



ANNUAL REPORT 2019

January 1st 2019 till December 31st 2019

Softline AG Key Figures (German Commercial Code)

		2019	2018
Result			
Revenues	TEUR	747	654
Operating profit (EBITDA)	TEUR	-213	-59
Operating profit (EBIT)	TEUR	-2,626	-324
Annual earnings before taxes (EBT)	TEUR	-2,515	-207
Annual result (EAT)	TEUR	-2,525	-229
Annual profit (EAT) per share	EUR	-1.47	-0.13
Balance sheet			
Fixed assets	TEUR	7,164	9,730
Current assets	TEUR	138	70
Equity	TEUR	6,737	9,261
Equity ratio	%	91.89	93.89
Other			
Order Backlog Softline Group (as at 31-12)	TEUR	23.7	23.3
Employees of Softline AG	Number	-	-
Employees of the Softline Group	Number	201	190

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„The renewed increase in revenue of the Softline Group in 2019 confirms us in our growth strategy.“

1 Letter to shareholders

Dear Shareholders and Readers,

Softline AG and its subsidiaries again increased their revenues in financial year 2019 and have also achieved a clearly positive operating result at EBITDA level. Softline Group achieved significant growth, especially in the IT Asset Management and IT Consulting business areas, with core activities focused on information and IT security as well as infrastructure and visualisation consulting, both in terms of consulting and managed services.

Digitalisation and virtualisation continue to be dominant issues that pose both great opportunities and daunting challenges for companies of all sizes as well as for public services and administration. Existing processes and ways of working are being questioned; forms and methods of working, collaborating, communicating and moving around are changing rapidly. The digitalisation of processes is no longer just the primary task of internal company IT but permeates throughout the entire company, across all departments and at all levels.

These ever-increasing and constantly changing challenges can only rarely be successfully mastered without the support of external specialists or consultants, a fact that is reflected in the growing demand for highly qualified specialists and service providers.

As in previous years, Softline Group companies are focusing on precisely these tasks, bundling their highly qualified consultants and IT specialists and focusing on Software Asset Management (SAM), Information and IT Security, Cloud and Future Datacenter and Digital Workplace, all under the banner of "**Achieving Compliance, Control and Cost savings for your IT**".

During the past financial year of 2019, we again invested heavily in the growth, training and continuing education of our employees, while also successfully continuing and further expanding our long-standing partnerships with specialists in the software and hardware sector.

The strategic decisions made in recent years, the substantial investments in our employees and the ongoing optimisation of our business processes and the expansion of our range of services and products have already borne fruit.

In the coming years, we will focus even more on growth and strategic enhancement, particularly in our highest-growth, highest-margin core portfolio areas of IT Asset Management and Cloud and Future Datacenter, while also investing heavily in our sales, consulting team and the development of new consulting services for our customers. Regionally, we will focus on the D-A-CH and the Northern Europe regions (Benelux, Great Britain and Scandinavia).

Dear Shareholders,

We are pleased to have again significantly increased our revenues and especially our results at EBITDA level. We are even more pleased to have a consistently growing, highly motivated and well-trained team at our disposal, whose commitment and team spirit manages to inspire our customers over the long term while steadily advancing Softline's interests!

We again succeeded in increasing our volume of orders on the previous year (EUR 23.7 million as of 31 December 2019) and significantly expand our pipeline. We continuously increased our productivity while keeping our costs under control.

This will form the basis for continued significant growth in the coming years. The continued streamlining in the coming years will initially lead to a drop in sales, especially in the lower-margin area of Managed Field Services. In addition, we will make significant investments in growing the high-margin and future-driven areas of IT Asset Management and Cloud and Future Datacenter.

In Germany alone, we have invested more than 600 days in the further training of our employees over the past two years, and, at the beginning of January 2020, had 209 highly motivated and highly qualified colleagues on board. We also plan to continue significantly increasing our workforce in 2020.

Of course, the current corona pandemic is also having an impact on the Softline Group. Some of our customers have put their projects on hold or reduced their volume, while sales and marketing are also facing new challenges. Due to our very good customer relations and expertise in mobile working, we are, however, very well positioned to successfully maintain customer contact even without personal meetings or events. Our consultants and specialists continue to be working at capacity, as we advise and support our customers, especially during the current crisis, in order to maintain operations even with the given restrictions, to enable mobile working safely and effectively and to reduce costs as much as possible.

The successful business development in recent years is also ensuring that liquidity remains stable. This is further supported by the willingness of management to voluntarily waive part of their salaries during the corona crisis. We expect to be able to weather this crisis well and to develop the Softline Group to a new level of revenue and results in the future!

We would like to thank you, dear shareholders, for your trust in our company, and your support in following the course the Group has set.



Martin Schaletzky
Managing Director

2 Company share and investor relations

The Softline share price declined slightly in 2019 financial year and does not reflect the overall positive performance

After a slight downturn in 2018, the leading indices recorded a significant price increase again last year. The DAX, Germany's leading index, rose by around 26.5% over the course of 2019, and the TecDAX and Technology All Share technology indices also increased by 22.3% and 29.5% respectively.

Share Price Performance Softline AG

The Softline share price displayed great volatility in the course of 2019 and lost approximately 2.9% of its value by the end of the year. After an opening price of EUR 6.85, the stock fell to a low of around EUR 5.05 in mid-February, but recovered in the following weeks to hit a high of EUR 8.05 on 2 May. The share price remained above the seven euro mark until the beginning of July, but then fell to a level between EUR 5.50 and 6.50 in the second half of the year. After a further low of EUR 5.40 at the beginning of November, the share price slowly recovered to a closing price of EUR 6.65 at the end of the year. Softline Group management is very unsatisfied with the share's performance in 2019, as it does not reflect the continued positive developments at the Company.

	30.12.2019	02.01.2019	Change in %
Softline AG	6.65 €	6.85 €	-2.9%
EURO STOXX 50	3,748	2,993	+25.2%
DAX	13,386	10,580	+26.5%
TecDAX	3,015	2,464	+22.3%
Technology All Share	2,943	2,272	+29.5%

Market capitalisation and trading volume

Based on the closing share price on 31 December 2019, Softline AG had a market capitalisation of around EUR 11.4 million at the end of 2019.

In the opinion of the Group's Management Board, the slightly negative share price performance over the past year does not reflect the continued positive trend in the business. The very volatile share performance over the course of the year and, in particular, the closing price on 31 December 2019 reflect neither the company's business results in recent years nor the Group's further growth potential. To better convince capital market participants of the value of the Softline share, it will be even more important to substantiate the growth opportunities of the entire Group, along with the successes and improvements in business results, and to communicate them to the outside world.

Analyst assessments

GBC AC commented on and evaluated Softline AG in reporting year 2019. Based on the successful business trend in recent years and in the first half of 2019, analysts expressed their expectations by issuing a "Buy" recommendation. The continuous support of the Softline Group by independent analysts ensures appropriate reporting measures within the financial industry. Potential investors receive a solid assessment of the development of the Group outside of internal publications. The dialogue with analysts was continued throughout the financial year. In addition to the analyses of GBC AG, reports were published in various financial media.

Investor contacts

As in previous years, Softline AG maintained contact with capital market participants in financial year 2019 through its presence at the m:access software/IT conference of the Munich Stock Exchange. The business development and growth plans of the Softline Group were presented in talks with institutional investors and the investment potential of the Softline share explained. We will also continue our investor relations activities in 2020 in a similar manner.

Investor relations

Softline Group's investor relations activities aim to provide continuous, reliable and open information to all capital market participants. In addition to required publications, at capital market conferences and analyst meetings, we offer existing and potential shareholders, as well as financial analysts and journalists the opportunity to understand the development of the Softline Group via transparent reporting. We provide a variety of information to interested investors on our 'Investor Relations' web page. In addition to business reports and interim statements, this page provides access to general information on our company strategy, on our management, and on our shares. In addition, the Softline Group regularly uses press releases or social media platforms to provide information about new customers, current projects, awards and restructuring successes.

Financial calendar for financial year 2020

Annual report 2019 (company financial statements for the AG)	May 2020
Consolidated financial statements for 2019 (unattested)	June 2020
First-quarter report 2020	June 2020
AGM for financial year 2020	09 July 2020
Half-year report 2020	August 2020
Third-quarter report 2020	November 2020

Key share data

		2019	2018
Highest price	EUR	8.15	9.85
Low	EUR	5.05	6.65
Close	EUR	6.65	7.10
Number of shares	Million	1.71	1.71
Market capitalisation (as of 31-12.)	in EUR million	11.40	12.18
PE (as of 31-12)	-	Neg.	Neg.

Exchange listing

Softline AG shares are listed within the exchange segment free trade on the Munich stock exchange (m:access). This listing has information and transparency requirements that the company fulfils completely. Additional trading of Softline shares takes place on the curb market in Frankfurt (Quotation Board), Berlin, Düsseldorf and Stuttgart.

