

A photograph of a man and a woman in an office environment. The man, on the left, is wearing a maroon sweater and is looking at a laptop. The woman, on the right, is wearing a dark top and is smiling while looking at the man. The background shows a modern office with large windows and a hanging light fixture.

ANNUAL REPORT 2021

January 1st 2021 till December 31st 2021

Softline AG Key Figures (German Commercial Code)

		2021	2020*
Result			
Revenues	TEUR	23.735	502
Operating profit (EBITDA)	TEUR	-266	-171
Operating result (EBIT)	TEUR	2.175	-778
Annual earnings before taxes (EBT)	TEUR	2.106	-674
Annual result (EAT)	TEUR	2.091	-682
Earnings per share (EAT)	EUR	1.22	-0.40
Balance sheet			
Fixed assets	TEUR	7.513	8.458
Current assets	TEUR	4.035	4.593
Equity	TEUR	8.145	9.436
Equity ratio	%	67.80	61.70
Other			
Order Backlog Softline Group (as at 31-12)	TEUR	42.5	36.5
Employees of Softline AG	Number	194	-
Employees of the Softline Group	Number	233	205

* The balance sheet figures for the financial year 2020 have been adjusted in accordance with the merged balance sheet.

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„Despite Corona-related impairments we were able to continue our positive development.“

1 Letter to shareholders

Dear Shareholders and Readers

Although economic performance globally has continued to be negatively impacted by the ongoing coronavirus pandemic, we have nevertheless managed to successfully continue our positive performance attained over recent years. We have not only managed to maintain our entire workforce over the course of the year without any major coronavirus-related problems, but have also been able in particular to successfully grow our team.

After a very successful first half of the year that was positive in terms of revenue and profit, we posted a significant fall in revenue and saw an unsatisfactory pipeline development in the third quarter. The existing burdens on our customers and clients due to material and staff shortages also had an indirect impact on our capacity utilisation as well as our order position.

However, after announcing a profit warning at the start of the fourth quarter, we were able to benefit from the general positive upturn and post significant growth in revenue and profit once again within the Softline Group.

Despite the notable impact of the coronavirus pandemic on our customers, we have also taken the conscious decision to pursue our growth plans and invested heavily in new employees, particularly in consulting and sales.

In addition, digitisation and virtualisation remain the dominant topics of debate for all companies, regardless of size. While many companies were suddenly forced to adapt their business and IT architecture in line with the changes in requirements seen in 2020, the first year of the coronavirus pandemic, many have since moved on from this emergency mode of operation and are now taking serious, long-term measures to digitally transform and modernise their IT systems.

As has been the case in recent years, we have thus not only invested sums in hiring new staff, but have also invested in the training and continued development of our existing highly qualified specialists and consultants. The positive revenue performance posted in 2021, a truly challenging year, demonstrates that we are moving in the right direction.

Under the motto of **"Achieving Compliance, Control and Cost Savings for your IT"**, we will also focus over the next few years on growth and strategic development, especially in our fastest-growing and highest-margin key portfolio areas of IT Asset Management, as well as Cloud and Future Datacentre. We will continue to invest heavily in our sales organisation, advisory team and in the development of new points of discussion and services for our customers. Regionally, we will continue to focus on the D-A-CH and Northern Europe regions (Benelux, Great Britain and Scandinavia). In addition, we are also planning to significantly expand our business internationally too, working in partnership with our main active investor in more than 60 countries.

Dear Shareholders

Although 2021 was once again a challenging year, we are delighted not only to have significantly increased our revenue and contribution margin compared to the previous year, but also to have added significantly to our sales and consulting workforce. In doing so, we have successfully managed to create the basis for future growth, both nationally as well as internationally.

While our order backlog was approximately at the previous year's level, following on from a significant end-of-year rally, we managed to increase Softline Group revenues compared to the previous year, growing from EUR 27 million to more than EUR 32 million.

The merger of the German subsidiaries, Softline Solutions GmbH and Softline Services GmbH, into Softline AG at the start of the year helped to reduce the complexity of the Company, ensuring greater transparency in our dealings with our shareholders.

The successful business performance posted in the previous year also ensured a stable liquidity position. We overcame the second year of the pandemic in 2021 and are now looking forward to driving the Softline Group forward accordingly in terms of revenue and profit, based on the significant investment made in the previous year.

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 A. Schaletzky
Managing Director

2 Company share and investor relations

Positive Softline share price performance at the start of the third quarter. Profit warning in Q4 put share price under pressure at the end of the year.

The leading indices managed to continue their positive trend in financial year 2021 until shortly before the end of the year. They only stagnated slightly at the end of the year due to initial signs of a fourth coronavirus wave. While the DAX rose by approx. 15% in financial year 2021, the EURO STOXX 50 and TecDAX climbed more than 20%.

Share Price Performance Softline AG

In line with these index values, Softline AG's share price increased at a regular pace to approx. EUR 10. The positive outlook at the end of the year, owing to the strong business performance posted in the first half of the year, saw the share price increase further to its yearly high of EUR 13.40 EUR in mid-July. As the year progressed, the share price remained stable at just below EUR 10 until the end of the third quarter. After the third-quarter report was published and the profit warning was issued towards the end of the year, the share price came under pressure at the end of the year. The closing share price of EUR 7.85 as at the end of the year was slightly above the yearly low of EUR 7.65.

Overall, we are very pleased with how the share price has performed, particularly at the start of the second half of the year. The fall in the share price at the end of the year based on the reduced profit forecast is understandable but does not reflect the potential for future business performance.

