



## **ANNUAL REPORT 2020**

January 1st 2020 till December 31st 2020

## Softline AG Key Figures (German Commercial Code)

		2020	2019
<b>Result</b>			
Revenues	TEUR	502	747
Operating profit (EBITDA)	TEUR	-171	-213
Operating profit (EBIT)	TEUR	-778	-2,626
Annual earnings before taxes (EBT)	TEUR	-674	-2,515
Annual result (EAT)	TEUR	-682	-2,525
Earnings per share (EAT)	EUR	-0.40	-1.47
<b>Balance sheet</b>			
Fixed assets	TEUR	6,302	7,164
Current assets	TEUR	55	138
Equity	TEUR	6,054	6,737
Equity ratio	%	94.92	91.89
<b>Other</b>			
Order Backlog Softline Group (as at 31-12)	TEUR	36.5	23.7
Employees of Softline AG	Number	-	-
Employees of the Softline Group	Number	205	201

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„Despite pandemic-related challenges, we were able to continue our successful development.“

## 1 Letter to shareholders

Dear Shareholders and Readers,

We have had a challenging year. The spread of the Corona pandemic since the beginning of 2020 has taken a toll on us as a company, but also on our team in particular. For this reason, we are all the more pleased that our employees have come through the year in good health and our company has also been able to continue the positive trend of recent years.

Despite pandemic-related difficulties in 2020, Softline AG and its subsidiaries managed to slightly increase revenues compared to the previous year and to generate an operating result at EBITDA level that more or less met targets. Compared to previous years, revenue from IT asset management and IT consulting achieved significant growth by focusing primarily on information and IT security, the cloud and future data centres. We were also able to achieve renewed growth in the Managed Service sector.

The outbreak of the pandemic in the first half of 2020 had an immediate impact on the Softline Group's business as well. All customer appointments and events were cancelled or put on hold and the entire team of the Softline Group had to adapt their working methods to the new circumstances at lightning speed. Working from home became the new normal, sometimes with additional burdens due to unsatisfactory infrastructure, insufficient internet bandwidth and the double burden of no childcare and homeschooling. As an IT consultancy, we were already well equipped to implement such remote operations. Nevertheless, we have also expedited further digitilisation of our business processes within the company.

Although digitilisation and virtualisation were already dominant topics last year, the challenges posed by the pandemic have propelled them to the top of the agenda. Companies of all sizes have inevitably had to grapple with issues involved in adapting their business and IT architecture to new technologies, cloud transformation and general IT modernisation.

Beginning in the second half of the year, events and trade fairs were held digitally, in some cases with a higher participation rate than in previous years. The significant increase in demand for digitilisation and cloud transformation projects in all industries and business sectors in the first half of 2020 was also reflected in the order intake and the workload of our specialists.

Even though the pandemic made it difficult for us to meet the increasing demand for highly qualified specialists throughout 2020, we nevertheless invested heavily in the development and training of our employees, especially in the areas of consulting and sales. The strategic decisions made in recent years, the ongoing optimisation of our business processes and the expansion of our range of services and products certainly paid off in 2020.

Dear Shareholders,

Despite the restrictions and challenges relating to the pandemic, it is gratifying to note how we managed to increase our sales and achieve a clearly positive result at EBITDA level. We are grateful 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!

Once again, we have managed to significantly increase our volume of orders over the previous year (EUR 36.5 million as at 31 December 2020) and to substantially expand our pipeline. Our productivity has steadily increased and we have kept our overall costs very well under control.

Extensive investments in our team and continuous development of our advisory portfolio have laid the foundation for further growth in the years to come. The merger of the former German subsidiaries into Softline AG, which was initiated at the end of 2020 (and implemented in March 2021), has further reduced the complexity and cost base of the company.

The change in majority shareholder, which was announced at the end of 2020 and completed in April 2021, means that we now have a strategic investor at our side who will enable Softline AG and its international subsidiaries to grow significantly, not just organically but also inorganically and not just nationally but internationally as well.

The successful business development in recent years is also ensuring that liquidity remains stable. We weathered the crisis well in 2020 and look forward to developing the Softline Group to a new level of revenue and earnings in future years!

As part of our commitment to **"Achieving Compliance, Control and Cost Savings for your IT"**, we will focus on steady growth and strategic development, especially in our fastest-growing and highest-margin key portfolio areas of IT Asset Management, Cloud and Future Datacentre. Regionally, we will focus on the D-A-CH and Northern Europe regions (Benelux, UK and Scandinavia) and continue to invest heavily in our sales organisation, advisory team and in the development of new customer services at our locations.

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

**The Softline share price performed well in financial year 2020, especially in the second half of the year.**

Following a rollercoaster ride in the first half of 2020 due to the Corona pandemic, the leading indices were then able to record a predominantly favourable price increase at the end of 2020. While the EURO STOXX 50 is still somewhat behind its value at the beginning of the year, the DAX, TecDAX and especially technology stocks have displayed a clear upswing. Technology sectors were able to make gains despite a predominantly negative impact of the Corona pandemic on economic performance throughout the world.

### Share Price Performance Softline AG

The Softline share price fell to a low of EUR 5.40 at the beginning of the year, only to rise successively to a price level of around EUR 6.80 in the second half of 2020 in response to the positive business trend despite the Corona pandemic. Following two interim highs at the time of the publication of the half-year figures (EUR 7.35) and third quarter figures (EUR 7.10), the biggest price increase was recorded at the end of the year. After announcing the imminent change of majority shareholder in mid-December 2020, the share price rose to a high of EUR 8.80 at the end of the year. The management of the Softline Group is very satisfied with the current share price performance, which has continued to be clearly positive throughout the initial months of financial year 2021. Both the company's positive evolution, especially under the impact of the Corona crisis, and the growth potential due to the arrival of the new majority shareholder are clearly reflected in the current share price level.

	30-12-20	02-01-20	Change in %
Softline AG	€ 8.80	€ 6.65	+32.3%
EURO STOXX 50	3,574	3,748	-4.6%
DAX	13,719	13,386	+2.5%
TecDAX	3,213	3,015	+6.6%
Technology All Share	3,518	2,943	+19.5%

## **Market capitalisation and trading volume**

Based on the closing share price on 31 December 2020, Softline AG had a market capitalisation of around EUR 15.1 million at the end of 2020.

