Interim Statement
on the 1st Quarter of 2022

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DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

Amid all the political and economic uncertainty experienced in the first three months of the year, we are pleased to inform you that Softing started off the first quarter with a very high level of incoming orders. Orders on hand also continued to grow. Owing to delivery delays in hardware manufacturing, revenue was up only slightly on the prior-year figure. Higher costs for sourcing materials and for personnel resulted in slightly negative operating EBIT.

Incoming orders of EUR 34.7 million were up over 40% year-on-year (previous year: EUR 24 million), underlining our customers' strong interest in our products and services. Of this figure, we transformed EUR 20.6 million into revenue, around EUR 500 thousand more than in the prior-year period. Other incoming orders fed into short- and medium-term orders on hand, which now amount to EUR 48.3 million (previous year: EUR 18.4 million). Based on revenue in the previous year, well over half of our annual revenue will therefore be safeguarded through orders. This is due to a combination of sustained, strong incoming orders and procurement-related delays in production.

If we were to receive the missing components for all orders on hand over the next nine months and were thus able to deliver the Softing products ordered by customers, we would recognize a gross profit of between EUR 5 and EUR 10 million – in addition to ongoing business. This clearly shows the impact the procurement crisis in electronic components is having on our business and just how much catch-up potential exists. Softing is currently exploiting this potential with three employees who look after the sourcing of missing electronic components every single day.

Operating EBIT came to EUR –0.8 million for the first quarter. The pronounced divergence from the previous year of around EUR 2 million is mainly attributable to a sharp rise in cost prices for goods and higher personnel expenses. Both of these effects will be essentially compensated from the second quarter onward through price increases implemented at our customers. We expect that the progressive transformation of orders on hand into revenue will give a further boost to earnings.

The Industrial segment generated revenue of EUR 14.7 million (previous year: EUR 14.5 million). Here, the share of revenue accounted for by hardware is considerable despite the growth in software products such as edge containers and OPC UA software. A number of software products are linked to hardware, so the highest share of total orders on hand is also attributable to this traditionally high-margin segment.

This year, we have already achieved a number of successes in the Automotive segment, revenue from which was not yet included in the figures for the first quarter. Revenue was lifted by nearly 20%. Pure software products account for an increasing share of this. GlobalmatiX also made a large contribution, generating in the first quarter the amount of revenue it posted for the whole of 2021. Here, service revenue in the coming years will depend directly on hardware availability. We are therefore pleased to have secured the availability of more than 30,000 telematics boxes for this year.

Thanks to forward-looking purchasing and technical adjustments made by our subsidiary in Singapore, the IT Networks segment was the only one of the three relevant suppliers in the market to continuously supply testing equipment for data cables and Wi-Fi connections. All the same, devices procured from third-party providers were in short supply in the third quarter. Revenue from these will not be generated until April, and the devices themselves will be replaced in the future by the inhouse developments to be rolled out in the second quarter. Together with the price increases now in place, we expect revenue and returns to grow as the year progresses.

We all have to deal with the risks and uncertainty presented by the geopolitical situation. No one can predict when and how the aggression against Ukraine – unmistakably waged by Russia as a war of annihilation – will end, which countries may be drawn into it, and whether China's increasing violations of Taiwan's airspace are harbingers of further acts of war. Whatever the case, decisive and united action by the West is crucial. Taking action immediately, forcefully, and delivering all the weapons Ukraine needs is the only right thing to do from a military, moral and economic perspective. Not only will this halt Russia's advances, but it also sends a signal to the other dictators in this world.

In short, uncertainty will remain high, and COVID-19 will continue to weigh on supply chains and the economy through the total lockdowns imposed in Chinese cities. Softing is taking steps to adapt to this situation. We are resolutely pursuing our medium- and long-term goals while taking rapid, pragmatic action in response to current events. Despite macroeconomic growth forecasts being revised downwards, we stand by our guidance for 2022, even though its realization depends to a large extent on our success in sourcing electronic components.

We wish you continued good health during these times and look forward to your sustained support of Softing!

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim statement on the 1st quarter of 2022

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The government guidelines for containing the COVID-19 pandemic have been dramatically rolled back since the end of the first quarter, considerably reducing the strain on business activity compared with several months ago. Supply bottlenecks for electronic components continue to cause problems. Either such components are only available from manufacturers in reduced quantities or not at all, or they cannot be procured by the desired dates. Sourcing them through brokers is also difficult and much more expensive than before. Putin's invasion of Ukraine is significantly amplifying these effects, though the lockdowns in some of China's key manufacturing hubs and reduced handling capacity at ports are likewise complicating procurement. Amid this situation, our customers expect us to meet demand, which has increased significantly in most cases.

