Interim Statement on the 3rd Quarter and First 9 Months of 2019

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Preface

DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING AG,

We are proud to be able to report that Softing AG was able to successfully continue on its journey even in choppy waters. In the first nine months of the year, we increased revenue by almost 6% to EUR 64.1 million (previous year: EUR 60.5 million). Bucking the economic trend, our incoming orders grew by almost 9% to reach EUR 72 million (previous year: EUR 65.7 million). EBITDA rose to EUR 8.9 million (previous year: EUR 6.0 million) and consolidated EBIT improved considerably to EUR 3.2 million (previous year: EUR 2.4 million), lifting earnings per share to EUR 0.26 (previous year: EUR 0.23).

Although these earnings figures do not yet meet our medium-term targets, they are moving in the right direction despite the challenging environment. Having an international strategy, keeping our products and services up to date and cultivating long-term customer relationships has paid off and offset isolated declines. At the same time, we are fully financed for organic growth for years to come and are thus well equipped for any further economic crises. The economy in large portions of our operating segments continued to deteriorate significantly in the second half of the year. There are almost daily reports of falling revenues and earnings, planned plant closures and short-time work from the manufacturing sector and the automotive industry in particular. In short, the economic environment has become considerably tougher in all of our segments.

The Industrial segment made a strong contribution to earnings and once again demonstrated its leading role within the Group. Revenue in this segment rose by an impressive 12.8% to EUR 42.3 million in the first nine months of the year (previous year: EUR 38 million). Our businesses in the USA and Europe made key contributions in this segment. Also worth mentioning in this context is the acquisition of fiber optic modules for highly secure and robust data communication in industrial controls from US-based Phoenix Digital Corporation (PDC) in Scottsdale/Arizona. PDC's modules are an excellent addition to our portfolio of high-quality communication solutions in the Industrial segment, thus further enhancing Softing's position in providing IIoT solutions in the premium performance segment and opening up new markets for us. We expect the acquisition to generate additional revenue of up to EUR 3 million annually in the coming years after integration into our portfolio. The Asian business and our fledgling subsidiary in China also recorded growth. This applies not only to revenue but also to preparations for new business, providing a solid foundation for 2020 and beyond.

We are also seeing promising developments in the Automotive segment, where revenue completely bucked the trend to rise by 12.8% to EUR 14.8 million (previous year: EUR 13.1 million). EBIT improved to EUR 0.1 million (previous year: EUR –0.3 million). The fact that this figure includes more than EUR 1 million in forward-looking investments for our recently-acquired subsidiary GlobalmatiX shows just how much EBIT has improved in this segment. This is the result of our investments in the segment's traditional onboard and offboard diagnostics software business, where we are primarily developing software tools that offer our customers the distributed development work and dynamic diagnostics structures they need to create the technical foundations for semi-autonomous driving in an age of fundamental upheaval. Nevertheless, we are feeling the cost pressure that our customers are exposed to.

GlobalmatiX AG, which has been integrated into the Automotive segment, is currently starting to conduct business with its first major customers. This involves processing existing customer requirements and adding supplementary ones. Most of the investments are being made to develop a team and the respective tools that will largely automatically record data for new vehicles or those modified by the manufacturer. With the production of connected vehicles scheduled to be expanded into the tens of thousands in 2020, this is essential for providing services effectively and efficiently. At the same time, we are in contact with a number of decision-makers at manufacturers and major fleet operators as part of a large-scale sales and marketing campaign. The feedback so far has been highly encouraging.

In the IT Networks segment, revenue continues to be affected by the discontinuation of the low-margin distribution business, which was still not offset despite the expansion of the proprietary product business. In the first nine months of the year, this resulted in a decline in revenue of over EUR 2 million to EUR 7 million. Combined with high and only partially capitalized development costs, this also adversely impacted consolidated EBIT by EUR –0.7 million. The newly developed NetXpert will make the industry's best-performing qualifiers available for distribution in the fourth quarter, the strongest quarter in terms of revenue. The new verifier product line also expected in this period will only be completed in the second quarter of next year. This delay is negatively impacting EBIT. Nevertheless, we are confident of the path that we have chosen and are proud to be able to offer our customers a completely new family of state-of-the-art verifiers developed by Softing in 2020 that will replace previously purchased devices and significantly increase the profitability of the IT Networks segment for years to come.