In the opinion of the Group's Management Board, the clearly positive share price performance in the last year reflects the sustained positive trend in the business. Both the interim highs and, in particular, the share price increase at the end of the year demonstrate both the results already achieved and the group's clear growth potential. As in previous years, it will continue to be 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**

No analyst assessment of Softline AG was carried out in reporting year 2020. The group of companies has maintained 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 statement of Softline AG, the Group has voluntarily published the consolidated financial statement 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 financial year 2020. 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 2021 in a similar manner.

## **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 mandatory publications, we offer existing and potential shareholders, as well as financial analysts and journalists, the opportunity to understand the development of the Softline Group through transparent reporting at capital market conferences and analysts' meetings. Our 'Investor Relations' web page provides interested investors with a variety of information. In addition to business reports and interim statements, this page provides access to general information on our company strategy and management, as well as on our shares. In addition, the Softline Group regularly issues press release or announcements on social media platforms concerning new customers, current projects, awards and successful restructuring.



### Financial calendar for financial year 2021

Annual report 2020 (company financial statements for the AG)	May 2021
Consolidated financial statements for 2020 (unattested)	June 2021
First-quarter report 2021	June 2021
AGM for financial year 2021	01 July 2021
Half-year report 2021	August 2021
Third-quarter report 2021	November 2021

### Key share data

		2020	2019
Highest price	EUR	8.80	8.15
Low	EUR	5.40	5.05
Close (Xetra)	EUR	8.80	6.65
Number of shares	Million	1.71	1.71
Market capitalisation (as of 31-12.)	in EUR million	15.1	11.40
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 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 are looking forward to taking the Softline Group to a new level of revenue and earnings in the coming years.“

## 3 Situation report

### 3.1 Overall economic performance and market trend

Following German economic growth of 0.6% in the previous year, gross domestic product decreased by 5% in 2020 compared to 2019. The German economy thus ended a ten-year period of growth in the Corona crisis year of 2020 and fell into a deep recession, similar to the last downturn during the financial and economic crisis of 2008/2009. Preliminary calculations indicate, however, that the economic slump in 2020 was less severe than the 5.7% decline in 2009.

Adjusted for calendar effects, GDP in 2020 is expected to drop by 5.3%, as the past year had more working days than 2019.

The Corona pandemic left clear traces in almost all sectors of the economy in 2020. Production was massively curtailed in some cases, both in service sectors and the manufacturing industry.

Economic output in the manufacturing sector excluding construction, which accounts for a good quarter of the overall economy, fell by 9.7% in price-adjusted terms compared to 2019; in the processing sector it fell by as much as 10.4%. Industry was particularly affected by the consequences of the Corona pandemic in the first half of the year, including the temporary disruption of global supply chains.

The economic slump was particularly evident in the service sectors, parts of which recorded the sharpest declines ever. This is exemplified by the combined economic sector of trade, transport and hospitality, whose price-adjusted economic output was 6.3% lower than in 2019. However, countervailing developments also occurred: Online trade increased strongly, while highstreet trade was at times deeply in the red.

The construction industry was able to hold its own during the crisis, and its price-adjusted gross value added even increased by 1.4% compared to the previous year.

The effects of the Corona pandemic were also clearly visible on the demand side. Consumer spending fell 6% year-on-year in 2020, the largest decline ever. In contrast, government consumption expenditure had a stabilising effect even during the peak of the Corona crisis and underwent a price-adjusted increase of 3.4%, some of which was attributable to such factors as the procurement of protective equipment and hospital services.

Gross fixed capital formation, adjusted for price, recorded the sharpest decline since the financial and economic crisis of 2008/2009, falling by 3.5%. Contrary to this trend, construction investments increased by 1.5%.

The Corona pandemic also had a massive impact on foreign trade: exports and imports of goods and services declined in 2020 for the first time since 2009, exports by 9.9% and imports by 8.6% in price-adjusted terms. The decline in service imports was particularly large, mainly due to the high contribution of travel, which fell sharply.

On the labour market, the Corona pandemic brought an end to the steady upward trend over the last 14 years, with an average of 44.8 million people in employment and having their place

of work in Germany in 2020. This is 477,000 people or 1.1% less than in 2019. The marginally employed and self-employed were particularly affected, while the number of employees subject to social security contributions remained stable. Above all, the expanded regulations on reduced working hours are likely to have prevented redundancies in the latter category.

According to preliminary calculations, government budgets ended 2020 with a deficit of EUR 158.2 billion. This deficit was the first one since 2011 and the second highest since German reunification, surpassed only by the record deficit of 1995, when the Treuhand debt was transferred to the state budget. Based on nominal GDP, the government obtained a surplus ratio of 4.8% in 2020. The European reference value in the Stability and Growth Pact of 3% and the targeted balanced budget were clearly missed. However, the Corona pandemic has led to a suspension of both targets for 2020 and 2021.<sup>1</sup>

### **Market trend**

According to a study conducted by Lünendonk at the beginning of 2020, the topics trending in 2019 and for 2020 and 2021 concerned adaptation of business and IT architecture to new technologies, cloud transformation and general IT modernisation (e.g. microservices, APIs, legacy). In this connection, a survey of IT service providers revealed that they expect a high demand for consulting expertise regarding the restructuring of the entire business and IT architecture. As a result of the predicted increase in cloud transformation projects, the surveyed IT companies also expect significant demand with regard to issues concerning data protection as well as cyber and information security.<sup>2</sup>

The results of the market study "Facts & Figures on the consultancy market 2021" conducted by BDU and the business climate survey carried out in March 2021 both showed that the management consultancy sector did not escape the negative effects of the Corona pandemic. For the first time in ten years, total revenue fell in 2020 by 3.2% to EUR 34.6 billion (2019: EUR 36.0 billion). However, consultants are already forecasting a return to growth during the current year with an expected increase of 9%.

