Interim Statement on the 3rd Quarter and First 9 Months of 2024

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DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

After having made a solid start in the first quarter, Softing has been feeling the impact of weak sales markets in both the mechanical engineering and, after some delay, the process manufacturing sectors. Across the industry, our competitors and customers are reporting declining figures that are in particularly sharp contrast to the previous year's exceptional results, with incoming orders and revenue contracting by 20% to 30%.

At Softing, too, total revenue in the first nine months of the year is down by around 20% year-on-year at EUR 69.8 million. A marked reluctance to invest is dominating the agenda in both Europe and North America, while China's own considerable growth issues and political demands prevents it from offering an alternative growth option.

Softing's incoming orders fell by 28% from EUR 67.9 million to EUR 48.8 million during the period under review. We were able to process existing orders rapidly, as demonstrated by the drop in the volume of open orders from EUR 52.7 million to EUR 25.7 million. While there are indications that the market is beginning to bottom out, it is still too early to declare that this trend has reversed.

Softing's key North American factory automation market, which caused revenue to surge by more than 50% last year, is exhibiting clear signs of an overbought market in addition to the investment restraint typically seen in an election year. Products that became available in significant quantities again last year for the first time since the COVID-related supply bottlenecks were ordered and delivered in such vast quantities that warehouses along the entire supply chain are still full to bursting. This is also the case for the Softing Group's largest customers. Revenue across the entire Industrial segment fell sharply by around 25% from EUR 66.2 million to EUR 46.4 million. Our customers expect demand to recover substantially in the second half of 2025.

We have been encouraged by the development in demand and thus revenue performance in our Automotive segment. While the industry was dominated by insolvencies and site closures among suppliers and vehicle manufacturers, we were able to increase revenue from EUR 16.0 million to EUR 18.7 million, which represents organic growth of 16%. This growth is founded on major projects and the robust market positioning of our software development tools. Products for a major project set to run for the next few years were delivered to customers for the first time during the period under review. Significantly higher-than-planned start-up costs and project delays for GlobalmatiX caused operating EBIT in the Automotive segment to deteriorate from EUR –0.9 million to EUR –1.9 million. However, GlobalmatiX still holds several million euros in revenue potential for the current year, which could fully offset this drop in earnings.

Revenue in the IT Networks segment was flat year-on-year in the first nine months of 2024 at EUR 5.2 million, as a marked fall in demand was offset by an increase in marketing activities. However, operating EBIT declined from EUR –1.7 million in the previous year to EUR –2.1 million during the period under review due to non-capitalized development and maintenance costs for both new and existing products. IT Networks has started the fourth quarter of 2024 with a very encouraging increase in revenue. Although there is potential for earnings to improve, we still expect this segment to make a negative contribution to EBIT for the full-year 2024. We anticipate a sharp fall in expenses coupled with revenue growth generated by new sales channels and high-revenue products by the second quarter of next year.

Despite the challenging environment, we still see an opportunity to reach the lower end of our guidance with operating EBIT of around EUR 4 million and revenue of approximately EUR 105 million. Meeting these targets depends both on overall revenue performance in the final quarter and on the completion of outstanding high-volume, high-margin transactions. As a result, our targets would be at risk if these transactions are delayed from the final quarter of 2024 to the first quarter of 2025.

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim statement on the 3rd quarter/first 9 months of 2024

STATEMENT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

After a very encouraging start in the first quarter of 2024, the next two quarters of 2024 were impacted by weakness in the global economy. This trend affected almost every supplier of capital goods across the industry, including Softing. These effects are particularly pronounced compared to the record year of 2023. Revenue was roughly 20% down on the previous year's figure at EUR 69.8 million. In Europe, this was primarily due to the persistently adverse economic environment in our main markets of mechanical engineering and IT infrastructure, while investment is also faltering in the Softing Group's most important overseas market, North America. The near-70% surge in deliveries in 2023 compared to the previous year has left warehouses along the entire supply chain full to bursting. Our customers only expect to clear this backlog in their warehouses in around six months' time, which will cause a significant rebound in revenue. The Automotive segment is also dealing with the widely-reported problems facing the automotive industry.