Overall, we are pleased to be able to confirm the Group's guidance published at the start of the year despite the highly challenging economic environment. We expect revenue of more than EUR 88 million and earnings (EBIT) of EUR 4 million. Softing will be presenting and conducting numerous scheduled one-on-one discussions with interested shareholders during the German Equity Forum in Frankfurt on 26 November and at the Munich Capital Markets Conference on 10 December.

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim Statement on the 3rd quarter of 2019

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The economic environment in Softing's most important markets worldwide is clouding over due to a turbulent trade policy environment – something which Softing was unable to completely escape in the first nine months of 2019.

Despite these negative signals from various markets, Softing succeeded in significantly increasing incoming orders (+8.8%) and revenue (+5.9%) in the first nine months of 2019 and therefore has a cautiously positive outlook on the final quarter of 2019.

The Industrial segment grew revenue by a very healthy 11.3% in the first three quarters, with operating EBIT remaining stable.

The performance of the Automotive segment was very positive in the first three quarters, showing an increase in revenue of 12.8%. Business development with products of the acquired GlobalmatiX AG is proceeding according to plan, and a first framework agreement has been signed with the subsidiary of a major automotive manufacturer.

In the first nine months, the IT Networks segment prepared for the transition from low-margin distribution products to the new, high-margin in-house products, resulting in a decline in revenue of EUR 2.4 million. Sales of own products, on the other hand, increased. New product lines have been released for marketing since the end of the fourth quarter of 2018 and will improve the gross profit margin in the fourth quarter of 2019.

Overall, the Softing Group grew its revenue to EUR 64.1 million in the first nine months of 2019 (previous year: EUR 60.5 million). Revenue in the Industrial segment rose from EUR 38.0 million to a strong EUR 42.3 million. In the Automotive segment, revenue increased considerably from EUR 13.1 million to EUR 14.8 million. IT Networks generated revenue of EUR 7.0 million, compared with EUR 9.4 million in the previous year.

The Group's EBITDA rose from EUR 6.0 million in the first nine months to EUR 8.9 million, resulting in an EBITDA margin of around 14% (previous year: 10%).

The Industrial segment's EBIT rose considerably from EUR 2.9 million to EUR 3.8 million, with operating EBIT remaining at the prior-year figure of EUR 3.5 million. In the Automotive segment, EBIT improved from EUR –0.3 million to EUR 0.1 million, while operating EBIT rose from EUR –1.5 million to EUR –0.4 million. Forward-looking investments made by the acquired company GlobalmatiX AG, which is in the process of being expanded, depressed earnings in this segment by EUR 1.1 million. The IT Networks segment posted negative EBIT of EUR –0.7 million after EUR –0.2 million in the previous year. Operating EBIT came to EUR –0.2 million (previous year: EUR –0.1 million).

The Group's operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation) in the reporting period totaled EUR 2.8 million (previous year: EUR 2.0 million). Consolidated EBIT amounted to EUR 3.2 million (previous year: EUR 2.4 million).

The consolidated profit for the period after the first nine months of 2019 came to EUR 2.4 million (previous year: EUR 2.0 million).

Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. The loan liabilities were restructured in the third quarter such that the Group will largely be exempt from making payments of principal for the next two years and payments of principal will then be made over a period of five years. As of September 30, 2019, this results in cash and cash equivalents of EUR 15.0 million after EUR 9.7 million as of December 31, 2018.

The first-time application of IFRS 16 resulted in higher total assets/equity and liabilities as of September 30, 2019 and thus a slightly lower equity ratio of 62% after 69% at year-end 2018.

RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2019, Softing capitalized a total of EUR 4.2 million (previous year: EUR 3.2 million) for the development of new products. Services for building up the business at IT Networks and Globalmatix have a significant share in this. Other significant amounts for the enhancement of existing products were expensed.

EMPLOYEES

As of September 30, 2019, the Softing Group had 399 employees (previous year: 407). No stock options were issued to employees in the reporting period.

RISKS AND OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of September 30, 2019, the Company's risk and opportunity structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2018. Material changes are also not expected for the remaining three months of 2019. For more detailed information, we refer to the Group Management Report in the 2018 Annual Report, page 8 et seq.