According to the business climate survey of the consulting market conducted in February/March 2021, 40% of firms are reporting a good business situation and 44% a satisfactory one. The business outlook for the coming six months looks even better. In this respect, 44% expect more favourable conditions and 41% expect conditions to remain the same.

Against the background of the government's expiring aid programmes, restructuring consultants expect an increasing need for support in restructuring and reorganisation with growth of up to 15%. Forecasts for the consulting fields of reorganisation, process optimisation, IT applications and infrastructure, and change management also predict 10% increases in revenue in each of these areas.

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<sup>1</sup> Destatis press release, 14 January 2021: "Gross domestic product dropped by 5% in 2020" ([https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21\\_020\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html)).

<sup>2</sup> Lünendonk Study 2020 – The market for IT consulting and services in Germany.

### 3.2 Performance of Softline AG

Since Softline AG acts predominantly as a non-operative holding company, the operating activities of the subsidiaries located in Germany, Benelux and the United Kingdom are of crucial importance. Softline AG achieved revenues of EUR 502,000 within the Group (previous year: EUR 747,000) by further calculating the Group and management allocation. In addition, the company had other operating income of EUR 1.2 million, of which EUR 800,000 was due to the write-up of an intercompany loan from Softline AG to Softline Services GmbH and EUR 245,000 was due to the charging on of sales and administrative costs. On the other hand, other operating expenses amounted to EUR 761,000. Taking into account write-downs of EUR 1,400,000, this results in an EBIT of EUR -778,000 (previous year: EUR -2,626,000) and an EBITDA of EUR -171,000 (previous year: EUR -213,000).

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

#### Performance of subsidiaries<sup>3</sup>

The Softline Group, with its Leipzig-based parent company Softline AG and its national and international subsidiaries, significantly expanded its position as a vendor-neutral market leader in 2020 with regard to the IT Asset Management sector. 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.

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

The transfer of the assets of the transferring companies took place internally with effect as at the end of 30 November 2020 (merger date within the meaning of § 5(1)(6) UmwG). From 1 December 2020 until the companies ceased to exist pursuant to § 20(1)(2) UmwG, all actions and transactions were deemed to have been carried out for the account of Softline AG, Leipzig.

The merger of its German subsidiaries has positioned Softline AG even more strongly for further national and international growth.

As German subsidiaries of Softline AG, Softline Solutions GmbH and Softline Services GmbH were an important part of the internationally operating Softline Group for more than ten years, with additional affiliates in the Netherlands, Belgium and Great Britain. With the merger of the two German companies into Softline AG, which became legally effective on 12 March 2021, the parent company has prepared itself for further national and international growth with a uniform

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<sup>3</sup> According to interim company financial statements (unattested).

portfolio and combined forces. The combination of the three companies will also lead to a significant reduction in internal expenses, as there will henceforth no longer be any need for settlements between the three companies and administrative expenses will be lower.

As the merger only became legally effective on 12 March 2021, these annual financial statements still refer to Softline AG before the merger. The supplementary report explains the balance sheet effects of the merger in detail and contains a balance sheet and income statement of the merged Softline AG as at 1 January 2021.

Martin Schaletzky, CEO of Softline AG, is very pleased with the merger: "Softline Solutions GmbH and Softline Services GmbH have grown closer together over the past decade through shared services such as finance, controlling, IT, human resources, sales, marketing and general management, but especially through the consulting and services provided. We have therefore been thinking for some time about unifying the company portfolios and reducing the complexity and costs within German Softline companies. The combined knowledge and expertise of the employees of the two former companies will enable us to continue to pursue our goal of further growth in the D-A-CH region and also to open up new markets through worldwide projects involving our international subsidiaries operating as the Softline Group."

The results of Softline Solutions GmbH and Softline Services GmbH will, due to the merger, be attributable to Softline AG as from 1 December 2020. Income and expenses of the two companies for the full year 2020 are presented below for purposes of comparison with the previous year.

**Softline Solutions GmbH**, based in Leipzig, was also again able to significantly improve its revenue in 2020, compared to the previous year. The company's total revenue of EUR 15.9 million and its focus on the portfolio areas of IT and Software Asset Management, Information and IT Security, Cloud and Future Datacentre as well as Digital Workplace puts its revenue approximately EUR 1.0 million higher than in the previous year (7%) but, due to the Corona-related restrictions in the first half of the year, approximately EUR 400,000 below forecast. Due to the high investments in the development of new fields, new sales and consulting employees and the training and further education of existing employees, results at the EBITDA level were significantly below the previous year's level at approximately EUR 500,000. In contrast, outstanding orders at the end of 2020 totalled EUR 26.6 million, very clearly above the previous-year volume (EUR 10.4 million).

**Softline Services GmbH** in Aschheim near Munich generated total revenue of EUR 4.6 million in financial year 2020, which is approximately EUR 2.8 million above the previous year's amount. Sales in Recruiting Services amounted to EUR 2.1 million and in Managed Field Services to EUR 2.3 million. Due to the processing of expiring service contracts, the order backlog was reduced as planned from approximately EUR 5.1 million to EUR 3.9 million.

**XPERTLINK GmbH** in Aschheim - a subsidiary of Softline Services GmbH - did not operate in 2020. 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 (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, was able to significantly increase its sales from approx. EUR 4.8 million in the previous year to EUR 6.7 million. The result at EBITDA level also developed very well throughout the year, despite the impact of the Corona pandemic. The company was able to increase its EBITDA from break even in the previous year to EUR 400,000. At EUR 6.0 million, outstanding orders are below the previous year's level (EUR 8.4 million) due to the high capacity utilisation in 2020 and the successive completion of existing projects. A well-filled pipeline promises a significant increase in the course of 2021.

**Softline Solutions UK**, headquartered in London, achieved revenue of EUR 1.1 million, of which approximately EUR 800,000 was attributable to licence sales and EUR 300,000 to 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 was just able to break even at EBITDA level, as in the previous year. A significant increase in revenue and earnings is expected in financial year 2021.

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, French subsidiary Softline Solutions France was phased out in financial year 2020. The software business, together with all employees, was sold to the French IT company Itancia and the company is being wound up. Costs associated with the closure of the company were already taken into account in the 2019 annual financial statements and no longer have an impact on the result of the Softline Group.

