

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

EUR 3.00 (3.75)

14 June 2011

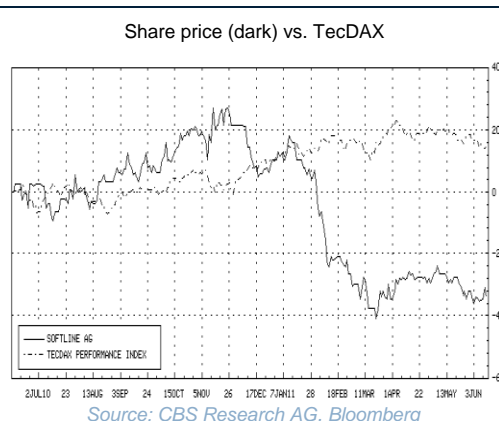
2010 was still burdened by restructuring costs

- On 03 June 2011, Softline released its results for FY2010. Revenues increased from EUR 7.8m by 68% to EUR 13.1m. The increase in revenues came with a disproportional increase in personnel costs. In 2010, Softline founded three new subsidiaries, which was the main reason for personnel costs to increase by approximately 224%. Currently the company employs roughly 180 people. Softline's management is confident that 2011 will bring another significant boost in revenues and argues that the current workforce is more than enough to boost sales above the EUR 30m benchmark and generating EBIT of EUR 1m. For 2012E the company expects sales of EUR 50m and an EBIT of EUR 4m (EBIT margin 8%).
- EBIT came in at EUR -5.3m compared to EUR -1.4m the previous year. This translates to a net income of EUR -5.3m in 2010 (PY: EUR -1.6m). The operating profit was burdened by extraordinary high personnel costs, one-off items related to the corporate actions (capital increases, acquisitions and foundations), as well as restructuring and start-up costs. It should be noted, that the Softline AG is still in its restructuring phase and operating results still do not reflect potentials inherent in the business model
- In order to reflect the level of internationalisation and built up of business relations (new partnerships, highly experienced and certified workforce, innovative Software Asset Management platform, highly reputable client base) realised so far, we move from our organic-only model to a new forecast model. In doing so, we raise our revenue projections from EUR 15.7m to EUR 29.42m in 2011E, and from EUR 21.1m to EUR 38.09m in 2012E. EBIT decreases from EUR 1m to EUR 0.58m in 2011E and remains unchanged in 2012E. Correspondingly, EPS decreases from EUR 0.12 to EUR 0.07 per share in 2011E and remains at EUR 0.21 per share in 2012E.
- Based on these assumptions and without considering further acquisitions/foundations, we calculated a fair value for the operating business of EUR 22.70m. Having added Softline's cash position of EUR 6.50m we derived a fair value of equity of EUR 29.20m. Fair value amounts to EUR 3.40 per share. We set a price target of EUR 3.00 per share and recommend to BUY the stock.

Key data

| Y/E 31.12., EUR m | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---------------------|-------|--------|--------|-------|-------|-------|
| Sales | 19.4 | 1.6 | 13.1 | 29.4 | 38.1 | 46.7 |
| Gross profit | 2.8 | 0.2 | 6.3 | 17.4 | 23.1 | 28.5 |
| EBITDA | -2.2 | -0.7 | -5.2 | 0.8 | 2.3 | 3.9 |
| EBIT | -1.4 | -0.7 | -5.3 | 0.6 | 1.9 | 3.6 |
| Net income | -1.6 | -0.7 | -5.3 | 0.6 | 1.8 | 3.3 |
| EPS | -0.15 | -0.70 | -0.62 | 0.07 | 0.21 | 0.38 |
| CPS | n.a. | -0.67 | -0.86 | -0.14 | 0.00 | 0.00 |
| Gross profit margin | 14% | 15% | 48% | 59% | 61% | 61% |
| EBIT margin | -7.0% | -45.3% | -40.4% | 2.0% | 5.1% | 7.6% |
| P/E | n.m. | n.m. | n.m. | 28.1 | 8.7 | 4.9 |

Source: Softline AG, CBS Research AG



| Change | 2010E | | 2011E | | 2012E | |
|--------|-------|-------|-------|------|-------|------|
| | new | old | new | old | new | old |
| Sales | 13.1 | 10.4 | 29.4 | 15.7 | 38.1 | 21.1 |
| EBIT | -5.3 | -2.4 | 0.6 | 1.0 | - | 1.9 |
| EPS | -0.62 | -0.27 | 0.07 | 0.12 | - | 0.21 |

www.softline.de

Sector: Software

WKN: A1CSBR

ISIN: DE000A1CSBR6

Reuters: SFDGK.DE

Bloomberg: SFD1 GY

Short company profile

Softline is a German manufacturer-independent ICT solution provider. Softline services small and mid-sized companies as well as large customers and IT service providers.

