



CONSOLIDATED QUARTERLY REPORT 2022

1st quarter 2022

GROUP KEY FIGURES (HGB)

		01/01/2022 – 31/03/2022	01/01/2021 – 31/03/2021
Result			
Revenue	TEUR	8,644	6,846
Earnings before depreciation and amortisation (EBITDA)	TEUR	-147	-159
Operating result (EBIT)	TEUR	-208	-204
Consolidated earnings after taxes (EAT)	TEUR	-230	-230
Consolidated earnings (EAT) per share	EUR	-0.13	-0.13
Per-capita revenue	TEUR	37.3	32.9
Other			
Volume of orders (approx. as at 31/03)	in EUR million	29.4	37.4
Employees of the Softline Group	Number	232	208

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1 CONSOLIDATED MANAGEMENT REPORT

1.1 Preliminary remarks

The Consolidated Income Statement and Consolidated Management Report for the first three months of financial year 2022 have been prepared by Softline AG on a voluntary basis.

1.2 Overall macroeconomic performance and market performance

The Management Board's fundamental assessments of the overall economic and market development in the Management Report for financial year 2021 (Section 3.2 of the Management Report) also applied to the first three months of 2022.

1.3 Performance of the Softline Group

After the challenging financial year 2021 closed with a satisfying year-end spurt, we were able to carry the positive momentum into the first quarter of 2022.

Compared to the previous year, we have strengthened our position as well as our market potential in our core portfolio areas throughout all the regions in which the Softline Group is active. After the first three months of 2022, consolidated sales are 26.4 per cent higher than in the previous year's first quarter. In the Northern Europe region, sales increased by 57.9 per cent over the previous year, and in the DACH region by 19.8 per cent.

Our workforce has grown significantly from the previous year's level (+11.5 per cent), thus laying the foundations for a successful financial year in 2022.

Consulting revenue across all portfolio elements (IT asset management, cloud, information and IT security) in the DACH region increased by approximately 12.7 per cent in the first quarter of 2022 and software revenues almost doubled. Revenue in the Northern Europe region, where the focus is on IT asset management, increased by an impressive 63.8 per cent compared to the same quarter of the previous year.

At Group level, revenue of EUR 8.6 million in the first quarter of 2022 is approximately EUR 1.8 million higher than in the previous year and thus significantly above target. Earnings at EBITDA level were impacted not only by the higher cost of materials and purchased services, but also by last year's investments in personnel. With EBITDA of EUR -147,000, the Softline Group is at the previous year's level despite the increase in revenue (EUR -159,000).

1.4 Financial position and results of the Softline Group

1.4.1 Financial position

The volume of orders as at 31 March 2022 fell from EUR 37.4 million in the previous year to EUR 30.3 million. A revaluation of the accumulated volume of orders was implemented in the 2021 annual financial statements. After a thorough review of all existing contracts, approximately EUR 2.3 million in deferred revenue could be reversed and booked as revenue

in the 2021 financial statements. In addition, framework agreements without a purchase obligation were valued individually.

EUR 24.7 million of the current order volume is attributable to the DACH region and EUR 5.6 million to the Northern Europe region. Accumulated orders for the current year is EUR 12.3 million and has already reached EUR 8.4 million for financial year 2023.

The Company's liquidity position is currently tight but balanced. Additional financing options are already being implemented.

1.4.2 Results

The Softline Group generated revenue of EUR 8.6 million in the first three months of 2022 (Q1 2021: EUR 6.8 million). The IT Asset Management segment in the DACH region grew by more than EUR 1.0 million. After three months, the Cloud and Information and IT Security segments are holding steady at the previous year's level. Projects in the Managed Field Services segment were further reduced from the previous year's level, which has led to a projected decline in revenue of approximately EUR 0.2 million in this segment.

Revenue in the IT Asset Management business segment in the Northern Europe region increased by approximately EUR 1.0 million compared to the same quarter of the previous year.

In addition to revenue, the Softline Group generated other operating income in the amount of EUR 171,000 during the first three months of 2022.

Total operating performance in the first three months of 2021 thus amounted to EUR 8.8 million (previous year: EUR 6.9 million).