#### Subsidiary company revenues<sup>4</sup>

		2020	2019
Softline Solutions GmbH // Germany	TEUR	15,933	14,968
Softline Services GmbH // Germany	TEUR	4,589	7,417
XPERTLINK GmbH // Germany	TEUR	0	0
Softline Solutions B.V. // The Netherlands	TEUR	6,419	4,389
Softline Solutions N.V. // Belgium	TEUR	284	379
Softline Solutions France // France	TEUR	0	2,500
Softline Solutions UK // UK	TEUR	1,118	1,604

#### Subsidiary company EBITDAs<sup>5</sup>

		2020	2019
Softline Solutions GmbH // Germany	TEUR	539	1,226
Softline Services GmbH // Germany	TEUR	-157	365
XPERTLINK GmbH // Germany	TEUR	0	3
Softline Solutions B.V. // The Netherlands	TEUR	395	-48
Softline Solutions N.V. // Belgium	TEUR	-2	48
Softline Solutions France // France	TEUR	0	-224
Softline Solutions UK // UK	TEUR	-37	-7

<sup>4</sup> According to published financial statements (unattested)

<sup>5</sup> 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 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 IT and Software Asset Management, Cloud and Future Datacentre, Information and IT Security and Digital Workplace. The company was legally merged into Softline AG on 12 March 2021.

**Softline Services GmbH // Germany**

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 Services GmbH, is to assist its clients 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.

**Softline Solutions France // France**

The company's business, services and software specialising in the areas of Packaging, Software Development and Business Intelligence was sold to the French Itancia Group. The company is in liquidation.



## Other changes at Softline AG

### Change in majority shareholder structure: Softline & Softline AG join forces to achieve international growth

In December 2020 Axion Holding Cyprus Limited, a holding company of the Russian, internationally operating Softline Group (Softline International) that is independent of Softline AG, signed a share purchase agreement with the previous majority shareholder of Softline AG, S.K. Management- und Beteiligungsgesellschaft mbH (SKMB), for the sale of all shares in Softline AG held by SKMB to Axion Holding. Axion Holding acquired 1,086,951 shares in Softline AG on 08 April 2021 and thus currently holds shares amounting to 63.38% of the share capital in Softline AG.

The involvement of the international IT company into Softline AG constitutes a bundling of forces and lays foundation for further international growth. Softline International is an international IT services company with around 4,500 employees that not only understands our business but also operates successfully in over 50 countries worldwide. The future access to Softline's regions, markets and customers offers completely new growth and development opportunities for Softline AG and its subsidiaries, based on their expertise and experience especially in key portfolio areas SAM and ITAM, Cloud, Information and IT Security as well as Digital Workplace. Softline International values this extensive expertise and experience, particularly in the area of software asset management, but also in the other key portfolio areas as well. We will continue with the implementation of our three-year plan, which started in 2020, and now with even more potential for joint international growth, also increase the likelihood of potentially exceeding our future targets.

Softline AG's consulting capabilities in IT and software asset management, as well as managed services, are crucial for managing fields involving the cloud and increasingly complex software licensing. Its approach helps IT managers identify and evaluate tools and strategies to effectively manage and assess IT. The collaboration with Softline AG, which provides access to extensive knowledge and expertise, combined with our global go-to-market coverage, offers enormous growth opportunities for both companies, is an important strategic step for Softline International towards Europe and the globalisation of the entire business.

### 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 and Software 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 acquire 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 Softline International, 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.



### 3.4 Assets, financial position and results of Softline AG

The parent company, Softline AG, acted primarily as a non-operative holding company in financial year 2020, but supports its subsidiaries with regard to administrative issue, and set their strategies. Operational business activities are carried out wholly by the individual specialised subsidiaries in each respective country. 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 2020 amounted to EUR 6.4 million (previous year: EUR 7.3 million).

Softline AG's noncurrent assets amounted to EUR 6.3 million as at the balance-sheet date. A write-down of EUR 1.4 million on the carrying amount of investment and a write-up of EUR 800,000 on a loan to Softline Services GmbH in the area of financial assets were made against the noncurrent assets totalling EUR 7.2 million as at 31 December 2019. Overall, loans to affiliates increased by EUR 500,000 to EUR 6.0 million.

Additionally, current assets as at the balance sheet date amounted to EUR 55,000 (2019: EUR 100,000).

On the liabilities side of the balance sheet, shareholder equity was approximately EUR 700,000 lower than in the previous year, falling to EUR 6.1 million.

At EUR 200,000, provisions are approximately EUR 200,000 lower than in the previous year.

Liabilities amounted to EUR 100,000 as at the balance sheet date of 31 December 2020, which is below the previous year's level of EUR 200,000, in particular due to the repayment of a loan of approximately EUR 100,000 from the French company to Softline AG. This includes EUR 100,000 in liabilities to affiliates. As at 31 December 2020, Softline AG therefore had 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, thereby, sufficient liquidity to repay issued loans. In the year under review, subsidiary Softline Solutions GmbH, Leipzig, repaid loans totalling EUR 300,000 from its subsidiary Softline Services GmbH, Aschheim, and loans totalling EUR 100,000 to its parent company.

As at 31 December 2020, the loans granted to Softline Solutions GmbH amounted to EUR 2,700,000 (previous year: EUR 2,947,000), loans to Softline Services GmbH amounted to EUR 3,069,000 (previous year: EUR 2,282,000), and loans to Softline Solutions Netherlands BV were EUR 240,000 (previous year: EUR 236,000).

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, Aschheim.

For financial year 2020, the calculated interest on loans amounted to EUR 104,000. None of this amount was paid out during financial year 2020.

### **Capital structure**

At the end of 2020 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 the previous year.

The accumulated loss amounted to EUR -9.5 million. The net loss for the financial year of EUR -700,000 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 remaining loan to the French subsidiary Softline Solutions France in the amount of EUR 116,000 was completely repaid in financial year 2020 as part of the sale of the company's operating business and its liquidation.

### **Liquidity**

Liquidity of Softline AG and its subsidiaries in 2020 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.

## Investments

Softline AG undertook no significant investments in financial year 2020.

