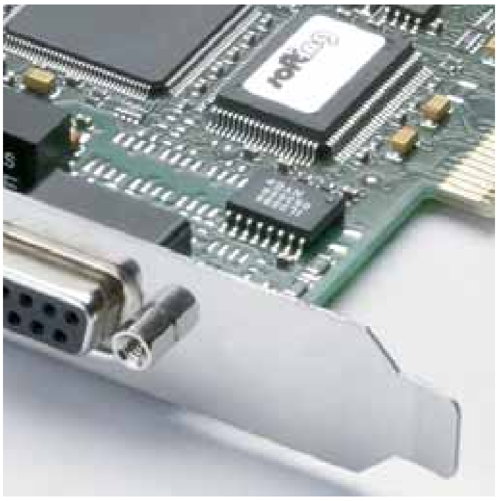
Quarterly Financial Report 3/2007



Softing on course of success:
Earnings improved by EUR 2.2 million

softing
your connection to excellence

Softing on course of success:
Earnings improved by EUR 2.2 million

Dear shareholders, employees, partners
and friends of Softing AG,

Success means guiding your potential in the right direction. The consistent repositioning strategy pursued by Softing in the past two years was just such a step in the right direction. The figures for the third quarter show that both of Softing's divisions are now back on a course of success. The third quarter continues the positive development of the first six months of the year.

In the third quarter of 2007, we managed to further improve all significant key figures by a considerable amount. Order intake, for instance, was up 15% in the quarter and 18% in the first nine months, reaching EUR 21.3 million. Global sales, year-to-date, were EUR 20.8 million, reflecting an increase of 17% in the third quarter and of more than 22% in the first nine months of the year. Our operating result developed just as positively, jumping by EUR 2.2 million to EUR 1.8 million in the first nine months.

The following table shows the most important key figures at a glance.

All figures in EUR million	Quarterly report III/2007	Quarterly report III/2006	9-month report 2007	9-month report 2006
Incoming orders	7.0	6.0	21.3	18.0
Sales	7.2	6.1	20.8	17.1
Earnings (EBIT)	0.6	0.1	1.8	– 0.4
Net income/loss	0.1	0.0	0.8	– 0.4

As you can gather from the segment report on page 8, the Automotive Electronics division has also regained its previous strength. The current figures and the improvement in earnings are proof of the potential inherent in this division.

In late August, we raised our sales and earnings guidance for 2007 considerably. Given the sustained, positive performance of our business, we now expect earnings before interest and taxes (EBIT) to total at least EUR 2 million and sales to come in at more than EUR 26 million.

We are very ambitious as regards the final quarter of the year: We'd like to see the company's stock market valuation reflect the growing business success of Softing to an even greater extent. This is why, in mid-November, we will present the future prospects of Softing to numerous analysts and institutional investors at the German Equity Forum of Deutsche Börse AG. We are confident that this will help to further enhance the development of Softing's share price.

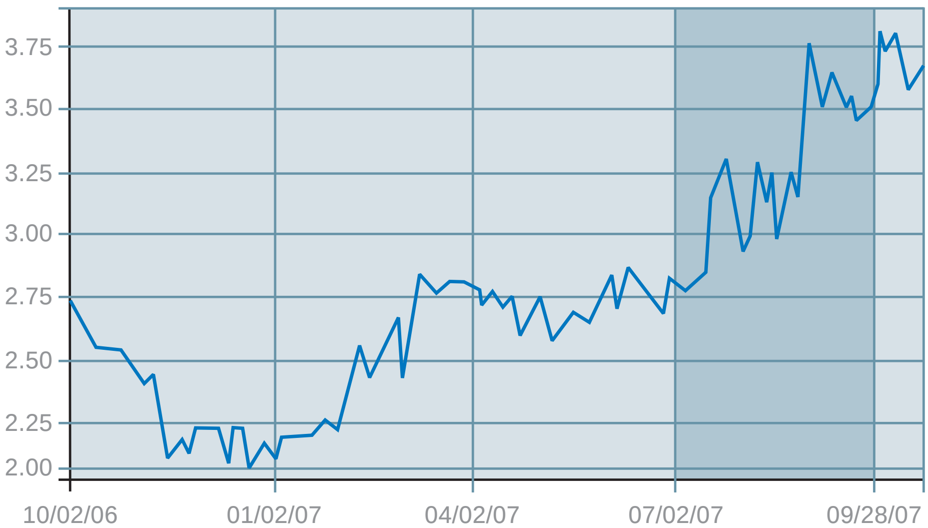
Yet another key event in November is SPS/IPC/DRIVES in Nuremberg, which for us is the most important automation exhibition. At this event, we will unveil new and improved industrial automation products and services. In automotive electronics, we participated in the 13th International VDI Congress "Electronic Systems for Vehicles" in October, a high-caliber industry gathering for the automotive sector. Our discussions and meetings focused on an even more closely networked collaboration with car manufacturers and system suppliers based on quality, innovation and cost efficiency.

