments totalling more than a hundred thousand euros (previous year: one customer/several hundred thousand euros). Several projects presented for customer approval have not yet been formally accepted by the customer. However, no customer has refused approval, and those delays are not unusual in normal business practice. The backlog of fixed-price projects that have yet to be invoiced in full rose year on year. However, project risk is lower than previously estimated because the legal claims in the previous year regarding payments totalling several hundred thousand euros have been successfully defeated and the fixed-price project that began in Austria in the previous year and

that was subject to significant losses has been completed. In the previous year, a customer in Austria also threatened damage claims of EUR 1.3 million for allegedly high subsequent costs relating to the software supplied as part of a project. Those claims have not been pursued in court and adesso cannot see any grounds for the claims. There was no further communication with the former customer regarding the claim in 2014.

adesso uses an Excel-based project controlling and reporting system. Depending on the project structure, sub-projects are defined and mapped on adesso's web-based project and schedule management system. Expenses are distributed across the sub-projects and 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 under-way. 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 given "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. However, the share of projects with fixed budgets in the form of service contracts in terms of overall adesso sales is low at under 20 %. In spite of this, the negative effects of budget overspends in fixed-price projects over the past few years have risen. In order to counteract this trend, adesso AG has established a Project Management Office (PMO) where experts supervise particularly large-scale or challenging projects using standardised tools and mechanisms alongside the regular project management team. These tools and processes were further developed in 2014 and are now used routinely. Expenses arising from budget overspends for new fixed-price projects tended to be lower compared to the previous year.

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. Sales improved

year on year in 2014, thereby clearly exceeding planned sales, as was also the case in the previous year. General expectations in terms of economic development in 2015 are cautiously optimistic and foresee stable growth. Demand appears to be at a solid level, as in previous planning periods, despite the fact that the crisis in Ukraine and the Greek sovereign debt crisis could lead to abrupt changes in the overall economic climate. Those factors are considered less of a risk than in the previous year, partly because of the rate of adesso's organic growth. In IT Services, capacity utilisation is expected to be average in 2015. 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. Given that 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 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. 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 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. Plan deviation risk will increase slightly in IT Solutions in 2015 because expected licence sales from the FirstSpirit product in the USA is significantly higher than in the previous year. As the cost base in the USA increased in 2014, and further increases in marketing costs have been budgeted for 2015, below-plan perfor-

mance in this area could have a significant impact on the performance situation of adesso Group.

In each business area, there are detailed plans in which actual figures and previous year's figures are compared on a monthly basis. A revised forecast continues to be produced to detail emerging plan deviations at an early stage. The corresponding reports form the foundations for monthly meetings on business development and business prospects. This applies to all companies of adesso Group.

Financial Risks

The risks posed by the financial situation and liquidity have decreased. Cash and cash equivalents and the net cash position increased year on year, even though a new loan of EUR 2.2 million was taken out in 2014 to finance investment in the new corporate headquarters in Dortmund. That loan, and acquisition loans taken out in previous years, must be repaid regardless of the economic performance of the company. However, liquid assets far exceed loan liabilities meaning that the complete repayment of loans using cash reserves remains a possibility.

Currency risks remain low for adesso, but are again increasing compared to the previous year due to growing sales revenue outside the euro-zone and the pronounced weakness of the euro. 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.

adesso AG's loss carry-forwards for trade tax and corporation tax purposes as of 31 December 2006 continued to be utilised in relation to BOV AG in consideration of minimum taxation following the fusion of adesso AG (old). However, the possibility cannot be ruled out that financial administration at adesso AG will not recognise the restructuring of business operations of BOV AG in accordance with

Section 8 (4) Körperschaftssteuergesetz (KStG – German Corporation Tax Act) at all or to the full extent. Failure to do so would mean that the commercial and corporate tax loss carry-forwards of adesso AG would be eliminated in whole or in part. Tax expenses in adesso AG's 2014 annual report would increase by EUR 1,872 thousand without the utilisation of loss carry-forwards and, since the loss carry-forwards have been utilised, by a total of EUR 8,624 thousand. In the event that fiscal authorities do not recognise this tax benefit, this amount would have to be reported in the income statement and paid out less interest on arrears of EUR 1,043 thousand (calculated as of 31 December 2014). In addition, the deferred tax assets on loss carry-forwards previously offset against deferred tax liabilities of EUR 2,827 thousand would have to be recognised as a liability, which would have substantial negative implications for adesso AG's net assets, financial position and results of operations. Fiscal authorities have ordered a company audit for the period from 2009 to 2013 and began preparing the audit in February 2015. The results cannot be predicted at this time.