### 3.4.3 Results

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 500,000 in financial year 2020 (Previous year: EUR 700,000). This amount includes, in particular, the group and management fees (EUR 500,000).

Revenue calculated for financial years 2019 and 2020 includes, after finalisation according to the new definition of BilRUG<sup>6</sup>, 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 1.2 million and included a loan write-up of EUR 800,000, the release of provisions amounting to EUR 200,000 and on-charged expenses of EUR 200,000.

Due to the fact that Softline AG is not an operating company, no material costs were incurred in financial year 2020. Labour costs of EUR 346,000 are EUR 74,000 higher than in the previous year, in particular due to the provisions for the Management Board's performance bonus.

Write-downs on intangible assets and property, plant and equipment were EUR 6,000, remaining at the same level as in the previous year.

At EUR 800,000, other operating expenses remained at the previous year's level (EUR 1.2 million). In addition to car and travel costs (EUR 200,000), they include 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 1.4 million in 2020. The write-down was applied to the carrying amount of the investment in Softline Services GmbH.

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 -171,000, an improvement on the result of the previous year (EUR -213,000) due to the significantly lower other operating expenses compared to the previous year, along with higher employee costs.

Overall, other operating expenses were below budgeted costs (insurance EUR -11,000, accounting and auditing fees EUR -13,000, travel expenses EUR -1,700,000, vehicle costs EUR

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<sup>6</sup> 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 BilRUG include a redefinition of revenue as well as a specification and expansion of the explanatory notes and further regulations about consolidated accounting.

-300,000). At the EBIT level, the 2020 result of Softline AG, amounting to EUR -778,000, improved significantly on the previous year (EUR -2,626,000) due to smaller write-downs on financial assets as well as the write-up of the loan. The net loss for the year of EUR -682,000 is therefore clearly an improvement on the previous year's loss of EUR -2,525,000.

#### **3.4.4 Overall statement on the economic situation of the Softline Group**

At the time of preparing the Management Report, the Management Board regarded the continued business development 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 financial year 2020 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 205 employees as at 31 December 2020.

### **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.

### **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 "important 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.

Due to the accelerated digitalisation of our companies, there are no foreseeable financial or market risks as a result of the pandemic.

### **3.7 Opportunity report**

According to the Kiel Institute for the World Economy, the second wave of the Corona pandemic interrupted the recovery in Germany following a positive economic performance in the second half of 2020. In fact, it expects a significant decline in economic output for the first quarter of 2021.

However, it also predicts that, as the vaccination campaign progresses, the economic burden will ease and recovery will occur at a rapid pace. An examination of the impact on economic performance in the winter period 2020/2021 reveals a very heterogeneous picture across the various economic sectors. While consumer-related service industries were particularly affected by the second Corona wave, the industrial economy also slowed but remained on an upward trajectory thanks to continuing growth in the export business.

Assuming a decline in adverse economic effects due to the successive withdrawal of public measures to protect against infections - especially the business closures in the retail and hospitality sectors - as well as the increasing vaccination protection of the population, the IfW expects the economy to improve significantly in the second half of 2021.<sup>7</sup>

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<sup>7</sup> IfW, Media Information, 18/03/2021 - IfW Kiel Economic Outlook. 77 (2021/Q1): "Recovery ready for second take-off".



Industry association Bitkom is also reporting buoyant optimism among IT and telecom companies. The situation is as good as it was just prior to the Corona crisis. The business climate in the digital industry is currently showing a strong improvement, climbing to its highest level in two years.

This healthy economic situation will also be accompanied by a growing demand for labour. The majority of companies will, in fact, hire additional workers in the coming months.<sup>8</sup>

According to Bitkom, this economic boost was triggered by the Corona crisis itself. Digitalisation has become much more important to companies in the wake of the Corona pandemic. Six out of ten industrial companies (63%) have indicated that digital technologies are helping them to cope with the Corona pandemic. Three quarters (77.0%) have found that companies whose business model is already digitalised are coming through the crisis in better condition. The IT industry has reacted accordingly and correspondingly adapted its products and services. Bitkom assumes that the Corona pandemic will provide an impetus for continuing digitalisation in factories throughout the coming months. Sixty-one per cent of the companies intend to continue digitalisation on a long-term basis as a consequence of Corona, and 62% see a spurt in innovation for their own company.<sup>9</sup>

After a sharp decline in activities in some of the Softline Group's business areas over the first half of 2020, the company was able to almost completely recover the lost revenues and earnings in the second half of the year. The immediate conversion of our own business operations due to such practices as the introduction of a comprehensive home-office organisation, the implementation of reduced working hours and the acceleration of internal digitalisation projects also helped make the Corona year 2020 into a successful business year.

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 and, as predicted, the Corona pandemic has had a positive effect on the growth of the Softline Group. The issues that we are working on continue to be very relevant and are subject to increasing demand.

We continue to see very high need for consulting services and significant market growth in the areas of IT Asset Management and Cloud Services in 2021 and beyond. In 2020 we invested heavily in the training and further development of various topics, solutions and services for our clients in accordance with our planning, but were unable to recruit new employees to the extent anticipated due to the Corona pandemic. However, we will catch up in this respect in 2021.

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

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<sup>8</sup> Bitkom press release, 06 April 2021: "Business climate in the digital industry reaches two-year high".

<sup>9</sup> Bitkom press release, 07 April 2021: "Corona leads to digitalisation push in German industry".

Softline's inclusion for the first time as one of the "Global Top 10" in the "Gartner Magic Quadrant for SAM Managed Services" has again confirmed the recognition of our expertise and experience in the field of IT asset management.

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 digitalisation 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 digitalisation 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.

By merging the German subsidiaries Softline Solutions GmbH and Softline Services GmbH into Softline AG, we have once again reduced the complexity in the company and also created the conditions for further national and international growth by combining our strengths.

The liquidity of Softline AG is improving due to the positive business performance of the subsidiaries resulting from the repayment of intercompany loans. The successful merger means that future profits in the operative business areas will have a direct positive effect on the result of Softline AG. The restructuring of the balance sheet by converting loans into equity, which was completed in 2017, has led to a significant reduction in liabilities to third parties and a sustained strengthening of equity capital. The Company will therefore have new investment financing options to fund the planned further growth of the Softline Group.