The consistently positive development of our figures in the first three quarters of 2007 speaks for itself: Softing has returned to a growth trajectory. This view is reinforced by our forecasts for the next few months. The significantly higher valuation of our share since the beginning of the year reflects this success, although the full potential of the share is by no means yet exhausted. Our business development offers a truly substantial potential for the future. I would like to invite you to join us in capitalizing on this potential.

With warm regards,

Dr. Wolfgang Trier

Stock Price – Directors' Holdings
Financial Calendar



Directors' Holdings as of 09/30/2007

Boards	Number of shares		Number of options	
	As of 09/30/2007	As of 06/30/2007	As of 09/30/2007	As of 06/30/2007
Executive Board				
Dr. Trier	157,200	157,200	–	–
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Butscher	–	–	–	–
Mr. Kratzer	8,000	–	–	–

Financial Calender

German Equity Forum, Frankfurt am Main	11/14/2007
Annual Report 2007	03/31/2008
Quarterly Report 1/2008	05/14/2008
Quarterly Report 2/2008	08/14/2008
Quarterly Report 3/2008	11/14/2008

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Group Management Report for the 3/2007 Quarterly Financial Report

Economic Environment

Please refer to our statements in the notes for information on the economic environment.

Earnings

Sound economic parameters, but also tactical measures for repositioning Automotive Electronics boosted this division's sales to EUR 10.3 million (previous year: EUR 7.6 million). Sales from Industrial Automation rose steadily to EUR 10.5 million (previous year: EUR 9.4 million). The sales of the Softing Group thus totaled EUR 20.8 million in the first nine months of the year (previous year: EUR 17.1 million). This represents an increase of 22%. Deferred tax assets and deferred tax liabilities were remeasured as a consequence of the 2007 tax reform. This remeasurement gave rise to additional mathematical tax expense of approximately EUR 272 thousand. EBIT increased by EUR 2.2 million during the period under review to EUR 1.8 million (previous year: EUR – 0.4 million).

Assets and Financial Position

The Softing Group lifted its equity in the first nine months of 2007 to EUR 13.6 million (previous year: EUR 13.0 million). While the return on equity (= Group income as a percentage of average equity) amounted to -10.4% at the end of 2006, it brightened to 5.9% during the period under review. A further indicator underlining the positive development of the Softing Group is the increase in net cash provided by operating activities, which climbed EUR 2.7 million to EUR 3.0 million as against EUR 0.3 million in the first nine months of 2006. Cash and cash equivalents in the first nine months therefore rose by EUR 1.3 million to EUR 4.1 million.

Research and Product Development

For years, the Softing Group has invested more than 10% of its sales in research and development. In the first nine months of 2007, Softing invested EUR 1.7 million (previous year: EUR 1.9 million) in the development of new products and the continued development of existing ones.

Employees

The Softing Group had a total headcount of 210 employees in the first nine months of this year (previous year: 206). No stock options were issued to employees during this period.

Opportunities for the Future Development of the Company

As of the reporting date of September 30, 2007, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2006. Material changes are also not expected for the last three months of 2007. For more information, please refer to our Group Management Report in the 2006 Annual Report, page 21 et seq.

Events after the Balance Sheet Date

No significant events occurred after the balance sheet date.

