

■ Quarterly Report 1/2004



A successful start
to 2004

softing



A successful start to 2004

Ladies and gentlemen,
dear friends,

With an operating result of EUR 0.1 million and a positive net income, Softing AG experienced a promising start to the new year. A positive first quarter is remarkable in two respects.

First of all, the first three months of our fiscal year are traditionally somewhat weaker, and in the past years we have regularly reported a negative operating result in this period. Secondly, this result was achieved against the backdrop of a difficult overall economic environment, which has persisted in Germany and the rest of Europe.

Softing has thus underscored its turnaround achievement and has once again confirmed the success of the reorientation measures initiated in 2003, which have led to profitable growth.

The Softing Group was able to further improve its strong figures from the first quarter of 2003 in a number of key categories. Incoming orders, an important early indicator, were up by more than 10% in the first quarter and reached EUR 5.3 million (2003: EUR 4.8 million). Global revenues amounted to an encouraging EUR 4.81 million and thus remained at the previous year's level (2003: EUR 4.86 million). Cash and cash equivalents as of March 31, 2004 were EUR 5.8 million, down just slightly compared to December 31, 2003 (EUR 6.0 million). The fact that orders on hand were up 24% to EUR 3.1 million (EUR 2.5 million as of December 31, 2003) is especially noteworthy.

Our incoming orders and orders on hand in the first months make us confident that the first quarter will set the trend for the ongoing improvement of our financial figures.

Softing's progress has also been viewed very positively by external observers. SES Research, an independent firm, rates Softing as an "outperformer" and attributes considerable profit and growth potential to the company. You can find out more about this on our website under the heading "Investor Relations". Other discussions with representatives of the financial world, including at the Baader Small Cap Conference

in March, have shown that Softing's successful development is being recognized and rewarded. We will therefore strengthen our contact with analysts and investors over the course of the year.

A new supervisory board, which combines continuity with renewal, was elected on April 16 at the General Shareholders' Meeting. The long-serving chairman of the supervisory board, Dr. Horst Schiessl, was reelected. Dipl.-Ing. Karlheinz Butscher and Dr. Ing. Manfred Patz were also elected to the supervisory board. Based on their comprehensive industry knowledge and contacts, we expect the two new members of the supervisory board to provide valuable momentum to the company and its business. We look forward to positive, constructive cooperation with them.

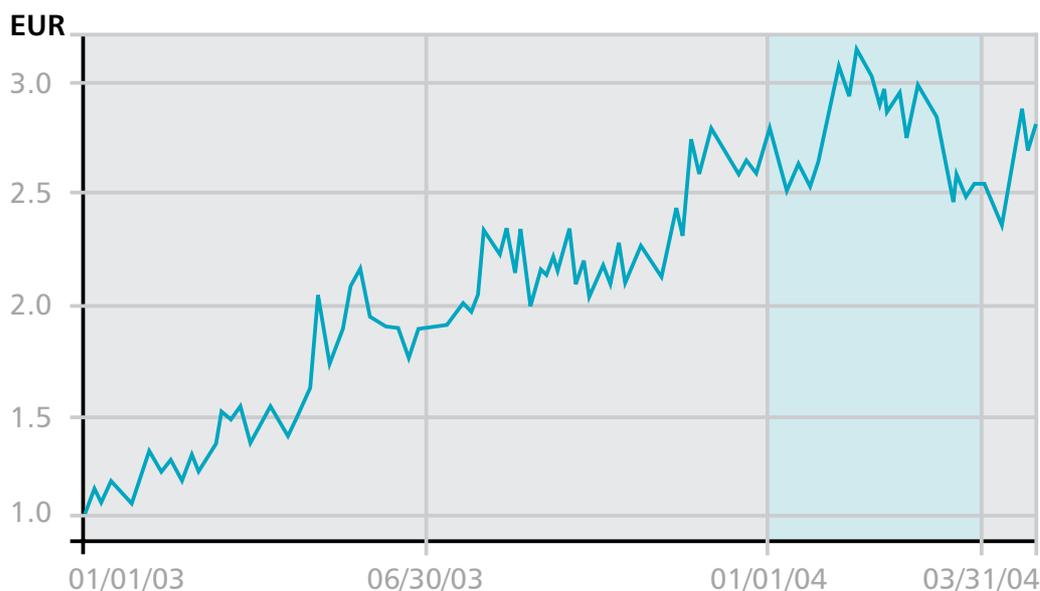
In the coming quarters, we want to focus on increasing our technological leadership in the field of Automotive Electronics. This will be achieved primarily through our full entrance into the new "embedded software" segment, as well as through our premium membership in the AUTOSAR committee, the expansion of our "diagnostics" product range, and continued participation in major projects by means of partnerships. In Industrial Automation, we will concentrate on the expansion of our traditional fieldbus products and the growth of our foreign sales. We will also focus on applications by offering complete packages of diagnostic software and hardware for servicing existing installations. The conversations with our customers at this year's Hannover Industrie Messe (industrial trade fair) confirmed that the direction we are taking is the correct one.