The involvement of the global IT company Softline Group, headquartered in London and independent of Softline AG and its subsidiaries, as the new principal investor (the transfer of the shares of the former investor SKMB took place on 07 April 2021) has once again significantly increased the growth and development opportunities of Softline AG. With Softline International, Softline AG now has a global IT company with around 4,500 employees in 50 countries at its side. In recent months, work has already begun on joint projects in which Softline can successfully contribute its extensive expertise and experience, particularly in the area of software asset management, but also in its other key portfolio areas.

### **3.8 Report on expected developments**

#### **BDU growth forecasts for 2021:**

Based on a survey of companies, BDU expects a return to high growth rates in important customer sectors. For consulting firms, an increase of 12.5% is expected in the healthcare sector, 10.5% in the chemical/pharmaceutical sector and 10.5% in the retail sector. However,

consultants also expect 10% growth rates in the project business for customers from the consumer goods industry and mechanical engineering.<sup>10</sup>

### **Competitive situation**

After the Corona shock in 2020, the signs in the Bitkom sector are again pointing to growth at the beginning of 2021. Back in January, Bitkom forecast market growth in Germany for IT, telecommunications and consumer electronics of 2.7% to EUR 174.4 billion.<sup>11</sup>

In a press release dated 06 April 2021, Bitkom reported a further increase in the business climate index in the digital industry to a two-year high of 26.5 points (mid-January still 19.7 points). The healthy economic situation will also be accompanied by a demand for labour. In addition, many companies expect prices to rise in the coming quarter.<sup>12</sup>

The Corona pandemic hit German industry with full force but, at the same time, led companies to undertake a drive towards digitalisation. Digital technologies helped to overcome the Corona pandemic, and companies whose business model was already digitalised found that they came through the crisis better. This digitalisation impetus will also continue to a considerable extent in the coming months and will have a correspondingly positive effect on the market as a whole.

Competition will predominate on the labour market with regard to the search for suitable skilled workers and specialists.

The forecast for Softline AG is based on forecasts regarding the business performance of the subsidiaries.

The revenues generated last year, the operating result achieved and the extensive list of orders at the end of the year have allowed us to maintain our planned growth rate and lay the foundations for further significant growth. We made substantial investments last year, despite the constraints and impact of the Corona pandemic, and were able to increase our sales in the high-margin business areas as planned. We are a good deal closer to our goal of tripling our result in three years with improved margin quality at EBITDA level compared to 2019.

We will continue to invest heavily in growth within the fields of IT and software asset management, cloud and managed services in current and coming years and expect growth expenditures of approximately EUR 800,000 to 1,000,000 for the coming year. We consequently forecast an operating result at EBITDA level of EUR 1.0 to 1.5 million for financial year 2021. In terms of EBIT-level forecasts, the group of companies is expected to generate from EUR 800,000 to EUR 1.3 million in 2021 and from EUR 2.5 to EUR 3.5 million in 2022.<sup>13</sup>

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<sup>10</sup> BDU e.V. 2020 Press release, 17 March 2021: "Consulting market: 2020 with signs of slowdown, 2021 return to growth".

<sup>11</sup> Bitkom Newsletter, 13 January 2021: "Bitkom sector back on growth track" (<https://www.bitkom-research.de/de/pressemitteilung/bitkom-branche-wieder-auf-wachstumskurs>).

<sup>12</sup> Bitkom Newsletter, 06 April 2021 (<https://www.bitkom-research.de/de/geschaeftsklima-der-digitalbranche-erreicht-zweijahreshoch>).

<sup>13</sup> Before consolidation, excluding write-downs at Group level.

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 financial year 2021, we expect EBITDA of between EUR 1.0 and 1.5 million due to the merger of Softline Solutions GmbH and Softline Services GmbH into Softline AG.

### **Strategic outlook**

The still ongoing 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 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 mainly focus on the fields of IT Asset Management and Cloud and Future Datacentre, but will also continue to be very well positioned in the other key 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 digitalisation 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 knowledge base.

With its highly qualified consultants and extensive expertise and experience, the Softline Group is well equipped to collaborate with customers in facing these challenges. With one-stop solution expertise ranging from creating the digitalisation 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 parent company 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. The entire Softline portfolio is already being offered by Softline D-A-CH, and we 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 the United Kingdom and Scandinavia. 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. In particular, the areas of information and IT security as well as cloud services are all experiencing substantial growth in demand.

The involvement of our new majority shareholder, with locations in over 50 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 been neither been taken nor omitted.

Leipzig, 27 April 2021



Martin A. Schaletzky  
Managing Director

## 4 Company financial statements

### 4.1 Income statement

	2020	2020	2019
	EUR	EUR	EUR
1. Revenues		502,013.60	757,303.90
2. Other operating income		1,232,699.72	501,073.71
3. Personnel costs			
a) Wages and salaries	-321,173.96		-247,479.55
b) Social security contributions and expenses for pensions and assistance - of which for pensions: EUR 19,742.48 (previous year: EUR 20,164.08)	-24,481.88		-24,628.32
		-345,655.84	-272,107.87
4. Write-downs on tangible and intangible noncurrent assets		-6,390.37	-7,429.87
5. Other operating expenses		-760,539.40	-1,199,503.98
6. Other interest and similar income Of which from affiliated companies: EUR 103,516.54 (previous year: EUR 116,504.49)		103,516.54	116,561.03
7. Write-downs of investments and Marketable securities		-1,400,000.00	-2,405,748.21
8. Interest and similar expenses - of which from affiliated companies: EUR 54.46 (previous year: EUR 4,984.95)		-54.46	-5,031.95
9. Earnings after tax		-674,410.21	-2,514,883.24
10. Other taxes		-7,928.00	-9,983.25
11. Net loss		-682,338.21	-2,524,866.49
12. Loss carryforward from previous year		-8,844,879.60	-6,320,013.11
13. Net loss		-9,527,217.81	-8,844,879.60