Risk management remains our top priority

Softing is addressing the growing delays in delivery by increasing the stock of available components, pre-financing its manufacturers/suppliers and stepping up the efforts of its purchasing managers in sourcing materials. However, the aforementioned delivery bottlenecks are also driving up the cost prices for Softing's products, which we are countering with price increases in close consultation with our customers as regards delivery time and the final price. Softing, too, will have to incur higher labor costs if it is to remain competitive in the labor market. According to estimates from several institutions (ECB, World Bank, ifo Institute) the currently rising inflation, which is being further fueled by surging energy prices, is expected to decline slightly during the year. However, the year-on-year upsurge in prices will most likely increase in 2022. In risk management terms, this means that the aforementioned measures will continue during the 2022 financial year. In spite of the steps taken, the risks cannot be controlled completely. We expect to see revenue shifts to later periods. We do not anticipate a significant loss of revenue that is not directly realizable because our products cannot be easily replaced in our customers' value chains.

Russia's war of aggression massively increased geopolitical uncertainty in the first quarter. The sanctions Western nations have imposed on Russia could soften demand. Because Softing AG's customer base is essentially limited to Western countries, we do not fear any direct negative impacts on our business model. However, were the conflict to drag out further or even escalate, Germany and Europe could experience major shortages of energy, leading to economic slowdowns, which would also affect Softing AG. We do not currently see a triggering event necessitating an unscheduled impairment test, but are monitoring the situation closely nonetheless.

In view of the challenges facing us, we at Softing adopted a forward-looking financing and capital management approach early on so as to be able to cushion any impending losses in the future.

Orders on hand amount to EUR 57.7 million, of which EUR 9.4 million relates to long-term orders that are not expected to be realized until 2023 or thereafter. This means that EUR 48.3 million relates to short- and medium-term orders on hand, which we expect to be realized within the next 12–18 months.

As mentioned above, a further significant external risk could arise should the current Omicron wave take hold in Asia, particularly in China. The draconian shutdown in connection with China's 'zero-Covid' policy has the potential to significantly exacerbate the global procurement crisis, and Softing has only limited tools available to respond to this despite foresighted planning.

Notwithstanding the difficult macroeconomic situation, Softing succeeded in lifting revenue by 2.7% in the first quarter of 2022. The high level of orders on hand makes Softing confident of achieving its revenue and earnings targets in the course of 2022.

Revenue in the Industrial segment stood at EUR 14.7 million in the first quarter, marginally above the prior-year figure of EUR 14.5 million despite considerable procurement bottlenecks and the resulting shifts in revenue.

Revenue in the Automotive segment shows a clear recovery. Here, we recorded growth of 18%. The reported sales successes with software products at leading automakers, which will run into the double-digit million euro range over the next few years, are particularly gratifying. GlobalmatiX AG also contributed to the growth trend by selling substantial numbers of units in the telematics field. The expansion of the customer base, renewed successful field trials, and growth in sales performance based on the establishment of a separate sales company were determining factors.

The IT Networks segment is also being impacted by the chip crisis, because in almost all products our software is sold in conjunction with the hardware in the device. At the current time, it is not possible to produce sufficient quantities of purchased products in particular to meet demand. This situation will ease in the months ahead as bought-in products are replaced by new proprietary products. Price increases will not have an effect until the second quarter. As a result, revenue in the first quarter of 2021 came to EUR 1.8 million, compared with EUR 2.1 million in the same period of the previous year.

The Softing Group recorded consolidated revenue of EUR 20.6 million in the first three months of 2022 (previous year: EUR 20.1 million).

Our short- and medium-term incoming orders increased by 100%, from EUR 24.0 million in the prior-year quarter to EUR 48.3 million.

Due to higher procurement costs and the normalization of other expenses, the Group's EBITDA decreased from EUR 2.3 million to EUR 0.7 million in the first three months, resulting in an EBITDA margin of 3.4% (previous year: 11.5%).

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 –0.8 million (previous year: EUR 1.2 million).

The Group's EBIT fell to EUR –1.5 million after EUR 0.4 million in the previous year.

