



9-Month Report 2021/2022

(01 December 2021 to 31 August 2022)

ServiceWare SE, Idstein



9-Month Report as at 31 August 2022

1.1 Ratios of the Financial Statements as at 31 August 2022

In kEUR	01 December to 31 August		Variation	% ¹
	2021/2022	2020/2021		
Sales revenues	61,791	60,982	810	1.3
thereof SaaS/Service	35,232	29,460	5,772	19.6
EBITDA	-576	1,604	-2,180	>-100
EBIT	-3,451	-770	-2,681	>-100
Financial result	-84	-101	17	-16.8
Earnings before taxes for the period	-3,536	-872	-2,664	>-100
Income tax	471	264	208	78.7
Earnings after taxes for the period	-3,065	-608	-2,457	>-100

Please note: All numbers in this report are rounded arithmetically to thousands. The calculation of totals can lead to rounding differences.

The noticeable slowdown in the global economic outlook due to the war in Ukraine, skyrocketing prices and extensive supply bottlenecks in numerous industries are also temporarily affecting the business development of Serviceware. This is partly reflected by an increased customer restraint in the demand for modules of the Serviceware platform to increase the digital service quality. By contrast, the demand for the platform modules for optimising service costs remains strong in the current economic environment.

Serviceware sees the current macroeconomic market constellation as a temporary phase of weakness within the fundamentally intact global trend towards digitalisation, enhanced efficiency and quality improvement of service processes. In line with this, advance expenditures for the further expansion of the market position of Serviceware were made in the previous quarters of the current fiscal year. These included, among other things, the rounding off of the headcount. At the end of the third quarter of 2022, Serviceware has a sustainable basis which will allow it to realise extensive economies of scale in the expansion of its business in the event of a renewed acceleration of growth once the economic slowdown factors have ceased to apply. The approach of Serviceware is also characterised by a high level of cost awareness in all other areas, whereby care is always taken to ensure that the future potential is not sustainably reduced through savings.

During the first nine months of fiscal 2021/2022, sales revenues increased by 1.3 percent from EUR 61.0 million to EUR 61.8 million. This represents a significant slowdown in the course of the year and in particular during the third quarter. The SaaS/Service business unit continued to show dynamic growth, achieving sales revenues of EUR 35.2 million in the first nine months of the fiscal year - 19.6 percent more than in the same prior-year period (EUR 29.5 million). Sales revenues from SaaS/Service reached a new record level of 57 percent of total revenues, up from 48.3 percent during the same period last year. Serviceware has thus successfully implemented its strategy of expanding the share of recurring and easily plannable SaaS/Service sales revenues during the reporting period. SaaS/Service sales revenues reached EUR 12.5 million during the third quarter, an all-time high in the company's history.

Unlike the positive development in recurring SaaS/Service sales revenues, the licensing business was rather restrained in terms of customer activity. Sales revenues were 21.4 percent below the prior-year figure. The

¹ In the event of relative changes of more than 100 percent, the change is stated in simplified form as ">100".

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expense items were characterised by cost discipline, but also by the necessary expenditure for the expansion of the market position. The transformation of the business model from one-time licence revenues to monthly recurring SaaS sales revenues was associated with high investments and upfront expenses during the reporting period. As a result, the EBITDA was slightly negative at EUR -0.6 million, while during the same prior year period a positive result of EUR 1.6 million had been achieved. The Group had a robust equity ratio of 46.2 percent as at 31 August 2022, compared to 48.7 percent at the end of the previous fiscal year.

Serviceware has continued its strategic expansion course, unimpressed by the economic slowdown. Its unique ESM platform was expanded and further developed through releases for individual modules. Various certifications which Serviceware received during the third quarter, underpin the quality and outstanding market position of the platform. The number of customers using modules of the ESM platform was likewise further increased. In line with the company's strategy, cross-selling potential is being leveraged, with more than half of the new customers already using at least two of the modules of the platform. On an international level, Serviceware reports an increasing number of requests from potential customers for testing opportunities as a result of the unchanged high level of activity, and numerous pre-contractual trials are currently being performed.