Incoming orders fell by around 28% from EUR 67.9 million to EUR 48.8 million during the period under review. With the procurement situation for components having largely eased, completed deliveries caused the volume of open orders to decrease from EUR 52.7 million to EUR 25.7 million and prompted inventory expenses to decline by 35.7% from EUR 40.5 million in the previous year to EUR 26.0 million. Meanwhile, personnel expenses rose sharply from EUR 29.7 million in the first nine months of 2023 to EUR 32.2 million in the period under review due to inflation-related wage increases at the start of this year and extensive new hiring prompted by exceptional revenue growth in 2023. The Executive Board has taken steps to return personnel costs to the previous year's level in 2025.

The jump in revenues in 2023 was particularly pronounced in Softing's largest segment, Industrial, resulting in a particularly heavy drop in segment revenue of around 25% from EUR 66.2 million to EUR 46.4 million in the first nine months of the current year. This is due to the fact that revenue was realized in the first nine months of 2023 by reducing the high level of orders on hand at the end of 2022. In a longer-term comparison, nine-month revenue is only slightly down compared to the first nine months of 2022. Going forward, we currently expect revenue to normalize around the average for the last few years before returning to organic growth in the second half of 2025. EBIT fell from what was then a record EUR 8.8 million to EUR 2.0 million, with operating EBIT dropping from EUR 9.6 million to EUR 2.9 million. While we expect individual transactions with significant revenue and earnings impact in the EMEA (Europe, Middle East and Africa) region in the final quarter to provide a marked boost to full-year EBIT, there is still some uncertainty as to whether these transactions will be completed by customers in the fourth quarter of 2024 or at the start of 2025. In North America, we expect the economic situation to remain challenging for several months even after the presidential elections until the USA has found its economic and political bearings.

The traditional business in the Automotive segment shows a clearly positive trend in revenue. Bucking the dramatic sense of crisis prevailing in the automotive industry, revenue surged by 16% from EUR 16.0 million to EUR 18.7 million. Business at our subsidiary GlobalmatiX improved only modestly and remains far from satisfactory. As a result, EBIT in the Automotive segment dropped from EUR 0.0 million in the previous year to EUR –1.1 million, with higher-than-anticipated start-up costs for a major project adversely affecting this figure. Operating EBIT in the Automotive segment deteriorated from EUR –0.9 million to EUR –1.9 million. As mentioned above, there is still outstanding revenue potential totaling several million euros, and it is not yet clear if this can be realized in the current year or only in spring 2025.

The IT Networks segment continued to be affected by weak construction activity in almost all markets, particularly in EMEA. Revenue was flat year-on-year, reaching EUR 5.2 million. EBIT at EUR –2.7 million and operating EBIT at EUR –2.1 million were down after EUR –1.5 million and EUR –1.7 million, respectively, in the previous year. This situation is expected to improve markedly in the final three months of the year given that the fourth quarter is usually the strongest of the year, even though we still anticipate negative EBIT in this segment for full-year 2024.

The Group's EBITDA fell from EUR 11.8 million to EUR 5.0 million in the first nine months of 2024, with the EBITDA margin coming in at 7.2% in 2024 after 13.5% in the first nine months of 2023.

Operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation), the Group's main performance indicator, was EUR –0.3 million in the first nine months of 2024 after EUR 5.8 million in the previous year. EBIT also turned negative, from EUR 5.5 million to EUR –1.7 million.

This resulted in a consolidated loss of EUR 2.8 million after a profit of EUR 2.8 million in the first nine months of 2023. Accordingly, earnings per share were EUR –0.31 in the first nine months of 2024, compared with EUR 0.31 in the previous year.

The Group had cash of EUR 5.3 million as of September 30, 2024, compared with EUR 4.9 million as of December 31, 2023. Cash flow from operating activities after nine months totaled EUR 3.5 million after the record EUR 10.3 million seen in 2023. Capital expenditure on property, plant, and equipment only concerned replacements. Please refer to the Research and Development section for information on investments in products. Cash flow from financing activities in the amount of EUR 0.9 million was driven by the payment of the 2024 dividend of EUR 1.2 million and net borrowings of EUR 3.5 million.