Share information

ISIN	DE000A2DAN10
Abbreviation	SFD1
Trading Segment	Open Market
Place of exchange	Munich (m:access), Xetra, Frankfurt a.M., Berlin, Düsseldorf and Stuttgart
Designated Sponsor	ODDO SEYDLER BANK AG



„With our cloud services we design the digitalization of our customers and create further growth for the Softline Group.“

3 Situation report

3.1 Overall economic development and market development

The German economy grew by 0.6% in 2019. According to initial calculations by the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) for 2019 was 0.6% higher than in the previous year. This means that the German economy grew for the tenth year in a row. This is the longest period of growth since German reunification. While price-adjusted GDP has risen much more strongly over the past two years, by 2.5% in 2017 and 1.5% in 2018, growth lost momentum in 2019. The German economy grew at a slower rate in 2019, compared to the average of 1.3% over the past ten years.

Growth in 2019 was supported mainly by consumption: In price-adjusted terms, private consumer spending was 1.6% up on the previous year, while state consumer expenditure rose by 2.5%. Private and state consumer spending grew more strongly than in the previous two years (Private consumer spending grew 1.3% year-on-year in both 2017 and 2018; state consumer spending increased by 2.4% year-on-year in 2017 and 1.4% in 2018).

Gross Fixed Capital Formation also rose sharply: Adjusted for prices, 3.8% more was invested in buildings than in the previous year. Other assets, which include research and development investments, were far above the previous year, increasing by 2.7%.

German exports continued on average to increase in 2019, but not as strongly as in previous years: Adjusted for prices, the German economy exported 0.9% more goods and services than in 2018. Price-adjusted imports rose more strongly, increasing by 1.9%.

On the output side of GDP, economic performance in 2019 was twofold: Although the service and construction sectors predominantly recorded strong growth, the economic performance of the manufacturing industry (excluding construction) weakened. Accordingly, the price-adjusted gross value added increased by only 0.5% in 2019 compared to the previous year.

The construction industry recorded the strongest growth, increasing by 4.0%. The information and communication services sectors as well as financial and insurance service providers also showed above-average growth of 2.9% each. In contrast, large segments of the manufacturing industry experienced sharp declines: Economic output in the manufacturing sector excluding construction, which accounts for a good quarter of the overall economy, fell by 3.6%. In particular, weak production in the automotive industry contributed to this decline.

The 2019 economic output in Germany was generated by an annual average of 45.0 million gainfully employed people in Germany. According to initial calculations, 45.3 million and thus about 400,000 more people were employed than in 2018. This increase of 0.9% is mainly due to a rise in social security contributions. As in previous years, higher labour force participation and immigration of foreign workers outweighed age-related demographic and migration effects.

According to preliminary calculations, government budgets ended 2019 with a surplus for the eighth year in a row, which amounted to EUR 49.8 billion and therefore not quite matching the record result of EUR 62.4 billion in 2018. The Federal Government had the largest share of the surplus at EUR 19.2 billion, followed by the German states at EUR 13.3 billion, social security

funds at EUR 10.7 billion and municipalities at EUR 6.6 billion. Based on nominal GDP, the government obtained a surplus ratio of 1.5% in 2019.¹

Market trend

A study conducted by Lünendonk in mid-2019 found that, in particular, the following items led to increased revenues in the IT consulting sector during both 2018 and 2019: Agile software development, hybrid cloud and orchestration, IT security and data protection, artificial intelligence, customer experience and digital interfaces, big data analytics as well as the integration of digital solutions into backend IT. The companies surveyed expected demand to increase further in all these areas during 2020.²

According to the results of the "Facts & Figures about the Consulting Market 2020/2019" BDU market study, the total revenue in the consulting sector rose by 5.7% to EUR 35.7 billion in 2019. As in 2018, the greatest demand among customers during financial year 2019 was for data protection and IT security consulting (+7.2%). Companies and organisations also increasingly sought the support of consulting firms for their marketing and sales strategies (+7.0%) as well as business development and innovation.

In 2019 management consulting companies recorded the strongest demand from customers active in the professional services (+6.8%), trade (+6.7%) and insurance (+6.5%) sectors. The mechanical engineering (+6.1%) and consumer goods sectors continued to provide impetus for business development. Both sectors have traditionally high customer demand for consulting services. The automotive industry (+4.9%) and banking sector (+4.9%), both of which are important for consultancies, lagged behind market growth in 2019.

According to the President of the German Association of Management Consultants (BDU), Ralf Strehlau, the influence of the corona virus on overall industry revenues cannot be quantified at present. However, he expects demand for consulting services to remain steady due to a variety of customer challenges. For example, consulting services such as supply chain management or reorganisation consulting might experience a particular boom. The 2020 sector study published by the BDU on 13 March 2020 forecasts a 5.8% increase in revenues for the current year. However, the BDU conducted the market survey on which this report is based before the corona outbreak occurred.

Growth forecasts for 2020 according to the BDU:

Despite the impact of the corona virus pandemic on the economy (already noticeable in mid-March 2020), 72% of companies are still sticking to their original revenue forecasts for 2020. BDU President Strehlau believes that the consulting sector will not halt its sustained economic upswing either. However, consulting services are likely to be less affected, since customers are unlikely to stop their major transformation projects, but rather to delay them. This includes digitalisation, which has been the major business driver for years. At the same time, the crisis

¹"The German economy grew by 0.6% in 2019".

https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

² Lünendonk Study 2019 – The market for IT consulting and services in Germany

has resulted in new consulting tasks involving, for example, restructuring or cost-cutting programmes.³

Competitive situation

The widespread shutdown of the economy caused by the corona pandemic is posing enormous challenges for digital companies as a whole, due to the great uncertainty among customers and delayed orders. Nearly all companies included in a Bitkom survey conducted between 17 and 22 March 2020 expect the economic crisis to worsen. Correspondingly, business development expectations have also been greatly clouded by the corona crisis in March. However, the negative consequences in the digital sector primarily affect industry and trade. Current developments on the labour market could prove to be an opportunity for further successful and growing IT companies when dealing with the greatest challenge facing medium-sized consulting companies in recent years - the recruitment of further specialists and skilled workers. As in previous years, the company's credibility, development opportunities and the feel-good factor continue, however, to be increasingly important (assuming pay rates in line with market conditions).⁴

3.2 Performance of Softline AG

Softline AG functions primarily as a non-operative holding company. Therefore, the operating performance of the established subsidiaries in Germany, Benelux, the UK and France was of crucial importance. Softline AG achieved revenues of EUR 747,000 within the Group (previous year: EUR 654,000) by further calculating the Group and management allocation. In addition, the company had other operating income in the amount of EUR 512,000, of which approx. EUR 498,000 was due to charges for sales and administrative costs. In contrast, other operating expenses amounted to EUR 120,000. Taking into account write-downs amounting to EUR 2,413,000, this results in EBITDA of EUR -213,000 (previous year: EUR -59,000).

3.3 Performance of individual subsidiaries and other changes in the Softline Group

Performance of subsidiaries⁵

The Softline Group, with its Leipzig-based parent company Softline AG and its national and international subsidiaries, significantly expanded its position as a manufacturer-independent market leader in the IT Asset Management sector in 2019, as in the previous year. In addition, IT Consulting (with key concentrations on Information and IT Security, Cloud and Future Datacenter as well as Digital Workplace) and Managed Services achieved significant revenue growth. Existing partnerships with technology leaders as well as selected IT specialists were further expanded and supplemented by new partnerships.

³ BDU e.V. 2020; Press Release of 13 March 2020, "Consulting sector: Demand potential continues to be high – potential revenue losses in 2020 due to corona virus not yet quantifiable".

⁴ <https://www.bitkom-research.de/de/Corona-und-digitale-Wirtschaft - Newsletter 02/2020>

⁵ According to interim company financial statements (unattested).

Softline Solutions GmbH, based in Leipzig, was also again able to significantly improve its revenue in 2019, compared to the previous year. The company's total revenue of EUR 15.0 million and its focus on the portfolio areas of Software Asset Management, Information and IT Security, Cloud and Future Datacenter as well as Digital Workplace puts its revenue approximately EUR 1.7 million higher than in the previous year (13 per cent) and thus approximately EUR 500,000 above target. Results at EBITDA level was flat on the previous year at around EUR 1.2 million due to ongoing investment in new employees and the training and development of the existing workforce. Outstanding orders at the end of 2019 totalled EUR 10.4 million, slightly down from the previous year (EUR 11.9 million).

Softline Services GmbH in Aschheim near Munich generated total revenue of EUR 7.4 million in financial year 2019, which is approximately EUR 900,000 above the previous year's amount. Revenue in the Recruiting Services segment rose from EUR 2.4 million over the previous year to EUR 3.3 million in 2019 due to an extensive special project. Revenue in the Managed Field Services / IMAC segment increased slightly from EUR 3.8 million in 2018 to EUR 4.0 million. Overall, the significant increase in revenues is thus approximately EUR 2.2 million above target and is also reflected in the results. With EBITDA at EUR 400,000, the company is approximately EUR 300,000 above the previous year. The order backlog was reduced as planned from approximately EUR 6.9 million to EUR 5.1 million due to the processing of expiring service contracts.