Outlook

When we announced our figures for the first six months of the year, we significantly raised our sales and profit forecast for 2007. Given the sustained, positive performance of pour business, we now expect earnings before interest and taxes to total more than EUR 2 million with sales in excess of EUR 26 million.

Consolidated Balance Sheet

According to IFRS as of September 30, 2007, unaudited

Assets	Quarterly report 09/30/2007 EUR	Financial statements 12/31/2006 EUR
Cash and cash equivalents	3,443,844	2,108,413
Marketable securities	631,625	631,625
Trade accounts receivable	5,136,696	4,659,500
Inventories	1,834,223	1,595,890
Prepaid expenses and other current assets	256,479	343,234
Total current assets	**11,302,867**	**9,338,661**
Property, plant and equipment	595,748	538,001
Intangible assets	3,522,882	3,663,395
Goodwill	2,351,125	2,351,125
Borrowings	875,422	0
Deferred taxes	2,065,465	3,059,258
Total non-current assets	**9,410,642**	**9,611,779**
Total assets	**20,713,509**	**18,950,440**

Liabilities and shareholders' equity		
Trade accounts payable	728,036	718,038
Advances received	10,500	0
Provisions	113,898	142,610
Deferred income and other current liabilities	3,033,246	2,712,497
Total current liabilities	**3,885,680**	**3,573,145**
Liabilities under long-term construction contracts	424,656	162,298
Deferred taxes	1,216,700	1,281,129
Pension provisions	1,217,128	1,138,073
Other non-current liabilities	363,271	348,728
Total non-current liabilities	**3,221,755**	**2,930,228**
Share capital	5,637,198	5,599,998
Capital reserves	1,730,449	1,682,707
Accumulated profits (incl. retained earnings)	6,238,427	5,164,362
Total shareholders’ equity	**13,606,074**	**12,447,067**
Total liabilities and shareholders’ equity	**20,713,509**	**18,950,440**

Consolidated Income Statement

According to IFRS as of September 30, 2007, unaudited

	Quarterly report III/ 2007 07/01/2007 – 09/30/2007 EUR	Quarterly report III/2006 07/01/2006 – 09/30/2006 EUR	9-month report 2007 01/01/2007 – 09/30/2007 EUR	9-month report 2006 01/01/2006 – 09/30/2006 EUR
Revenue	7,230,519	6,143,496	20,800,352	17,070,089
Other operating income	52,297	51,531	189,041	212,082
Other own work capitalized	415,624	475,465	1,546,438	1,660,395
Cost of purchased materials and services	– 1,719,237	– 1,441,327	– 5,073,678	– 3,953,865
Staff costs	– 3,759,603	– 3,510,962	– 10,782,195	– 10,200,151
Depreciation and amortization	– 641,658	– 791,196	– 2,137,080	– 2,433,191
Other operating expenses	– 1,008,570	– 867,171	– 2,763,903	– 2,786,968
Operating income/loss	**569,372**	**59,836**	**1,778,975**	**– 431,609**
Interest income and expenses	– 11,298	– 29,473	– 45,545	– 104,963
Result before income taxes	**558,074**	**30,363**	**1,733,430**	**– 536,572**
Income taxes	– 496,299	– 24,174	– 952,534	131,248
Net income/loss (–)	**61,775**	**6,189**	**780,896**	**– 405,324**
Earnings per share (basic)	0.01	0.00	0.14	– 0.07
Earnings per share (diluted)	0.01	0.00	0.14	– 0.07
Average number of shares outstanding (basic)	5,637,198	5,499,998	5,616,531	5,499,998
Average number of shares outstanding (diluted)	5,637,198	5,523,160	5,616,531	5,523,160