Overall, this translates into a slightly lower equity ratio of 46.1% as of September 30, 2024 (52.7% as of December 31, 2023).

RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2024, Softing capitalized internal and external expenses of EUR 3.3 million (after EUR 4.0 million in the previous year) for the development of new products and the enhancement of existing ones. Further development services for product maintenance were expensed.

EMPLOYEES

As of September 30, 2024, the Softing Group had 442 employees (previous year: 426). No stock options were issued to employees in the reporting period.

SUBDUED INDUSTRIAL ECONOMIC DEVELOPMENT AND RECESSION SCENARIO

The sluggish economy in Germany and Europe is having a negative impact on Softing's business performance. The manifest recession in Germany, fueled by anti-industry policies, is severely hampering Softing's business success. While inflation is declining compared to previous years, many institutions (ECB, World Bank, ifo Institute, etc.) expect inflation to hover around the 3% mark, reducing the ECB's leeway for implementing interest rate cuts to stimulate the economy. Prospects for economic recovery were scaled back further, with many institutions (ECB, World Bank, ifo Institute, etc.) now anticipating a recession with no prospect of improvement seen in the medium term.

In risk management terms, this means that Softing is implementing measures aimed at improving profitability – first and foremost a strict cost-cutting program. The milestones defined for this purpose were all met or exceeded. In spite of the steps taken, the risks cannot be controlled completely. We also hope that increased marketing activities to generate higher revenue in previously underdeveloped regions will be successful. These products and a stronger regional focus are the backbone of business in the Industrial segment and could stabilize its revenue position.

Geopolitical uncertainty caused by Russia's war of aggression, and terror and war in the Middle East remains a concern. Because Softing AG's customer base is essentially limited to Western countries, we do not fear any direct negative impacts on our business model.

The Group takes the issue of cyber security and the potential widening of hostilities in this area extremely seriously. The current recommendations of the authorities are being reviewed and implemented taking into account the situation at Softing. Softing is in the process of liaising with other companies to determine its own position. Softing continues to invest substantial sums in cyber security and provides its staff with regular training on the subject. As no company is immune from a cyber attack, it is essential to ensure that resilience and recoverability are built into IT systems and that all employees remain vigilant.

We do not currently see a triggering event necessitating an unscheduled impairment test, but we, too, are monitoring the situation closely nonetheless.

Any hope for an improved overall economic situation in the second half of the year has dissipated. Although there are some opportunities, we expect the market situation to remain difficult. For information on other risks and opportunities, we refer to the Group Management Report in the 2023 Annual Report, page 23 et seq.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS:

As of September 30, 2024, the Softing Group had cash and cash equivalents of EUR 5.3 million, current receivables of EUR 11.5 million and agreed but not yet drawn down credit lines of around EUR 8.5 million at its disposal. This means that the Group has up to EUR 25.3 million in near cash funds available at short notice to meet the current challenges.

With regard to the loan agreements, we are in contact with the banks, which fully and constructively support this process.

Softing continues to closely monitor its receivables management, and, with one exception, no deterioration in customer payment behavior has been observed so far. This is also due to the fact that most of Softing's customers are large international corporations with sufficient funds.

Despite the challenging environment, we are confirming our revenue and operating EBIT guidance for 2024, with each of these figures expected to come in at the lower end of their respective ranges with around EUR 105 million in total revenue and operating EBIT of approximately EUR 4–5 million. Achieving these targets is driven by completing individual high-volume, high-margin transactions that are still outstanding.

EVENTS AFTER THE REPORTING PERIOD

The Executive Board of Softing AG adopted a resolution on September 2024, with the approval of the Supervisory Board, to use a portion of Authorized Capital 2022 to increase the Company's share capital from EUR 9,105,381.00 by EUR 820,500.00 to EUR 9,925,881.00 by issuing 820,500 new no-par bearer shares with a notional interest of EUR 1.00 per share in the Company's share capital ("New Shares" in return for cash contributions, disapplying shareholders' pre-emptive rights in accordance with Article 4 (3) sentence 3 of the Company's Articles of Incorporation and Sections 203 (1), 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The new shares were offered to an investor at an issue price of EUR 4.60 per share. The new shares carry full dividend rights from January 1, 2024.

