

Interim Statement on the 1st Quarter of 2019

A ruggedized handheld device, likely a PDA or industrial smartphone, is shown. The screen displays a menu with icons for 'Dateien', 'Werkzeuge', and 'Vorgaben'. The text 'NetXpert XG' is visible on the screen. The device has a blue and black color scheme and a protective case.

reporting

optimize!
softing

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

As expected, we made an encouragingly strong start to the new year in almost every key performance indicator. At EUR 19.6 million, first-quarter revenue increased by around 6% compared to the EUR 18.5 million reported in the same period last year. Both incoming orders and orders on hand impressively reflect Softing's growth potential as incoming orders grew by 18% to EUR 24.8 million (previous year: EUR 21.1 million), pushing orders on hand up 49% to an excellent EUR 20.5 million (previous year: EUR 13.8 million). This means that at the start of the year, we are recording more orders than ever before in our company's history.

As a result of the current product mix, EBITDA and operating EBIT remained at the prior-year level despite higher revenue. At EUR -0.5 million, EBIT was down approximately EUR 900 thousand year-on-year, which was primarily attributable to a EUR 600 thousand drop in net capitalization. Based on the orders on hand, the effect in EBIT caused by the weaker product mix is likely to be offset over the next few quarters.

In the Industrial segment, Softing already benefited from a considerable rise in demand for process and factory automation in 2018. For the current year, we have already received orders in the seven-digit range, which, for technical reasons, will not be delivered until the second half of 2019, however. The factory automation business, which includes the Internet of Things (IoT), gateways, OPC servers and middleware, was similarly successful.

Although the Automotive segment reported a 5% year-on-year decline in revenue, the order situation is positive. One individual company is already inundated with orders equivalent to its entire production capacity until the end of the year. These orders will be delivered from the third quarter onwards. Additional major orders for our standard software products will be delivered as early as the second quarter. One new software product has only just been launched on the market. We anticipate significant new business in this area in both Europe and Asia this year.

Acquired in 2018, Globalmatix AG is currently participating in several tenders, each offering revenue potential in the seven-digit range over the order period and starting this year. These tender processes originate from both European and American customers. However, we still expect the expansion of Globalmatix in Europe and North America to have an adverse impact on earnings in 2019 despite the positive revenue expectations. Active units in the field need to build up before monthly operating fees can exceed fixed costs for the first time. As a result, the increase in expenses of around EUR 0.6 million for Globalmatix compared to the prior-year quarter as well as the additional EUR 0.6 million net effect from the reduced capitalization of internally developed products and higher depreciation and amortization had an adverse impact on EBIT in this segment in the first quarter of 2019. Without these two effects, EBIT would have almost doubled in Q1 2019 compared to Q1 2018 (EUR 0.4 million).

In the IT Networks segment, the switch from lower-margin third-party products to in-house products caused revenue to fall slightly. This is primarily due to the fact that the production of two new in-house products was delayed for technical reasons, which meant that they could barely contribute to revenue during the first quarter. In what is traditionally the weakest quarter for this segment, the operating results were on a par with the prior-year period.

With the developments and events outlined above, we have created conditions to continue our growth in all three segments. Based on the production deadlines currently set and the typical seasonality of the IT Networks business, the vast majority of revenue and EBIT will once again be generated in the second half of the year in 2019. As ever, we will provide further guidance on our targets from the middle of the year.

Our optimism about the aforementioned points is still tempered by significant economic uncertainty. European governments and the IMF both continued to revise their growth expectations downwards during the first quarter. Our strong diversification in the three largest economic areas – Europe, North America and Asia – means we can largely offset regional fluctuations. However, although this is not currently apparent in our business, Softing would not be able to avoid sustained, negative developments on a global level.

With a healthy amount of caution, we continue to anticipate incoming orders and annual revenue of more than EUR 88 million and earnings (EBIT) of more than EUR 4 million for 2019. We would like to emphasize the fact that both of these forecasts could be exceeded if economic developments are positive and incoming orders remain buoyant.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'W. Trier', with a stylized flourish at the end.

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 escape completely in the first quarter of 2019.

Despite these negative signals from various markets, Softing succeeded in significantly increasing incoming orders (+18%) and revenue (+6%) in the first quarter of 2019 and therefore has a positive outlook on 2019.

The Industrial segment increased revenue by a very healthy 15% in the first three months, with operating EBIT rising as well.

The Automotive segment recorded a 5% decline in revenue in the first quarter of 2019 as orders were shifted to subsequent quarters. Business development with products of the acquired Globalmatix AG is proceeding according to plan.

In the first three months, the IT Networks segment prepared for the transition from low-margin distribution products to new, high-margin in-house products, resulting in a decline in revenue of EUR 0.4 million. New product lines were released for marketing at the end of the fourth quarter of 2018 and will significantly improve the gross profit margin in the further course of 2019.