	30.12.2021	04.01.2021	Change in %
Softline AG	7.85 €	8.75 €	-10.3%
EURO STOXX 50	4.306	3.564	+20.8%
DAX	15.871	13.732	+15.6%
TecDAX	3.920	3.245	+20.8%
Technology All Share	4.145	3.559	+16.5%

Market capitalisation and trading volume

Based on the closing share price on 31 December 2021, Softline AG had a market capitalisation of around EUR 13.5 million at the end of 2021.

In the opinion of the Group of companies' Management Board, the positive share price performance in the last year reflects the sustained positive trend in the business. The share price high recorded in the middle of the year not only confirms the current business performance in particular; it is also evidence of the significant development potential for the Group of companies. The share price performance at the end of the year makes it clear that it will continue to be important to substantiate the growth opportunities of the entire Group of companies, along with the successes and improvements in business results, and to communicate them to the outside world.

Analyst assessments

No analyst assessment of Softline AG was carried out in the reporting year 2021. The Group of companies has provided up-to-date reporting through its in-house publications, as well as its strong presence on various social media platforms. In addition to the mandatory publication of the annual financial statements of Softline AG, the Group has voluntarily published the consolidated financial statements, as well as quarterly figures on a regular basis.

Investor contacts

As in previous years, the Softline Group participated in the m:access conference of the Munich Stock Exchange in the financial year 2021. The performance and growth plans of the Softline Group were also presented in talks with institutional investors and the investment potential of the Softline share explained. We will also continue our investor relations activities in 2022 in a similar fashion.

Investor relations

The investor-relation activities of the Softline Group endeavour to provide continuous, reliable, and public information for 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 makes use of press releases or social media platforms to provide information about new customers, current projects, awards and restructuring successes.

Financial calendar for financial year 2021

Annual report 2021 (company financial statements for the limited company or "AG")	May 2022
Consolidated financial statements for 2021 (unattested)	June 2022
First-quarter report 2022	June 2022
AGM for the financial year 2022	24 August 2022
Half-year report 2022	August 2022
Third-quarter report 2022	November 2022

Key share data

		2021	2020
Highest price	EUR	13.40	8.80
Low	EUR	7.65	5.40
Close	EUR	7.85	8.40
Number of shares	Million	1.71	1.71
Market capitalisation (as of 31-12.)	in EUR million	13.5	14.4
PE (as of 31-12)	-	Pos.	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 in their entirety. Additional trading of Softline shares takes place on exchanges 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



„We have laid the foundation for international growth of the Softline Group in the years to come.“

3 Situation report

3.1 Group principles

The Softline Group is a steadily growing IT consultancy company trading throughout Europe and with global operations. Its areas of focus include IT and Software Asset Management (ITAM), Cloud & Future Datacenter, Information and IT Security and Digital Workplace.

The Group is made up of the parent company, Softline AG, with locations based in Germany (Leipzig, Wolfsburg and Aschheim bei München), as well as the subsidiaries Softline Solutions Netherlands B.V. (Nieuwegein, Netherlands), Softline Solutions NV (Antwerp, Belgium) and Softline Solutions Ltd. (London, United Kingdom).

Working across all sectors and portfolio elements, Softline AG is focused on providing consultancy services to medium-size corporates, large companies, corporate groups and public sector institutions. Softline AG's regional focus is on the D-A-CH region. The foreign subsidiaries are focused on IT Asset Management matters in the Northern Europe region.

Alongside providing premium consultancy services (Consulting), the Softline Group also offers support services (Support) and technical services (Services). It is also involved in project-related trade in software, hardware and ICT accessories.

The purpose of Softline AG continues to be the purchase, ownership and management, as well as the sale of investments in companies of any kind or legal form, both domestically and abroad. In addition, Softline AG provides all kinds of services to its subsidiaries, including in particular financial and management services.

Over the next few years, the Softline Group intends to grow its IT Asset Management services beyond the existing regions as well. The additional aim is to significantly expand Cloud and IT Security services within Europe.

3.2 Overall economic performance and market trend

According to initial calculations by the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) for 2021 was 2.7% higher than in 2020 (when also adjusted for working day variations). "The economic development was highly dependent on coronavirus infection rates and the associated preventive measures again in 2021", said Dr. Georg Thiel, President of the Federal Statistical Office, at the press conference on the gross domestic product for 2021 in Wiesbaden. "Despite the continuing pandemic situation, more supply bottlenecks and material shortages, the German economy managed to recover from the sharp fall last year although the economic performance has not yet reached its pre-crisis level", Thiel continued. GDP was still 2.0% lower in 2021 than in 2019, the year before the coronavirus pandemic began.

In contrast with the preceding crisis year of 2020 when production was in part reduced sharply on account of the coronavirus pandemic, economic performance increased in nearly all economic sectors in 2021.

The gross value added in manufacturing rose markedly by 4.4% year on year. Notable increases were also recorded for most of the service sector compared with 2020. The economic performance in the field of business services, which includes research and development, as well as legal, tax consultancy and engineering activities, was up by 5.4%. At 3.0%, economic growth was somewhat lower in the aggregated economic sector of trade, transport, accommodation and food services due to the continuing pandemic restrictions. Compared with 2020, the economic performance in 2021 was down slightly only in construction (-0.4%), which had not been visibly affected by the coronavirus pandemic in 2020.

Despite the increases in 2021, economic performance has not yet reached pre-crisis levels in most economic sectors. Economic performance in manufacturing, for instance, was still 6.0% below the level of 2019 in 2021. Other services, which include creative activities in addition to sports, culture and entertainment, were hit particularly hard by the continuing coronavirus pandemic. Here the gross value added was even 9.9% below the pre-crisis level in 2021. Construction as well as information and communication were able to sustain their positions during the pandemic and considerably increase their economic performance compared with 2019.