Share data:

| | |
|---|-------------|
| Share price (last closing price, EUR): | 1.88 |
| Shares outstanding (m): | 8.60 |
| Market capitalisation (EURm): | 16.17 |
| Enterprise value (EURm): | 9.37 |
| Ø daily trading volume (3 m., no. of shares): | 18,788 |

Performance data:

| | |
|------------------------------------|------|
| High 52 weeks (EUR): | 3.50 |
| Low 52 weeks (EUR): | 1.60 |
| Absolute performance (12 months): | -32% |
| Relative performance: (vs. TecDAX) | |
| 1 month | -1% |
| 3 months | -1% |
| 6 months | -43% |
| 12 months | -40% |

Shareholders:

| | |
|------------------|-------|
| SKMB | 37.5% |
| Dr. Knut Löschke | 10.5% |
| Pensionskasse BW | 4.6% |
| SLAG Management | 4.6% |
| DZ Bank | 3.0% |
| Checkmark | 3.5% |
| Free float | 36.3% |

Financial calendar:

| | |
|------------------------|----------------|
| Annual General Meeting | 26 August 2011 |
|------------------------|----------------|

Author: **Enid Omerovic** (Analyst)

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: research@cbseydlerresearch.ag

Homepage: www.cbseydlerresearch.ag

Review

Softline AG raised capital and issued new shares to investors at EUR 2.85 per share in October 2010. In September 2010, we initiated coverage on Softline with recommendation BUY and a price target of EUR 4 per share. Then, after the capital increase, Softline's outstanding shares increased from 4.3 to 8.6m, which caused the fair value to decrease from EUR 4.00 to EUR 3.44 per share due to dilution effects. At that time we argued that risks associated with the implementation of the inorganic growth scenario had decreased considerably as required capital injection for executing the inorganic growth strategy was contributed by institutional investors. Consequently we switched from an organic-only DCF valuation to a mixed valuation approach that also considered inorganic growth potentials. This resulted in a probability adjusted fair value of EUR 3.95 per share as at October 2010. Hence, our price target remained unchanged at EUR 4.00 per share.

Then in February 2011, we reduced our price target from EUR 4.00 to EUR 3.75 per share due to fewer completed acquisitions than initially communicated by Softline's management. At the same time, Dr. Löschke, founder and former CEO of PC-Ware and the main character of Softline's equity story, left Softline's management. From an investor's point of view these signals were everything but good, since future prospects (implementing the inorganic growth and managing operating activity) of Softline were at that time first and foremost linked to Dr. Löschke. Softline's stock price reacted accordingly, coming down from EUR 3.45 at the end of November 2010 to EUR 1.88 (-46%) as at 14.06.2011. Is that correction justified?

Softline's management board today

Today Softline is managed by Christoph Harvey (CFO), Harry Klostermann (International Operations) and Bernd Wagner (Chairman of the Softline AG). Whereas Mr. Harvey entered Softline's management board already in June 2008, Harry Klostermann and Bernd Wagner joined the management board in March 2011. Mr. Klostermann takes over responsibilities for the international business of the Softline Group. That is, he manages the newly built up international businesses in the central European region. Before Mr. Klostermann came to Softline, he worked as Vice President Western Europe at PC-Ware Information Technologies AG. Additionally Bernd Wagner, another highly experienced and well reputed manager, has strengthened Softline's management board. Bernd Wagner will be responsible for Softline's expansion in Germany. Before, Bernd Wagner worked as member of the Managing Board, Germany and Managing Director, IT Product Services Germany for Fujitsu Siemens Computers. Mr. Wagner holds over 20 years of IT and services experience in sales, marketing, product management as well as customer account and partner management. He has a proven track record in turnaround management as well as leading organizations to profitable growth. He joined Fujitsu Siemens Computers from a&o group (formerly EDS Global Field Services GmbH), where he held the post of General Manager a&o systems + services international GmbH and was a member of the European Board. Prior, Mr. Wagner spent several years as Executive Vice President IT Management Solutions at USU Software AG and Director for System Integration at EDS and Systematics (acquired by EDS) Germany.

In sum, despite Dr. Löschke's departure from Softline's management, we currently see no point in assessing Softline's management as inadequate for any reason. This in return reduces our risk assessment (inadequate usage of funds provided by institutional investors) significantly.