Serviceware remains positive about the medium and long-term prospects of the company and its business model. During the current financial year, sales revenues are expected to remain at the prior-year level despite the economic slowdown, and the EBITDA is likely to range between EUR -2.5 million and EUR +0.5 million. The currently contracted ongoing revenues from SaaS contracts lead to the anticipation of a significant rise in recurring revenues next year and thus form a sustainable basis for the coming year and beyond. Serviceware sees the sustainable trend towards digitalisation, enhanced efficiency and quality improvement of service processes, which are increasingly decisive success factors for companies in the global competitive environment, as a driver for future growth. Against this backdrop, the international market research and analysis company Gartner Group expects an average annual market growth of 22.7 percent in the area of "IT financial management", which is particularly relevant in this context, until 2026. With its unique ESM platform, a business model which has proven itself over decades and an outstanding international team, Serviceware is ideally positioned to participate disproportionately and in the long term in this positive trend and to help shape it.

1.2 Key events in the Serviceware Group

New customers and successful implementations

Serviceware has further expanded its customer portfolio during the first nine months of the fiscal year and successfully implemented numerous modules of the ESM platform for national and international customers. Around 1,100 customers worldwide now use the Serviceware platform to digitise service processes, improve their quality and manage them efficiently and cost-effectively.

During the first three quarters, the number of customers was further increased by around 3.4 percent. A double-digit number of new customers was likewise acquired during the third quarter. The international expansion of Serviceware is currently additionally characterised by steadily intensified sales activities, which are also resulting in an increasing number of test installations or even more concrete pre-contractual trials. This trend continued during the third quarter.

The new customers that Serviceware has been able to win during the fiscal year to date include a big German bank, an Austrian technology group and a globally operating mineral oil group with headquarters in America. At the latter, which has several tens of thousands of employees, the implementation of the Serviceware Financial software module has meanwhile been successfully started within the framework of a SaaS contract. The module primarily replaces the previous highly manual IT cost management processes. With Serviceware Financial, the mineral oil group now has a single point of truth. The software solution transparently identifies

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cost drivers in the company and shows potential savings. The reduction of processes also enables significant time savings. The cooperation with the global mineral oil group exemplifies the digitalisation of sales, which Serviceware has further pushed during the Covid 19 pandemic; the initiation of the business relationship and the first implementation steps were carried out completely digitally at the beginning of 2022, and it was not until the third quarter that an on-site visit by the project team took place. The roll-out of Serviceware Financial at the customer's is progressing successfully.

The go-live of the Serviceware ESM platform with initially two modules was successfully realised during the third quarter at a healthcare provider from another European country. The Serviceware Processes and Serviceware Knowledge modules replaced the previously used solutions of a competitor. After the successful introduction in IT service management, the implementation of IT service processes in the IT security environment is planned as the next step.

Serviceware was also able to implement a successful product launch for a renowned German health insurance company. The customer now uses Serviceware Knowledge, Serviceware Messaging and the artificial intelligence-based chatbot from Serviceware, initially in the area of corporate customers. The chatbot is already answering a large part of customers' questions about insurance terms and conditions in a fully automated and continuously self-learning manner. The combination of the various Serviceware modules also ensures a seamless and error-free transition of the dialogue with the customer between the chatbot and human service agents. This is based on the knowledge of the insurance group collected and managed by means of Serviceware Knowledge. By using artificial intelligence, Serviceware can offer a superior solution which continuously gets better through interaction with human employees, so that an automation rate of more than 80 percent when answering questions is targeted with the customer. The use of the Serviceware modules is also planned in other areas of the insurance customer in the future.