In 2021, price-adjusted household final consumption expenditure stabilised at the low level of the previous year. Government final consumption expenditure continued to support the growth of the German economy in 2021, in particular on the free rapid antigen tests that were introduced in all of Germany, on vaccines and on the operation of testing and vaccination centres.

In 2021, foreign trade recovered from the strong decreases of the previous year. German exports of goods and services were up a price-adjusted 9.4% on 2020. Imports increased by a price-adjusted 8.6% in the same period. In 2021, Germany's foreign trade was thus only slightly below the level in 2019.

On an annual average in 2021, the economic performance was achieved by 44.9 million persons in employment; this is roughly the same number of persons in employment as in the previous year. However, many of them worked in other economic sectors or jobs previously. Employment gains were recorded for public services, education, and health (+2.2%), information and communication (+2.4%) and construction (+1.2%). In contrast, employment losses were observed for trade, transport, accommodation and food services as in the previous year (-1.8%). The number of marginally employed people and self-employed continued to fall in 2021, while more persons in employment were subject to social insurance contributions.

General government budgets recorded a financial deficit (net borrowing) of EUR 153.9 billion at the end of 2021, according to provisional calculations. That was even slightly more than in 2020 (EUR 145.2 billion) and the second highest deficit since German reunification. The central government deficit rose substantially to EUR 155.3 billion in 2021, which was even slightly more than the deficit of general government as a whole. The financial deficits of state government (EUR -1.6 billion) and social security funds (EUR -0.1 billion) were small. Local government

even recorded a small surplus of EUR 3.1 billion at the end of the financial year. Measured as a percentage of nominal GDP, this was a 4.3% deficit ratio of general government for 2021.¹

Market trend

According to the trade association Bitkom, the business environment in the digital sector improved significantly between 2021 and January 2022. The index for current business sentiment rose by 3.6 points to 41.8 points. In doing so, the business environment has returned back to the positive level prior to the coronavirus pandemic. "Most digital companies have excellent business prospects to look forward to and expect the number of orders to continue rising in the short term. There is no lack of demand, and confidence is high that supply shortages driving price rises will soon abate", said Bitkom President Achim Berg. "The Bitkom sector expects to enjoy stable growth this year".

The job market is also showing signs of growth too. Employment expectations have increased significantly, hitting 35.1 points. This figure represents an increase of 5.9 points compared to the previous month. The majority of companies intend therefore to hire additional workers in the next three months. "Based on our calculations, the digital sector is expected to create 40,000 new jobs this year", announced Berg. At the same time, prices are expected to rise. The price index increased by 5.7 points to 40.7 points.²

3.3 Performance of Softline AG

Softline AG acted once again as an operating company in the financial year 2021 owing to the merger of the two German subsidiaries Softline Solutions GmbH (Leipzig) and Softline Services GmbH (Aschheim/ Munich) in early 2021.³

During the financial year 2021, the Company also managed once again to significantly expand its position as a vendor-neutral IT consultancy firm in the field of IT Asset Management. In addition, IT Consulting (with key focuses on Information and IT Security, Cloud and Future Datacenter and Digital Workplace) and Managed Services managed to achieve significant increases in revenue. Existing partnerships with technology leaders as well as selected IT specialists were further expanded and supplemented by new partnerships.

Softline AG generated revenue of EUR 23.4 million from the provision of consultancy services and the sale of hardware and software. In addition, the Company generated other operating income of EUR 7.2 million (previous year: EUR 1.2 million). Other operating income also includes income generated from the merger of EUR 6.5 million.

¹ Destatis press release from 14 January 2022: "Gross domestic product up 2.7% in 2021"
<https://www.destatis.de/DE/Presse/Pressemitteilungen/2022>

² Bitkom press release from 4 February 2022: "Business environment in the digital sector back to pre-pandemic level".

³ Under the notarised merger agreement of 26 January 2021, Softline Solutions GmbH, Leipzig, and Softline Services GmbH, Aschheim, each transferred all of their assets along with all rights and obligations, excluding liquidation, to Softline AG, Leipzig, as part of a merger by absorption pursuant to §§ 2 et seq. UmwG in conjunction with §§36 et seq. UmwG, §§ 46 et seq. UmwG and §§56 et seq. UmwG.

On the other hand, other operating expenses amounted to EUR 6.2 million (previous year: EUR 0.8 million). Other operating expenses also include expenses from the merger of EUR 3.1 million. Taking into account write-downs of EUR 0.9 million, this results in an EBIT of EUR 2,175k (previous year: EUR -778k) and an EBITDA of EUR -266k (previous year: EUR -171k). The positive merger effect of EUR 3,382k is subtracted from the EBITDA figure.

3.4 Assets, financial position and results of Softline AG

The parent company, Softline AG, acted as an operating company for the first time in financial year 2021, but continues to support its foreign subsidiaries in terms of administrative matters, and set their strategies. Operational business activities are carried out both predominantly by Softline AG in the D-A-CH region as well as by the individual specialised subsidiaries in each respective country.

The previous year's figures relate to Softline AG prior to the merger involving Softline Solution GmbH and Softline Services GmbH on 31/12/2020. As a result, they cannot therefore be compared with the present year.

3.4.1 Assets

The Softline AG balance sheet total as at 31 December 2021 amounted to EUR 12.0 million (previous year: EUR 6.478 million).