At EUR 3.9 million, the cost of materials in the reporting period was a clear EUR 1.3 million above the previous year's level. Cost of materials includes cost of goods of EUR 1.9 million (previous year: EUR 1.5 million) and cost of purchased services of EUR 2.0 million (previous year: EUR 1.1 million). Personnel expenses, consisting of wages and salaries (EUR 3.4 million) and social security contributions (EUR 0.7 million), totalled EUR 4.1 million over the same period, an increase of EUR 0.5 million on the previous year.

Consolidated intangible assets and property, plant and equipment were written down in the total amount of approx. EUR 56,000 (previous year: EUR 44,000). Other operating expenses of EUR 1.0 million were approximately EUR 0.2 million higher than in the previous year.

The increase in material and personnel costs over the previous year kept the operating result at EBITDA level (EUR -147,000) on par with the previous year (EUR -159,000), despite the increase in revenue. The result in the first quarter of 2022 is thus approximately EUR 161,000 above target (EUR -308,000).

The operating result (EBIT) of the Softline Group, i.e. the difference between the total operating performance and operating expenses, amounted to EUR -208,000 in the reporting period and is thus at the previous year's level (EUR -204,000).

Taking into account the financial result of approx. EUR -22,000 (previous year: EUR -26,000), the annual result (EAT) of EUR -230,000 remains at the same level as the previous year.

1.5 Employees

The Softline Group's workforce continued to grow from 208 employees at the end of the first quarter 2021 to 237 employees at the end of the first quarter 2022. We have managed to expand our workforce in all regions despite the strong demand for IT specialists. The Softline Group had an average of 232 employees throughout the first three months of 2022 (previous year: 208).

1.6 Risk report

1.6.1 Risk management and control system

The notes on the risk management, the control system and the individual risk categories explained as part of the Risk Report included in Annual Report 2021 (Section 3.6 of the Management Report) continue to apply.

The continuing effects of the Corona pandemic on the order situation and the health of the employees as well as the geopolitical risks due to the Russian war of aggression in Ukraine are being intensively monitored and countermeasures are, as far as possible, being immediately initiated.

1.7 Opportunity report

The Opportunity Report contained in the Annual Report 2021 (Section 3.7) includes detailed explanations of the economic development and the market growth that is expected to continue, and these explanations continue to apply.

Despite the fact that Bitkom, the industry association, refers in its press release of 4 April 2022¹ to the negative effects of the Ukraine war and to a clouding of the business climate that also affects the digital industry, we continue to experience significant market growth.

With our focus on the future topics of "**IT and Software Asset Management**", "**Cloud Transformation**", "**Information and IT Security**" as well as "**Digital Workplace**", we therefore continue to concentrate on expanding the consulting and services business, in the DACH and Northern Europe regions and beyond.

The management of the Softline Group continues to see a very high and continuously increasing demand for consulting services, not only in the IT and software asset management business area, but also in the focus areas of IT security, digitalisation and cloud. We have already invested intensively in the expansion of our business and our team in recent months and will continue to look for inorganic growth opportunities.

In addition, we will invest heavily in the expansion of our existing partnerships as well as in new ones.

¹ Bitkom e.V. (4 April 2022). Ukraine-Krieg drückt Geschäftsklima in der Digitalbranche (*Ukraine war depresses business climate in the digital industry*) [Press release]. <https://www.bitkom.org/Presse/Presseinformation/Ukraine-Krieg-drueckt-Geschaeftsklima-in-Digitalbranche>

1.8 Report on subsequent events

Designated Sponsoring – Xetra Listing

The designated sponsor of Softline AG with regard to its corporate structure terminated the designated sponsoring agreement with almost immediate effect at the beginning of March 2022, resulting in an unscheduled delisting from Xetra trading as of 16 March 2022. After an immediate objection by Softline AG, the termination was withdrawn and Xetra trading was resumed on 28 April 2022. As of 1 July 2022, mwb fairtrade Wertpapierhandelsbank AG will take over the designated sponsorship and thus the support of the Softline share on Xetra.

Internal restructuring - postponement of the Annual General Meeting

After a first quarter of 2022 that met its targets, Softline AG had a very unsatisfactory start to the second quarter in the DACH region. Following two years of Corona, combined with home office duties and stress, and additional strain due to the war in Ukraine, many employees are suffering from fatigue, and the mood is tense. Furthermore, Softline is not immune to employees' desire for change, also known in companies nationwide as "The Great Resignation"².