XPRTLINK GmbH in Aschheim - a subsidiary of Softline Services GmbH - did not operate in 2019. The core business of XPRTLINK GmbH, placement of highly specialised IT personnel, had already been integrated into what was then known as Prometheus GmbH in 2014 (renamed Softline Services GmbH in 2017).

Softline Solutions Benelux (consisting of Softline Solutions Netherlands BV, Nieuwegein, the Netherlands and Softline Solutions NV, Brussels, Belgium), headquartered in Nieuwegein and focused on IT Asset Management, IT Service Management and Managed Cloud Services, remained at the previous year's level, with revenues of approximately EUR 4.8 million. Earnings at EBITDA level are unsatisfactory due to insufficient capacity utilisation during the first half of the year, but performed very well during the second half of the year and especially in the fourth quarter of 2019. Overall, EBITDA at year-end was at a black zero due to restructuring expenses of around EUR 100,000. The measures introduced in the course of the year, particularly on the sales side, are reflected in the high volume of outstanding orders at year-end, amounting to EUR 8.4 million (previous year: EUR 4,3 million) and a high utilisation rate in the fourth quarter. Due to the existing order backlog, the well-filled pipeline and the increasing capacity utilisation, a significant increase in earnings is expected for financial year 2020.

Despite the overall decline in the software distribution market, French subsidiary **Softline Solutions France**, headquartered in Vélizy near Paris, generated revenue in 2019 comparable to the previous year of around EUR 2.5 million (previous year: EUR 2.5 million). With a negative EBITDA of EUR -0.2 million, the loss was slightly lower than the previous year. Due to the continued focus of the Softline Group on strategic growth in the D-A-CH and Northern Europe regions as well as the focus on IT consulting and associated services, the Softline Group will withdraw from the French software distribution business before the end of financial year 2020.

Revenues of **Softline Solutions UK**, headquartered in London, rose by EUR 17,000 to EUR 1,6 million, of which approximately EUR 1,2 million was for license distribution and

EUR 400,000 for consultancy. The investment in local sales and marketing has paid off. Consulting for customers in the UK is provided by the employees of Softline Solutions Benelux. On the earnings side, the company achieved a black zero at EBITDA level, as in the previous year. A further increase in revenue and earnings is expected in financial year 2020.

Subsidiary company revenues⁶

		2019	2018
Softline Solutions GmbH // Germany	TEUR	14,968	13,452
Softline Services GmbH // Germany	TEUR	7,417	6,488
XPRTLINK GmbH // Germany	TEUR	0	0
Softline Solutions B.V. // The Netherlands	TEUR	4,389	4,519
Softline Solutions N.V. // Belgium	TEUR	379	267
Softline Solutions France // France	TEUR	2,500	2,514
Softline Solutions UK // UK	TEUR	1,604	17

Subsidiary company EBITDAs⁷

		2019	2018
Softline Solutions GmbH // Germany	TEUR	1,226	1,239
Softline Services GmbH // Germany	TEUR	365	90
XPRTLINK GmbH // Germany	TEUR	3	0
Softline Solutions B.V. // The Netherlands	TEUR	-48	3
Softline Solutions N.V. // Belgium	TEUR	48	14
Softline Solutions France // France	TEUR	-224	-331
Softline Solutions UK // UK	TEUR	-7	-13

⁶ According to published financial statements (unattested)

⁷ According to published financial statements (unattested)

The individual subsidiary companies of the Softline Group have the following business models:

Softline Solutions GmbH // Germany

Softline Solutions GmbH is a manufacturer-independent IT consulting company with headquarters in Leipzig and Wolfsburg. National and international customers rely on the solution competence of IT specialists in the core areas of Software Asset Management, Cloud and Future Datacenter, Information and IT Security and Digital Workplace.



Softline Services GmbH // Germany

Softline Services GmbH has been supporting customers, system houses and both hardware and software manufacturers for more than 15 years, offering them managed remote and onsite services, as well as recruiting services, to ensure the smooth operation of their IT infrastructures.



XPERTLINK GmbH // Germany

The business purpose of XPERTLINK GmbH, a wholly owned subsidiary of Softline Services GmbH, is to assist its clients in the search and selection of high-level IT specialists. The company's range of services was already integrated into Softline Services GmbH in 2014.



Softline Solutions B.V. // The Netherlands

As experts in the area of IT Asset Management and License Consulting, Softline Solutions B.V. offers its customers solutions that help them when managing installation, application and cost of software, thereby creating transparency.



Softline Solutions N.V. // Belgium

As with all other Softline Solutions companies, the Belgian subsidiary focuses on providing first class IT, consulting, and support services with a particular focus on IT Asset Management/License Management.



Softline Solutions France // France

For over 20 years, Softline Solutions France – originally called STR (Software Technology Resources) – has provided France with services and software, specialising in the areas of Packaging, Software Development and Business Intelligence.



Softline Solutions Ltd. // UK

The company, founded in October 2015, is active in the area of Software Asset Management and also serves as a service company for international roll-out projects.



Other changes in Softline AG and the Softline Group

The Softline Group has been providing its own ISO-certified cloud solution, the "**Softline Cloud**", since October 2019 in order to ensure data protection compliance with EU-DSGVO. The IT consulting group offers its customers a variety of cloud services hosted in a highly available data centre in Berlin. Depending on the size of the organisation and the requirements of the respective business, Softline either manages its customers' data in the Softline Cloud as part of various managed cloud services or ensures the complete management of the cloud infrastructures.

Softline announced a **personnel change in the Supervisory Board of Softline AG** at the beginning of October 2019. Florian Schulte, Managing Director of S.K. Management- und Beteiligungs-GmbH has assumed the position on the Supervisory Board of his predecessor, Stefan Kiener, who resigned from the Board for personal reasons on 06 September 2019.

In late March 2020, Softline Solutions Netherlands announced its partnership with **Tanium**, a provider of end-point management and security for the world's most demanding IT environments. The partnership between Softline and Tanium will not only help customers gain valuable insight into the current state of their endpoints, but will also help organisations address cyber threats. With this highly disruption-free technology to manage and secure the corporate environment, Tanium is a powerful addition that complements the Softline portfolio.

In early April 2020, the Softline Group received the highest award from **Flexera Software**, the world's leading provider of software solutions for software licensing, compliance, security and installation, for excellence in delivering high-quality solutions and services that drive success, shareholder value and a strong return on investment (ROI) for customers. This is the seventh year in a row that the Softline Group has been honoured with an award by its partner Flexera. This award constitutes resounding recognition of Softline's strong base and ever-growing business relationships in the region, as well as the in-depth consulting expertise and commitment that Softline has repeatedly demonstrated over the years. Flexera and Softline appreciate this strategic partnership and look forward to further joint success in the future.

In addition, such existing partnerships as those with Snow Software, ServiceNow and Nutanix were intensively expanded and developed. Extensive investments were made in the training and further education of our employees, but also in joint events and marketing activities.

As in previous years, the Softline Group further strengthened its portfolio, offering comprehensive solutions, consulting and managed services in the areas of **Software Asset Management, Cloud and Future Datacenter, Information and IT Security** as well as **Digital Workplace**. In addition to expanding its revenue from existing customers, the Softline Group was able to acquire additional national and international projects involving well-known banks, insurance groups and automobile manufacturers.

The Softline Group continues to pursue the goal of becoming the market-leading and vendor-neutral provider of IT asset management and IT consulting in Europe and, as the independent consulting and services company, to manage, to monitor, to optimise and, in particular, to protect the IT assets of its customers - both software and hardware.

In addition to the strong partnership network with software equipment manufacturers, it is also of great importance for the Softline Group to further expand its strategic partnerships with market-leading IT system houses, such as T-Systems, ALSO, Dell and Fujitsu, as well as to consolidate long-term business relationships with medium-sized companies and international groups.

The following diagram shows a selection of customers and partnerships of Softline AG.



3.4. Assets, liabilities, financial and earning situation for Softline AG

Parent company Softline AG functions primarily as a non-operating holding, while supporting its subsidiaries in administrative matters and defining their strategy. Operating activities are performed entirely by the individual specialised subsidiaries, each in their respective countries. Softline AG, as a holding company, is dependent on the economic success of its subsidiaries.

3.4.1 Assets

The Softline AG balance sheet total as at 31 December 2019 amounted to EUR 7.3 million (previous year: EUR 9.9 million).

Softline AG’s property, plant and equipment amounted to EUR 7.2 million as at the balance-sheet date. In contrast to the property, plant and equipment as at 31 December 2018 totalling EUR 9.8 million, a write-down on the investment book value of Softline Solutions France in the amount of EUR 2,200,000 was recognised in financial assets. Overall, loans to affiliates fell by EUR 400,000 to EUR 5.5 million.

In addition, current assets on the balance sheet date were EUR 100,000, as in the previous year.

On the liabilities side of the balance sheet, shareholder equity was approximately EUR 2.6 million lower than in the previous year, falling to EUR 6.7 million.

At EUR 300,000, provisions were higher than in the previous year.