Recommendation history

Events that triggered heavy sells

Dr. Löschke's departure and the new management of Softline

Good management, good opportunities

Implementation of the growth strategy

In October 2010, Softline opened its first international subsidiary located in Utrecht, Netherlands. According to the management, the new office in Utrecht offers services like Software Asset Management (SAM) and Virtualisation and employs ten experienced senior professionals with extensive IT skills and years of experience in the industry. Then in December 2010, Softline announced its first acquisition, the 100% takeover of Stover AS, an Oslo-based provider of information technology consulting services. Shortly after this, the company founded a second site (Softline Solutions N.V.) in Zaventem, Belgium followed by the second acquisition in February 2011 (IT specialist STR (Software Technology Services) S.a.r.l. in Paris, France). In May 2011, Softline opened its fourth site and expanded its service portfolio by server as well as storage and data environment services. In summary, taking into account the foundation of Softline Solutions in Leipzig (May 2010), Softline acquired two companies and founded three more (Brussels, Belgium – Utrecht, Netherlands – Frankfurt am Main, Germany).

Today, Softline comprises of seven subsidiaries and employs roughly 180 people. Softline acquired two companies and opened two subsidiaries abroad, which broadened Softline's international footprint significantly. Although five acquisitions were communicated initially, only two were executed. This hints to a slightly different inorganic growth strategy but conveys no negative signals because founding new subsidiaries is more preferable than acquiring a competitor if acquisition costs exceed net present value of the transaction and highly experienced workforce is available in the labour market. Therefore, given the already level of internationalisation and the massive build up in workforce (+81 people as at December 2010), it is reasonable to assume that the implementation of Softline's organic and inorganic growth strategy is developing as planned.

Preliminary results FY2010 & Forecasts

On 09 June 2011, Softline also presented its preliminary results at the Düsseldorf Kapitalmarktkonferenz (DKK). Revenues increased from EUR 7.8m by 68% to EUR 13.1m. The increase in revenues came with a disproportional increase in personnel costs. In 2010, Softline founded three new subsidiaries, which was the main reason for personnel costs to increase by approximately 224%. Currently the company employs roughly 180 people. Softline's management is confident that 2011 will bring another significant boost in revenues and argues that the current workforce is more than enough to boost revenues above the EUR 30m benchmark.

EBIT came in at EUR -5.3m compared to EUR -1.4m in the previous year. This translates to a net income of EUR -5.3m in 2010 (PY: EUR -1.6m). The operating profit was burdened by extraordinarily high personnel costs, one-off items related to the corporate actions (capital increases, acquisitions and foundations), as well as restructuring and start-up costs. It should be noted, that the Softline AG is still in its restructuring phase and operating results still do not reflect potential inherent in the business model.

In order to reflect the level of internationalisation and built up of business relations (new partnerships, highly experienced and certified workforce, innovative Software Asset Management platform, highly reputable client base) realised so far, we move from our organic-only model to a new forecast model. In doing so, we raise our revenue projections from EUR 15.7m to EUR 29.42m in 2011E, and from EUR 21.1m to EUR 38.09m in 2012E. EBIT decreases from EUR 1m to

Two acquisitions and three newly founded subsidiaries build basis for international growth

Inorganic growth strategy is developing as planned

Disproportional increase in personnel costs caused by four newly found subsidiaries

Operating results still do not represent potentials inherent in the business model

Adjusted estimates

EUR 0.58m in 2011E and remains unchanged in 2012E. Correspondingly, EPS decreases from EUR 0.12 to EUR 0.07 per share in 2011E and remains at EUR 0.21 per share in 2012E.

