



CONSOLIDATED HALF-YEAR REPORT 2021

1 January 2021 until 30 June 2021

GROUP KEY FIGURES (HGB)

		01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020 ¹
Result			
Revenue	TEUR	14,661	12,274
Earnings before depreciation and amortisation (EBITDA)	TEUR	3	234
Operating result (EBIT)	TEUR	-94	130
Consolidated earnings after taxes (EAT)	TEUR	-147	62
Consolidated earnings (EAT) per share	EUR	-0.09	0.04
Per-capita revenue	TEUR	68	60
Other			
Volume of orders (as at 30.06.) (approx.)	in EUR million	35,157	33,330
Employees of the Softline Group	Number	217	206

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

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1 CONSOLIDATED MANAGEMENT REPORT

1.1 Preliminary remarks

The Consolidated Income Statement and Consolidated Management Report for the first six months of the 2021 financial year have been prepared by Softline AG on a voluntary basis.

1.2 Overall economic performance and market trend

The Management Board's fundamental assessments of the overall economic and market development in the Management Report for 2020 financial year (Section 3.1 of the Management Report) also applied to the first six months of 2021.

According to the Federal Statistical Office, gross domestic product (GDP) rose by 1.5% between the first and second quarter of 2021, due predominantly to higher private and state consumer spending. Adjusted for prices and calendar effects, year-on-year GDP was 9.2% up overall on the second quarter of 2020, which was particularly badly affected by the first year of corona.

After the second corona-related economic downturn at the end of 2020, according to the federal association of German management consultants Bundesverband Deutscher Unternehmensberater (BDU), the consulting sector is once again in excellent shape. The BDU's survey of the sector's economic health confirms that 2021 got off to a good start for management consultants. Business is booming for IT consultants in particular. In this consulting field, more than two thirds of consultants report that business is good and better than budgeted. The vast majority of market participants expect business to develop more favourably over the next six months.²

1.3 Performance of the Softline Group

In the first half of 2021, the Softline Group was again able to expand its market position in the core portfolio areas of IT and Software Asset Management, Cloud and Future Datacentre, Information and IT Security as well as Digital Workplace. Despite the impact of corona on the German and European economies, under the banner of **“Achieving Compliance, Control and Cost savings for your IT”** the Softline Group generated total revenue of EUR 14.7 million over the first six months of 2021 (previous year: EUR 12.3 million) and total revenue and operating income of EUR 14.6 million (previous year: EUR 12.6 million).

Total revenue thus amounts to approximately EUR 2.4 million above the revenue for the same period in the previous year, and total revenue and operating income is approximately EUR 2.0 million higher. The order backlog increased from EUR 33.3 million in the previous year to EUR 35.2 million.

² BDU Business Climate Survey June 2021 (<https://www.bdu.de/news/q2-2021-branchenkonjunktur-im-consulting-etabliert-sich-auf-hohem-niveau/>)

The number of employees grew from 206 in the previous year to 217, and we are delighted to now have a significantly bigger consulting team both at our Leipzig-based company and in the Northern Europe region (+ 20%).

Overall, the corona crisis had a limited impact on our business in the first half of 2021. After the challenges presented by corona in the second quarter of 2020, by the end of 2020 the Softline Group's orders were already back to far more normal levels. Our employees, customers and business partners having duly adapted their methods of working and their business models, the biggest challenge was finding and getting on board the new colleagues we needed. We have now managed to recruit most of the new staff we need and the pipeline of vacancies has been steadily reduced and closed.

In the Northern Europe region, revenue increased by more than 18% compared with first half of last year. The order backlog decreased marginally over the same period.

In the D-A-CH region, revenue in the first half of 2021 is roughly EUR 1.1 million above the previous year's level.

At the end of the first six months, consolidated revenue is around EUR 400,000 below budget due to projects being delayed by customers, particularly in the area of hardware and software; however, at EUR 14.7 million, the figure is still approximately EUR 2.4 million above the same period in the previous year.