OUTLOOK

We confirm the Group's guidance for 2019 published in the management report of the 2018 Annual Report (p. 27). Overall, we continue to expect both revenue and incoming orders to grow to EUR 88.0 million in financial year 2019.

We anticipate EBIT of EUR 4.0 million, while operating EBIT is expected to come in at EUR 3.7 million. In seasonal terms, we once again expect that the fourth quarter will prove to be a strong quarter. If performance is positive, EBIT in particular has upside potential.

At segment level, except for the IT Networks segment a moderate increase in revenue as well as stable to moderately increasing EBIT and operating EBIT are projected in all segments.

EVENTS AFTER THE REPORTING PERIOD

There were no events of special importance after the reporting date of September 30, 2019.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2018 were prepared in accordance with the International Financial Reporting Standards (IFRSs) based on the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The quarterly management statement as of September 30, 2019, which was prepared on the basis of International Accounting Standard (IAS) 34 "Interim Financial Reporting", does not contain all of the required information in accordance with the requirements for the presentation of the annual report and should be read in conjunction with the consolidated financial statements of Softing AG as of

December 31, 2018. In general, the same accounting policies were applied in the quarterly management statement as of September 30, 2019 as in the consolidated financial statements for the 2018 financial year. This quarterly management statement was prepared without an auditor's review.

The new IFRS 16 standard for leases was applied for the first time on effective January 1, 2019: "Right of use assets" of around EUR 5.0 million were recognized in the intangible assets balance sheet item, with depreciation amounting to EUR 1.1 million in the first nine months and interest expense to EUR 0.1 million. The cash outflow resulting from adopting the "right of use" approach under IFRS 16 amounted to EUR 1.2 million.

CHANGES IN THE BASIS OF CONSOLIDATION

As of September 30, 2019, no changes occurred in the basis of consolidation of Softing AG compared to December 31, 2018.

KEY FIGURES FOR THE 3RD QUARTER OF 2018

All figures in EUR million	Quarterly management statement 3/2019	Quarterly management statement 3/2018
Incoming orders	72.0	65.7
Orders on hand	22.8	16.3
Revenue	64.1	60.5
EBITDA	8.9	6.0
EBIT	3.2	2.4
EBIT (operating)	2.8	2.0
Net profit for the year	2.4	2.0
Earnings per share in EUR (operating)	0.26	0.23

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2019

EUR thousand	01/01/ – 09/30/2019	01/01/ – 09/30/2018	07/01/ – 09/30/2019	07/01/ – 06/30/2018
Revenue	**64,113**	**60,529**	**22,273**	**20,597**
Other own work capitalized	4,248	3,205	1,213	960
Other operating income	599	901	186	243
Operating income	**68,960**	**64,635**	**23,672**	**21,800**
Cost of materials / cost of purchased services	–27,337	–25,785	–9,244	–8,330
Staff costs	–25,366	–24,417	–8,571	–7,961
Depreciation, amortization and impairment losses	–5,799	–3,540	–1,988	–1,285
thereof depreciation / amortization due to purchase price allocation	–1,522	–1,267	–511	–497
thereof depreciation / amortization due to purchase price allocation	–1,125	0	–346	0
Other operating expenses	–7,303	–8,475	–2,556	–2,888
Operating expenses	**–65,805**	**–62,217**	**–22,359**	**–20,464**
Profit / loss from operations (EBIT)	**3,155**	**2,418**	**1,313**	**1,336**
Interest income	1	21	0	0
Interest expense	–121	–128	–61	–46
Interest expense	–124	0	–37	0
Currency difference from internal lending	770	526	630	104
Earnings before income taxes	**3,681**	**2,837**	**1,845**	**1,394**
Income taxes	–1,318	–817	–644	–315
Consolidated profit	**2,363**	**2,020**	**1,201**	**1,079**
Attributable to:				
Owners of the parent	2,298	2,027	1,197	1,059
Minority interests	65	–7	4	20
Consolidated profit	**2,363**	**2,020**	**1,201**	**1,079**
Earnings per share (basic = diluted)	0,26	0,23	0,13	0,10
Average number of shares outstanding (basic)	9,105,381	8,659,227	9,105,381	9,105,381
Consolidated profit	**2,363**	**2,020**	**1,201**	**1,079**
Currency translation differences				
Changes in unrealized gains / losses	627	0	552	0
Tax effect	–176	0	–155	0
Currency translation differences in total	**451**	**0**	**397**	**0**
Consolidated profit	**451**	**0**	**397**	**0**
Total comprehensive income for the period	**2,814**	**2,020**	**1,598**	**1,079**
Total comprehensive income for the period attributable to:				
Owners of the parent	2,749	2,020	1,594	1,052
Minority interests	65	–7	4	20
Total comprehensive income for the period	**2,814**	**2,013**	**1,598**	**1,072**
Earnings per share (basic = diluted)	0,31	0,23	0,18	0,11
Average number of shares outstanding (basic)	9,105,381	8,659,227	9,105,381	9,105,381

Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2019 and December 31, 2018

Assets

EUR thousand	9/30/2019	12/31/2018
Non-current assets		
Goodwill	18,358	17,985
Intangible assets	48,293	41,882
	66,651	59,867
Property, plant and equipment	2,490	2,348
	69,141	**62,215**
Deferred tax assets	589	765
Non-current assets, total	**69,730**	**62,980**
Current assets		
Inventories	12,723	10,557
Trade receivables	11,513	13,682
Contract assets	758	568
	12,271	14,250
Other current assets	1,205	703
Current income tax assets	1,676	1,652
Cash and cash equivalents	15,017	9,682
Current assets, total	**42,892**	**36,844**
Total assets	**112,622**	**99,824**

Equity and liabilities

EUR thousand	9/30/2019	12/31/2018
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Retained earnings	29,671	28,039
Equity (Group share)	**69,887**	**68,255**
Minority interests	210	145
Equity, total	**70,097**	**68,400**
Non-current liabilities		
Pensions and similar obligations	2,033	2,141
Long-term borrowings	14,104	1,976
Other non-current liabilities	2,702	57
Deferred taxes	6,043	5,227
Non-current liabilities, total	**24,882**	**9,401**
Current liabilities		
Trade payables	4,857	6,086
Contract liabilities	586	2,069
Provisions and accrued liabilities	131	175
Income tax liabilities	1,427	1,407
Short-term borrowings	408	6,215
Current non-financial liabilities	3,787	1,549
Current financial liabilities	6,447	4,522
Current liabilities, total	**17,643**	**22,023**
Total equity and liabilities	**112,622**	**99,824**

Consolidated Statement of Cash Flows

from January 1 to September 30, 2019

EUR thousand	1/1/2019 – 9/30/2019	1/1/2018 – 9/30/2018
Cash flows from operating activities		
Profit (before tax)	3,681	1,443
Depreciation, amortization and impairment losses on fixed assets	5,799	2,255
Other non-cash transactions	–48	–17
Cash flows for the period	**9,432**	**3,681**
Invest income	–1	–21
Interest expense	244	82
Change in other provisions and accrued liabilities	–44	–19
Change in inventories	–2,166	–889
Change in trade receivables	1,979	–1,238
Changes in financial receivables and other assets	–351	243
Change in trade payables	–1,229	1,721
Changes in financial and non-financial liabilities and other liabilities	5,547	–512
Payments for right-of-use assets	–1,202	0
Interest received	1	21
Income taxes received	0	758
Income taxes paid	–414	–84
Cash flows from operating activities	**11,796**	**3,743**
Investments in fixed assets	–836	–978
Cash paid for investments in internally generated intangible assets	–5,736	–2,245
Changes in Right of Use assets (first use IFRS 16)	–5,174	0
Cash flows from investing activities	**–11,746**	**–3,223**
Cash paid for dividends	–1,184	–995
Cash received from short-term bank line	14,000	0
Repayment of bank loans	–7,547	–1,218
Interest on right-of-use assets	–121	0
Interest paid	–123	–82
Cash flows from financing activities	**5,025**	**–2,295**
Net change in funds	5,075	–1,776
Effects of exchange rate changes on cash and cash equivalents	259	90
Cash and cash equivalents at the beginning of the period	9,682	10,276
Cash and cash equivalents at the end of the period	**15,017**	**8,590**

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