Valuation

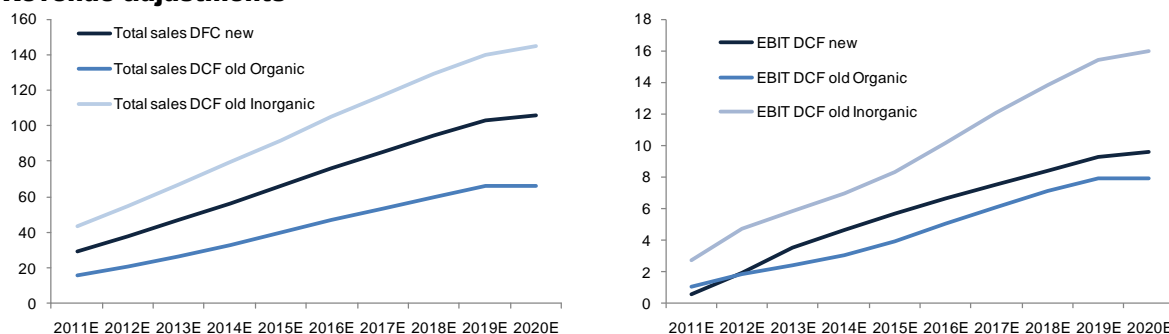
In the past, we have derived our price target and fair value for the Softline AG by weighting two DCF valuations. The base case represented the organic scenario, the second one considered also growth potentials associated with implementing the inorganic growth strategy. Dependent upon strategic realisation, we allocated a weight to each of them. Now, we set up a new DCF model and argue that, due to the achieved level of internationalisation, a merged DCF valuation is more appropriate than weighting two different DCF approaches that represent the company’s current state of corporate development anymore.

New set up – one DCF model instead of two different approaches

As can be seen from the charts below, we adjusted our revenue, EBIT and working capital projections for Softline in order to merge the two valuation approaches. Our updated estimates are roughly in the middle of the organic and inorganic DCF models introduced in our initial coverage study. Regarding to our EBIT forecasts, the right chart below shows that assumed absolute EBIT is now lower than in our base case scenario.

Relatively low EBIT forecast in the new DCF model

Revenue adjustments

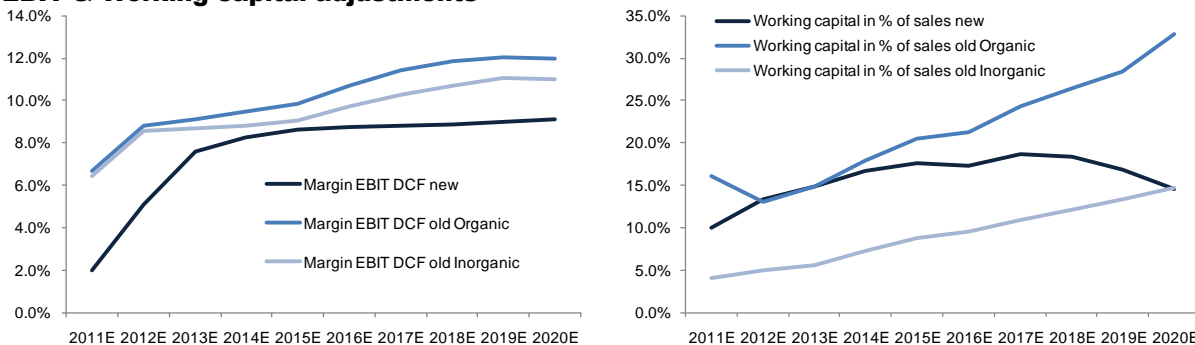


Source: CBS Research AG

This is also evident looking at the left chart below. In the new merged DCF model, the EBIT margin increases from 2% in 2011E to 7.6% in 2013E and then slowly approaches the 9% level in the long run. This is significantly lower than in the initial organic and inorganic DCF models. Furthermore, we have adjusted our working capital projections, depicted in the right chart below. Here, we start at the same level as initially assumed in our organic DCF model. In the course of time we expect working capital ratio (working capital in % of total sales) to approach the level we had initially assumed in our inorganic DCF model.

Lower EBIT projections than initially assumed

EBIT & Working capital adjustments



Source: CBS Research AG

Based on the long-term yields of German federal bonds, we set the risk-free rate at 3.0%. We assumed an equity risk premium of 6.0%, and a debt risk premium of 3.5%. In calculating the cost of equity for Softline we assumed a beta of 1.60. For the calculation of Softline's WACC, we assumed a long-term target equity ratio at market values of 90%. These estimates lead to a WACC of 11.81%.

WACC: 11.81%

For the calculation of the terminal value, we applied a long-term FCF growth rate of 1.0%.

Terminal growth: 1%

Based on these assumptions and without considering further acquisitions/foundations, we calculated a fair value for the operating business of EUR 22.70m. Having added Softline's cash position of EUR 6.50m we derived a fair value of equity of EUR 29.20m. Fair value per share amounts to EUR 3.40 per share.