Liabilities amounted to EUR 200,000 as at the balance sheet date of 31 December 2019, which is below the previous year's level of EUR 500,000, in particular due to the repayment of a loan of the approximately EUR 300,000 from the French company to Softline AG. This includes EUR 100,000 liabilities to affiliates. As at 31 December 2019, Softline AG therefore has liabilities to third parties of less than EUR 100,000.

3.4.2 Financial position

As a financial and management holding company, Softline AG relies on operating subsidiaries to have positive results and, in addition, sufficient liquidity to repay granted loans. In the year under review, subsidiary Softline Solutions GmbH, Leipzig, repaid loans totalling EUR 400,000 to its parent company.

Loan repayments were partially offset against receivables and liabilities between Softline AG and its subsidiaries. This resulted in total loan repayments to Softline AG prior before offsetting of EUR 400,000 in financial year 2019. As at 31 December 2019, the loans granted to Softline Solutions GmbH amounted to EUR 2,947,000 (previous year: EUR 3,348,000), loans to Softline Services GmbH amounted to EUR 2,272,000 (previous year: EUR 2,272,000), and loans to Softline Solutions Netherlands BV were EUR 236,000 (previous year: EUR 281,000).

In financial year 2014, S.K. Management- und Beteiligungs GmbH, Baden-Baden, declared a debt waiver in exchange for a debtor warrant in the amount of EUR 1,000,000. Softline AG transferred these income and adjustments bonds amounting to EUR 1,000,000 to the subsidiaries Softline Solutions GmbH, Leipzig, and Softline Services GmbH, Munich.

For financial year 2019, the calculated interest on loans amounted to EUR 117,000. None of this amount was paid out during financial year 2019.

Capital structure

At the end of 2019, the subscribed capital of Softline AG amounted to EUR 1,714,000, just as in the previous year. For data relating to treasury shares, please refer to the information in the appendix.

The capital reserve was EUR 13.9 million, the same as in previous year.

The accumulated loss amounted to EUR -8.8 million. The net loss for the financial year of EUR -2,500,000 is also included here.

As in previous years, we use leasing as an off-balance-sheet financial instrument.

No further loans were taken out. The loan from French subsidiary Softline Solutions France in the amount of EUR 304,000 was repaid in financial year 2019 (EUR 170,000 in cash and | EUR 134,000 by offsetting receivables).

Liquidity

Liquidity of Softline AG and the Softline Group in 2019 was consistently balanced due to the positive business performance as well as the factoring implemented in all operating subsidiaries and the extensive overdraft facilities already granted in 2014.

As in previous years, new employees were successfully trained and deployed on the basis of the successful business models and best practices, and there was an even better utilisation of the employees, with only slightly increased sales and administration costs. The existing cooperation with our global partners, such as Flexera Software, Snow Software and Dell, was further strengthened; new sales markets for services were developed - and sales to existing customers expanded. The Softline Group will continue to grow organically in financial year 2020. As in the past financial year, the focus here is on expanding business activities in the D-A-CH region (Germany, Austria and Switzerland) as well as in the Northern Europe region (Benelux, Great Britain and Scandinavia), in particular by making further investments in the areas of sales and consulting. Operating costs should remain at the level of the previous year.

According to the Management Board's planning, the liquidity of the Softline Group is ensured until the end of 2022.

Investments

Softline AG undertook no significant investments in financial year 2019.

3.4.3 Earnings

As described above, Softline AG is mainly active as a holding company for its subsidiaries and has almost no operating business.

Softline AG generated revenue of EUR 700,000 in financial year 2019 (Previous year: EUR 700,000). These include, in particular, the group and management fees (EUR 700,000).

Revenue calculated for financial years 2018 and 2019 includes, after finalisation according to the new definition of BilRUG⁸, no income from group allocations from intra-group cost transfers. Other expenditures, such as vehicle leasing and operating costs, are included in other operating income.

Other operating income amounted to EUR 512,000 and mainly includes recharged expenses (EUR 498,000).

Due to the fact that Softline AG is not an operating company, no material costs were incurred in financial year 2019. Labour costs of EUR 272,000 are EUR 75,000 higher than in the previous year, in particular due to the performance-related bonuses regarding Management Board activities.

Write-downs on intangible assets and property, plant and equipment were EUR 7,000, remaining at the same level as in the previous year.

At EUR 1.2 million, other operating expenses remained at the previous year's level (EUR 1.2 million). In addition to car and travel costs (EUR 400,000), they include the costs for business

⁸ BilRUG was published in the Federal Gazette on 22 July 2015. The changes are applicable for the first time to the financial year beginning on 31 December 2015. The most important amendments to the BilRUG include a redefinition of revenue as well as a specification and expansion of the explanatory notes and further regulations about consolidated accounting.

development (EUR 200,000), legal and consulting costs (EUR 100,000), insurance (EUR 100,000) as well as the costs for the Finance Centre and the administration of Softline AG (approximately EUR 100,000).

Write-downs on financial assets amounted to EUR 2,200,000 in 2019. The write-down was applied to the carrying amount of the investment in Softline Services France. No income tax was payable due to a negative tax result.

In addition to revenue and contribution margin, EBITDA and EBIT are key control parameters for Softline AG and its subsidiaries. Since Softline AG does not have an operating business, no planning was made for revenue and contribution margin. On the EBITDA level, Softline AG closed with a loss of EUR -213,000, which is below the result of the previous year (EUR -59,000) due to the lower other operating income (lower Group allocations than in the previous year) and higher employee costs.

Overall, other operating expenses were below budgeted costs (insurance EUR -55,000, accounting and auditing fees EUR -27,000, travel expenses EUR -6000, vehicle costs EUR -4000). At the EBIT level, the 2019 result of Softline AG, amounting to EUR -2,627,000, was significantly lower than in the previous year (EUR -324,000) due to the write-down of the investment book value of Softline Solutions France amounting to EUR 2.2 million. The net loss for the year of EUR -2,525,000 is significantly greater than the previous year's loss of EUR -229,000).

For financial year 2020, we expect EBITDA to be at a comparable level as in the 2019 financial year.

3.4.4 Overall statement on the economic situation of the Softline Group

At the time of the preparation of the Management Report, the Management Board regarded the continued business development of the Softline Group as very positive. The severance of unprofitable subsidiaries, the past structural adjustments and the focus on profitable core areas have sustainably strengthened the Group's assets, financial position and results.

3.5 Employees

In financial year 2019, Softline AG, the parent company, had no other employees than the Management Board. The entire Softline Group employed an average of 202 employees over the same period and 201 employees as at 31 December 2019.

3.6 Risk report

Risk management and control system

The key figures required to manage the group of companies (including order intake, order backlog, revenue, contribution margin, EBITDA (earnings before interest, taxes, depreciation) and EBIT (earnings before interest and taxes)) are available to the management of Softline AG after prior preparation and are constantly compared with the projected and previous year's figures. Softline AG has a central reporting and control system whose continuously updated and

prepared data meets the information requirements of management with regard to the early identification of risks threatening existence and corresponding to the size and clarity of the Softline Group, but is constantly being developed further.

Current topics, opportunities and risks are discussed weekly with local management staff via the central reporting and control system. Within the group, international and interregional management meetings take place monthly.

Business risks

The business risk of Softline AG primarily relates to the optimal management of the subsidiaries, which carry out the Group's core business.

Thanks to lean management, the management and control of individual divisions and companies is much more direct.

In implementing the activities of subsidiaries, there are risks arising from their further integration, the need for restructuring and risks arising from business activities that were not previously part of the core business of the Softline Group.

In addition, large consulting businesses are difficult to predict and can lead to dependencies on individual large customers.

Market risks

Despite its international orientation, Softline AG and its subsidiaries are exposed to market risks. The IT industry in all the countries in which the Softline Group has a presence is characterised by strongly dynamic changes.

General changes at manufacturers and suppliers, products and technologies, that have an influence on prices and sales are constantly being monitored by means of intensive contact with our national and international partners, vendors and customers.

Because of vertical integration within the European Group, unification of products and services as well as the integration of solutions, products, services and business platforms, we are able to offer a balanced service portfolio that can adapt to market fluctuations.

Financial risks

Softline AG and its subsidiaries are generally subject to liquidity, interest rate and credit risks. As a pure holding company without significant revenue and income, Softline AG depends on liquidity inflows from subsidiaries in the form of loan repayments and group allocation.

The sufficient liquidity that the Softline Group must ensure by means of suitable measures constitutes one of the key financial risks for the Group as well as for Softline AG, the parent company. Realignment, restructuring and the further growth of individual subsidiaries must be secured by corresponding financial measures, cost optimisation and effective employee deployment. Measures to strengthen equity, subordinated shareholder loans, Sale-and-lease-back and factoring, along with the implementation of planning forecasts, including monitoring and rapid response options in the case of deviations, form the basis for further ensuring liquidity

and the ability to make payments at all times. According to Management Board planning, the liquidity of the Softline Group is ensured until the end of 2022.

In this connection, it should be pointed out that forward-looking statements are always subject to uncertainties and that the actual results may differ from the projected figures.