The consolidated loss for the period after the first three months of 2022 came to EUR 1.1 million (previous year: profit of EUR 0.7 million).

Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. The Group's financial position remains healthy. Cash and cash equivalents amounted to EUR 8.7 million on 31 March 2022, while current trade receivables also totaled EUR 12.2 million. The Group also has access to credit lines of around EUR 7.8 million that have already been agreed but not yet drawn down.This means that the Group has around EUR 28.7 million in near-cash funds available at short notice. This not only guarantees that Softing will be able to cope with the continuing procurement crisis, but also opens up opportunities for organic and non-organic growth.

RESEARCH AND PRODUCT DEVELOPMENT

In the first three months of 2021, Softing capitalized a total of EUR 1.2 million (previous year: EUR 1.0 million) for the development of new products, with services to build the business of IT Networks and GlobalmatiX playing a significant role. Other significant amounts for the enhancement of existing products were expensed.

EMPLOYEES

As of March 31, 2022, the Softing Group had 383 employees (previous year: 392). No stock options were issued to employees in the reporting period.

KEY FIGURES FOR THE 1ST QUARTER OF 2022

All figures in EUR million	Quarterly management statement 1/2022	Quarterly management statement 1/2021
Incoming orders	34.7	24.0
Orders on hand	48.3	18.4
Revenue	20.6	20.1
EBITDA	0.7	2.3
EBIT	–1.5	0.4
EBIT (operating)	–0.8	1.2
Net profit/loss for the period	–1.1	0.7
Earnings per share in EUR (operating)	–0.13	0.08

RISKS AND OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of March 31, 2022, 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, 2021. Material changes are also not expected for the remaining nine months of 2022. For more detailed information, we refer to the Group Management Report in the 2021 Annual Report, page 12 et seq. The risks and challenges resulting from the procurement crisis are monitored and evaluated on a daily basis to ensure that we can act immediately if necessary. This applies to the global business activities of the entire Group, in close cooperation with the Executive Board and the executive management.

OUTLOOK

We are currently confirming the Group's guidance for 2022 published in the management report of the 2021 Annual Report (p. 33). Overall, we continue to anticipate an increase in both revenue and incoming orders for the 2022 financial year.
We expect operating EBIT in full-year 2022 to be between EUR 4.0 and EUR 4.8 million. EBIT should come in between EUR 1.5 and EUR 2.0 million. The aforementioned revenue and EBIT projections are based on expectations that the economy will stabilize and recover over the next nine months and that supplies of electronic components will gradually improve.

If, however, the electronic components procurement crisis persists or even deteriorates, the Executive Board anticipates a course of business similar to that observed in financial year 2021 and an unchanged, slightly negative EBIT and operating EBIT for the Group and its segments on a par with the 2021 figures.

We aim to update our forecast in our half-yearly report. Our hope is that the procurement crisis will wane before long and that trade flows will normalize once the Covid-19 situation improves, especially in China.

EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date of the quarterly management statement to report.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2021 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The quarterly management statement as of March 31, 2022, 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, 2021. In general, the same accounting policies were applied in the quarterly management statement as of March 31, 2022 as in the consolidated financial statements for the 2021 financial year. This quarterly management statement was prepared without an auditor's review.

CHANGES IN THE BASIS OF CONSOLIDATION

As of March 31, 2021, the only change occurring in the basis of consolidation of Softing AG compared to December 31, 2021 related to the establishment of GlobalmatiX GmbH. Newly founded GlobalmatiX GmbH, located in Haar, will support sales in Europe of the products of Liechtenstein-based GlobalmatiX AG.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to March 31, 2022

EUR thousand	1.1.2022 - 31.3.2022	1.1.2021 - 31.3.2021
Revenue	**20,638**	**20,089**
Other own work capitalized	934	563
Other operating income	260	694
Operating income	**21,832**	**21,346**
Cost of materials / cost of purchased services	–9,610	–8,585
Staff costs	–8,998	–8,366
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	–2,204	–1,965
thereof depreciation / amortization due to purchase price allocation	–409	–395
thereof depreciation due to accounting for right-of-use-assets	–313	–312
Other operating expenses	–2,493	–2,078
Operating expenses	**–23,305**	**–20,994**
Profit / loss from operations (EBIT)	**–1,473**	**352**
Interest expense	–50	–49
Interest expense from lease accounting	–24	–24
Other finance income/finance costs	213	623
Earnings before income taxes	**–1,334**	**902**
Income taxes	186	–163
Consolidated profit	**–1,148**	**739**
Consolidated profit attributable to:		
Shareholders of Softing AG	–1,225	646
Non-controlling interests	77	93
Consolidated profit	**–1,148**	**739**
Earnings per share (basic = diluted)	–0.13	0.08
Average number of shares outstanding (basic)	9,015,381	9,015,381

