



CONSOLIDATED QUARTERLY REPORT 2021

1st quarter 2021

GROUP KEY FIGURES (HGB)

		01/01/2021 – 31/03/2021	01/01/2020 – 31/03/2020 ¹
Result			
Revenue	TEUR	6,846	6,305
Earnings before depreciation and amortisation (EBITDA)	TEUR	-157	18
Operating result (EBIT)	TEUR	-388	-30
Consolidated earnings after taxes (EAT)	TEUR	-417	-66
Consolidated earnings (EAT) per share	EUR	-0.24	-0.04
Per-capita revenue	TEUR	32.9	31.7
Other			
Volume of orders (approx. as at 31/03)	in EUR million	37.4	36.8
Employees of the Softline Group	Number	208	199

¹ To ensure comparability, the figures relating to the French company Softline Solutions France, which was wound up in September last year, have been eliminated from the quarterly report.

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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 2021 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 2020 (Section 3.1 of the Management Report) also applied to the first three months of 2021.

1.3 Performance of the Softline Group

Following a challenging financial year in 2020, which we nevertheless concluded well in terms of both revenue and earnings, the Softline Group made a good start to the new year. The Softline Group was again able to strengthen its position and expand its market potential by focusing on the core portfolio areas of IT and Software Asset Management, Cloud and Future Datacentre, Information and IT Security as well as Digital Workplace. all under the banner "**Achieving Compliance, Control and Cost Savings for your IT**".

Consolidated revenue after the first three months of the year is 8.6 per cent higher than in the same quarter of the previous year. In addition, volume of orders continued to increase in the reporting period, rising from EUR 36.8 million to EUR 37.4 million. Number of employees increased by 9.0 per cent compared to the previous year, especially in the areas of sales and consulting. We plan to further expand our team by 15 to 20 per cent by the end of the financial year.

Consulting revenues in the D-A-CH region increased significantly in the first quarter compared to the previous year, particularly in the areas of IT Security and Cloud. This growth thus fully compensated for the strategically planned revenue reduction in Managed Field Services and Recruiting.

Revenue from both consultancy and licensing sales in the Northern Europe region remained at the previous year's level.

Consolidated revenue for the first quarter of 2021 amounted to approximately EUR 6.8 million after three months, which is approximately EUR 500,000 above the previous year's figure (EUR 6.3 million) and thus slightly higher than targeted.

At EBITDA level, the Softline Group generated an operating result of approx. EUR -157,000. Earnings therefore remain approximately EUR 131,000 above target, despite substantial investments in new employees for both the D-A-CH and Northern Europe regions. The current outstanding volume of orders, high capacity utilisation across all divisions and a very well-filled pipeline give us every reason to believe that we will achieve our revenue and earnings targets by the end of the year.

1.4 Financial position and results of the Softline Group

1.4.1 Financial position

Similar to the previous year's quarters, volume of orders increased once again, rising to **EUR 37.4 million as at 31 March 2021** (Q1 2020: EUR 36.8 million; Q1 2019: EUR 23.2 million; Q1 2018: EUR 16.6 million). Of this amount, only EUR 16.0 million is attributable to the current financial year; the Executive Board expects balanced liquidity both for 2021 and beyond.

1.4.2 Results

The Softline Group generated revenues of EUR 6.8 million in the first three months of 2021 (Q1 2020: EUR 6.3 million). The Cloud and IT Security business divisions in the D-A-CH region increased on the previous year's levels by approximately EUR 700,000 and EUR 400,000 respectively. This growth more than compensated for the planned reductions in Recruiting Services (EUR -500,000) and Managed Field Services (EUR -100,000).

In addition to revenue, the Softline Group generated other operating income in the amount of EUR 5,000 in the first three months of 2021.

This resulted in a total revenue and operating income of EUR 6.9 million in the first three months of 2021 (previous year: EUR 6.4 million).

At EUR 2.6 million, the cost of materials in the reporting period was approximately EUR 500,000 above the previous year's level and consisted of cost of goods of EUR 1.5 million (previous year: EUR 1.1 million) and cost of purchased services of EUR 1.1 million (previous year: EUR 1.0 million).

At the same time, personnel costs, consisting of wages and salaries (EUR 3.0 million) and social contributions (EUR 600,000), totalled EUR 3.6 million, an increase of EUR 300,000 over the previous year (EUR 3.3 million).

Consolidated intangible assets and property, plant and equipment were written down by a total of EUR 200,000 (previous year: EUR 48,000). Other operating expenses of EUR 800,000 are approximately EUR 100,000 below the previous year's figure.

Based on the increased revenue as well as the higher personnel and material costs, the corresponding substantial investments meant that the operating result at EBITDA level in the first quarter was approx. EUR 175,000 below the result of the same quarter of the previous year, falling to EUR -157,000. These earnings for the first quarter were nevertheless approximately EUR 135,000 above target (EUR -292,000).

The operating result (EBIT) of the Softline Group (i.e. the difference between total revenue + operating income and operating expenses, amounted to EUR -388,000 in the reporting period and was thus clearly below that of the previous year (EUR -30,000).

Taking into account the financial result of approximately EUR -26,000 (previous year: EUR -32,000), annual earnings after taxes (EAT) of EUR -417,000 is approximately EUR 350,000 below that of the previous year.

1.5 Employees

In terms of its workforce, the Softline Group had 208 employees in the first quarter of 2021, which is more than in the same period of the previous year (199 employees). We have

expanded our workforce in all regions and business areas. The Softline Group maintained an average of 208 employees throughout the first three months of 2021 (previous year: 198).