Receivables default risk or planned customer projects also lead to a potential liquidity risk, which is counteracted by intensive liquidity and cash flow management throughout all companies. Possible default risks for receivables from deliveries and services are reduced by active receivables management. Value adjustments take sufficient account of existing risks based on imminent default risks.

Softline AG and its subsidiaries are currently not exposed to interest rate risks, as the Softline Group currently does not require debt financing. Similarly, the factoring at subsidiaries is defined by contractually established provisions.

Sufficient creditworthiness of Softline AG and thus also of the Softline Group is the essential basis for the granting of debt capital, especially by shareholders, banks and suppliers, and thus also a prerequisite for the long-term existence of the company. The aim is therefore to improve the credit rating and ensure the liquidity of Softline AG and the Softline Group at all times by increasing profitability in order to reduce risks for the Group.

3.7 Opportunity report

According to the Institute for the World Economy at the University of Kiel, the German economy was just about to regain momentum after the downturn last year. Recently, there were increasing signs that industry in particular was bottoming out and gradually emerging from the recession. However, the tentative upturn in economic activity apparent at the beginning of the year was abruptly interrupted by the consequences of the corona pandemic.

It is becoming increasingly clear that the consequences of the corona pandemic are impacting both domestic and international economic activity to such an extent that drastic reductions in value added are to be expected. Its impact is not just limited to industry, but also extends to the consumer-related service sectors, which have so far proved robust. Even if the corona pandemic abates by the middle of the year, it will leave a pronounced V-shape in the current year's economic cycle, substantially dampening economic output for the year as a whole.

Against this background, the Institute for World Economy (IfW) expects a slight decline in gross domestic product of 0.1% for the current year. However, the institute is forecasting a strong increase in the range of 2.3% for the following year due to catch-up effects.⁹

A monthly economic survey of the IT and telecom sector conducted by Bitkom and the ifo Institute shows that business climate deteriorated considerably in March under the impact of the corona crisis. One in three IT and telecom companies (31%) saw demand fall during the month.

⁹ IfW, Media Information, 11/03/2020 - IfW Kiel Economic Reports: "German economy in Spring 2020".

While 55% of the companies noted negative consequences of the pandemic, 43% reported that the pandemic had no impact on their business. Only 3% noted a positive effect.

"Although companies in the IT and telecom sector assess their economic prospects as better than the economy as a whole, the corona crisis has already made itself felt in Bitkom companies' order books and is having a measurable impact on mood," says Bitkom President Achim Berg.¹⁰

According to a recent snap survey of B2B service providers conducted by Lünendonk at the beginning of April 2020, business-to-business (B2B) service companies are already in crisis mode. 96% of the 157 participants surveyed stated that they had implemented a crisis plan in full (65%) or in part (31%), and 89% of study participants expect negative deviations from forecast annual revenues in financial year 2020. While the company's own work could, in many cases, be transferred to home offices, service providers are having to contend with the temporary closure of customer locations and the associated restriction of on-site activities.¹¹

The Softline Group has now also switched to crisis mode due to the corona pandemic. Projects have come to a complete standstill, especially in the area of managed field services, because customers have closed down their sites or completely ceased operations. Softline reacted immediately, working with customers to ensure that emergency support continued to function and, at the same time, reducing its own costs by introducing reduced hours of work. Within the other areas of Software Asset Management, Information and IT Security, Cloud and Future Datacenter as well as Digital Workplace, we have so far experienced only minor constrictions, as they all deal with operational issues that have to continue even if the business of end customers is restricted. However, it is also because we explicitly support the capacity of our customers to work safely and at continued high quality, even when their own employees are working remotely or in their home office.

Further development of the company portfolio in line with the requirements and expectations of the market and, in particular, of our customers is paying off significantly here. The corona pandemic will certainly have an impact on the growth of the Softline Group. However, we mainly expect a corresponding shift, as the fields in which we work are still relevant and subject to increasing demand.

We continue to see very high demand for consulting services and significant market growth in the areas of IT Asset Management and Cloud Services. We will therefore continue to invest intensively in personnel, training and the further development of policies, solutions and services for our customers in coming years.

As in previous years, employee development and the acquisition of highly motivated consultants and specialists continue to be top priorities for the Softline Group. We will counteract the shortage of qualified employees through the early integration of junior employees by means of our own training programme, internships, master's and bachelor's theses as well as close

¹⁰ BITKOM Press Release, 09 April 2020 – "Corona crisis is dampening the mood in the digital sector".

¹¹ Lünendonk Press Release, 3 April 2020 – "Effects of the corona virus on the service sector: 89% of B2B service providers expect revenues to decline."

cooperation with universities, and also by maintaining our cooperation as trustee with student consultancy CampusInform at the University of Leipzig.

Reselection by Flexera as EMEA Partner of the Year 2019 at the beginning of 2020 has again confirmed the very high level of training and very successful work of Softline employees, while highlighting the positive image and strong market presence of the Softline Group, with subsidiaries and projects in Benelux, Scandinavia, UK, Switzerland and Austria.

As part of our commitment to "Achieving Compliance, Control and Cost Savings for your IT", we will, as in recent years, deal with the most important digital topics of the year. In addition to information and IT security, projects involving cloud computing, digital integration and digitisation of business processes are among the most important and challenging tasks that we like to set ourselves as a "trusted advisor" for business consulting, technical consulting and implementation, as well as a managed services provider. We support our medium-sized and large customers on their way to digitisation and, after consultation and implementation, also take over the support and operation of their IT infrastructure so that they can concentrate on their core business.

Due to the favourable business development of the subsidiaries, the liquidity of Softline AG continues to grow, both through the repayment of intercompany loans and through future profit distributions of the subsidiaries in the following years. The restructuring of the balance sheet completed in 2017 by converting loans into equity has resulted in a significant reduction in liabilities to third parties and a sustained strengthening of equity. The Company will therefore have new investment financing options to fund the planned further growth of the Softline Group.

3.8 Report on expected developments

The forecast for Softline AG is based on the forecasts for business development in the subsidiaries.

The revenues generated last year, the operating result achieved and the extensive list of orders at the end of the year have created the basis for taking the Softline Group to a new level. We made significant gains, not only in the D-A-CH region but also and especially in the Northern Europe region (Benelux, UK). We aim to achieve further significant growth in the next three years and to almost triple our operating result at EBITDA level with optimised margin quality. As part of this growth strategy and further streamlining, we will withdraw from French software sales in the first half of 2020.¹²

To reach this growth target, we opened a new location in Wolfsburg last year and also started to significantly expand and upgrade our office space in Leipzig. We will continue to invest heavily in growth within the fields of software asset management, cloud and managed services in the current and coming years.

¹² Estimated restructuring expenses of EUR 200,000 were already allocated to provisions in financial year 2019.

As well as property costs, which have risen by around EUR 200,000 per year, we expect increased costs of around EUR 500,000 - 700,000 for the coming year. We consequently forecast an operating result at EBITDA level of EUR 600,000 to 800,000 for the 2020 financial year. In terms of EBIT-level forecasts, the group of companies is expected to generate from EUR 400,000 to EUR 600,000 in 2020 and from EUR 1.3 to EUR 1.5 million in 2021.¹³

As in the previous year, we have been able to win further consulting and service projects from many new customers in all business areas over the past twelve months, in addition to multi-year projects in the areas of Software Asset Management and IT Security.

The budget and medium-term planning for a period of three years is carried out in all companies once a year and is consolidated at Group level. It is prepared by the directors or executives of each company, based on the prior-year figures, the existing order backlog, a weighted pipeline and the overall development of the market. Each quarterly financial statement provides a new forecast for the year end and subsequent years based on up-to-date figures.

To achieve the planned growth, the further internationalisation of the Softline Group and increasing profitability, we will continue to invest, as we have done in recent years, in our most important and strongest asset - our employees. We will continue to significantly strengthen our consulting and sales team in all operating companies in Germany and abroad, and invest as intensively in their training and further education as we have done so far. In addition, we will continue to look for potential partners to expand our solution expertise and availability. For these growth plans, we need additional capital in addition to the revenue and profitability building measures that we have already initiated. The Management and Supervisory Boards of Softline AG are therefore already involved in negotiations regarding further financing options to enable implementation of these plans.

Strategic outlook

The current impact of the corona pandemic has not altered our long-term strategy for the next few years. Digitalisation, information and IT security, cloud, IoT and artificial intelligence represent key challenges for industry and SMEs during upcoming years, as well as for the civil service and administration.

With approximately 200 well-trained, highly qualified and well-motivated employees, the Softline Group is excellently positioned to successfully address many of these issues within its consulting and service portfolio based on its extensive experience and strong and growing partner network. As part of our growth strategy, we will clearly focus on the fields of IT Asset Management and Cloud and Future Datacenter, but we will also continue to be very well positioned in the other core areas of Information and IT Security and Digital Workplace, offering consulting approaches, solutions and services to meet the growing challenges of our customers.

The complexity of these challenges is steadily increasing as digitisation progresses in all sectors and industries, and companies are no longer able to address these challenges on their own, or to build or maintain the required know-how.