Softline AG's noncurrent assets amounted to EUR 7.5 million as at the balance sheet date, compared to noncurrent assets as at 31 December 2020 of EUR 6.3 million. The merger with Softline Solutions GmbH resulted in goodwill of EUR 6.7 million as at 31 December 2021, while loans to affiliated companies amounted to EUR 0k as at the balance sheet date (previous year: EUR 6.0 million).

Additionally, current assets as at the balance sheet date amounted to EUR 4.0 million (previous year: EUR 55k).

On the liabilities side of the balance sheet, shareholder equity of EUR 8.1 million was approximately EUR 2.1 million higher than in the previous year.

At EUR 1.0 million, provisions were approximately EUR 0.1 million higher than in the previous year.

At EUR 2.5 million as at the balance sheet date of 31 December 2021, liabilities were significantly higher than in the previous year (EUR 136k). Liabilities from advance payments received amounted to EUR 0.4 million as at the balance sheet date (previous year: EUR 0). Softline AG did not have any amounts owed to banks as at the balance sheet date. At the same time, trade payables increased by EUR 0.4 million to EUR 1.3 million as at 31 December 2021. Other liabilities amounted to EUR 0.8 million.

Deferred income and accrued expenses amounted to EUR 0.3 million.

Loans from Softline AG to its subsidiaries Softline Solutions GmbH and Softline Services GmbH were settled as part of the merger. The loan from Softline AG to Softline Solutions B.V. (previous year: EUR 240k) was repaid in full in 2021.

Capital structure

At the end of 2021, the subscribed capital of Softline AG amounted to EUR 1,714k, 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 the previous year.

The loss carried forward amounted to EUR -9.5 million. The net profit for the financial year of EUR 2.1 million is not yet included here.

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

No further loans were taken out.

Liquidity & Cashflow

Liquidity of Softline AG and its subsidiaries in 2021 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.

The inflow of liquidity arising from the merger amounted to EUR 1.2 million.

Investments

Softline AG undertook no significant investments in the financial year 2021.

3.4.2 Results

As described above, Softline AG was mainly active as a holding company for its subsidiaries until the end of 2020 and has almost no operating business. Following the merger of both German subsidiaries into Softline AG, this business previously undertaken in both of these companies will now be fully executed within Softline AG.

Softline AG generated revenue of EUR 23.7 million in financial year 2021 (previous year: EUR 0.5 million). Of this amount, Softline AG generated revenue of EUR 23.4 million from the provision of consultancy services and the sale of hardware and software, while the Group and management levy (EUR 0.5 million) in particular was recognised as revenue in financial year 2020.

Other operating income amounted to EUR 7.1 million and included income arising from the merger of EUR 6.5 million.

Compared to the previous year, Softline AG has been operationally active since the financial year 2021 owing to the merger. Operating expenses of EUR 10.0 million were therefore incurred in financial year 2021 (previous year: EUR 0.0 million). Of this amount, EUR 1.8 million was attributed to expenses for raw materials and supplies and EUR 8.2 million was attributed to

expenses for purchased services. Staff costs also increased accordingly from EUR 346k in 2020 to EUR 11.5 million in 2021. EUR. Of this amount, EUR 9.2 million was attributed to salaries and wages and EUR 2.2 million was attributed to social security contributions and expenses for pensions and assistance.

Depreciation on intangible assets and property, plant and equipment amounted to EUR 940k in the financial year 2021 (previous year: EUR 6k).

At EUR 6.2 million, other operating expenses were significantly higher than the previous year's level of EUR 0.8 million. Other operating expenses also include expenses from the merger of EUR 3.1 million.

No write-downs of financial assets occurred in financial year 2021 (previous year: EUR 1.4 million).

In addition to revenue and contribution margin, EBITDA and EBIT are key control parameters for Softline AG. On the EBITDA level, Softline AG closed with a loss of EUR -266k, which is below the result of the previous year (EUR -171k). Taking into account the positive merger effect of EUR 3,382k, this results in an EBIT of EUR 2,175k (previous year: EUR -778k). The positive merger effect of EUR 3,382k is subtracted from the EBITDA figure.

3.4.3 Overall statement on the economic situation of Softline AG

For the financial year 2021, the Management Board regarded the continued business performance of Softline AG and its subsidiaries as very positive. The severance of unprofitable subsidiaries, the past structural adjustments and the focus on profitable key areas have sustainably strengthened the Group's assets, financial position and results.

3.5 Employees

In the financial year 2021, Softline AG, the parent company, had a total of 194 employees alongside the Management Board. The entire Softline Group employed an average of 219 employees over the same period and 233 employees as at 31 December 2021.

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 for Softline AG involves being able to offer their existing customers and prospective customers general and consultancy services, together with the required hardware and software solutions, which these customers require in order to focus on their core business, reduce risks and exploit the opportunities afforded by digitisation. As this can only be achieved with exceptionally well trained and motivated employees in place, Softline AG together with its subsidiaries has to be an attractive employer with the ability to inspire these employees.

The risk also involves utilising these exceptionally well trained and motivated employees in a sustainable way, both in terms of providing consultancy services, as well as implementing software and cloud solutions.

Lean management processes, implemented both within Softline AG as well as within the subsidiaries, ensure the individual divisions and companies can benefit from excellent direct management and control.

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.

Due to vertical integration within the European Group, unification of services and 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. 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, provide 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 2024.

In this context, 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.

Personnel risks

The risk of losing management and key employees was always present but was rather low in recent years due to below-average fluctuation rates when compared to similar companies within the sector.

The pandemic, which has lasted for two years, involved many employees switching to a home or remote office workplace, face-to-face meetings being cancelled and no general everyday interactions at work. Softline has also noticed these elements too. As has been noticeable in many other companies, the interests of individuals have changed dramatically. The idea of having a “work-life balance” is more important than ever, and individuals value their leisure time more highly than before.