**Fair value: EUR 3.40
per share****Discounted Cash Flow Model**

| EURm | PHASE 1 | | | PHASE 2 | | | | | | PHASE 3 | |
|-------------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| | 2011E | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | ∞ |
| Total sales | 29.4 | 38.1 | 46.7 | 55.9 | 65.9 | 76.0 | 85.5 | 94.5 | 102.7 | 105.5 | |
| YoY growth | 124.6% | 29.4% | 22.7% | 19.6% | 17.9% | 15.4% | 12.5% | 10.6% | 8.6% | 2.7% | |
| EBIT | 0.58 | 1.94 | 3.56 | 4.63 | 5.66 | 6.63 | 7.53 | 8.38 | 9.25 | 9.59 | |
| EBIT margin | 2.0% | 5.1% | 7.6% | 8.3% | 8.6% | 8.7% | 8.8% | 8.9% | 9.0% | 9.1% | |
| Income tax on EBIT (cash tax rate) | 0.0 | -0.1 | -0.3 | -0.4 | -0.5 | -0.6 | -0.7 | -0.8 | -0.9 | -0.7 | |
| Depreciation and amortisation | 0.2 | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | 0.9 | |
| Change in net working capital | -2.6 | -2.4 | -2.8 | -2.9 | -3.3 | -3.5 | -3.7 | -4.1 | -4.1 | -4.0 | |
| WC in % Sales | 10.0% | 13.3% | 14.8% | 16.6% | 17.5% | 17.2% | 18.7% | 18.4% | 16.8% | 14.5% | |
| Net capital expenditure | -0.5 | -0.1 | -0.5 | -0.7 | -0.8 | -0.8 | -0.8 | -0.9 | -0.9 | -0.9 | |
| Net capital expenditure in % Sales | 1.7% | 0.2% | 1.0% | 1.3% | 1.2% | 1.1% | 0.9% | 0.9% | 0.9% | 0.9% | |
| Free cash flow | -2.3 | -0.3 | 0.4 | 1.1 | 1.7 | 2.4 | 3.1 | 3.5 | 4.2 | 4.8 | |
| Present values | -2.2 | -0.2 | 0.3 | 0.7 | 1.0 | 1.3 | 1.5 | 1.5 | 1.6 | 1.7 | 15.6 |
| Present value Phase 1 | -2.2 | | | | | | | | | | |
| Present value Phase 2 | | 9.3 | | | | | | | | | |
| Present value Phase 3 | | | 15.6 | | | | | | | | |
| Total present value | | | 22.7 | | | | | | | | |
| + Excess cash/Non-operating assets* | 6.5 * | | | | | | | | | | |
| - Financial debt | 0.0 | | | | | | | | | | |
| Fair value of equity | 29.2 | | | | | | | | | | |
| Number of shares (m) | 8.6 | | | | | | | | | | |
| Fair value per share (EUR) | 3.40 | | | | | | | | | | |

| | | | |
|---------------------|-------|------------------------|---------------|
| Risk free rate | 3.00% | Target equity ratio | 90.0% |
| Equity risk premium | 6.00% | Beta (fundamental) | 1.60 |
| Debt risk premium | 3.50% | WACC | 11.81% |
| Tax shield | 28.0% | Terminal growth | 1.0% |

*1H 2011E estimates

Source: CBS Research AG

Sensitivity analysis

| | | Terminal growth (Phase 3) | | | | |
|-------------|--------------|---------------------------|------|-------------|------|------|
| | | 0.0% | 0.5% | 1.0% | 1.5% | 2.0% |
| WACC | 10.8% | 3.61 | 3.71 | 3.83 | 3.96 | 4.10 |
| | 11.3% | 3.41 | 3.50 | 3.60 | 3.71 | 3.84 |
| | 11.8% | 3.23 | 3.31 | 3.40 | 3.49 | 3.60 |
| | 12.3% | 3.06 | 3.13 | 3.21 | 3.30 | 3.39 |
| | 12.8% | 2.91 | 2.97 | 3.04 | 3.12 | 3.20 |

| | | Terminal growth (Phase 3) | | | | |
|-------------|------------|---------------------------|------|-------------|------|------|
| | | 0.0% | 0.5% | 1.0% | 1.5% | 2.0% |
| Beta | 2.2 | 2.37 | 2.41 | 2.45 | 2.50 | 2.55 |
| | 1.9 | 2.74 | 2.80 | 2.86 | 2.92 | 2.99 |
| | 1.6 | 3.23 | 3.31 | 3.40 | 3.49 | 3.60 |
| | 1.3 | 3.89 | 4.01 | 4.15 | 4.30 | 4.48 |
| | 1.0 | 4.83 | 5.03 | 5.26 | 5.52 | 5.82 |