At EUR 3,000, the Softline Group's operating result at EBITDA level was significantly higher than in the first quarter of 2021 (EUR -156,000). It is therefore approximately EUR 100,000 higher than targeted but, due to major investments in expanding and training our team, it is approximately EUR 200,000 lower than the figure for the first half of 2020.

The order backlog and the pipeline remain excellent and well-filled. However, postponed projects in the areas of hardware and software and the loss of anticipated job creation subsidies from the state of Saxony for 2021 are putting the targeted result at year-end (EBITDA between EUR 1.0 and 1.2 million) under significant pressure.

1.4 Financial position and results of the Softline Group

1.4.1 Financial position

The order backlog is slightly below the level in the first quarter of 2021, due chiefly to the completion of existing projects coupled with a drop in the number of orders received. However, at EUR 35.2 million, they are still significantly above the level of previous years (30.06.2020: EUR 33.3 million; 30.06.2019: EUR 25.1 million; 30.06.2018: EUR 18.6 million). Based on the still very high order backlog and high capacity utilisation in all areas, the Management Board expects balanced liquidity for the next few years.

1.4.2 Results

The Softline Group generated revenues of EUR 14.7 million in the first six months of the 2021 financial year. Taking into account the reduction in work in progress and other operating income, total revenue and operating income came to EUR 14.6 million (previous year: EUR 12.6 million).

In the Northern Europe region, revenue increased by 18%, to EUR 3.8 million (previous year: EUR 3.2 million). Here, the focus is almost exclusively on the core portfolio area of IT and Software Asset Management.

Revenue was also increased in the D-A-CH region, from EUR 9.7 million in the same period of the previous year to EUR 10.8 million in 2021. The main contributing factors were the positive developments in the Cloud (+EUR 900,000) and Information and IT Security (+EUR 500,000) portfolio areas. Overall, revenues in the D-A-CH region are approximately EUR 800,000 below target. This is because, due to corona, many vacancies could not be filled promptly over the last twelve months. Consequently, there were fewer billable days than targeted, as well as delays to existing customer projects.

Whilst expenditures for goods rose by approximately EUR 1.0 million in the first half of 2021 compared with the same period in the previous year, expenditures for purchased services were approximately EUR 300,000 above the previous year's figure. At the same time, personnel costs, consisting of wages and salaries (EUR 6.1 million) and social contributions (EUR 1.2 million), totalled EUR 7.3 million, an increase of EUR 300,000 over the previous year (EUR 6.3 million).

Consolidated intangible assets and property, plant and equipment were written down by a total of EUR 200,000 (previous year: EUR 100,000). Other operating expenses of EUR 1.5 million are approximately EUR 100,000 below the previous year's figure.

After six months, the operating result at EBITDA level is EUR 3,000 (previous year: EUR 234,000).

Due to write-downs, the operating result (EBIT) of the Softline Group, i.e. the difference between total revenue + operating income and operating expenses, amounted to EUR -94,000 in the reporting period and is thus EUR 200,000 below the previous year's figure (EUR 130,000).

Taking into account the financial result of approximately EUR -53,000 (previous year: EUR -68,000), annual earnings after taxes (EAT) of EUR -147,000 are approximately EUR 200,000 below that of the previous year (EUR 62,000).

1.5 Employees

The Softline Group continued to grow last year. The Softline Group maintained an average of 212 employees throughout the first six months of 2021 (previous year: 204, excluding Softline France).

The parent company Softline AG had an average of 175 employees during the reporting period (taking account of the merger of the two German companies Softline Solutions GmbH and Softline Services GmbH to form Softline AG, at the start of March 2021).

1.6 Risk report

1.6.1 Risk management and control system

The notes on the risk management, the control system and the individual risk categories explained as part of the Risk Report included in the 2020 Annual Report (Section 3.6 of the Management Report) continue to apply.

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

1.7 Opportunity report

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

Signs continue to clearly point to further growth for the Softline Group. Major investments were made last year in the development of new concepts and in building up the team as well as in training and further education. We continue to focus on future-driven topics such as **“IT and Software Asset Management”**, **“Cloud Transformation“**, **“Information and IT Security”** and **“Digital Workplace”** and are concentrating on expanding the consulting and services business not just in the D-A-CH and Northern Europe regions, but elsewhere too.