Softing received the payment of around EUR 3.8 million resulting from the capital increase on October 2, 2024. The shares created from the capital increase mentioned above will be admitted to trading in November 2024.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2023 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 condensed quarterly report as of September 30, 2024, which was prepared based on International Accounting Standard (IAS) 34 „Interim Financial Reporting“, does not contain all of the information required for the preparation of the annual report and should be read in conjunction with the consolidated financial statements of Softing AG as of December 31, 2023. In general, the same accounting policies were applied in the quarterly financial statements as of September 30, 2024 as in the consolidated financial statements for the 2023 financial year. This interim report as of September 30, 2024 was prepared without an auditor's review.

CHANGES IN THE BASIS OF CONSOLIDATION

As of September 30, 2024, no changes occurred in the basis of consolidation compared to December 31, 2023.

KEY FIGURES FOR THE 3RD QUARTER OF 2024

All figures in EUR million	Quarterly management statement 3/2024	Quarterly management statement 3/2023
Incoming orders	48,8	67,9
Orders on hand	25,7	52,7
Revenue	69,8	87,2
EBITDA (IFRS)	5,0	11,8
EBIT (IFRS)	–1,7	5,5
EBIT (operating)	–0,3	5,8
Profit for the period (IFRS)	–2,8	2,8
Earnings per share in EUR (IFRS)	–0,31	0,31

RESPONSIBILITY STATEMENT

The condensed Group interim statement for the first nine months of 2024 was released for publication on November 12, 2024 by resolution of the Executive Board.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Haar, Germany, November 12, 2024
Softing AG

Dr. Wolfgang Trier	Ernst Homolka
Chief Executive Officer	Executive Board member

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2024

EUR thousand	1/1/ – 9/30/2024	1/1/ – 9/30/2023	7/1/ – 9/30/2024	7/1/ – 9/30/2023
Revenue	**69,794**	**87,180**	**22,505**	**29,070**
Other own work capitalized	3,267	4,022	424	1,966
Other operating income	901	487	106	162
Operating income	**73,962**	**91,689**	**23,035**	**31,198**
Cost of materials / cost of purchased services	–26,033	–40,471	–7,963	–13,422
Staff costs	–32,239	–29,733	–10,513	–9,921
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	–6,613	–6,208	–2,387	–2,080
thereof depreciation/amortization due to purchase price allocation/impairment of goodwill	–1,247	–1,250	–413	–416
thereof depreciation due to accounting for right-of-use-assets	–1,262	–1,039	–416	–361
Other operating expenses	–10,736	–9,730	–3,455	–3,300
Operating expenses	**–75,621**	**–86,142**	**–24,318**	**–28,723**
Profit / loss from operations (EBIT)	**–1,659**	**5,547**	**–1,283**	**2,475**
Interest income	26	4	8	2
Interest expense	–489	–254	–167	-84
Interest expense from lease accounting	–208	–102	–72	-38
Other finance income/finance costs	-	-	-	-
Earnings before income taxes	**–2,330**	**5,195**	**–1,513**	**2,355**
Income taxes	–499	–2,357	48	–1,217
Consolidated profit	**–2,829**	**2,838**	**–1,465**	**1,138**
Consolidated profit attributable to:				
Shareholders of Softing AG	–2,716	2,725	–1,517	1,047
Non-controlling interests	–113	112	52	91
Consolidated profit	**–2,829**	**2,837**	**–1,465**	**1,138**
Earnings per share (basic = diluted)	–0.31	0.31	–0.16	0.13
Average number of shares outstanding (basic)	9,015,381	9,015,381	9,015,381	9,015,381
Consolidated profit	**-2,829**	**2,837**	**-1,465**	**1,138**
Items that will be reclassified to consolidated profit or loss:				
Currency translation differences				
Changes in unrealized gains/losses	–517	55	–1,758	654
Tax effect	0	0	0	0
Total currency translation differences	**–517**	**55**	**–1,758**	**654**
Other comprehensive income	**–517**	**55**	**–1,758**	**654**
Total consolidated comprehensive income for the period	**–3,346**	**2,892**	**–3,223**	**1,792**
Total consolidated comprehensive income for the period attributable to:				
Owners of the parent	–3,233	2,780	–3,275	1,701
Minority interests	–113	112	52	91
Total consolidated comprehensive income for the period	**–3,346**	**2,892**	**–3,223**	**1,792**