Consolidated profit	**–1,148**	**739**
Items that will not be reclassified to consolidated profit or loss		
Currency translation differences		
Changes in unrealized gains / losses	218	477
Tax effect	23	–46
Currency translation differences in total	**241**	**431**
Other comprehensive income	**241**	**431**
Total consolidated comprehensive income for the period	**–907**	**1,170**
Total consolidated comprehensive income for the period attributable to:		
Shareholders of Softing AG	–984	1,076
Non-controlling interests	77	94
Total comprehensive income for the period	**–907**	**1,170**

Consolidated Statement of Assets, Equity and Liabilities

as of March 31, 2022 and December 31, 2021

Assets

EUR thousand	31.3.2022	31.12.2021
Non-current assets		
Goodwill	17,213	17,064
Other intangible assets	38,576	38,770
Other financial assets	1,500	1,500
Property, plant and equipment	8,182	4,758
Deferred tax assets	757	433
Non-current assets, total	**66,228**	**62,525**
Current assets		
Inventories	14,844	13,409
Trade receivables	12,186	14,066
Current financial assets	260	1,345
Contract assets	942	307
Current income tax assets	539	538
Cash and cash equivalents	8,686	9,613
Current assets	1,778	1,558
Current assets, total	**39,235**	**40,836**
Total assets	**105,463**	**103,361**

Equity and liabilities

EUR thousand	31.3.2022	31.12.2021
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury shares	-485	-485
Retained earnings	22,211	23,196
Equity attributable to shareholders of Softing AG	61,942	62,927
Non-controlling interests	698	621
Equity, total	**62,640**	**63,548**
Non-current liabilities		
Pensions	2,498	2,605
Long-term borrowings	8,756	9,456
Other non-current financial liabilities	4,255	1,074
Deferred tax liabilities	3,877	3,851
Non-current liabilities, total	**19,386**	**16,986**
Current liabilities		
Trade payables	7,394	7,226
Contract liabilities	3,412	3,471
Provisions	103	164
Income tax liabilities	474	345
Short-term borrowings	3,836	3,510
Other current financial liabilities	7,331	6,945
Current non-financial liabilities	887	1,166
Current liabilities, total	**23,437**	**22,827**
Total equity and liabilities	**105,463**	**103,361**

Consolidated Statement of Cash Flows

from January 1 to March 31, 2022

EUR thousand	1.1.2021 - 31.3.2021	1.1.2020 - 31.3.2020
Cash flows from operating activities		
Profit (before tax)	–1,334	903
Depreciation, amortization and impairment losses on fixed assets	2,204	1,965
Other non-cash transactions	56	–112
Cash flows for the period	**926**	**2,756**
Interest income/financial income	–213	–623
Interest expense	50	73
Change in other provisions and accrued liabilities	–169	4
Change in inventories	–1,434	531
Change in trade receivables	1,245	1,842
Change in financial receivables and other assets	540	–518
Change in trade payables	169	–592
Change in financial and non-financial liabilities and other liabilities	86	766
Income taxes received	26	40
Income taxes paid	–22	–160
Cash flows from operating activities	**1,204**	**4,119**
Cash paid for investments in new internal product developments	–934	–683
Cash paid for investments in new external product developments	–259	–299
Cash paid for investments in other intangible assets	–9	–12
Cash paid for investments in non-current assets	–233	–270
Cash flows from investing activities	**–1,435**	**–1,264**
Repayment of lease liabilities	–301	–304
Cash received from short-term bank line	325	0
Cash repayment of bank loans	–700	–159
Cash repayment of bank loans	–24	–24
Other interest paid	–50	–49
Total interest paid	–74	–73
Cash flows from financing activities	**–750**	**–536**
Net change in funds	–981	2,319
Effects of exchange rate changes on cash and cash equivalents	54	112
Cash and cash equivalents at the beginning of the period	9,613	10,166
Cash and cash equivalents at the end of the period	**8,686**	**12,597**

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