



CONSOLIDATED HALF-YEAR REPORT 2022

1 January 2022 until 30 June 2022

GROUP KEY FIGURES (HGB)

		01/01/2022 – 30/06/2022	01/01/2021 – 30/06/2021
Result			
Revenue	Thousand EUR	16,457	14,661
Earnings before depreciation and amortisation (EBITDA)	Thousand EUR	-816	3
Operating result (EBIT)	Thousand EUR	-938	-94
Consolidated earnings after taxes (EAT)	Thousand EUR	-971	-147
Consolidated earnings (EAT) per share	EUR	-0.57	-0.09
Per-capita revenue	Thousand EUR	67	68
Other			
Volume of orders (as at 30/06) (approx.)	in EUR million	30.1	35.2
Employees (Softline Group)	Number	244	217

SOFTLINE AG CONSOLIDATED HALF-YEAR REPORT // CONTENTS

Group key figures (HGB)	2
Softline AG Consolidated Half-Year Report // Contents	3
1 Consolidated Management Report.....	4
1.1 Preliminary remarks	4
1.2 Overall economic performance and market trend.....	4
1.3 Performance of the Softline Group.....	4
1.4 Financial position and results of the Softline Group	5
1.4.1 Financial position	5
1.4.2 Results	5
1.5 Employees.....	6
1.6 Risk report	6
1.6.1 Risk management and control system	6
1.7 Opportunity report.....	7
1.8 Report on subsequent events	7
1.9 Report on expected developments.....	8
2 Half-year statements.....	9
2.1 Consolidated Income Statement from 1 January to 30 June 2022	9

1 CONSOLIDATED MANAGEMENT REPORT

1.1 Preliminary remarks

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

1.2 Overall economic performance and market trend

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

1.3 Performance of the Softline Group

Under the banner of **“Achieving Compliance, Control and Cost savings for your IT,”** the Softline Group generated total revenue of EUR 16.5 million during the first half of 2022 (previous year: EUR 14.7 million) and total revenue and operating income amounting to EUR 16.7 million (previous year: EUR 14.6 million).

Total revenue thus amounts to approximately EUR 1.8 million above the revenue for the same period in the previous year, and total revenue including operating income is approximately EUR 2.2 million higher. At EUR 30.1 million, the volume of orders is approximately EUR 5.1 million under last year's level due to the re-evaluation of order volume included in the 2021 Annual Financial Statement.

With regard to staffing, we've been able to continue following our path of growth, having increased from 217 to 244 employees. This corresponds to an approximate 10% growth of the German company and approximately a 20% growth in Northern Europe.

In the DACH region, revenue was increased by approximately EUR 0.7 million and approximately EUR 1.1 million in the Northern European region with regard to the previous year.

Due to the considerably increased expenses for purchased services with relation to the previous year (EUR +1.1 million) as well as the considerably increased personnel costs due to investments in the growth of the Group (EUR +1.1 million), at EUR -816,000, the operating profit of the Softline Group is considerably under that of the previous year (EUR 3,000).

This proper development in the first half of the year in 2022 is not satisfactory despite the increase in revenue with regard to the previous year. After the first quarter of 2022, which still met its targets, Softline AG had a very bad start to the second quarter. In particular, in the month of April, capacity utilisation was not satisfactory despite a high order volume level, which led to the considerably lower contribution margin and a correspondingly high level of pressure on liquidity.

Following two years of the pandemic, 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 also not immune to employees' desire for change, also known in companies nationwide as "The Great Resignation"¹.

Due to unsatisfactory business development during the beginning of the second quarter, a programme of measures was immediately initiated at Softline AG (DACH region) to increase capacity utilisation, revenue and the contribution margin, as well as to sustainably reduce costs.

The positive revenue and profit development during the course of the second quarter as well as the beginning of the third quarter show that measures have already started working. The Softline AG Management Board therefore assumes that there will be positive business development during the ongoing 2022 financial year.

1.4 Financial position and results of the Softline Group

1.4.1 Financial position

The volume of orders has declined during the second quarter in comparison to the first quarter of 2022, and, as has already been explained in the quarterly report, at EUR 30.1 million, it is considerably under the previous year's figure due to a re-evaluation of order volume in the 2021 Financial Statement (30/06/2021: EUR 35.2 million; 30/06/2020: EUR 33.3 million; 30/06/2019: EUR 25.1 million).

The current volume of orders includes EUR 24.7 million for the DACH region and EUR 5.4 million for the Northern Europe region.

The company's liquidity position continues to be strained but balanced.

1.4.2 Results

The Softline Group generated revenues of EUR 16.5 million in the first six months of the 2022 financial year. Taking into account the reduction in work in progress and other operating income, total revenue and operating income came to EUR 16.7 million (previous year: EUR 14.6 million).

In the Northern Europe region, revenue increased from EUR 3.9 million to EUR 5.1 million. Here, the focus is almost exclusively on the core portfolio area of IT and Software Asset Management.

In the DACH region, revenue was able to be expanded from EUR 10.8 million in the same period last year to EUR 11.4 million. In particular, in the field of ITAM, revenue increased from EUR 4.2 million to EUR 5.3 million. Slight gains of EUR 0.1 million were also able to be generated in the fields of Cloud and IT Security. The medical field services and recruiting sectors diminished to approximately EUR 0.5 million in revenue as planned.

Overall, revenues during the first half of 2022 are considerably lower than planned.