The management of the Softline Group has identified very high and continuously increasing demand for consulting, not only in the IT and Software Asset Management business area, but also regarding the key topics of IT Security, Digitalisation and Cloud. We will therefore continue to invest in the expansion of our team and additionally look for inorganic growth opportunities. In addition, we will invest heavily in the expansion of our existing partnerships as well as in new ones.

1.8 Report on subsequent events

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

Axion Holding acquired approximately 1 million shares in Softline AG on 08 April 2021 and thus currently holds shares amounting to 63.38% of the share capital in Softline AG. As previously described in detail in the Annual Report, the involvement of the global IT company as the main shareholder of Softline AG serves to pool the strengths of both groups of companies and lays the foundation for further international growth.

The quarterly report for Q1 2021, published on 06 June 2021, is incorrect due to a consolidation error. The “Write-downs on tangible and intangible noncurrent assets” stated under item 7 in the consolidated income statement are significantly lower than originally reported. Write-downs came to approximately EUR 45,000 in both the first and the second quarters. Therefore, the operating result (EBIT) in the first quarter is EUR - 202,000 and EBT and EAT is EUR -231,000.

1.9 Report on expected developments

Both revenues and the result have developed very well in the first six months of the 2021 financial year. The recruitment shortfall from last year (due to corona, it was not possible to make the budgeted number of new appointments in all business areas) has now been successfully reduced. Nonetheless, we expect it will prove quite challenging to achieve the targeted half-year revenues (approx. EUR 19 – 21 million) and the targeted half-year operating result (EUR 1 – 1.2 million) in the second half of the year. There have been delays to customers' projects and, so far, hardware and software project, in particular, have not been delivered or acquired as planned. Based on performance so far, for this financial year we expect to achieve consolidated revenue of EUR 32 to 34 million with an operating result at EBITDA level of between EUR 700,000 and EUR 900,000. To achieve the targets set, we are working very hard to generate additional revenues, particularly in the areas of hardware and software, and to tap into additional growth potential in new markets to which the global presence of our new principal shareholder, Softline International, affords us access.

2 HALF-YEAR STATEMENTS

2.1 Consolidated Income Statement from 1 January to 30 June 2021

		01/01/2021 – 30/06/2021	01/01/2020 – 30/06/2020
	EUR	EUR	EUR
1. Revenue		14,661,290	12,273,883
2. Reduction in work in progress		-93,458	222,355
3. Other operating income		13,391	102,668
4. Material costs			
a. Expenditures for goods	3,526,363		2,571,388
b. Expenditures for purchased services	2,251,663		1,963,942
		<hr/>	<hr/>
		5,778,027	4,535,330
5. <u>Gross earnings</u>		8,803,196	8,063,576
6. Personnel costs			
a. Wages and salaries	6,127,230		5,226,169
b. Social contributions and expenses	1,204,636		1,037,950
		<hr/>	<hr/>
		7,331,867	6,264,119
7. Write-downs			
a. on tangible and intangible noncurrent assets Property, plant and equipment		91,380	96,147
8. Other operating expenses		1,468,411	1,565,490
9. Other taxes		5,239	7,498
		<hr/>	<hr/>
10. <u>Operating result (EBIT)</u>		-93,700	130,322
11. Interest and similar expenses		52,810	67,858
		<hr/>	<hr/>
12. <u>Financial result</u>		-52,810	-67,858
13. Earnings before taxes (EBT)		-146,511	62,464
14. <u>Consolidated earnings after taxes (EAT)</u>		-146,511	62,464

Managing Director

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

Supervisory Board

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

Andrew Morrison – Vice Global Solutions & Services, Softline International, London (Deputy Chairman of the Supervisory Board)

Roy Harding – President Softline International, London

Employees

On average, the Group employed 212 salaried employees during the first six months of 2021, and 217 salaried employees as at the reporting date of 31 June 2021.