Overall, the Softing Group grew its revenue to EUR 19.6 million in the first three months of 2019 (previous year: EUR 18.5 million). Revenue in the Industrial segment rose from EUR 11.6 million to a strong EUR 13.4 million. In the Automotive segment, revenue dropped slightly from EUR 4.2 million to EUR 4.0 million as a result of orders being postponed beyond the end of the quarter. IT Net-

works generated revenue of EUR 2.2 million, compared with EUR 2.6 million in the previous year.


The Group's EBITDA remained steady year-on-year at EUR 1.4 million in the first three months, resulting in an EBITDA margin of around 7% (previous year: 8%).

EBIT in the Industrial segment decreased slightly from EUR 0.7 million to EUR 0.6 million, while operating EBIT rose from EUR 0.7 million to EUR 1.0 million. In the Automotive segment, EBIT contracted from EUR –0.2 million to EUR –0.9 million, while operating EBIT decreased from EUR –0.8 million to EUR –1.0 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 0.6 million. As in the previous year, the IT Networks segment posted a slightly negative EBIT of EUR –0.2 million. Operating EBIT came to EUR –0.1 million, which was also at the prior-year level.

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 –0.2 million (previous year: EUR –0.2 million). Consolidated EBIT amounted to EUR –0.5 million (previous year: EUR 0.4 million).

The consolidated loss for the period after the first three months of 2019 came to EUR –0.3 million (previous year: EUR 0.0 million).

Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. As of March 31, 2019, this results in cash and cash equivalents of EUR 7.7 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 March 31, 2019 and thus a slightly lower equity ratio of 67% after 69% at year-end 2018.

RESEARCH AND PRODUCT DEVELOPMENT

In the first three months of 2019, Softing capitalized a total of EUR 0.9 million (previous year: EUR 1.3 million) for the development of new products. Other significant amounts for the enhancement of existing products were expensed. The net effect of reduced capitalization and increased amortization of already completed products depressed EBIT by EUR 0.6 million.

EMPLOYEES

As of March 31, 2019, the Softing Group had 405 employees (previous year: 403). 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 March 31, 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 nine 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 the strongest quarter. If performance is positive, EBIT in particular has upside potential.

At segment level, a moderate increase in revenue as well as stable EBIT and operating EBIT are projected in all segments. Due to the fact that a number of major contracts have already been acquired but cannot be delivered until the second half of the year, we expect the strongest growth, especially for EBIT, to be seen in the second half of the year, as was the case in the previous year. We will provide quarterly reports with more details on these figures.

EVENTS AFTER THE REPORTING PERIOD

There were no events of special importance after the reporting date of March 31, 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 March 31, 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 March 31, 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 EUR 4.7 million were recognized in the intangible assets balance sheet item, with amortization amounting to EUR 0.4 million in the quarter 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 0.5 million.

CHANGES IN THE BASIS OF CONSOLIDATION

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

KEY FIGURES FOR THE 1ST QUARTER OF 2019

| All figures in EUR million | Quarterly management statement 1/2019 | Quarterly management statement 1/2018 |
|---------------------------------------|---------------------------------------------|---------------------------------------------|
| Incoming orders | 24.8 | 21.1 |
| Orders on hand | 20.5 | 13.8 |
| Revenue | 19.6 | 18.5 |
| EBITDA | 1.4 | 1.4 |
| EBIT | -0.5 | 0.4 |
| EBIT (operating) | -0.2 | -0.2 |
| Net profit/loss for the period | -0.3 | 0.0 |
| Earnings per share in EUR (operating) | -0.03 | 0.01 |

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to March 31, 2019

| EUR thousand | 1.1.2019 - 31.3.2019 | 1.1.2018 - 31.3.2018 |
|----------------------------------------------------------------------|-------------------------|-------------------------|
| Revenue | 19,609 | 18,514 |
| Other own work capitalized | 895 | 1,343 |
| Other operating income | 223 | 188 |
| Operating income | 20,727 | 20,045 |
| Cost of materials / cost of purchased services | -8,683 | -8,004 |
| Staff costs | -8,272 | -7,899 |
| Depreciation, amortization and impairment losses | -1,859 | -1,013 |
| thereof depreciation / amortization due to purchase price allocation | -504 | -281 |
| Other operating expenses | -2,392 | -2,741 |
| Operating expenses | -21,205 | -19,657 |
| Profit / loss from operations (EBIT) | -478 | 388 |
| Interest income | 0 | 21 |
| Interest expense | -82 | -37 |
| Currency difference from internal lending | 319 | -307 |
| Earnings before income taxes | -240 | 65 |
| Income taxes | -45 | -21 |
| Consolidated profit | -284 | 44 |
| Attributable to: | | |
| Owners of the parent | -283 | 69 |
| Minority interests | -1 | -25 |
| Consolidated profit | -284 | 44 |
| Earnings per share (basic = diluted) | -0,03 | 0,01 |
| Average number of shares outstanding (basic) | 9,105,381 | 7,766,919 |
| Consolidated profit | -534 | 44 |
| Currency translation differences | | |
| Changes in unrealized gains / losses | 229 | -309 |
| Tax effect | -64 | 86 |
| Currency translation differences in total | 165 | -223 |
| Consolidated profit | 165 | -223 |
| Total comprehensive income for the period | 369 | -179 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the parent | -368 | -154 |
| Minority interests | -1 | -25 |
| Total comprehensive income for the period | -369 | -512 |
| Earnings per share (basic = diluted) | -0.04 | -0.02 |
| Average number of shares outstanding (basic) | 9,105,381 | 7,766,919 |