¹³ Before consolidation, excluding write-downs at Group level.

With its highly qualified consultants and extensive expertise and experience, the Softline Group is well equipped to face these challenges together with the customer. With one-stop solution expertise, from creating the digitisation concept to implementing and deploying it, choosing the right hardware and software, and then managing the managed portfolio across all portfolio areas, the Softline Group is able to relieve the burden on its customers, allowing them to concentrate on their core business.

Under the leadership of the two German subsidiaries, Softline Solutions GmbH in Leipzig and Softline Services GmbH in Aschheim near Munich, we plan, in coming years, to achieve significant revenue and earnings growth in the D-A-CH region (Germany, Austria, Switzerland). In Softline DACH, we already offer the entire Softline portfolio and plan to significantly increase our market share by adding new customers as well as new services and consulting products.

Softline Solutions Northern Europe brings together the companies in the Netherlands, Belgium and the United Kingdom as well as the BENELUX, UK and Nordic regions. Under the leadership of the Dutch company, we plan to continue to grow in all regions and to significantly expand our portfolio, which has hitherto focused on IT asset management. There is a significant increase in demand, particularly in the areas of information and IT security as well as cloud services.

Financial outlook

Following the successful balance sheet restructuring following the capital reduction in May 2017 followed by a capital increase due to a contribution in kind, all earnings measurements reveal that the Softline Group also achieved a positive consolidated result at the end of 2019.

This balance sheet restructuring and positive consolidated result made it possible for the Softline Group to supplement talks with key investors and shareholders by engaging in serious discussions with future investors and credit institutions regarding further financing options for the planned investments both in the existing organisation and possible inorganic growth.

3.9 Final Declaration of the Management Board in accordance with § 312(3) of the Companies Act

The Management Board hereby declares that Softline AG, Leipzig has received reasonable consideration for each legal transaction listed in the report on relations with affiliated companies under the circumstances that were known at the time that the legal transactions occurred. Reportable measures have either been taken or omitted.

Leipzig, 29 April 2020

A handwritten signature in blue ink, appearing to read "Martin Schaletzky".

Martin Schaletzky
Managing Director

4 Company financial statements

4.1 Income statement

	2019	2019	2018
	EUR	EUR	EUR
1. Revenues		746,800.00	653,757.94
2. Other operating income		511,577.61	733,233.23
3. Personnel costs			
a) Wages and salaries	-247,479.55		-173,265.89
b) Social security	-24,628.32		-24,171.68
- of which for pensions:			
EUR 20,164.08 (previous year: EUR 19,742.48)			
		-272,107.87	-197,437.57
4. Write-downs on non-current intangible assets, property, plant and equipment		-7,429.87	-8,103.76
5. Other operating expenses		-1,199,503.98	-1,248,860.99
6. Other interest and similar income		116,561.03	133,048.76
Of which from affiliated companies:			
EUR 116,504.49 (previous year: EUR 132,994.35)			
7. Write-downs of investments and Marketable securities		-2,405,748.21	-256,418.00
8. Interest and similar expenses		-5,031.95	-16,340.99
- Of which from affiliated companies:			
EUR 4,984.95 (previous year: EUR 13,037.99)			
9. Earnings after tax		-2,514,883.24	-207,121.38
10. Other taxes		-9,983.25	-21,546.99
11. Net loss		-2,524,866.49	-228,668.37
12. Loss carryforward from previous year		-6,320,013.11	-6,091,344.74
13. Net loss		-8,844,879.60	-6,320,013.11

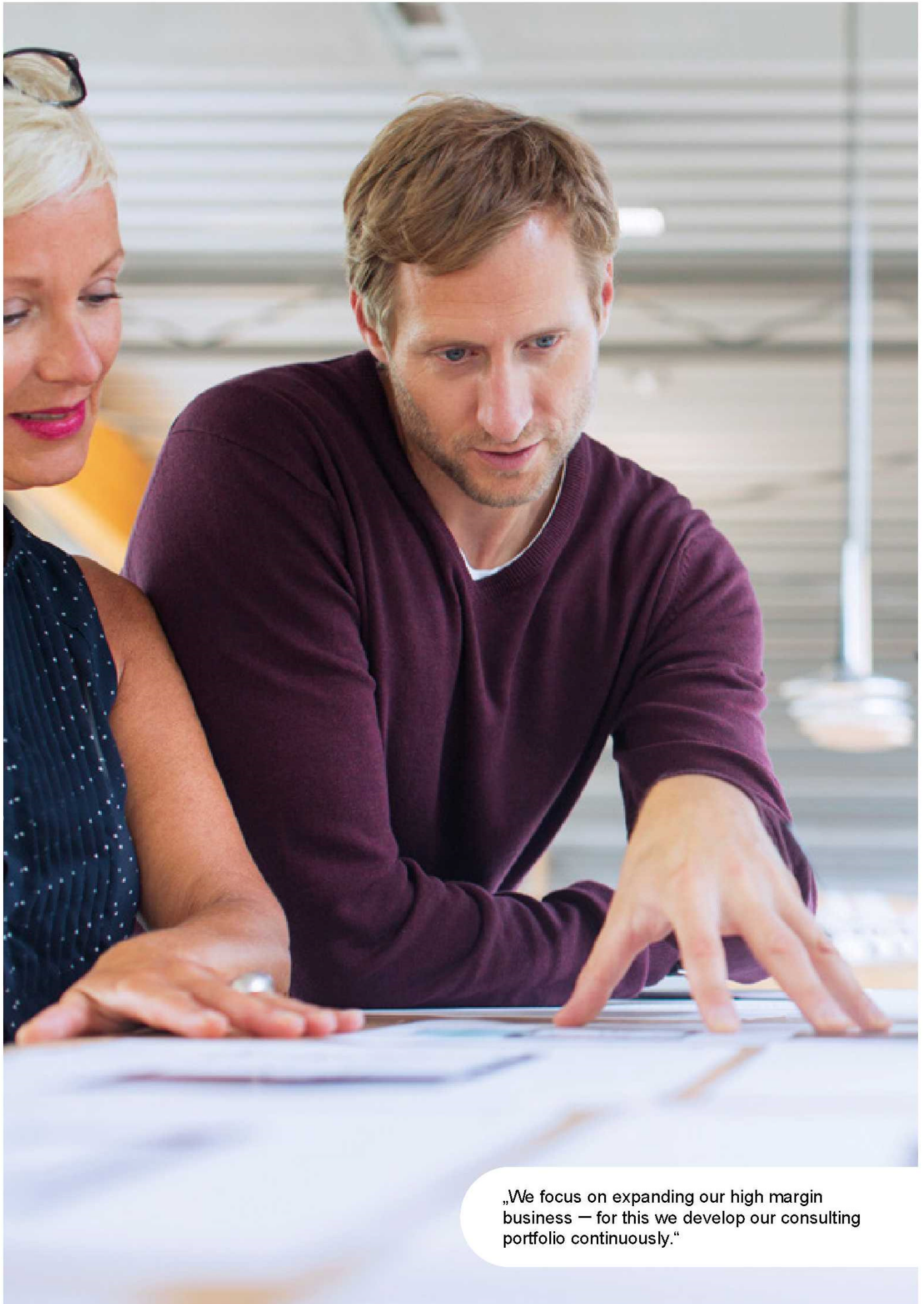
4.2 Balance sheet

ASSETS

	EUR	EUR	EUR
	31.12.2019	31.12.2019	31.12.2018
A. FIXED ASSETS			
I. Intangible non-current assets			
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and values		20,077.30	26,263.66
II. Property, plant and equipment			
Other equipment, operating and office equipment		4,489.64	3,763.35
III. Financial investments			
1. Shares in affiliated companies	1,673,592.00		3,828,149.99
2. Loans to affiliated companies	5,465,617.23		5,902,167.80
		7,139,209.23	9,730,317.79
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Receivables from affiliated companies	120,189.06		
2. Other assets	9,438.16		
		129,627.22	56,388.15
II. Cash and cash equivalents		8,574.80	13,426.56
C. DEFERRED INCOME		29,060.08	27,940.37
		7,331,038.27	9,858,099.88

LIABILITIES

	EUR	EUR	EUR
	31.12.2019	31.12.2019	31.12.2018
A. EQUITY			
I. Subscribed capital	1,714,389.00		1,714,389.00
II. Capital reserve	13,867,093.15		13,867,093.15
III. Net loss	<u>-8,844,879.60</u>		<u>-6,320,013.11</u>
		6,736,602.55	9,261,469.04
B. PROVISIONS			
Other provisions		388,876.92	86,364.04
C. LIABILITIES			
1. Trade payables	62,611.71		50,409.97
2. Amounts owed affiliated companies	118,359.74		415,071.37
3. Other liabilities	<u>24,587.35</u>		<u>44,785.46</u>
– of which tax payables: EUR 21,670.13 (Previous year: EUR 10,302.47)		205,558.80	510,266.80
– of which social security liabilities: EUR 0.00 (Previous year: EUR 0.00)			
		<u>7,331,038.27</u>	<u>9,858,099.88</u>



„We focus on expanding our high margin business — for this we develop our consulting portfolio continuously.“

5 Notes to the financial statements of Softline AG

5.1 General information on the annual financial statements

These financial statements of Softline AG for financial year 2019 are drawn up in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, hereinafter HGB) and the German Companies Act (Aktiengesetz, hereinafter AktG). The company is a small corporation (Kapitalgesellschaft) within the meaning of Section 267(1) HGB. In preparing the annual financial statements, partial use was made of the size-related exemptions pursuant to Section 288(1) HGB.