Loss carry-forwards existing for trade tax and corporation tax purposes as of the acquisition of evu.it GmbH (April 2010, under the name precision services GmbH as of the reporting date) have been utilised. However, the possibility cannot be ruled out that evu.it's financial administration will not recognise the restructuring of business operations in accordance with Section 8c (1) Sentences 6 to 9 German Corporation Tax Act (KStG) at all or to the full extent. Non-recognition would mean that the companies' loss carry-forwards existing for trade tax and corporation tax purposes as of the acquisition would expire either in part or in full. Without the utilisation of loss carry-forwards tax expenses in precision services GmbH's 2014 annual report would increase by EUR 216 thousand and by a total of EUR 275 thousand since the utilisation of the loss carry-forwards.

Financial risk can arise from the payment terms of service agreements for completed 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 not 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: one) that could have a significant 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. For this reason, the possible losses for this risk factor have been increased. There were no notable risks from financial instruments.

Personnel Risks

adesso is an IT company without any notable fixed assets. The company's 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 discussed 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. However, the situation has not deteriorated compared to the previous year. By contrast, 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 reinforces its position as a premium IT service provider through extraordinarily talented employees with a vast amount of experience in their fields. Competitors in this area continue to increase their headcounts – not simply IT service providers, but also between 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.

Employee turnover remained at a stable level in line with the average for the industry in 2014, with a slight increase at adesso AG. The risk of insufficient availability of experienced employees was again assessed as having increased. The cost of recruitment has risen further. The risk from high employee turnover and salaries increasing disproportionately to market prices was assessed as constant. As a result, personnel risk remains one of the Group's highly weighted main risks.

Other Relevant Risks

Risks from Business Activities in other Legal Systems

adesso Group continues to expand internationally and enter new legal systems. This involves risks relating to lacking knowledge of legal affairs and business practices. In 2012, e-Spirit AG established a company based in the USA, e-Spirit Inc. with offices in Boston, and expanded the number of employees and its sales activities in 2013 and 2014. In the USA, the risk of product manufacturers taking legal action is greater than it is in Germany. The German management team has little experience in dealing with American customers. 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 established adesso Turkey in Istanbul, which has begun operations. The number of employees in Turkey increased significantly

in 2014. Despite the expected growth of business in the USA and Turkey, this risk remains at an unchanged high level compared to the previous year and continues to be assessed as an other relevant risk, as the company has gathered one year's experience with regard to the new legal systems.

Risks from the Customer Structure

As sales from individual customers or customer groups increase, so does the risk posed by such customer relationships from potential project terminations or normal project expiry. In 2014, the largest customer accounted for 8 % (previous year: 8 %) of total sales. A total of 38 % of overall sales were generated by adesso's ten largest customers (previous year: 10 %). Risks from the customer structure have been decreasing due to adesso's growth and the share of sales generated by the top ten customers has decreased. The expected reduction in sales to the top ten customers of approximately EUR 5 million occurred and was well compensated by other business. The risk is estimated to be lower than the previous year and remains an other relevant risk at this level. However, the abrupt loss of one of the top three customers or several of the Group's ten largest customers would have the potential to negatively impact the earnings and financial situation of the company substantially, 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.

Each quarter, the top ten customers are listed by sales and each customer's share of overall sales is 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 as 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 company. 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 thus recorded increased by 4 % in 2014 compared to 2013, leading to a subsequent rise in the risk of realised average daily rates in the context of overall increases in costs.

The realised daily rates are also periodically recorded at adesso AG at customer level and analysed by the Executive Board in terms of necessary adjustments. Any identified need for action will be implemented by sales employees 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. Among existing customers, the company was able to increase the daily rates moderately by 2 % to 3 % in 2014, 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, and it was necessary to accept a price reduction in the case of one major customer. The risk of insufficiently rising daily rates compared to salary increases and prices on the cost side therefore remains, but has not increased compared to the previous year.

Risks from the Development of New Products and Solutions

Since 2012, adesso Group has significantly increased its investment in the development of new products and solutions and therefore shifted the risk profile of its heavily service-oriented business model towards its product business. The volume of investment was substantial in relation to the consolidated income statement and, as a result, was included as one of the main risks in 2012. Development of dynamic.suite, the company's single most important development, was stopped in mid-2012; investments made thus far have been lost. While this underscores the relevance of this risk, it has declined due to a reduction in investment in 2013 and has been reas-

signed to the other relevant risk category. With adesso insurance solutions, adesso is pursuing its strategy of becoming one of the most important providers of software solutions to the insurance industry, in addition to its service business. With this aim in mind, the company is carrying out major development projects for customers in the health and property insurance segments. The available life insurance system is being marketed broadly. 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. That has significantly increased the associated risk, compared to the previous year. However, those risks are offset by considerable growth in income from licences and maintenance.