¹ 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/kuendungswelle-great-resignation/>

Whilst expenditures for goods rose by approximately EUR 0.3 million in the first half of 2022 compared with the same period in the previous year, expenditures for purchased services were approximately EUR 1.1 million above the previous year's figure. This can be primarily attributed to a large-scale project in the automotive field, which is handled by an external general-contracting partner. At the same time, personnel costs, consisting of wages and salaries (EUR 7.1 million) and social contributions (EUR 1.4 million), increased to a total of EUR 8.5 million (previous year: EUR 7.3 million).

Consolidated intangible assets and property, plant and equipment were written down by a total of EUR 0.1 million (previous year: EUR 0.1 million). Other operating expenses of EUR 2.0 million were approximately EUR 0.5 million higher than in the previous year. The increase in comparison to the first six months of 2021 is primarily due to increased expenditures related to personnel expansion (vehicle, travel and advanced training costs) but also due to higher expenditures in marketing as well as partner management.

After six months, the operating result at EBITDA level is EUR -816,000 (previous year: EUR 3,000).

Due to write-downs, the operating result (EBIT) of the Softline Group, i.e., the difference between total revenue + operating income and operating expenses, amounted to EUR -938,000 in the reporting period and is therefore EUR 0,8 million under the previous year's figure (EUR -94,000)

Taking into account the financial result of approximately EUR -33,000 (previous year: EUR -53,000), annual earnings after taxes (EAT) of EUR -971,000 are approximately EUR 0.8 million below that of the previous year (EUR -147,000).

1.5 Employees

The Softline Group also continued to grow during the past 12 months. The Softline Group maintained an average of 238 employees throughout the first six months of 2022 (previous year: 212).

During the reporting period, an average of 195 employees worked for the parent company.

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.

In the merely recently published study on the IT consulting market² by Lünendonk, even if the IT service providers surveyed assume that growth dynamics in the IT consulting market will remain the same in 2022 and 2023 and may even somewhat decline, we continue to assume that there will be considerable growth opportunities for Softline AG and its subsidiaries.

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 concentrate on relevant issues regarding growth. According to the assessment provided by Lünendonk, here, companies really need to catch up on aligning business processes with the changed requirements involved with digitalisation and IT modernisation.

Therefore, the management of the Softline Group does not only 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 information and IT security, digitalisation and cloud, both in the DACH region as well as in the Northern European region and beyond.

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.

1.8 Report on subsequent events

The optimisation and reorganisation measures instigated during the second quarter are already taking effect and are reflected in the turnover and earnings trend. However, the optimisation process has not yet been completed and we will also intensively continue this in the coming weeks with regard to our internal processes as well as the business and budget planning for our future business growth.

As has already been reported, we will therefore, for the time being, concentrate 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.

² Lünendonk® Study 2022: The market for IT services in Germany.

1.9 Report on expected developments

Both the Federal Association of German Management Consultants (BDU) as well as Lünendonk assess the current situation as good; however, they warn of a worsening of future prospects. The ongoing war in Ukraine as well as the continuing COVID-19 issue provide for uncertainty with regard to further economic development.

The organisational measures and optimised processes introduced and implemented in recent weeks mean that we believe Softline AG and its subsidiaries to be well positioned for the current financial year and beyond. With the current portfolio, which is being continuously further developed, as well as a subsidiary within the international Softline Group, significant growth and further development opportunities exist, both on the national as well as the international level.

Over the past months, we have also been able to win further consulting and service projects as well as numerous new clients; furthermore, we have invested in the further education and training of our employees.

However, we have already reduced our growth expenses originally planned for this year and invested in the optimisation of our procedures and processes as well as the development of new services and consulting activities in respect thereof.

Based on current business developments, order volume and our continuously well-filled pipeline, we expect revenue for this financial year to be between EUR 30.0 and 35.0 million and an operating group result at EBITDA level to range between EUR 0.3 and 0.7 million, despite the current economic trend.

2 HALF-YEAR STATEMENTS

2.1 Consolidated Income Statement from 1 January to 30 June 2022

		01/01/2022 – 30/06/2022	01/01/2021 – 30/06/2021
	EUR	EUR	EUR
1. Revenue		16,457,335	14,661,290
2. Reduction in work in progress		36,432	-93,458
3. Other operating income		246,876	13,391
4. Material costs			
a. Expenditures for goods	3,790,269		3,526,363
b. Expenditures for purchased services	3,334,361		2,251,663
		<hr/>	<hr/>
		7,124,630	5,778,027
5. <u>Gross earnings</u>		9,616,014	8,803,196
6. Personnel costs			
a. Wages and salaries	7,111,447		6,127,230
b. Social contributions and expenses	1,362,655		1,204,636
		<hr/>	<hr/>
		8,474,102	7,331,867
7. Write-downs			
a. On tangible and intangible noncurrent assets		115,277	91,380
8. Other operating expenses		1,958,039	1,468,411
9. Other taxes		7,047	5,239
		<hr/>	<hr/>
10. <u>Operating result (EBIT)</u>		-938,451	-93,700
11. Interest and similar expenses		32,688	52,810
		<hr/>	<hr/>
12. <u>Financial result</u>		-32,688	-52,810
13. Earnings before taxes (EBT)		-971,139	-146,511
14. <u>Consolidated earnings after taxes (EAT)</u>		-971,139	-146,511

Managing Director

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

Supervisory Board

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

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

Roy Harding – Global CEO Softline International, London

Employees

On average, the Group employed 238 salaried employees during the first six months of 2022, and 244 salaried employees as at the reporting date of 30 June 2022.