Expansion of the platform and certifications

The continuous enhancement of the unique ESM platform and the individual modules is part of the expansion strategy of Serviceware. During the third quarter of the fiscal year, releases were scheduled for Serviceware Financial, Serviceware Processes and Serviceware Resources, and the new versions were successfully introduced and integrated into the platform.

With Serviceware Financial 6.2, a further improved version of the Technology Business Management / IT Financial Management solution was released. The new version scores, among other things, with an even closer interaction of performance and financial information. In addition, Serviceware now offers customers an extended standard cost model which allows them to map their individual business and service model even better. This permits a higher transparency of service costs on an automated basis and at the same time to further improve the possibility of cost cuts.

The Serviceware Processes 7 release, which has been delivered since August 2022, represents another important milestone. This makes it even easier for customers to assign case instance entitlements to different service teams, tailored to their needs and data protection requirements. The same ticket types and processes of the platform can be used. With Serviceware Processes 7, the introduction of the platform across several service areas can be accelerated considerably. The central Service Portfolio can be accessed directly via the "Processes Web Client", as is already the case with the "Financial Web Client" of Serviceware Financial.

Serviceware Resources 8.1 was launched at the beginning of June 2022. The current version of the software module makes it even easier for customers to avoid capacity peaks, slower response times and stability problems in the automated planning and optimisation of service appointments and routes.

The quality and performance of the Serviceware ESM platform and its modules are not only obvious in customer demand, but also in assessments by market analysts and corresponding certifications.

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During the third quarter of the fiscal year, the Serviceware platform obtained the certification for ITIL4 (IT Infrastructure Library). ITIL is the world's most recognised best practice framework for IT service management. It provides a framework to enable organisations to build an IT environment designed for growth, scalability and change. Seven different Serviceware processes have obtained the official certification for ITIL4 by the Pink Elephant organisation. The Serviceware ESM platform is the only one worldwide have the certification for ITIL4 in the area of service financial management.

The international market research and analysis company Gartner Group has once again rated Serviceware as an "established ITFM tool" in a current report from September 2022, which examines the global market for IT Financial Management (ITFM) solutions. This underlines the claim of Serviceware to be one of the world's leading providers.

Investor Relations: Analysts see more than a doubling potential for the share

Especially in the current uncertain macroeconomic environment, the management of Serviceware has intensively communicated with existing and potential national and international investors. In individual and group meetings, the perspectives of the company, its growth strategy and the current situation were explained. Comprehensive information on the company, its products and the Serviceware share is available on the Internet at www.serviceware-se.com in three languages. The Investor Relations section also contains the financial reports of Serviceware as well as ad hoc disclosures and company releases, etc. The analysts of Montega AG and Quirin Privatbank AG currently cover the Serviceware share (ISIN: DE000A2G8X31). In their most recent studies from the end of September (Montega) and the beginning of October (Quirin), the analysts see the fair value of the share at EUR 18.00 (Montega) and EUR 18.50 (Quirin). Based on the price level around EUR 6.80 (as at 25.10.2022), this means a price potential for the Serviceware share of around 165 percent respectively 172 percent.

1.3 Business Development

1.3.1. Development of sales revenues

During the first nine months of fiscal 2021/2022, the sales revenues of Serviceware increased slightly by 1.3 percent to EUR 61.8 million compared to the same prior-year period. While there was a 21.4 percent decline in sales revenues in the area of (one-off) licence sales, sales revenues in the strategically important area of SaaS/Service rose by 19.6 percent. The trend towards SaaS/Service business thus continues. This is in line with a shift in the generation of sales revenues from one-time high licence fees to monthly recurring subscription fees. However, this provides a high degree of planning security, especially in times of economic uncertainty. Maintenance revenues declined by 9.5 percent versus the same prior-year period. The development of maintenance revenue follows the long-term development of licence revenue with a time lag, which will be partially substituted by SaaS/Service transactions in the long term due to the trend towards SaaS/Service transactions. The breakdown of sales revenues is as follows:

In kEUR	01 December to 31 August		Variation in %
	2021/2022	2020/2021	
Revenues SaaS/Service	35,232	29,460	19.6
Revenues licences	12,954	16,489	-21.4
Revenues maintenance	13,605	15,033	-9.5
Total	61,791	60,982	1.3

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1.3.2. Operating income (EBITDA/EBIT)

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) for the first nine months of the 2021/2022 fiscal year amounted to kEUR -576 in accordance with IFRS. This means that the EBITDA is kEUR 2,180 below the value of kEUR 1,604 for the same period of the previous year. High upfront costs for the expansion of the SaaS/Service business as well as costs for the focussing on strategic new customer business had a negative impact on earnings. The trend towards SaaS/Service transactions continues to be associated with the fact that sales revenues are only recognised with a delay and over a period of several years, while sales expenses for identifying and processing leads are realised in full during the current reporting period. This effect is particularly significant in the case of Enterprise customers and international projects, of which Serviceware was able to successfully conclude several in the current financial year.

Consolidated earnings before interest and taxes (EBIT) amounted during the first nine months of the fiscal year to kEUR -3,451, which is kEUR 2,681 less than the result of kEUR -770 during the same period of the previous year. Depreciation and amortisation increased by kEUR 502 compared to the same period of the previous year, of which kEUR 339 are attributable to the shortening of the amortisation period for the "SABIO" and "cubus" trademarks acquired in 2018 and 2019. The total amount to be amortised over the future period does not increase as a result, but the shortened amortisation period leads to higher annual amortisation amounts during an overall shorter period.

1.3.3. Financial result and earnings before taxes

The financial result for the first nine months of the 2021/2022 fiscal year amounted to kEUR -84 and improved by kEUR 17 compared to the same prior-year period (kEUR -102).

The earnings before taxes (EBT) for the period amounted to kEUR -3,536 (prior year: kEUR -872), which corresponds to a reduction of kEUR 2,664 versus prior year.

1.3.4. Tax expenses and earnings after taxes

For the first nine months of the 2021/2022 fiscal year, tax earnings totalled kEUR 471 (prior year: kEUR 264). The consolidated earnings after taxes amounted to kEUR -3,065. Compared to the same prior-year period (kEUR -608), the earnings thus decreased by kEUR 2,457.

1.4 Balance Sheet as at 31 August 2022

In kEUR	31.08.2022	30.11.2021	Var.	%
Cash and cash equivalents	27,704	34,323	-6,618	-19.3
Equity	50,875	53,953	-3,077	-5.7
Debt capital	59,146	56,827	2,319	4.1
Balance sheet total	110,022	110,780	-759	-0.7

The cash and cash equivalents of Serviceware decreased by kEUR 6,618 (-19.3 percent) to kEUR 27,704 as at 31 August 2022 compared to 30 November 2021. kEUR 5,824 of this amount are attributable to the acquisition of financial assets, which are recognised in the balance sheet under non-current assets. In addition, non-current financial liabilities were redeemed as scheduled in the amount of kEUR 938.

The equity of kEUR 50,875 decreased compared to the balance sheet date of fiscal 2020/2021 (kEUR 53,953) by kEUR -3,077 or -5.7 percent. The debt capital amounts on 31 August 2022 to kEUR 59,146. Compared to 30 November 2021, this corresponds to an increase in the amount of kEUR 2,319. An essential driver of the increase in debt capital is the rise in the backlog of orders on the balance sheet date at the end of the reporting period. The order backlog is essentially made up of advance payments received for maintenance and SaaS

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contracts. A large part of the maintenance and SaaS contracts provides for advance invoicing based on the calendar year, which is recognised in accounting terms in the contractual liabilities. The latter have increased accordingly during the first half-year. In addition, the general trend towards SaaS/Service transactions contributes to this development. Due to binding contracts, these contractual liabilities represent already fixed future sales revenues of Serveware. The financial liabilities of Serveware were further reduced by scheduled repayments.