For us, the executive board and employees, the first quarter is an incentive to place all of our energies into the continued pursuit of our ambitious goals. For you, our shareholders, let it be an incentive to further accompany us on the course that we have chosen.

Sincerely,

Stock Price – Directors' Holdings

Company Schedule



Final quotation Frankfurt stock exchange (floor)

Directors' Holdings as of 03/31/2004

	Number of shares		Number of options	
	As of 03/31/2004	As of 12/31/2003	As of 03/31/2004	As of 12/31/2003
Dr. Trier	39,753	30,192	37,200	37,200
Mr. Himmelsdorfer	414,450	414,450	3,500	3,500
Dr. Schießl	–	–	–	–
Mr. Faltenbacher	1,000	1,000	–	–
Prof. Dr. Färber	500	500	–	–

Company Schedule

Quarterly Report 1/2004	05/14/2004
Quarterly Report 2/2004	08/13/2004
Quarterly Report 3/2004	11/12/2004
German Equity Forum, Frankfurt	11/23 -11/24/2004

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Consolidated Balance Sheet

According to IAS as of March 31, 2004, unaudited

	Quarterly Report 03/31/2004	Financial statements 12/31/2003
	EUR	EUR
Assets		
Cash and cash equivalents	3,038,203	3,231,372
Short-term investments/marketable securities	2,802,757	2,802,757
Trade accounts receivable	3,121,410	3,208,618
Inventories	1,027,673	1,065,555
Prepaid expenses and other current assets	233,577	153,175
Total current assets	10,223,620	10,461,477
Property, plant and equipment	386,285	376,688
Intangible assets	4,274,958	4,260,608
Notes receivable/loans	2,013	2,013
Deferred taxes	3,313,674	3,316,475
Total non-current assets	7,976,930	7,955,784
Total assets	18,200,550	18,417,261
Liabilities and shareholders' equity		
Trade accounts payable	459,260	465,370
Advance payments received	25,217	27,507
Accrued expenses	1,724,402	2,011,563
Deferred income and other current liabilities	739,606	999,438
Total current liabilities	2,948,485	3,503,878
Accounts payable, long-term production contracts	578,798	346,069
Deferred tax liability	1,850,000	1,807,000
Pension accrual	856,202	823,054
Total non-current liabilities	3,285,000	2,976,123
Share capital	5,000,000	5,000,000
Additional paid-in capital	10,326,278	10,326,278
Accumulated deficit	-3,359,213	-3,389,018
Total shareholders' equity	11,967,065	11,937,260
Total liabilities and shareholders' equity	18,200,550	18,417,261

Consolidated Income Statement

According to IAS as of March 31, 2004, unaudited

	Quarterly report I/2004 01/01/2004 - 03/31/2004 EUR	Quarterly report I/2003 01/01/2003 - 03/31/2003 EUR
Revenues	4,813,820	4,856,701
Other operating income	133,342	38,196
Production of own fixed assets capitalized	696,776	433,971
Cost of purchased materials and services	-1,176,719	-942,063
Personnel expenses	-2,863,892	-2,927,774
Depreciation and amortization	-786,224	-765,709
Other operating expenses	-726,716	-788,328
Operating income/loss	90,387	-95,006
Interest income and expense	917	8,220
Result before income taxes	91,304	-86,786
Income tax	-56,000	8,138
Other taxes	-5,498	-3,911
Net income/loss (-)	29,806	-82,559
Retained earnings, brought forward	-3,389,018	-2,888,697
Consolidated net income/ loss (-)	-3,359,213	-2,971,256
Undiluted earnings per share pursuant to IAS 33	0,01	-0,02
Diluted earnings per share pursuant to IAS 33	0,01	-0,02

Changes in Shareholders' Equity

01/01 - 03/31/2004

Thsd. EUR	Share capital	Additional paid-in capital	Retained earnings	Total
Balance as of December 31, 2003	5,000	10,326	-3,389	11,937
Net income 2004			30	30
Balance as of March 31, 2004	5,000	10,326	-3,359	11,967