The income statement has been prepared in accordance with Section 275(2) HGB using the total cost method.

The financial statements were prepared on the assumption of the company's continuation. On the basis of the corporate planning submitted, financing is always assured for a three-year period following the balance sheet date.

Softline AG is based in Leipzig and is entered in the Commercial Register of the Local Court of Leipzig under no. HRB 26381.

5.2 Information on accounting policies

The following accounting and valuation methods continued to apply to the preparation of the annual financial statements:

Intangible noncurrent assets and **property, plant and equipment** are stated at cost and, if they are subject to wear and tear, are written down according to their economic useful lives based on scheduled depreciation / amortization.

Write-downs were calculated on a straight-line basis of the expected useful lives of the assets.

In the case of **financial investments**, the share rights are recognised at acquisition cost or lower fair values, and loans at nominal value or lower fair values.

Receivables and **other assets** are stated at their nominal value. Risk-adjusted positions are taken into account by the creation of value adjustments.

Cash and cash equivalents are recognised at nominal value.

Prepaid expenses include prepayments for future periods, which are accrued pro rata temporis.

Equity is carried at nominal value.

Other provisions are measured at the settlement amount required by reasonable commercial judgement (i.e. including future cost and price increases) and cover all discernible risks arising from uncertain liabilities to an appropriate extent. Provisions with a residual maturity of more than one year are discounted at the average market interest rate for the past seven financial years in accordance with § 253(2)(1) HGB.

Liabilities are recognised at the amount repayable.

5.3 Notes on the Balance Sheet

Financial investments

Financial investments relate to the following subsidiaries:

	Holding in %	Equity in TEUR	Result in TEUR
Domestic			
Softline Solutions GmbH, Leipzig	100.0	-1,174	972
Softline Services GmbH, Aschheim	100.0	-2,832	241
XPERTLINK GmbH, Aschheim ¹⁾	100.0	-409	3
Foreign			
Softline Solutions Netherlands BV, Nieuwegein, the Netherlands	100.0	-232	-103
Softline Solutions N.V., Antwerp, Belgium ²⁾	100.0	-644	46
Softline Solutions France SAS, Vélizy, France	100.0	-108	-255
Softline Solutions Ltd., London, United Kingdom	100.0	-24	-9

¹⁾ through Softline Services GmbH, Aschheim

²⁾ 1.0 percent through Softline Solutions GmbH, Leipzig

Other loans relate to loans to Softline Solutions GmbH, Leipzig, of EUR 2,947,000, Softline Services GmbH, Aschheim, of EUR 2,282,000, and Softline Solutions Netherlands BV, Nieuwegein, the Netherlands, of EUR 236,000.

The carrying amount of the investment in Softline Solutions France S.A.S., Vélizy / France was subject in the financial year to a decrease in the fair value of EUR 2,155,000 in accordance with Section 253(3)(5) HGB.

The loan granted to Softline Services GmbH, Aschheim, has been written down in the amount of EUR 800,000. The loan granted to Softline Solutions NV, Antwerp, Belgium, has been written down by a nominal value of EUR 646,000. In 2014 there were waivers of receivables based on debtor-warrant agreements amounting to EUR 1,000,000, which were already recognised as

value adjustments in 2013. Waivers have been issued to Softline Services GmbH, Aschheim, in the amount of EUR 600,000 and Softline Solutions GmbH, Leipzig, in the amount of EUR 400,000.

Receivables and other assets

As in the previous year, receivables and other assets, trade receivables and receivables from affiliated companies have a residual term of up to one year. No other assets with a residual term of more than one year are included (previous year EUR 18,000).

Subscribed capital

	31.12.2019	31.12.2018
Number of no-par-value shares (nominal value of EUR 1.00)	1,714,889	1,714,889
Equity capital (in EUR) *	1,714,889	1,714,889
Treasury shares (in EUR)	<u>500</u>	<u>500</u>
Subscribed capital	1,714,389	1,714,389

* Includes the equity capital of treasury shares

Treasury shares

As at 31 December 2011, the Company held 105,000 treasury shares as a result of an acquisition on 30 March 2011. These were intended for an incentive program for the managing directors of the subsidiaries. In 2012, as part of the agreement reached with former Managing Director Harry Kloosterman, a total of 100,000 treasury shares were transferred on a gratuitous basis. The treasury shares were acquired for a total price of EUR 277,000. As at 31 December 2019, the company retains 500 treasury shares. This corresponds to 0.03% of the share capital (previous year: 0.03%).

Authorised capital (2015/I)

By resolution of the Annual General Meeting on 28 September 2015, the Management Board is, with the approval of the Supervisory Board, authorised to increase the share capital on one or more occasions by a total of up to EUR 5,149,042.00 by 28 September 2020 in exchange for cash and/or non-cash contributions, excluding shareholders' subscription rights (Authorised Capital 2015/I).

Net loss

Net loss includes a loss carryforward of EUR 6,320,000.

Provisions

Other provisions were mainly formed for costs in connection with the annual financial statements, Supervisory Board compensation, obligations regarding employee remuneration as well as risks in connection with the liquidation of Softline Solutions France S.A.S., Vélizy / France.

Liabilities

Other liabilities include EUR 22,000 in taxes and EUR 1,000 in social security contributions.

All figures in EUR thousand	Total	< 1 year	1 - 5 years	> 5 years
Trade payables	63 (Previous year 50)	63 (Previous year 50)	0	0
Amounts owed affiliated companies	118 (Previous year 415)	118 (Previous year 415)	0	0
Other liabilities	25 (Previous year 45)	25 (Previous year 45)	0	0
Total liabilities	206 (Previous year 510)	206 (Previous year 510)	0	0

Contingent liabilities

There is a total of EUR 558,000 in contingent liabilities from guarantees (previous year: EUR 446,000 in guarantees). The risk of recourse to the guarantees is considered low, as the main creditors are meeting their obligations.

Transactions not included in the balance sheet

As at 31 December 2019, there were rights due to debtor warrants amounting to EUR 1,000,000 (previous year: EUR 1,000,000).

5.4 Other disclosures

Members of the Management Board

- Dipl.-Ing. Dipl.-Oec. Martin A. Schaletzky, Augsburg, Chairman of the Management Board

Members of the Supervisory Board

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

- Stefan Kiener - Solicitor, Managing Director of Rechtsanwaltsgesellschaft mbH Rainer Haas & Kollegen, Baden-Baden (Deputy Chairman of the Supervisory Board until 6 September 2019)
- Florian Schulte, Managing Director of S.K. Management- und Beteiligungs GmbH (Deputy Chairman of the Supervisory Board since 07 September 2019)
- Karl-Heinz Warum - Managing Director SBC-Strategic Business Consulting

Employees

The company did not have any employees in 2019.

Notices pursuant to Section 20 AktG

In accordance with § 20 AktG, S. K. Management- und Beteiligungs GmbH, Baden-Baden, announced that it directly owns more than half of the shares.

Group structure

In the meantime, S. K. Management- und Beteiligungs GmbH, Baden-Baden, is also considered as an affiliate of Softline AG. S. K. Management- und Beteiligungs GmbH, Baden-Baden, is exempted from preparing consolidated financial statements.

Proposed appropriation of profit

In 2019 Softline AG incurred a net loss for the year of EUR -2,525,000, the accumulated loss as at 31 December 2019 amounted to EUR -8,845,000. The balance sheet loss will be carried forward.

Leipzig, 27 April 2020



Martin A. Schaletzky
Managing Director

6 Report of the Supervisory Board

In financial year 2019, the Supervisory Board of Softline AG exercised the duties incumbent on it by law and in compliance with the Articles of Association. It regularly advised the Management Board on the management of the company and carefully monitored the latter's activities. The Supervisory Board

was involved directly, and in a timely manner, in all decisions of fundamental importance to the company. The Management Board provided the Supervisory Board with regular and timely written and verbal information on the financial position, liquidity and results as well as the current and expected business situation. The Supervisory Board was informed in good time of forthcoming business, division-related and personnel measures, which were then examined and approved by the Supervisory Board, in particular with regard to their legality and expediency. Risk management was discussed in the same way. In the 2019 financial year, particular attention was paid to the development of a content-related, personnel-related and financial development strategy, which outlined the company's technical orientation and economic development in the medium-term. These matters were discussed at length in each Supervisory Board meeting, taking into account different market factors, with the involvement of other members of management.

Five regular meetings of the Supervisory Board were held in 2019. In addition, informal discussions were held among the members of the Supervisory Board to prepare Supervisory Board meetings and strategy discussions with senior management.