## 4.2 Balance sheet

### ASSETS

	EUR	EUR	EUR
	31-12-20	31-12-20	31-12-19
<b>A. FIXED ASSETS</b>			
<b>I. Intangible non-current assets</b>			
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and values		16,599.28	20,077.30
<b>II. Property, plant and equipment</b>			
Other equipment, operating and office equipment		2,829.33	4,489.64
<b>III. Financial investments</b>			
1. Shares in affiliated companies	273,592.00		1,673,592.00
2. Loans to affiliated companies	6,009,133.77		5,465,617.23
	<u>6,282,725.77</u>	6,282,725.77	<u>7,139,209.23</u>
<b>B. CURRENT ASSETS</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	684.16		0.00
2. Receivables from affiliated companies	620.08		120,189.06
3. Other assets	41,927.41		9,438.16
	<u>43,231.65</u>	43,231.65	<u>129,627.22</u>
<b>II. Cash and Cash equivalents</b>		11,836.10	8,574.80
<b>C. DEFERRED INCOME</b>		20,817.11	29,060.08
		<u>6,378,039.24</u>	<u>7,331,038.27</u>

## LIABILITIES

	EUR	EUR	EUR
	31-12-20	31-12-20	31-12-19
<b>A. EQUITY</b>			
<b>I. Subscribed capital</b>	1,714,389.00		1,714,389.00
<b>II. Capital reserve</b>	13,867,093.15		13,867,093.15
<b>III. Net loss</b>	<u>-9,527,217.81</u>	6,054,264.34	<u>-8,844,879.60</u>
			6,736,602.55
<b>B. PROVISIONS</b>			
Other provisions		187,988.46	388,876.92
<b>C. LIABILITIES</b>			
1. Trade payables	25,965.82		62,611.71
2. Amounts owed affiliated companies	101,761.09		118,359.74
3. Other liabilities	<u>8,059.53</u>		<u>24,587.35</u>
– of which tax payables: EUR 7,333.66 (Previous year: EUR 21,670.13)		135,786.44	<u>205,558.80</u>
		<u>6,378,039.24</u>	<u>7,331,038.27</u>





„Our strategic decisions and continuous service optimisations of the past years have borne fruit in 2020.“

## 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 2020 have been 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 (Kleine Kapitalgesellschaft) within the meaning of § 267(1) HGB. In preparing the annual financial statements, partial use was made of the size-related exemptions pursuant to § 288(1) HGB.

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

The financial statements were prepared on the assumption of the company's continuation. Based on the submitted corporate planning, financing is always guaranteed 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. If the reasons for a lower valuation no longer exist, a write-up is made in accordance with § 253(5)(1) HGB.

**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 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 %	Currency	Equity in TEUR	Result in TEUR
<b>Domestic</b>				
XPRTLINK GmbH, Aschheim <sup>1)</sup>	100.0	EUR	-410	-1
<b>Foreign</b>				
Softline Solutions Netherlands BV, Nieuwegein, the Netherlands	100.0	EUR	38	270
Softline Solutions N.V., Antwerp, Belgium <sup>2)</sup>	100.0	EUR	-648	-3
Softline France S.A.S., Vélizy, France <sup>3)</sup>	100.0	EUR	0	0
Softline Solutions Ltd., London, United Kingdom	100.0	GBP	-51	-27

- 1) Previously through Softline Services GmbH, Aschheim; after the merger directly through Softline AG
- 2) Previously 1% through Softline Solutions GmbH, Leipzig; after the merger 100% directly through Softline AG
- 3) In liquidation under French law since 20 October 2020

Softline Solutions GmbH, Leipzig, and Softline Services GmbH, Aschheim, were merged into Softline AG, Leipzig as of 1 December 2020 under a merger agreement dated 26 January 2021. The entry in the commercial register occurred on 12 March 2021. For this reason, the obligation to prepare annual financial statements as at 31 December 2020 does not apply to these

companies.

The carrying amount of the investment in Softline Services GmbH, Aschheim, was subject in the financial year to an extraordinary write-down to the fair value of EUR 1,400,000 in accordance with § 253(3)(5) HGB. The carrying amount of the investment in Softline SA, Vélizy/France, was subject in the previous year to a decrease in the fair value of EUR 2,155,000 in accordance with § 253(3)(5) HGB.

Other loans relate to loans to Softline Solutions GmbH, Leipzig, of EUR 2,700,000, Softline Services GmbH, Aschheim, of EUR 3,069,000, and Softline Solutions Netherlands BV, Nieuwegein, the Netherlands, of EUR 240,000.

The loan granted to Softline Services GmbH, Aschheim, was written up by EUR 800,000 in the reporting year. The loan granted to Softline Solutions NV, Antwerp, Belgium, has been written down by a nominal value of EUR 645,000. 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

Trade receivables and other assets have a remaining term of up to one year.

### Subscribed capital

	<u>31-12-20</u>	<u>31-12-19</u>
Number of shares (nominal value 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	1,715,389	1,715,389

\* 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 2020, 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 of 28 September 2015, the Management Board was, with the consent of Supervisory Board, authorised, until 28 September 2020, to increase the share capital once or several times by a total of up to EUR 5,149,042 in exchange for cash and/or non-cash contributions, while excluding shareholders' subscription rights (Authorised Capital 2015/I). The authorised capital 2015/I expired on 28 September 2020.

### Net loss

Net loss includes a loss carryforward of EUR 8,845,000.

### Provisions

Other provisions were mainly formed to cover costs in connection with the Annual Financial Statements, Supervisory Board remuneration and employee obligations.

### Liabilities

Other liabilities include EUR 7,000 in taxes.

All figures in TEUR	Total	< 1 year	1 - 5 years	> 5 years
Trade payables	26 (PY 63)	26 (PY 63)	0 (PY 0)	0 (PY 0)
Amounts owed affiliated companies	102 (PY 118)	102 (PY 118)	0 (PY 0)	0 (PY 0)
Other liabilities	8 (PY 25)	8 (PY 25)	0 (PY 0)	0 (PY 0)
<b>Total liabilities</b>	<b>135</b> <b>(PY 206)</b>	<b>135</b> <b>(PY 206)</b>	<b>0</b> <b>(PY 0)</b>	<b>0</b> <b>(PY 0)</b>

### Contingent liabilities

There is a total of EUR 522,000 in contingent liabilities from guarantees (previous year: EUR 558,000 in guarantees). The risk of recourse to the guarantees is considered low, as the main creditors are meeting their obligations.