Furthermore, according to the Gallup Engagement Index⁴, the willingness for individuals to switch jobs in the German job market was actually higher than in the USA for the very first time in 2021.

The management team at Softline AG understands these risks and is therefore making a conscious effort to invest in an open and constructive corporate culture, training and continued development of its workforce and a future-proof human resources policy.

⁴ Engagement-Index-Deutschland-2021, <https://www.gallup.com/de/engagement-index-deutschland.aspx>

Other risks

The outbreak of a global pandemic with resulting restrictions on the ability to work, extraordinary strain on employees and impaired supply chains and distribution channels has not been considered and assessed as a separate risk.

In assessing risks, the maintenance of the capacity to work even under extraordinary conditions was taken into account in categories such as "key risks of corporate governance", "communication and documentation", "human resources management", "service provision" and "information technology". Consequently, the company was quickly able to switch to mobile working at the onset of the pandemic. Corporate communication could be continuously maintained even without a physical presence, and a healthy and open corporate and leadership culture has also helped to keep the health, motivation and satisfaction of employees at a high level.

The impact of Russia's war of aggression on Ukraine on the business of Softline AG and its subsidiaries remains difficult to assess in terms of the general geopolitical effects. Given the Softline Group's business activities are focused on the D-A-CH and Northern Europe markets, and the market is continuing to grow strongly, particularly in the areas of IT consultancy and digitisation, we do not expect to see any exceptional burdens placed on our business or the growth of our Company.

Due to the accelerated digitisation of our companies, there are no foreseeable financial or market risks as a result of the pandemic or the war of aggression in Ukraine.

The addition of Softline International (SLINT), a company with operations in more than 60 countries, as a new major investor at the start of 2021 does not constitute a risk, owing in particular to Softline AG's legal independence as a listed stock corporation (Aktiengesellschaft). The holding company of SLINT, Softline Holding PLC, a company registered in Cyprus with its headquarters based in London, has been listed on the London Stock Exchange since September 2021 and is subject to the most stringent of compliance guidelines.

3.7 Opportunity report

According to the Kiel Institute for the World Economy, the German economy is once again facing strong headwinds. The war in Ukraine is leading to rising commodity prices, new supply bottlenecks and dwindling sales opportunities. Higher commodity prices reduce the purchasing power of disposable incomes and thus dampen private consumption. Moreover, new supply bottlenecks will dampen industrial production. Finally, sales opportunities will deteriorate at least temporarily due to the sanctions and the increased uncertainty caused by the war.

All this is hitting the economy in a phase in which the dampening effects of the pandemic are fading out and a strong recovery has begun to emerge. These powerful driving forces, namely huge pent-up purchasing power among private households and large backlogs of orders within industry, are cushioning the shock waves arising from the war in Ukraine. As a result, the recovery is likely to continue this year, albeit at a noticeably slower pace than expected in the winter.

The IfW now expects GDP to rise by 2.1% in this year (winter forecast: 4%) and by 3.5% in 2023 (winter forecast: 3.3%). At 5.8%, inflation is likely to be higher this year than ever before in reunified Germany. Even if commodity prices stop rising and supply bottlenecks gradually ease, inflation is still likely to be unusually high at 3.4% next year, also because recent producer price increases are only gradually being passed through to consumers.

The job market is expected to remain robust. Public spending will rise, meaning therefore that budget deficits will remain at elevated levels for a longer period.⁵

In its press release of 4 April 2022, the trade association Bitkom also made reference to the negative impact of the war in Ukraine, including in particular the gloomier prospects for the business environment in the digital sector. The index for current business sentiment rose by 2.8 points to 39.8 points. Business prospects for the next six months have fallen sharply, dropping to -3.9 points, which is in negative territory. This compares to the previous month's figure of minus 21.8 points. "Russia's criminal war of aggression on Ukraine has reversed the confidence in economic recovery that had been prevailing at the time. Despite the excellent business sentiment that remains in place, expectations for the next six months are restrained", said Bitkom President, Achim Berg. "The fact that the business environment in the digital industry remains much better than in the economy as a whole offers little comfort. This war is evidence of how important digital sovereignty and resilience are. Digital technologies are essential to ensuring democracies have the security and ability to act in the event of crisis situations, such as the pandemic, or military threats".

Despite the gloomy sentiment, Bitkom noted that companies are looking to create new jobs. Although employment expectations fell by 4.1 points, they were, however, clearly in positive territory at 30.2 points. This means the vast majority of companies intend therefore to hire additional workers in the next three months. According to Berg, demand for digital experts remains incredibly high.

Berg also stated that the Bitkom sector is proving to be an anchor of stability, not only in the job market but also with regard to surging inflation. Despite the general increase in prices, which currently stands at 7%, only moderate price rises are expected for digital goods and services.⁶

With the financial year 2021 being a particularly challenging one, combined with an unsatisfactory third quarter and very positive business performance in the fourth quarter in particular, we have managed to set the course towards a positive future business performance for Softline AG and its subsidiaries.

In a difficult market for IT specialists, we have managed to add to our staff numbers to the extent required in order to allow the Company to grow. Furthermore, the mood among staff remains excellent despite the various coronavirus-related restrictions. This is signalled by a low level of sick leave, as well as a below-average staff turnover rate. Plans are already in place to hire the

⁵ IfW, Media Information, 17/03/2022 - IfW Kiel Economic Outlook No. 89 (2022/Q1); "Recovery at risk – Soaring Inflation"

⁶ Bitkom press release, 04/04/2022 – "War in Ukraine putting pressure on the business environment in the digital sector".

additional staff required to ensure our continued growth in 2022; in some cases, these staff have already been hired.