Risks from Regulatory Law

As a listed company on the regulated market, adesso AG is subject to a number of additional legal requirements and obligations, such as the Aktiengesetz (AktG – German Stock Corporation Act), the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and the Wertpapierübernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act). adesso follows corresponding developments in case law, obtains assessments from experience solicitors and familiarises its entire workforce with the fulfilment of the legal obligations of a listed company. adesso follows corresponding developments in case law, obtains assessments from experience solicitors and familiarises its entire workforce with the fulfilment of the legal obligations of a listed company.

The risk of up to EUR 3 million from a review by the Federal Financial Supervisory Authority (BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht) regarding suspicion of the late publication of insider information reported in the previous year no longer exists. In two of the three cases under review, BaFin imposed a lower monetary fine, and in the third case no fine was imposed. Provisions for the sums paid were included in the financial statements for the previous year.

Although the latent risk remains unchanged, the settlement of the dispute with BaFin led to a reduction in the risk factor compared to the pre-

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vious year. The organisation has been further sensitised with regard to ad hoc transparency obligations.

Overall Statement Concerning the Group's Risk Situation

The overall risk profile of adesso decreased slightly by 1 % to 505 points year-on-year. The modified assessment of income planning and general liquidity risks had a positive effect, as did lower customer cluster risk and reduced project risk. The increase in the assessed probability of occurrence of risks from the new development of products and solutions by adesso insurance solutions, in particular, had a negative effect. Liquidity risks from major projects, loss carry-forwards and employee risks were assessed as a more significant risk factor. 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 asset, financial and earnings situation as well as on business performance.

Opportunities

adesso has introduced a series of measures to identify, assess and monitor opportunities for positive group development. Alongside sales information systems, these measures are focused on organisational units for portfolio development within the industry, on the assessment of new technological developments and on the evaluation of the suitability of other industries. With the group further increasing in size, the systematic networking of all units within adesso Group is leading to ever-increasing synergy effects, particularly in sales, and an integrated service approach for major customers.

In 2015, there will be a wide range of further opportunities to expand business activities and increase profits. The PSLife system for life insurance is in a phase of intensive marketing and has already led to the acquisition of a new major customer. The acquisition of a major contract for the development of further products for the health and property insurance segments by adesso insurance solutions means that adesso is on the way to becoming an important provider of insurance solutions in Germany. Once complete, these systems will offer significant potential from projects for their implementation at additional customers. In

2015, adesso also established the Automotive and Transportation line of business. Existing business with well-known customers in this area is being consolidated and developed into an independent adesso portfolio in a targeted manner. Automotive manufacturers are investing significantly higher amounts in digitisation, in vehicles, in customer communications and for internal processes. The rapid development of the Automotive and Transportation area of business offers additional opportunities for growth.

The intensification of product internationalisation strategies in the UK and the USA since 2013 will lead to additional business prospects in subsequent years in terms of sales and profits. adesso also projects an increase in sales in Turkey.

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 management in terms of the internal operational management of the company and its subsidiaries, 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 engaged to review the efficiency of the controls in place as part of the consolidated accounting process. The structure of the internal control mechanisms and risk management system is the result of how the accounting and reporting processes are organised. The majority of the accounting is carried out decentrally by each of the companies within adesso Group. 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 to the reporting and accounting processes provides an outstanding basis for the standardised, correct representation of facts. Almost all companies use a standardised consolidated accounting system, minimising the number of discrepancies from the standard style of accounting. 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 financial statements. Each 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 Wirtschaftsprüfer 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 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. 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 referred to for selected issues.