### Transactions not included on the balance sheet

As at 31 December 2020, 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 Knut Löscke - Independent Entrepreneur, Leipzig (Chairman of the Supervisory Board)
- Florian Schulte, Managing Director of S.K. Management- und Beteiligungs GmbH, Baden-Baden (Deputy Chairman of the Supervisory Board)
- Karl-Heinz Warum - Managing Director SBC-Strategic Business Consulting, Schweitenkirchen

### Employees

The company did not have any employees in 2020.

### Notices pursuant to § 20 AktG

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

### Group structure

As at 31 December 2020, 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.

### Significant events after the end of the financial year

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

The transfer of the assets of the transferring companies took place internally with effect as at the end of 30 November 2020 (merger date within the meaning of § 5(1)(6) UmwG). From 1 December 2020 until the companies ceased to exist pursuant to § 20(1)(2) UmwG, all actions and transactions were deemed to have been carried out for the account of Softline AG, Leipzig.

The merger was recorded in the Commercial Register on 12 March 2021. The accounting effects of the merger cannot be presented until financial year 2021. On exercising the option rights, the balance sheet of Softline AG changed as follows as at 1 January:

Assets		1 January 2021 in TEUR	1 January 2021 in TEUR
<b>A.</b>	<b>Noncurrent assets</b>		
I.	Intangible noncurrent assets	7,543	
II.	Property, plant and equipment	506	
III.	Financial investments	<u>409</u>	8,458
<b>B.</b>	<b>Current assets</b>		
I.	Inventory	163	
II.	Receivables and other assets	3,237	
III.	Cash and cash equivalents (balances with banks)	<u>1,171</u>	4,571
<b>C.</b>	<b>Deferred income</b>		2,241
<b>Balance sheet total</b>			<u>15,270</u>
Equity and liabilities		1 January 2021 in TEUR	1 January 2021 in TEUR
<b>A.</b>	<b>Equity</b>		
I.	Subscribed capital	1,714	
II.	Capital reserve	13,867	
III.	Loss carryforward	-9,527	
IV.	Income from the merger	<u>3,387</u>	9,441
<b>B.</b>	<b>Provisions</b>		885
<b>C.</b>	<b>Liabilities</b>		2,296
<b>D.</b>	<b>Deferred income</b>		2,648
<b>Balance sheet total</b>			<u>15,270</u>

Pursuant to § 20 AktG, S. K. Management- und Beteiligungs GmbH, Baden-Baden, reported on 8 April 2021 that it no longer holds any shares in Softline AG, thus its shareholding no longer exists in an amount subject to disclosure under § 20(1), (3) or (4) AktG.

Pursuant to § 20 (1), (3) and (4) AktG, Axion Holding Cyprus Limited notified us on 15 April 2021 that it directly owns more than one quarter of the shares in Softline AG and thus a majority shareholding in Softline AG under § 20 (1), (3) and (4) AktG.

The Softline Group Inc. (BVI) has also informed us that it indirectly owns more than one quarter of the shares in Softline AG and thus a majority shareholding in Softline AG under § 20(1)(2), § 20(3) and (4) AktG in conjunction with § 16(4) AktG, as the shares held by Axion Holding are directly attributable to it under § 16(4) AktG.

Furthermore, Igor Borovikov has informed us that he indirectly holds more than one quarter of the shares in Softline AG and thus a majority shareholding in Softline AG under § 20(1)(2), § 20(3) and (4) AktG in conjunction with § 16(4) AktG, as the shares held by the Softline Ground are directly attributable to him under § 16(4) AktG.

### **Proposed appropriation of profit**

In 2020 Softline AG incurred a net loss for the year of EUR -682,000, the accumulated loss as at 31 December 2020 amounted to EUR -9,527,000. The balance sheet loss will be carried forward.

Leipzig, 27 April 2021  
Softline AG



Martin A. Schaletzky  
Managing Director



„Together with our new shareholder, we plan to grow significantly internationally“



## 6 Report of the Supervisory Board

In financial year 2020 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 by the Supervisory Board, in particular with regard to their legality and expediency. Risk management was discussed in the same way. The global Corona 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 and also on the work of the Supervisory Board in 2020.

There were five regular meetings of the Supervisory Board in financial year 2020, along with two in-depth informal discussions, all of which had to be organised as video or telephone conferences, except for the one held on 30 January 2020.

In financial year 2020 special attention was therefore paid to the future orientation of issues and the economic development of the company under the impact of the Corona situation. These matters were discussed at length in each Supervisory Board meeting, taking into account different market factors and the volatile pandemic situation, and involving other members of management.

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 important business transactions and the Company's risk management. A video conference of the Supervisory Board Chairman with the Management Board and other company executives was held every month throughout financial year 2020.

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 2020; 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 virtual meeting held on 29 April 2021 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 § 312 AktG, the Management Board has prepared a dependency report on the relationships with affiliates for financial year 2020. 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 or disadvantages were compensated for,
3. with regard to the measures listed in the report, there are no circumstances that would support a materially different assessment than that made by the Management Board."

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.

Leipzig, 29 April 2021

A handwritten signature in blue ink, appearing to read "K. Löschke".

Prof Knut Löschke  
Chairman of the Supervisory Board

## **7 Audit opinion by the statutory auditors**

**To Softline AG, Leipzig**

### **Audit opinions**

We have audited the Annual Financial Statements of Softline AG, Leipzig, consisting of the balance sheet as at 31 December 2020 and the income statement for the financial year from 1 January to 31 December 2020, 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 2020.

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 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 2020 and its results for the financial year from 1 January through 31 December 2020 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 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).

### **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 2021

KAISER HAMMER GmbH  
Auditing company

Sabine Gehring  
Auditor

Michael Kuhn  
Auditor

## 8 Contacts and imprint

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<b>Entries in the commercial register</b>	Registered office: Leipzig District Court of Leipzig Commercial Register No. 26381
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