We have managed not only to keep our order backlog at a high level, but also to attract many new customers from all kinds of sectors.

The merger of the German subsidiaries Softline Solutions GmbH and Softline Services GmbH at the start of 2021 has already reduced the level of complexity within the Company and optimised collaboration between employees at our German sites. The Managed Field Services and Recruiting Services divisions have been stopped, with the exception of any remaining projects. Employees working within the framework of the “Talent Factory (Talentschmiede)” project have been given further training and integrated into the various departments of other divisions.

At the end of last year, we set the course towards establishing cross-border responsibilities for the various divisions based on the geographical distribution of responsibilities (D-A-CH region, Northern Europe region). We are now focused on a cross-border basis, within the divisions bearing the same name, on the IT Asset Management, Cloud and IT Security portfolio elements. Sales and marketing as well as administrative areas are now managed on a cross-border basis. This allows us to grow and scale up both at national level as well as internationally within the portfolio elements.

The collaboration with our major investor Softline International, which acquired 63.4% of shares in Softline AG back in April 2021, provides us with further opportunities for growth in the more than 60 countries in which the Groups is already trading, along with access to their premium partnerships with software manufacturers and cloud service providers.

The issue of digitisation has increasingly gained traction over the past two years, due to the impact and negative effects of the coronavirus pandemic. Companies were forced to adapt their business and labour models to deal with these new challenges.

Most companies have since moved on from this emergency mode of operation, but the need to make the path taken towards digitisation more professional remains as great as ever.

We continue to strike a chord with our customers with our motto “Achieving Compliance, Control and Cost Savings for your IT”. With our IT Asset Management, Cloud and IT Security core portfolio, we are able to provide our customers with premium advice and support to deal with the challenging tasks they face. As a “Trusted Advisor” that provides business and technical advice and implementation services, we support our medium-sized and large customers on their way to digitisation and, after consulting and implementation, also take over the support and operation of their IT infrastructure so that they can concentrate on their actual core business.

As has been the case in recent years and will continue to be the case this year and beyond, the issue of staff development and attracting new management and specialists is our top priority. We also have plans in future here to invest significantly more in our collaboration with national and international partners and service providers. 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 cooperation with

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

Following the Softline Group's recognition as a "Challenger" in the global 2021 Gartner® Magic Quadrant for Managed Services back in July 2021, it is now one of 11 recognised SAM Managed Service Providers worldwide. This not only confirmed our expertise and experience in the field of IT Asset Management once again; it also means we are now officially one of the world's most important specialists. But we will not stop here; indeed, we intend to continue following our growth track here on both a national as well as international basis.

In our Cloud and IT Security divisions, we have spent the past few weeks and months investing heavily in developing and expanding our business. Our aim is to achieve double-digit growth in these areas, focusing on the D-A-CH region. The issues of information and IT security dominate day-to-day work in German companies and public sector customers.

3.8 Report on expected developments

Growth forecasts for 2022 according to the BDU:

According to the BDU, management consultancy firms in Germany still consider the risk of Putin's war of aggression on their business situation to be low at present. As per the results of a snap survey conducted by the Federal Association of German Management Consultants (Bundesverband Deutscher Unternehmensberater, BDU) after war broke out, growth forecasts for 2022 remain high at 10.5%. The forecast value in the annual sectoral survey, which was conducted between the beginning of January and the beginning of February, was 0.8 percentage points lower. The consultancy sector once again got off to a good start in the financial year 2021.⁷

The shift towards digitisation over the past two years, accelerated significantly as a result of the coronavirus pandemic, has maintained its momentum. Most companies have since moved on from this emergency mode of operation and are now working intensively on digitising their processes and business models in a structured way with the future in mind.

As was the case in the previous year, competition will predominate on the job market with regard to the search for suitable skilled workers and specialists.

The forecast for Softline AG is based on forecasts regarding business performance in individual divisions and foreign subsidiaries.

The revenues generated last year, the balanced operating result and the extensive order backlog at the end of the year have allowed us to maintain our planned growth rate and lay the foundations for further significant growth. Despite the ongoing restrictions and impact of the coronavirus pandemic, we made substantial investments in developing and expanding our highly qualified workforce as planned and were also able to increase our sales in the high-margin business areas as planned. While we managed to increase our revenue and contribution margin

⁷ BDU e.V. 2022; press release of 16 March 2022 "Consultancy sector once again off to a good start to 2021 despite pandemic shock – Impact of war in Ukraine still low at present".

as planned, we were unable to achieve our planned profit level, due in particular to the extensive investments in new staff as well as postponed projects caused by the pandemic. However, following on from a challenging third quarter, we are delighted to have been able to recover once again in the fourth quarter and end the year with a positive result overall.

We will invest heavily in growth within the fields of IT Asset Management, Cloud and IT Security in the current and coming years. We expect increased costs of around EUR 2.0 to 2.6 million for the coming year. We consequently forecast an operating result at EBITDA level of EUR 1.0 to 1.5 million for the financial year 2022. In terms of EBIT-level forecasts, the Group of companies is expected to generate from EUR 0.8 to EUR 1.3 million in 2022 and from EUR 2.0 to EUR 3.0 million in 2023.⁸

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 heavily 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.

According to Management Board planning, the liquidity of the Softline Group is ensured until the end of 2023.

For the financial year 2022, we expect EBITDA of between EUR 1.0 and 1.5 million for Softline AG.

Strategic outlook

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

⁸ This is before consolidation, excluding write-downs at Group level.