TAKEOVER-RELEVANT INFORMATION

adesso reports in accordance with the specification taken from the Übernahmerrichtlinie-Umsetzungsgesetz (ÜbernRLUG – German act on the implementation of EU directive on takeover bids) and assumed in Section 315 (4) HGB and Section 289 (4) 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 2,873,858 by issuing 2,873,858 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 not authorised to acquire its own shares through adesso AG. As of the reporting date, adesso AG itself held none of its own shares. In addition, we are 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 of 31 December 2014, no adesso shares were subject to a lock-up agreement. We are 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 of 31 December 2014, founding shareholder and Supervisory Board Chairman Prof. Dr. Volker Gruhn held 29.7 % of share capital through a company he controls. Rainer Rudolf, founding shareholder, member of the Supervisory Board and member of the Executive Board until 30 September 2011, held 18.8 % of share capital as of 31 December 2014. As of his most recent voting rights announcement, Ludwig Fresenius held

10.1 % of share capital. Please refer to the notes to the consolidated financial statements for more information on the company's ownership structure. We are 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 179 and 133 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 regulations 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 share-holders 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 (SECTION 289 A HGB) AND CORPORATE GOVERNANCE REPORT

In accordance with Section 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 289a HGB. The report and declaration including the compliance statement are available online at www.adesso-group.de (Investor Relations > Group > 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. The adesso AG Executive Board receives performance-related remuneration depending on the medium and long-term achievement of sales and operating result targets at both an adesso AG level and a group level. Part of the Executive Board's variable remuneration is share-based in the form of stock options and virtual stock options, and phantom shares granted to some members. 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. 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 performance related. An increase in salary of 1 % p.a. was contractually agreed with members of the Executive Board. Negotiations for salary adjustments are conducted when inflation exceeds 3 %. All members of the Executive Board also receive payments in kind and other remuneration, including the use of a company car, the 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 members of the Executive Board was developed further. The additional model is based directly on the relevant metrics EBITDA and earnings per share (EPS), which are reported to adesso AG shareholders in the IFRS consolidated financial statements according. Variable remuneration increases with rising EBITDA and EPS. From a watershed, the increase is limited to EUR 60 thousand for the EBITDA value and EUR 90 thousand for the EPS value. One of two different variants, which are differentiated by the rate of increase and watershed, can be

selected each year. Once a member of the Executive Board has chosen the EBITDA/EPS model, they may not switch back to the existing model. Two members of the Executive Board chose the new model for 2014.

The existing model is based on the total plan value of individual transactions according to local accounting regulations. It is made up of three elements: Profit sharing, “variable remuneration component 1” and “variable remuneration component 2”. Profit sharing is based exclusively on net income for the year before income taxes and amortisation of goodwill for adesso Group according to the respective national laws, without taking into account variable remuneration and profit sharing for members of the Executive Board. The sum of earnings generated by Group companies that is relevant for Executive Board targets is used, adjusted for items that do not conform with targets where applicable. Profit sharing is calculated on a linear basis at 0 % to 25 % of basic remuneration, depending on profitability, and is subject to minimum earnings on the part of adesso Group. The “variable remuneration component 1” is paid out depending on the degree to which the annual sales and profit targets are met. If the profit target is not reached or the sales target is not achieved to at least 80 %, no variable remuneration is paid. If both targets are achieved to at least 80 %, variable remuneration is determined according to the following rules. For each percentage point above the minimum target achievement of 80 %, in reference to profit defined as net income for the year before income taxes and amortisation of goodwill for the adesso Group according to the respective national laws, and without taking into account variable remuneration and profit sharing for members of the Executive Board, each member of the Executive Board receives EUR 750 as the variable remuneration component 1 limited to a maximum target achievement of 130 % or a maximum amount of EUR 37,500. The sum of earnings generated by group companies relevant for Executive Board targets, adjusted for items that do not conform with targets where applicable, is used to calculate profit sharing. The “variable remuneration component 2” is paid out depending on the degree to which targets are achieved within the past four years and the current year. This takes into account the objective of including a medium

to long-term component in Executive Board remuneration. “Variable remuneration component 2” is calculated as the average of “variable remuneration component 1” for the year under review and the second-lowest of the past four years. In combination with variable remuneration for the respective year, profit sharing is not permitted to exceed one-fifth of the total profit for adesso.

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 financial year 2009. 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 2014. 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 Rainer Rudolf and Prof. Dr. Volker Gruhn (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) 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.

The share option programme of adesso AG duly expired on 31 December 2013. In view of the

granted stock options, the Executive Board will receive virtual stock options from the financial year 2014. The aim of the virtual stock options is that they are 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 only result in cash value compensation 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.

Former members of the Executive Board do not receive any remuneration, nor were any pension commitments made. No loans or advances were granted to members of the Executive Board.

Supervisory Board Remuneration

According to Section 11 of the bylaws, 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 chairman 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) Sentence 6 HGB and further information pursuant to the German Corporate Governance Code, we refer to the "Consolidated Notes".