| | | Beta | | | | |
|--------------------------|-------------|------|------|-------------|------|------|
| | | 1.0 | 1.3 | 1.6 | 1.9 | 2.2 |
| Risk prem. Equity | 8.0% | 4.05 | 3.13 | 2.53 | 2.11 | 1.81 |
| | 7.0% | 4.59 | 3.58 | 2.91 | 2.43 | 2.09 |
| | 6.0% | 5.26 | 4.15 | 3.40 | 2.86 | 2.45 |
| | 5.0% | 6.12 | 4.90 | 4.05 | 3.43 | 2.96 |
| | 4.0% | 7.27 | 5.93 | 4.97 | 4.25 | 3.70 |

| | | Risk free rate | | | | |
|------------------------|-------------|----------------|------|-------------|------|------|
| | | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
| Risk prem. debt | 5.5% | 3.74 | 3.53 | 3.34 | 3.17 | 3.01 |
| | 4.5% | 3.78 | 3.56 | 3.37 | 3.19 | 3.03 |
| | 3.5% | 3.81 | 3.59 | 3.40 | 3.22 | 3.06 |
| | 2.5% | 3.85 | 3.62 | 3.42 | 3.24 | 3.08 |
| | 1.5% | 3.88 | 3.66 | 3.45 | 3.27 | 3.10 |

Source: CBS Research AG

Appendix

Softline AG

Profit and loss account

| | EURm | 2008* | 2009** | 2010E*** | 2011E | 2012E | 2013E |
|---|------|------------------|-----------------|-----------------|------------------|------------------|------------------|
| Sales | | 19.43 | 1.60 | 13.10 | 29.42 | 38.09 | 46.72 |
| YoY growth | | -26.4% | -91.8% | 718.8% | 124.6% | 29.4% | 22.7% |
| Other operating income | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total sales | | 19.43 | 1.60 | 13.10 | 29.42 | 38.09 | 46.72 |
| Cost of raw materials & purchased services as % of Total sales | | -16.66 -85.8% | -1.36 -85.0% | -6.80 -51.9% | -12.00 -40.8% | -15.00 -39.4% | -18.22 -39.0% |
| Gross profit | | 2.77 | 0.24 | 6.30 | 17.42 | 23.09 | 28.50 |
| as % of Total sales | | 14.2% | 15.0% | 48.1% | 59.2% | 60.6% | 61.0% |
| Personnel expenses as % of Total sales | | -3.31 17.1% | -0.47 29.3% | -7.06 53.9% | -11.18 38.0% | -14.00 36.8% | -16.18 36.8% |
| Other operating expenses as % of Total sales | | -1.61 -8.3% | -0.49 -30.5% | -4.41 -33.7% | -5.46 -18.6% | -6.83 -17.9% | -8.38 -17.9% |
| Operating expenses | | -4.92 | -0.96 | -11.47 | -16.64 | -20.83 | -24.56 |
| as % of Total sales | | -25.3% | -59.8% | -87.6% | -56.6% | -54.7% | -52.6% |
| EBITDA | | -1.17 | -0.72 | -5.17 | 0.78 | 2.25 | 3.94 |
| as % of Total sales | | -11.1% | -44.8% | -39.5% | 2.7% | 5.9% | 8.4% |
| Depreciation as % of Total sales | | -0.19 -1.0% | -0.01 -0.4% | -0.12 -0.9% | -0.21 -0.7% | -0.31 -0.8% | -0.38 -0.8% |
| EBIT | | -1.36 | -0.72 | -5.30 | 0.58 | 1.94 | 3.56 |
| as % of Total sales | | -7.0% | -45.3% | -40.4% | 2.0% | 5.1% | 7.6% |
| Financial income | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Financial expenses | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EBT | | -1.36 | -0.72 | -5.30 | 0.58 | 1.94 | 3.56 |
| as % of Total sales | | -7.0% | -45.3% | -40.4% | 2.0% | 5.1% | 7.6% |
| Income taxes as % of EBT | | 0.02 -1.8% | 0.00 0.0% | 0.00 0.0% | 0.00 0.0% | -0.09 -4.9% | -0.26 -7.2% |
| EAT (Earnings after tax) | | -1.33 | -0.71 | -5.30 | 0.58 | 1.85 | 3.30 |
| as % of Total sales | | -8.0% | -44.5% | -40.4% | 2.0% | 4.9% | 7.1% |
| Shares outstanding (in m) | | 10.14 | 1.01 | 8.60 | 8.60 | 8.60 | 8.60 |
| Earnings per share (EUR) | | -0.13 | -0.70 | -0.62 | 0.07 | 0.21 | 0.38 |

Source: CBS Research AG; Softline AG

* The financial statement was prepared in conformity with IFRS.