With more than 200 well-trained, highly qualified and exceptionally motivated employees, the Softline Group is excellently positioned to successfully address many of these issues associated with its consulting and service portfolio, in particularly due to 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.

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 ranging 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 management of Softline AG, with locations in Leipzig, Wolfsburg and Aschheim near Munich, we are also planning to achieve significant revenue and earnings growth in the D-A-CH region (Germany, Austria, Switzerland) in the upcoming period. In the Softline Group 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 Group 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.

The involvement of our new major shareholder, with locations in over 60 countries, also opens up completely new growth opportunities involving our expertise and experience in our key portfolio areas, but also significantly outside them.

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

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 neither been taken nor omitted.

Leipzig, 27 April 2022

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

Martin A. Schaletzky
Managing Director



„We will continue to strengthen our consulting and sales in all companies in the future as well.“

4 Company financial statements

4.1 Income statement

		2021	2020
	EUR	EUR	EUR
1.	Revenue	23,735,285.55	502,013.60
2.	Reduction in finished goods and work in progress	-157,945.27	0.00
3.	Other capitalised own work	17,429.00	0.00
4.	Other operating income	7,174,801.73	1,232,699.72
5.	Material costs		
	a. Expenditure for raw materials and supplies and for purchased goods	1,849,091.72	0.00
	b. Expenditures for purchased services	8,147,860.65	0.00
		9,996,952.37	0.00
6.	Personnel costs		
	a. Wages and salaries	9,240,170.85	321,173.96
	b. Social security contributions and expenses for pensions and assistance	2,236,006.21	24,481.88
	– of which for pensions: EUR 76,533.99 (previous year: EUR 0.00)		
		11,476,177.06	345,655.84
7.	Write-downs		
	a. on intangible assets and property, plant and equipment	940,666.77	6,390.37
8.	Other operating expenses	6,181,269.05	760,539.40
9.	Other interest and similar income	2,767.14	103,516.54
	– of which from affiliated companies: EUR 2,767.14 (previous year: EUR 103,516.54)		
10.	Write-downs of financial investments and securities in current assets	0.00	1,400,000.00
11.	Interest and similar expenses	71,543.59	54.46
	– Of which from affiliated companies: EUR 0.00 (previous year: EUR 54.46)		
12.	Earnings after tax	2,105,729.31	-674,410.21
13.	Other taxes	14,670.00	7,928.00
14.	Net profit (previous year: net loss)	2,091,059.31	-682,338.21
15.	Loss carryforward from previous year	-9,527,217.81	-8,844,879.60
16.	Net loss	-7,436,158.50	-9,527,217.81

4.2 Balance sheet

ASSETS

	EUR	EUR	EUR
	31.12.2021	31.12.2021	31.12.2020 ⁹
A. FIXED ASSETS			
I. Intangible non-current assets			
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and values	56,290.37		
2. Goodwill	6,739,111.98		
		6,795,402.35	7,543,225.00
II. Property, plant and equipment			
Other equipment, operating and office equipment		519,147.17	506,046.07
III. Financial investments			
1. Shares in affiliated companies	198,005.49		168,592.00
2. Loans to affiliated companies	0.00		240,158.26
		198,005.49	408,750.26
B. CURRENT ASSETS			
I. Inventories			
1. Work in progress and unfinished services		337,264.12	162,555.27
II. Receivables and other assets			
1. Trade receivables	2,099,153.11		2,375,454.46
2. Receivables from affiliated companies	83,023.43		119,362.48
3. Other assets	1,042,942.02		764,597.31
		3,225,118.56	3,259,414.25
III. Cash and cash equivalents		472,946.31	1,171,225.95
C. DEFERRED INCOME		466,003.45	2,241,382.77
		12,013,887.45	15,292,599.57

⁹ The balance sheet figures for financial year 2020 have been adjusted in accordance with the merged balance sheet in order to make them easier to compare. The previous year's figures are not therefore in line with the attested balance sheet or the previous year's figures included in the Management Report.

LIABILITIES

	EUR	EUR	EUR
	31.12.2021	31.12.2021	31-12-20
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	-7,436,158.50		-9,527,217.81
IV. Income from the merger	0.00		3,381,578.86
		8,145,323.65	9,435,843.20
B. PROVISIONS			
Other provisions		1,007,499.38	890,566.68
C. LIABILITIES			
1. Liabilities to credit institutions	0.00		37,113.62
2. Advances received on orders	398,092.27		114,462.29
3. Trade payables	1,333,698.16		1,716,954.53
4. Amounts owed affiliated companies	11,710.00		117,315.58
5. Other liabilities	787,246.47		332,473.57
- of which taxes: EUR 751,402.32 (Previous year: EUR 305,593.92)		2,530,746.90	2,318,319.59
- of which social security contributions: EUR 20,618.05 (previous year: EUR 0.00)			
D. DEFERRED INCOME		330,317.52	2,647,870.10
		12,013,887.45	15,292,599.57

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

5.1 Performance of subsidiaries¹⁰

Following the merger of both German subsidiaries, Softline Solutions GmbH, Leipzig, and Softline Services GmbH, Aschheim, into Softline AG at the start of 2021, only the active foreign subsidiaries, namely Softline Solutions B.V., Netherlands, Softline Solutions N.V., Belgium, and Softline Solutions Ltd., UK, and the dormant German subsidiary XPERTLINK GmbH are still within the Group of companies.

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, was able to significantly increase its sales from approx. EUR 6.7 million in the previous year to EUR 7.2 million. The result at EBITDA level also developed well once again throughout the year, despite the impact of the coronavirus pandemic. The Company was able to slightly increase its EBITDA of EUR 0.4 million compared to the previous year. At EUR 6.0 million, the order backlog was at the previous year's level (EUR 6.0 million) despite the high-capacity utilisation in 2021 and the successive completion of existing projects. A well-filled pipeline promises a significant increase in the course of 2022.