Consolidated Statement of Assets, Equity and Liabilities

as of March 31, 2019 and December 31, 2018

| Assets | | |
|-----------------------------------------------------------|----------------|---------------|
| EUR thousand | 31.3.2019 | 31.12.2018 |
| Non-current assets | | |
| Goodwill | 18,124 | 17,985 |
| Intangible assets | 46,743 | 41,882 |
| | 64,867 | 59,867 |
| Property, plant and equipment | 2,474 | 2,348 |
| | 67,341 | 62,215 |
| Deferred tax assets | 936 | 765 |
| Non-current assets, total | 68,277 | 62,980 |
| Current assets | | |
| Inventories | 11,545 | 10,557 |
| Trade receivables | 10,883 | 13,682 |
| Receivables from customer-specific construction contracts | 1,134 | 568 |
| | 12,017 | 14,250 |
| Other current assets | 951 | 703 |
| Current income tax assets | 1,671 | 1,652 |
| Cash and cash equivalents | 7,739 | 9,682 |
| Current assets, total | 33,923 | 36,844 |
| Total assets | 102,200 | 99,824 |

Equity and liabilities

| EUR thousand | 31.3.2019 | 31.12.2018 |
|--------------------------------------------------------|----------------|---------------|
| Equity | | |
| Subscribed capital | 9.105 | 9.105 |
| Capital reserves | 31.111 | 31.111 |
| Retained earnings | 27.913 | 28.039 |
| Equity (Group share) | 68.129 | 68.255 |
| Minority interests | 145 | 145 |
| Equity, total | 68.274 | 68.400 |
| Non-current liabilities | | |
| Pensions and similar obligations | 2.033 | 2.141 |
| Long-term borrowings | 1.725 | 1.976 |
| Other non-current liabilities | 3.335 | 57 |
| Deferred taxes | 5.353 | 5.227 |
| Non-current liabilities, total | 12.446 | 9.401 |
| Current liabilities | | |
| Trade payables | 5.079 | 6.086 |
| Payables from customer-specific construction contracts | 644 | 2.069 |
| Provisions and accrued liabilities | 224 | 175 |
| Income tax liabilities | 1.394 | 1.407 |
| Short-term borrowings | 6.241 | 6.215 |
| Current non-financial liabilities | 2.407 | 1.549 |
| Current financial liabilities | 5.491 | 4.522 |
| Current liabilities, total | 21.480 | 22.023 |
| Total equity and liabilities | 102.200 | 99.824 |

Consolidated Statement of Cash Flows

from January 1 to March 31, 2019

| EUR thousand | 1.1.2019 - 31.3.2019 | 1.1.2018 - 31.3.2018 |
|--------------------------------------------------------------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit (before tax) | -240 | 65 |
| Depreciation, amortization and impairment losses on fixed assets | 1,852 | 1,013 |
| Other non-cash transactions | -349 | -17 |
| Cash flows for the period | 1,263 | 1,061 |
| Invest income | 0 | -21 |
| Interest expense | 82 | 37 |
| Change in other provisions and accrued liabilities | 49 | 15 |
| Change in inventories | -988 | -518 |
| Change in trade receivables | 2,233 | 1,668 |
| Changes in financial receivables and other assets | -438 | 441 |
| Change in trade payables | -1,007 | -293 |
| Changes in financial and non-financial liabilities and other liabilities | 4,229 | -1,250 |
| Payout Right of Use sssets | -392 | 0 |
| Interest received | 0 | 21 |
| Income taxes received | 0 | 0 |
| Income taxes paid | -127 | -60 |
| Cash flows from operating activities | 4,904 | 1,101 |
| Investments in fixed assets | -300 | -551 |
| Cash paid for investments in internally generated intangible assets | -1,207 | -1,343 |
| Changes in Right of Use assets (first application of IFRS 16) | -5,052 | 0 |
| Cash flows from investing activities | -6,559 | -1,894 |
| Cash paid for dividends | 0 | 0 |
| Cash received from short-term bank line | 0 | 0 |
| Repayment of bank loans | -251 | -187 |
| Interest Right of Use assets | -45 | 0 |
| Interest paid | -37 | -38 |
| Cash flows from financing activities | -333 | -225 |
| Net change in funds | -1,988 | -1,018 |
| Effects of exchange rate changes on cash and cash equivalents | 45 | -79 |
| Cash and cash equivalents at the beginning of the period | 9,682 | 10,276 |
| Cash and cash equivalents at the end of the period | 7,739 | 9,179 |

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