01/01 - 03/31/2003

Thsd. EUR	Share capital	Additional paid-in capital	Retained earnings	Total
Balance as of December 31, 2002	5,000	10,326	-2,889	12,437
Net loss for 2003			-82	-82
Balance as of March 31, 2003	5,000	10,326	-2,971	12,355

Consolidated Cash Flow Statement

According to IAS as of March 31, 2004, unaudited

	01/01/2004 - 03/31/2004	01/01/2003 - 03/31/2003
	Thsd, EUR	Thsd. EUR
Cash flows from operating activities		
Net profit/loss for the period	30	-83
Depreciation and amortization of fixed assets	786	766
Increase/decrease in provisions and accruals	-212	128
Decrease/increase in net working capital	13	-176
Net cash provided by operating activities	617	635
Cash flows from investing activities		
Payments made for investments in self-produced intangible assets	-739	-476
Payments made for investments in other intangible and tangible assets	-71	-55
Net cash used in investing activities	-810	-531
Cash flows from financing activities		
Cash repayments of amounts borrowed	-	-29
Cash flow provided by financing activities	-	-29
Increase/decrease in cash and cash equivalents	-193	75
Cash and cash equivalents at beginning of period	6,034	4,930
Cash and cash equivalents at end of period	5,841	5,005

Notes to the Consolidated Financial Statements for Q1/2004

This quarterly report was prepared using the same accounting and valuation methods as in fiscal year 2003.

The economy again failed to pick up momentum in the first three months of 2004. As a result, the general economic weakness, which already was evident in fiscal year 2003, continued during the reporting period. The persistent investment restraint impacted business development, especially in the project business. Even if slight improvements in the economic environment become evident, they will probably not affect the course of business until the second half of the year.

Investments in self-constructed intangible assets amounted to EUR 0,7 million (2003: EUR 0,5 million) in the first quarter of 2004.

As of 03/31/2004, orders on hand in the Group amounted to EUR 3.1 million (12/31/2003: EUR 2.5 million).

As of 03/31/2004, the Group had 151 employees (2003: 150). During the reporting period, no stock options were issued to employees.

The terms of service of the supervisory board members ended upon the conclusion of the General Shareholders' Meeting of Softing AG on April 16, 2004. The General Shareholders' Meeting on April 16, 2004 voted the following gentlemen to the supervisory board for the term of office stipulated in the company's articles of incorporation: Karlheinz Butscher, graduate engineer, Langenargen; Dr. Manfred Patz, graduate engineer, Vaterstetten; and Dr. Horst Schiessl, lawyer, Munich.

Group Division Before Consolidation

Thsd. EUR

Subsidiary (before consolidation)

Softing Industrial Solutions Italia S.r.l., Bozen, Italy

Incoming orders

Revenues

EBIT

Subsidiary (before consolidation)

Softing North America, Inc., Massachusetts, USA

Incoming orders

Revenues

EBIT

Softing AG (before consolidation)

Incoming orders

Revenues

EBIT

	Quarterly report I/2004 01/01/2004 - 03/31/2004	Quarterly report I/2003 01/01/2003 - 03/31/2003
Incoming orders	–	75
Revenues	–	56
EBIT	-32	-22
Incoming orders	177	252
Revenues	177	107
EBIT	-13	-143
Incoming orders	5,145	4,477
Revenues	4,743	4,793
EBIT	147	77

Segment Reporting

As of March 31, 2004

Thsd. EUR	Quarterly report I/2004 01/01/2004 - 03/31/2004	Quarterly report I/2003 01/01/2003 - 03/31/2003
Automotive Electronics		
Revenues	1,797	2,178
Segment result (EBIT)	-247	186
Depreciation/amortization	442	343
Segment assets	4,107	4,236
Segment liabilities	1,961	1,761
Capital expenditure (not including long-term investments)	419	202
Industrial Automation		
Revenues	3,017	2,647
Segment result (EBIT)	338	-281
Depreciation/amortization	344	355
Segment assets	4,416	4,606
Segment liabilities	2,422	2,131
Capital expenditure (not including long-term investments)	353	308
Not distributed		
Revenues	-	32
Segment result (EBIT)	-	-
Depreciation/amortization	-	68
Segment assets	9,677	9,254
Segment liabilities	1,850	1,848
Capital expenditure (not including long-term investments)	38	21
Total		
Revenues	4,814	4,857
Segment result (EBIT)	91	-95
Depreciation/amortization	786	766
Segment assets	18,200	18,096
Segment liabilities	6,233	5,740
Capital expenditure (not including long-term investments)	810	531

The division into business segments in accordance with IAS 14 (revised 1997) is shown in the above table