On 31 August 2022 the balance sheet total added up to kEUR 110,022 (30 November 2021: kEUR 110,780). The equity ratio hence amounted to around 46.2%. The equity ratio dropped by approximately 2.5 percentage points versus 30 November 2021 (around 48.7%). The reduction is essentially due to the negative results for the period.

1.5 Supplementary Report

No further events occurred after the balance sheet date which have a significant impact on the net assets, financial and earnings position of Serveware. The uncertainties arising in connection with the Covid-19 pandemic and the war in Ukraine persist and are discussed in the Opportunities and Risks section in the 2020/2021 Annual Report (Chapter 2, page 43 ff). These include, for instance, global risks such as the consequences of the current war in Ukraine for economic stability in Europe and its impact on the supply of fossil fuels. In addition, there are still risks associated with the spread of the coronavirus and its possible further mutations, as well as supply chains which have been interrupted or disrupted for various reasons and escalating price increases in all areas.

1.6 Outlook

The overall economic development continues to be characterised by a high degree of uncertainty, which makes a reliable forecast difficult. On the one hand, the Covid-19 pandemic already seems to be in a state of transition to an endemic in the western industrialised countries. Despite partly very dynamic infection cases in some cases, the burden on the health system is currently relatively low due to mostly mild courses and almost all the restrictions have been lifted. On the other hand, in other regions of the world, such as China, local outbreaks continue to lead to highly restrictive measures which can have an impact around the globe via the interconnected supply chains. Meanwhile, the war in Ukraine continues unabated, there is currently no end in sight and further sanctions and countersanctions are to be expected. Due to the attacks on the Nord Stream gas pipeline in September 2022, it seems extremely unlikely that the already previously suspended gas deliveries will be resumed. Furthermore, high inflation is another factor of uncertainty for the economic development.

The increasing slowdown of the overall economic situation is also reflected by the current outlook of the IFO Institute, which in its autumn forecast predicts a growth of the German gross domestic product of only 1.6 percent.² For the two quarters of the winter half-year, a decline of 0.2 percent and 0.4 percent, respectively, is anticipated, which is tantamount to a recession. The deterioration of the economic situation in Germany and other national markets, combined with a high inflation rate, are the reasons why Serveware adjusted its forecast for the 2021/2022 fiscal year on 22 September 2022.

Many companies are currently holding back on investments or have postponed investment decisions. As a result, Serveware now expects sales revenues to remain on the prior-year level and an EBITDA, which is characterised by high investments in the transformation of the Serveware business model - from one-off licence invoices to a SaaS business model with monthly recurring revenues, to range between EUR -2.5 million

² According to internet publication of 12 September 2022 at:

<https://www.ifo.de/en/facts/2022-09-12/ifo-economic-forecast-autumn-2022-inflation-stifles-private-consumption-german>

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and EUR +0.5 million. So far, an increase in revenues of around 10 percent and a further improvement in the EBITDA had been expected.

Idstein, 28 October 2022

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Company Description

ServiceWare is a leading provider of software solutions for the digitalisation and automation of service processes (Enterprise Service Management), with which companies can increase their service quality and manage their service costs efficiently.

The ServiceWare platform includes the software solutions ServiceWare Processes, ServiceWare Financial, ServiceWare Resources, ServiceWare Knowledge and ServiceWare Performance. All solutions can be used in an integrated manner, but also independently from one another.

ServiceWare partners with customers from strategic consulting through the definition of the service strategy to the implementation of the enterprise service platform. Further components of the portfolio are safe and reliable infrastructure solutions as well as managed services.

ServiceWare has more than 1,000 customers worldwide from various business sectors, including 17 DAX companies as well as 5 of the 7 largest German companies. The headquarters of the company are in Idstein, Germany.

ServiceWare employs more than 500 employees at 14 international sites.

For more information, visit www.serviceware-se.com.

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