Consolidated Statement of Cash Flows

from January 1 to September 30, 2024

EUR thousand	1/1/2024 - 9/30/2024	1/1/2023 - 9/30/2023
Cash flows from operating activities		
Profit (before tax)	–2,330	5,194
Depreciation and amortization of fixed assets	6,613	6,208
Other non-cash transactions	–181	–65
Cash flows for the period	**4,102**	**11,337**
Interest income / Finance income	–26	–4
Interest expense / Finance costs	489	254
Change in other provisions and accrued liabilities	–40	–97
Change in inventories	–2,747	–4,202
Change in trade receivables	–741	5,290
Change in financial receivables and other assets	–1,420	–562
Change in trade payables	3,474	–2,550
Change in financial and non-financial liabilities and other liabilities	610	2,089
Interest received	26	4
Income taxes received	232	9
Income taxes paid	–469	–1,290
Cash flow from operating activities	**3,490**	**10,278**
Cash paid for investments in new internal product developments	–3,267	–3,975
Cash paid for investments in new external product developments	0	–583
Cash paid for investments in other intangible assets Cash paid for investments in non-current assets	–5	–89
Cash paid for investments in non-current assets	–631	–630
Cash flow from investing activities	**–3,903**	**–5,277**
Cash paid for dividends	–1,210	–902
Cash received from the sale of treasury shares	445	0
Repayment of lease liabilities	–1,133	–1,001
Cash received from long-term loans	6,000	0
Cash received from short-term bank line	1,000	1,000
Cash repayment of bank loans	–3,496	–3,100
Interest from lease accounting	–208	–102
Other interest paid	–489	–254
Total interest paid	–697	–356
Cash flow from financing activities	**909**	**–4,359**
Net change in cash funds	496	642
Effects of exchange rate changes on cash funds	–15	16
Cash funds at beginning of period	4,859	6,801
Cash funds at end of period	**5,340**	**7,459**

Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2024 and December 31, 2023

Assets

EUR thousand	9/30/2024	12/31/2023
Non-current assets		
Goodwill	10,852	10,950
Other intangible assets	34,948	36,445
Property, plant and equipment	10,178	8,134
Other financial assets	435	435
Deferred tax assets	1,056	606
Non-current assets, total	**57,469**	**56,570**
Current assets		
Inventories	26,426	23,679
Trade receivables	11,540	12,270
Current financial assets	679	341
Contract assets	1,471	902
Current income tax assets	425	593
Cash and cash equivalents	5,340	4,859
Current non-financial assets	5,546	3,845
Current assets, total	**51,427**	**46,489**
Total assets	**108,896**	**103,059**

Equity and liabilities

EUR thousand	9/30/2024	12/31/2023
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury Shares	0	-485
Retained earnings	9,430	13,875
Equity attributable to shareholders of Softing AG	49,646	53,606
Non-controlling interests	538	689
Equity, total	**50,184**	**54,295**
Non-current liabilities		
Pensions	784	891
Long-term borrowings	7,756	6,356
Other non-current financial liabilities	10,838	8,753
Deferred tax liabilities	5,635	5,314
Non-current liabilities, total	**25,013**	**21,314**
Current liabilities		
Trade payables	10,224	6,750
Contract liabilities	5,806	5,957
Provisions	146	79
Income tax liabilities	343	279
Short-term borrowings	10,407	8,476
Other current financial liabilities	5,749	5,181
Current non-financial liabilities	1,024	728
Current liabilities, total	**33,699**	**27,450**
Total equity and liabilities	**108,896**	**103,059**

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