The members of the Supervisory Board were available to provide direct support and to contribute their experience at the request of the Management Board and other managers of the Company, both over the phone and in person.

The Chairman of the Supervisory Board kept in regular contact with the Management Board and senior executives of the Company outside meetings of the Supervisory Board and discussed strategy, business development and special customer situations with them, as well as important business transactions and the Company's risk management. In financial year 2019, a meeting of the Supervisory Board Chairman with the Management Board and other company executives was held every month throughout the year.

The transactions submitted by the Management Board to the Supervisory Board for approval in accordance with Section 111(4) AktG were approved.

The Supervisory Board members had no conflicts of interest in connection with their activities as members as members of the Supervisory Board of Softline AG.

Financial statements

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, which was appointed as auditor, has audited the Annual Financial Statements and the Management Report as at 31 December 2019, taking account of the accounting records and in compliance with the relevant Articles of Association. The statutory auditor's audit did not result in any objections. The statutory auditor provided the Annual Financial Statements with its unqualified audit opinion.

These Annual Financial Statements as well as the auditor's report were available to the Supervisory Board for consultation. They were discussed by the Supervisory Board and Management Board during a meeting held on 29 April 2020 in the presence of the statutory auditor. All questions of the Supervisory Board were answered in detail. The Supervisory Board noted and approved the results of the audit performed by the statutory auditor. The Supervisory Board raises no objections after conducting its own review.

The Supervisory Board unanimously approves the Annual Financial Statements prepared by the Management Board. The Annual Financial Statements are thus deemed to have been ratified.

Dependency report

Pursuant to Section 312 AktG, the Management Board has prepared a dependency report on the relationships with affiliates for financial year 2019. The dependency report covered the business relationships of Softline AG, including its affiliated companies, with S. K. Management- und Beteiligungs GmbH, Baden-Baden, including its affiliated companies.

The statutory auditor has furnished the dependency report prepared by the Management Board with the following audit opinion:

“Having conducted a proper audit and appraisal, we hereby confirm that

1. the actual disclosures contained in the report are correct,
2. payments by the company in connection with transactions referred to in the report were not unduly high.”

According to its own examination, the Supervisory Board has also come to the conclusion that there are no objections to the declaration of relations of the affiliated companies made by the Management Board in the report. Moreover, the Supervisory Board approves of the result of the audit of the dependency report conducted by the statutory auditor.

The Supervisory Board would like to thank and express its appreciation to the Management Board and all of the Company's employees for the work they did over the past financial year.

Frankfurt, 29 April 2020



Prof Knut Löschke

Chairman of the Supervisory Board.

7 Audit opinion by the statutory auditors

To Softline AG, Leipzig

Audit opinions

We have approved the Annual Financial Statements of Softline AG – consisting of the balance sheet as at 31 December 2019, the income statement for the financial year from 1 January 2019 to 31 December 2019 and the notes, including the presentation of accounting policies. In addition, we reviewed the Management Report of Softline AG for the financial year from 1 January to 31 December 2019.

We have not examined the content of the sections in the Management Report relating to the development of the individual subsidiaries and other changes in the Softline Group (Subsection 3) and the forecast for the subsidiaries (Subsection 8).

In our opinion based on the findings of the audit,

- the accompanying financial statements comply in all material respects with the German commercial law applicable to corporate entities and give a true and fair view of the net assets and financial position of the company as at 31 December 2019 and its results for the financial year from 1 January through 31 December 2019 and
- the accompanying Management Report as a whole provides a suitable overview of the company's position. In all material respects, this Management Report is consistent with the Annual Financial Statements, complies with German statutory provisions and accurately presents the opportunities and risks of future development.

Pursuant to Section 322(3)(1) HGB, we declare that our audit has not led to any objections concerning the regularity of the Annual Financial Statements and the Management Report.

Basis for the audit opinions

We conducted our audit of the Annual Financial Statements and the Management Report in accordance with Section 317 HGB while observing the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these rules and policies are further described in the section of our report entitled "Auditors' responsibilities for the audit of the Annual Financial Statements and Management Report". We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence obtained by us is sufficient and appropriate to serve as a basis for our opinion on the Annual Financial Statements and Management Report.

Note to emphasise a fact

Please refer to the statements of the legal representatives in Section 6 of the Management Report (Risk Report, Financial Risks), which states that the company is relying on the cash inflows from the subsidiaries in the form of loan repayments or group allocations for the further safeguarding of liquidity and continued solvency. Our opinion on the Annual Financial Statements has not been modified in this regard.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. Other information includes the other parts of the Annual Report with the exception of the Annual Financial Statements, the Management Report and our Auditor's Report. Other information also includes the sections of the Management Report concerning the performance of individual subsidiaries and other changes in the Softline Group (Section 3) as well as forecasts for subsidiaries (Section 8).

Our audit opinions on the Annual Financial Statements and the Management Report do not extend to the other information and, accordingly, we provide neither an opinion nor any other form of audit conclusion on this information.

In connection with our audit, we have the responsibility of reading the other information and assessing whether the other information

- possesses material inconsistencies with the Annual Financial Statements, the Management Report or our knowledge acquired during the audit; or
- otherwise appears significantly misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the Annual Financial Statements and the Management Report

The legal representatives are responsible for the preparation of the Annual Financial Statements, which comply with the German commercial law applicable to corporate entities in all material respects, and that the Annual Financial Statements in accordance with German generally accepted accounting principles give a true and fair view of the consolidated net assets, financial position and results of the company. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of Annual Financial Statements that are free from material misstatement, whether intentional or unintentional.

In preparing the Annual Financial Statements, the legal representatives are responsible for assessing the ability of the company to continue operations. In addition, they have a responsibility to state matters related to the continuation of the business, as applicable.

Furthermore, they are responsible for keeping the financial records for the continuing operations on the basis of accounting principles, unless contrary to factual or legal circumstances.

In addition, the legal representatives are responsible for the preparation of the Management Report, which collectively conveys an accurate overview of the position of the Company, is in all material respects consistent with the Annual Financial Statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they considered necessary to enable the preparation of a Management Report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the Management Report.

The Supervisory Board is responsible for overseeing the company's accounting process for preparing the Annual Financial Statements and Management Report.

Auditor's responsibilities for the audit of the Annual Financial Statements and Management Report

Our objective is to obtain reasonable assurance that the Annual Financial Statements as a whole are free from intentional or unintentional material misstatement, that the Management Report gives a true and fair view of the company's position, that all material matters relating to the Annual Financial Statements are in line with the findings of the audit, comply with German legal requirements and accurately reflect the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the Annual Financial Statements and Management Report.

Sufficient security is a high degree of security but no guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always reveals a material misstatement. Misstatements can result from any contravention or inaccuracy and are considered material if they could reasonably be expected to individually or collectively influence the economic decisions of recipients made on the basis of these Annual Financial Statements and Management Reports.

During the audit, we have exercised due discretion and maintained a critical attitude. Furthermore,

- we have identified and assessed the risks of intentional or unintentional material misstatement in the financial statements and Management Report, planned and performed procedures in response to such risks, and obtained audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misrepresentations have not been detected is higher for contraventions than for

inaccuracies, as contraventions may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or the overriding of internal controls.

- We have gained an understanding of the internal control system relevant to the audit of the financial statements as well as the arrangements and measures relevant to the audit of the Management Report in order to design audit procedures that are appropriate to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the company's systems.
- We have assessed the appropriateness of the accounting methods used by the legal representatives, along with the reasonableness of the estimates and related disclosures made by them.
- We have drawn conclusions about the appropriateness of the accounting policy implemented by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, determined if there is any material uncertainty related to events or circumstances that could raise significant doubts about the ability of the company to continue operations. Had we concluded that any material uncertainty exists, we are required to draw attention in the auditor's report to the relevant disclosures in the Annual Financial Statements and Management Report or, in the event of undue inaccuracy, to modify our opinion. We have reached our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances may result in the company becoming unable to continue its business activities.
- We have assessed the overall presentation, structure and content of the annual financial statements, including the disclosures, and determined if the Annual Financial Statements present the underlying transactions and events in such a way that they give a true and fair view of the company's assets, financial position and results in accordance with German generally accepted accounting principles.
- We have assessed the consistency of the Management Report with the Annual Financial Statements, relevant legislation and the overview that it conveys of the company's position.
- We have performed audits of the forward-looking statements presented by the legal representatives in the Management Report. Based on sufficiently suitable audit evidence, we have in particular replicated the significant assumptions underlying the forward-looking statements of the legal representatives and assessed the proper derivation of the forward-looking statements from these assumptions. We are not issuing any independent opinion on the forward-looking statements and the underlying

assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we have discussed the planned scope and timing of the audit with the supervisory authorities as well as the significant audit findings, including any deficiencies in the internal control system that we have identified during our audit.”

Frankfurt am Main, 27 April 2020

Baker Tilly GmbH & Co. KG
Auditing company
(Düsseldorf)

Christian Roos

- Auditor -

Ulf Küpper

- Auditor -

8 Contacts and imprint

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