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 2020 (Section 3.6 of the Management Report) continue to apply.

The countermeasures immediately initiated in the first quarter of financial year 2020 due to the onset of the corona pandemic have proven to be correct and successful. We will continue to review our company and our processes by means of regular risk inventories and take appropriate precautionary measures whenever necessary.

1.7 Opportunity report

Detailed notes on the economic development and expected market growth in the areas of Software Asset Management and Cloud were provided in the Opportunity Report included in Annual Report 2020 (Section 3.7 of the Management Report) and continue to apply.

Signs continue to clearly point to further growth for the Softline Group. Intensive investments were made last year in the development of new concepts and in building up the team as well as in training and further education. We continue to focus on future-driven topics such as "**IT- and Software Asset Management**", "**Cloud Transformation**", "**Information and IT Security**" as well as "**Digital Workplace**" and concentrate on expanding the consulting and services business in the D-A-CH and Northern Europe regions as well as outside them.

The management of the Softline Group sees a very high and continuously increasing demand for consulting, not only in the IT and Software Asset Management business area, but also regarding the key topics of IT Security, Digitalisation and Cloud. We will therefore continue to invest in the expansion of our team and additionally 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

We merged the two subsidiaries Softline Solutions GmbH (Leipzig/Wolfsburg) and Softline Services GmbH (Aschheim) into Softline AG in March 2021. This merger has once again significantly reduced the complexity of the company and prepared it for further international growth with a unified portfolio and combined forces.

Furthermore, Axion Holding Cyprus Limited, a holding company of the Russian, internationally operating Softline Group (Softline International), which is independent of Softline AG, had previously signed a share purchase agreement with our former main shareholder SKMB in December 2020 for the sale of all the latter's shares in Softline AG to Axion Holding.

Axion Holding acquired approximately 1 million shares in Softline AG on 08 April 2021 and thus currently holds shares amounting to 63.38% of the share capital in Softline AG.

As previously described in detail in the Annual Report, the involvement of the global IT company as the main shareholder of Softline AG constitutes a bundling of the strengths of both groups of companies and lays the foundation for further international growth.

1.9 Report on expected developments

After the Corona shock at the beginning of 2020 and the corona-related restrictions that partially remain in effect, both social life and the economy are slowly returning to normal. In fact, there were signs of growth in the IT sector as early as last year.

While the pandemic has hit German and international industry with full force, it has also caused a massive push towards digitalisation. Digital technologies helped to cope with the pandemic, and this digitalisation impetus will continue to a considerable extent for some time to come, having a correspondingly positive effect on the market as a whole.

Based on the existing volume of orders, the well-trained and highly motivated team as well as the future access to new regions, markets and customers provided by Softline International, Softline AG and its subsidiaries are facing completely novel opportunities for growth and development. In addition, Softline AG can benefit from the expertise and experience of Softline International in its existing markets.

The future cooperation of the two companies will provide mutual access to extensive expertise and know-how and thus global growth opportunities for both companies, as well as development opportunities for our employees.

We will continue to promote the growth and internationalisation of the Softline Group in the portfolio areas of "IT and Software Asset Management", "Cloud and Future Datacentre", "Information and IT Security" and "Digital Workplace" under the banner of "Achieving Compliance, Control and Cost Savings for your IT".

Our plan for the current financial year includes achieving consolidated revenue of EUR 34 - 36 million with an operating result at EBITDA level of between EUR 1.0 and 1.5 million.

To reach these goals, we will continue in the coming months to invest heavily in our important partnerships and in new employees as well as their training and further education.

2 QUARTERLY FINANCIAL STATEMENTS

2.1 Consolidated Income Statement from 1 January to 31 March 2021

		01/01/2021 – 31/03/2021	01/01/2020 – 31/03/2020
	EUR	EUR	EUR
1. Revenue		6,846,296	6,305,144
2. Reduction in work in progress		7,606	-256
3. Other operating income		5,202	63,337
4. Material costs			
a. Expenditures for goods	1,524,770		1,128,040
b. Expenditures for purchased services	1,116,978		1,035,894
		2,641,748	2,163,934
5. <u>Gross earnings</u>		4,217,357	4,204,291
6. Personnel costs			
a. Wages and salaries	3,032,020		2,785,544
b. Social contributions and expenses	591,284		539,576
		3,623,303	3,325,120
7. Write-downs			
a. on intangible assets and property, plant and equipment		231,677	48,005
8. Other operating expenses		750,636	861,165
9. <u>Operating result (EBIT)</u>		-388,260	-29,999
10. Other interest and similar income		-209	0
11. Write-downs on investments		0	0
12. Interest and similar expenses		25,843	32,335
13. <u>Financial result</u>		-26,052	-32,335
14. Earnings before taxes (EBT)		-414,313	-62,334
15. Extraordinary expenses		0	0
16. Taxes on earnings and income		0	0
17. Other taxes		2,865	3,514
18. <u>Consolidated earnings after taxes (EAT)</u>		-417,178	-65,849

Managing Director

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

Supervisory Board

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

Florian Schulte, Managing Director, Baden-Baden (Deputy Chairman of the Supervisory Board)

Karl-Heinz Warum - Managing Director SBC-Strategic Business Consulting, Schweitenkirchen

Employees

On average, the Group employed 208 salaried employees during the first three months of 2021, and 208 salaried employees as at the reporting date of 31 March 2021.