The current capacity utilisation is only somewhat satisfactory, despite a high volume of orders (which, however, also includes framework agreements without purchase commitments). In April, about 2,000 fewer hours were requested and invoiced than in the previous month, which resulted in a significantly lower contribution margin and correspondingly high pressure on liquidity.

Due to this unsatisfactory business development, a programme of measures was immediately initiated to increase capacity utilisation, revenue and contribution margin, as well as to sustainably reduce costs. The focus of the Managing Director and the entire management team on profitability and optimisation of internal processes has led to the decision to postpone the Annual General Meeting to a later date (24 August 2022).

As a result of the measures initiated and implemented, Softline AG will for the time being focus exclusively on the activities of the company's IT Asset Management, Cloud and Information and IT Security business units in the DACH region. Softline Northern Europe will continue the expansion of international business already under way, particularly in the area of IT Asset Management, while continuing to collaborate with Softline International.

1.9 Report on expected developments

The business climate survey of the Federal Association of German Management Consultants (BDU) reached the conclusion that the current business situation during the first quarter was still considered good in many cases but that the outlook is becoming gloomier. BDU President Ralf Strehlau noted that the war in Ukraine is also contributing to growing uncertainty in the management consulting industry about the future development of the economy.³

² Slaghius, Bernd (19 January 2022). Kündigungswelle: Warum so viele Jobgefrustete jetzt den Wechsel planen (*Wave of resignations: Why so many job-frustrated people are now planning a change*) [Weblog].

<https://www.bernd-slaghuis.de/karriere/kuendigungswelle-great-resignation/>

³ Bundesverband Deutscher Unternehmensberater BDU e.V. (13 April 2022). Geschäftslage im Consulting vielfach noch gut, Aussichten schwächer (*Business situation in consulting still good in*

The organisational measures introduced and implemented in recent weeks mean that we believe Softline AG to be well positioned for the current financial year and beyond. We have, over the past twelve months, been able to win further consulting and service projects in all business areas as well as numerous new clients. In addition, we have intensively invested in new employees, their training and further education.

However, we will reduce our growth expenses originally planned for this year, investing instead in the optimisation of our procedures and processes as well as the development of new services and consulting activities.

Based on current business developments, order volume and our well-filled pipeline, we expect revenue for this financial year to be between EUR 30 and 35 million and an operating group result at EBITDA level to range between EUR 0.5 and 1.0 million, despite the current economic trend.

2 QUARTERLY FINANCIAL STATEMENTS

2.1 Consolidated Income Statement from 1 January to 31 March 2022

		01/01/2022 – 31/03/2022	01/01/2021 – 31/03/2021
	EUR	EUR	EUR
1. Revenue		8,644,134	6,846,296
2. Reduction in work in progress		4,828	7,606
3. Other operating income		170,670	5,202
4. Material costs			
a. Expenditures for goods	1,874,658		1,524,770
b. Expenditures for purchased services	2,019,447		1,116,978
		3,894,105	2,641,748
5. <u>Gross earnings</u>		4,925,528	4,217,357
6. Personnel costs			
a. Wages and salaries	3,429,442		3,032,020
b. Social contributions and expenses	684,129		591,284
		4,113,571	3,623,303
7. Write-downs			
a. on tangible and intangible noncurrent assets Property, plant and equipment		56,245	44,480
8. Other operating expenses		959,154	750,636
9. Other taxes		4,504	2,865
10. <u>Operating result (EBIT)</u>		-207,946	-203,928
11. Other interest and similar income		8	-209
11. Interest and similar expenses		21,808	25,843
13. <u>Financial result</u>		-21,800	-26,052
14. Earnings before taxes (EBT)		-229,746	-229,980
15. <u>Consolidated earnings after taxes (EAT)</u>		-229,746	-229,980

Managing Director

Dipl.-Ing. Dipl.-Oec. Martin A. Schaletzky

Supervisory Board

Prof Knut Löschke - Entrepreneur, Leipzig (Chairman of the Supervisory Board)

Andrew Morrison – Vice President Global Solutions & Services, Softline International, London (Deputy Chairman of the Supervisory Board)

Roy Harding – CEO Softline International, London

Employees

On average, the Group employed 232 salaried employees during the first three months of 2022, and 237 salaried employees as at the reporting date of 31 March 2022.