** Abbreviated fiscal year; the financial statement was prepared in conformity with the Germany commercial code (HGB)

*** Based on preliminary results presented by Softline's management on 09 June 2011 at the DKK

Softline AG

Balance sheet

| EURm | 2008* | 2009** | 2010E*** | 2011E | 2012E | 2013E |
|---|-------------|-------------|--------------|--------------|--------------|--------------|
| Assets | | | | | | |
| Noncurrent assets | 0.94 | 0.17 | 6.26 | 6.55 | 6.30 | 6.40 |
| as % of total assets | 53.5% | 22.0% | 35.9% | 35.1% | 30.3% | 25.9% |
| Intangible Assets | 0.01 | 0.01 | 0.19 | 0.19 | 0.19 | 0.19 |
| Property, plant and equipment | 0.03 | 0.02 | 0.46 | 0.75 | 0.50 | 0.60 |
| Financial Assets | 0.90 | 0.15 | 5.62 | 5.62 | 5.62 | 5.62 |
| Current assets | 0.80 | 0.60 | 11.10 | 12.11 | 14.51 | 18.32 |
| as % of total assets | 45.8% | 76.3% | 63.7% | 64.9% | 69.7% | 74.1% |
| Trade receivables | 0.49 | 0.46 | 2.89 | 5.00 | 7.25 | 9.60 |
| Inventories | 0.00 | 0.01 | 0.03 | 0.05 | 0.10 | 0.12 |
| Financial assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and cash equivalents | 0.32 | 0.14 | 8.18 | 7.06 | 7.16 | 8.60 |
| Other assets | 0.01 | 0.01 | 0.08 | 0.00 | 0.00 | 0.00 |
| as % of total assets | 0.7% | 1.7% | 0.4% | 0.0% | 0.0% | 0.0% |
| Total assets | 1.76 | 0.78 | 17.44 | 18.67 | 20.82 | 24.72 |
| Shareholders' equity and liabilities | | | | | | |
| Shareholders' equity | 0.74 | 0.03 | 11.99 | 12.56 | 14.41 | 17.71 |
| as % of total equity and liabilities | 42.2% | 3.9% | 68.7% | 67.3% | 69.2% | 71.7% |
| Subscribed capital | 10.14 | 1.01 | 8.60 | 8.60 | 8.60 | 8.60 |
| Capital reserve | 0.00 | 0.00 | 11.24 | 11.24 | 11.24 | 11.24 |
| Accumulated loss | -9.40 | -0.98 | -7.85 | -7.27 | -5.43 | -2.12 |
| Liabilities | 0.00 | 0.00 | 5.46 | 6.11 | 6.41 | 7.01 |
| as % of total equity and liabilities | 0.0% | 0.0% | 31.3% | 32.7% | 30.8% | 28.3% |
| Long-term debt | 0.00 | 0.00 | 2.01 | 2.01 | 2.01 | 2.01 |
| Provisions | 0.00 | 0.00 | 0.80 | 0.80 | 0.80 | 0.80 |
| Other payables | 0.00 | 0.00 | 1.10 | 1.20 | 1.30 | 1.40 |
| Trade payables | 0.65 | 0.43 | 1.55 | 2.10 | 2.30 | 2.80 |
| Accrued liabilities | 0.36 | 0.32 | 0.00 | 0.00 | 0.00 | 0.00 |
| as % of total equity and liabilities | 20.8% | 41.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total equity and liabilities | 1.76 | 0.78 | 17.44 | 18.67 | 20.82 | 24.72 |

Source: CBS Research AG; Softline AG

* The financial statement was prepared in conformity with IFRS.