Softline Solutions UK, headquartered in London, achieved revenue of EUR 2.2 million in the financial year 2021 (previous year: EUR 1.1 million); of this amount, approximately EUR 1.5 million was attributable to licence sales, EUR 0.3 million to consultancy and EUR 0.4 million to Managed Services. The local investment in 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 was just able to break even at EBITDA level. A significant increase in revenue and earnings is once again expected in financial year 2022.

XPERTLINK GmbH in Aschheim did not operate in financial year 2021. The core business of XPERTLINK GmbH, placement of highly specialised IT personnel, had already been integrated into what was then known as Prometheus GmbH in 2014.

¹⁰ According to interim company financial statements (unattested).

Subsidiary company revenues¹¹

		2021	2020
Softline Solutions GmbH // Germany	TEUR	-	15.933
Softline Services GmbH // Germany	TEUR	-	4.589
XPERTLINK GmbH // Germany	TEUR	-	-
Softline Solutions B.V. // The Netherlands	TEUR	6.974	6.419
Softline Solutions N.V. // Belgium	TEUR	194	284
Softline Solutions UK // UK	TEUR	2.221	1.118

Subsidiary company EBITDAs¹²

		2021	2020
Softline Solutions GmbH // Germany	TEUR	-	539
Softline Services GmbH // Germany	TEUR	-	-157
XPERTLINK GmbH // Germany	TEUR	-	-
Softline Solutions B.V. // The Netherlands	TEUR	444	395
Softline Solutions N.V. // Belgium	TEUR	-14	-2
Softline Solutions UK // UK	TEUR	65	-37

¹¹ According to interim company financial statements (unattested).

¹² According to interim company financial statements (unattested).

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

Softline Solutions GmbH // Germany (Softline AG since March 2021)

Softline Solutions GmbH was a vendor-neutral 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. The Company was legally merged into Softline AG on 12 March 2021.



Softline Services GmbH // Germany (Softline AG since March 2021)

Softline Services GmbH supported 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. The company was legally merged into Softline AG on 12 March 2021.



XPERTLINK GmbH // Germany

The business purpose of XPERTLINK GmbH, a wholly owned subsidiary of Softline AG, is to assist its customers in finding and selecting 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/Licence Management.



Softline Solutions Ltd. // UK

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



5.2 Portfolio streamlining

As in previous years, Softline AG and its subsidiaries further strengthened their portfolios, offering comprehensive solutions, consulting and managed services in the areas of **IT Asset Management, Cloud and Future Datacentre, Information and IT Security** as well as **Digital Workplace**. In addition to expanding its sales to existing customers, Softline AG was able to secure additional national and international projects involving well-known banks, insurance groups and automobile manufacturers.

Softline AG continues to pursue the goal of becoming the market-leading and vendor-neutral provider of IT asset management and IT consulting in Europe but, after joining forces with SLINT, the company has now set itself the goal of becoming the global vendor-neutral market leader in managing, controlling, optimising and, in particular, protecting the IT assets of its customers - both software and hardware.

The strategic partnerships with market-leading IT system houses and software providers were further expanded over the past year and, on the customer side, the long-standing business relationships with medium-sized companies and international groups were consolidated.

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



„We plan to grow significantly internationally together with our main shareholder.“



6 Report of the Supervisory Board

In the financial year 2021, the Supervisory Board of Softline AG fully 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 by the Supervisory Board, in particular with regard to their legality and expediency. Risk management was discussed in the same way. As was the case in the previous year, the global coronavirus pandemic and the German and European regulations that were issued as a result of it had a strong and restrictive impact on the business environment, the Company and its employees and also on the work of the Supervisory Board in 2021.

There were four regular meetings of the Supervisory Board in the financial year 2021, along with in-depth informal discussions, all of which had to be organised as video or telephone conferences. In addition to these meetings, 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.

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 key business transactions. A video conference by the Supervisory Board Chairman with the Management Board and other company executives was held every month throughout financial year 2021.

The transactions submitted by the Management Board to the Supervisory Board for approval in accordance with § 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

KAISER HAMMER GmbH, Wirtschaftsprüfungsgesellschaft, Baden-Baden, which was elected to serve as statutory auditor, has examined the Annual Financial Statements and Management Report as at 31 December 2021; in this process it consulted the accounting records and took the relevant statutory requirements into account. 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 video conference held on 28 April 2022 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 and did not raise any objections after examining the results. The Supervisory Board unanimously approved the Annual Financial Statements prepared by the Management Board. The Annual Financial Statements are thus deemed to have been ratified.

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

Leipzig, 15 May 2022



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, Leipzig – consisting of the balance sheet as at 31 December 2021 and the income statement for the financial year from 1 January 2021 to 31 December 2021, as well as the notes, including the presentation of the balance sheet and valuation methods. In addition, we reviewed the Management Report of Softline AG for the financial year from 1 January to 31 December 2021.

In our opinion based on the findings of the audit,

- the accompanying Annual 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, financial position of the Company as at 31 December 2021 and its results for the financial year from 1 January through 31 December 2021 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 § 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 § 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 relies on the cash inflows from the subsidiaries and/or extension of the existing current account facilities for the further safeguarding of liquidity and continued solvency in the planned scenario. Our opinion on the Annual Financial Statements has not been altered in this regard.

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 § 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.

Baden-Baden, 28 April 2022

KAISER HAMMER GmbH
Auditing company

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Auditor

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