** Abbreviated fiscal year; the financial statement was prepared in conformity with the Germany commercial code (HGB)

*** Based on preliminary results presented by Softline's management on 09 June 2011 at the DKK

Softline AG
Cash flow statement

| EURm | 2009** | 2010E*** | 2011E | 2012E | 2013E |
|--|---------------|-----------------|--------------|--------------|--------------|
| Net income | -0.71 | -5.30 | 0.58 | 1.85 | 3.30 |
| Depreciation and amortization | 0.01 | 0.12 | 0.21 | 0.31 | 0.38 |
| Change in prepaid expenses | 0.00 | -0.06 | 0.08 | 0.00 | 0.00 |
| Increase/decrease in Inventories | -0.01 | -0.02 | -0.02 | -0.05 | -0.02 |
| Increase/decrease in trade receivables | 0.03 | -2.44 | -2.11 | -2.25 | -2.35 |
| Change in current liabilities and other liabilities | 0.00 | 1.10 | 0.10 | 0.10 | 0.10 |
| Increase in provisions | 0.00 | -0.80 | 0.00 | 0.00 | 0.00 |
| Increases/decreases in other costs affecting income/expenses | 0.00 | 0.02 | 0.00 | 0.00 | 0.00 |
| Cash flow from operating activities | -0.68 | -7.37 | -1.17 | -0.04 | 1.41 |
| Cash outflow for investments in intangible assets | 0.00 | -0.30 | -0.21 | -0.31 | -0.38 |
| Cash outflow for investments in tangible assets | 0.01 | -0.44 | -0.29 | 0.25 | -0.10 |
| Cash outflow based on financial assets | 0.75 | -5.47 | 0.00 | 0.00 | 0.00 |
| Cash flow from investing activities | 0.76 | -6.21 | -0.50 | -0.06 | -0.48 |
| Change in short term liabilities | -0.22 | 1.12 | 0.55 | 0.20 | 0.50 |
| Change in accrued liabilities | -0.04 | -0.32 | 0.00 | 0.00 | 0.00 |
| Cash flow from capital increase | 0.00 | 18.82 | 0.00 | 0.00 | 0.00 |
| Cash flow from shareholder debt | 0.00 | 2.01 | 0.00 | 0.00 | 0.00 |
| Cash flow from financing activities | -0.26 | 21.63 | 0.55 | 0.20 | 0.50 |
| Total change in cash and cash equivalents | -0.18 | 8.05 | -1.12 | 0.10 | 1.43 |
| Cash and cash equivalents at the start of the period | 0.32 | 0.14 | 8.18 | 7.06 | 7.16 |
| Cash and cash equivalents at the end of the period | 0.14 | 8.18 | 7.06 | 7.16 | 8.60 |

Source: CBS Research AG; Softline AG

* The financial statement was prepared in conformity with IFRS.

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*** Based on preliminary results presented by Softline's management on 09 June 2011 at the DKK

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

| | | | |
|--------------------------------------|---|------------------|---|
| Roger Peeters Member of the Board | +49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag | | |
| Martin Decot | +49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag | Kristina Kardum | +49 (0)69 -977 8456- 21 Kristina.Kardum@cbseydlerresearch.ag |
| Rabeya Khan | +49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag | Igor Kim | +49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag |
| Ralf Marinoni | +49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag | Manuel Martin | +49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag |
| Enid Omerovic | +49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag | Felix Parmantier | +49 (0)69 -977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag |
| Marcus Silbe | +49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag | Veysel Taze | +49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag |

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400



Close Brothers Seydler UK

25 Dowgate Hill
London EC4R 2GA

| | | | |
|--|--|--|--|
| Raimar Bock Head of Sales | +49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com | | |
| Henriette Domhardt (Austria, Germany) | +49 (0)69 -9 20 54-137 Henriette.Domhardt@cbseydler.com | Rüdiger Eich (Germany, Switzerland) | +49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com |
| Uwe Gerhardt (Germany, Switzerland) | +49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com | Klaus Korzilius (Benelux, Germany) | +49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com |
| Stefan Krewinkel (Execution, UK) | +49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com | Markus Laifle (Execution) | +49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com |
| Bruno de Lencquesaing (Benelux, France) | +49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com | Christopher Seedorf (Sales-Support) | +49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com |
| Janine Theobald (Germany) | +49 (0)69 -9 20 54-116 Janine.Theobald@cbseydler.com | Bas-Jan Walhof (Benelux) | +49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com |

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Recommendation history over the last 12 months for the company analysed in this report:

| Date | Recommendation | Price at change date | Price Target |
|------------|----------------|----------------------|--------------|
| 14.10.2010 | BUY | EUR 2.97 | EUR 4.00 |
| 19.08.2010 | BUY | EUR 2.85 | EUR 4.00 |
| 08.02.2011 | BUY | EUR 2.55 | EUR 3.75 |
| 14.06.2011 | BUY | EUR 1.88 | EUR 3.00 |

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Responsible Supervisory Authority:
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn
and
Lurgiallee 12
60439 Frankfurt

 **Close Brothers Seydler**
Research AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.cbseidlerresearch.ag
Tel.: 0049 - (0)69 - 97 78 45 60