Consolidated Cash Flow Statement

According to IFRS as of September 30, 2007, unaudited

		9-month report 2007 01/01/2007 – 09/30/2007 TEUR	9-month report 2006 01/01/2006 – 09/30/2006 TEUR
	Cash flow from operating activities		
	Net profit/loss for the period	781	– 445
	Exchange differences recognized in equity	19	18
+	Depreciation/amortization	2,137	2,433
–	Decrease in provisions	– 14	– 33
+/–	Change in net working capital	487	– 720
–	Payment of purchase price for H&S	– 375	– 971
=	**Net cash provided by operating activities**	**3,035**	**282**
	Cash flow from investing activities		
–	Payments made for investments in self-produced intangible assets	– 1,731	– 1,908
–	Payments made for investments in other intangible assets and in property, plant and equipment	– 325	– 224
=	**Net cash used in investing activities**	**– 2,056**	**– 2,132**
	Cash flow from financing activities		
+/–	Sale/purchase of treasury shares	320	– 163
+	Proceeds from capital increase	37	0
=	**Net cash provided by financing activities**	**357**	**– 163**
+/–	Increase/decrease in cash and cash equivalents	1,336	– 2,013
+	Cash and cash equivalents at beginning of period	2,740	4,729
=	**Cash and cash equivalents at end of period**	**4,076**	**2,716**

Changes in Shareholders' Equity

01/01 – 09/30/2007

Thsd. EUR	Share capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Total
Balance as of December 31, 2006	5,600	1,683	– 324	5,761	– 273	12,447
Capital increase (option plan)	37					37
Sale of treasury shares		47			273	320
Valuation of financial instruments			3			3
Currency translation			18			18
Net income 2007				781		781
Balance as of September 30, 2007	**5,637**	**1,730**	**– 303**	**6,542**	**0**	**13,606**

01/01 – 09/30/2006

Thsd. EUR	Share capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Total
Balance as of December 31, 2005	5,500	1,476	– 532	7,123		13,567
Capital increase	– 60	– 103				– 163
Valuation of financial instruments			19			19
Currency translation						–
Net loss 2006				– 405		– 405
Balance as of September 30, 2006	**5,440**	**1,373**	**– 513**	**6,718**	**–**	**13,018**

Notes to the Consolidated Financial Statements for Q3/2007

This quarterly report was prepared using the same accounting policies as in financial year 2006.

The German economy showed significant growth the first nine months of 2007. The leading German economic institutes expect the economy to grow by 2.6 percent in 2007 and by 2.2 percent in 2008. Regarding the development of Softing's business, we expect continued sales growth for both Automotive Electronics and Industrial Automation.

Investments in self-constructed intangible assets amounted to EUR 1.7 million in the first nine months of 2007 (2006: EUR 1.9 million).

As of 09/30/2007, orders on hand in the Group totaled EUR 4.6 million (06/30/2007: EUR 5.2 million).

As of 09/30/2007, the Group had 210 employees (2006: 206). During the reporting period, no stock options were issued to employees.

The treasury shares purchased for EUR 273 thsd. in 2006 were sold for EUR 320 thsd. in the reporting period.

Segment Reporting

As of September 30, 2007

	Quarterly report III/ 2007 07/01/2007 – 09/30/2007 Thsd. EUR	Quarterly report III/2006 07/01/2006 – 09/30/2006 Thsd. EUR	9-month report 2007 01/01/2007 – 09/30/2007 Thsd. EUR	9-month report 2006 01/01/2006 – 09/30/2006 Thsd. EUR
Automotive Electronics				
Revenue	3,715	2,654	10,293	7,649
Segment result (EBIT)	330	– 462	689	– 1,462
Depreciation/amortization	316	476	1,040	1,477
Segment assets	0	0	7,445	8,027
Segment liabilities	0	0	2,941	2,387
Capital expenditure (not including long-term investments)	232	260	977	1,081
Industrial Automation				
Revenue	3,515	3,489	10,507	9,421
Segment result (EBIT)	239	521	1,090	1,030
Depreciation/amortization	326	315	1,097	956
Segment assets	0	0	5,994	6,034
Segment liabilities	0	0	2,950	2,621
Capital expenditure (not including long-term investments)	308	303	1,018	960
Not distributed				
Revenue	–	–	–	–
Segment result (EBIT)	–	–	–	–
Depreciation/amortization	–	–	–	–
Segment assets	0	0	7,274	6,111
Segment liabilities	0	0	1,217	2,146
Capital expenditure (not including long-term investments)	5	49	61	91
Total				
Revenue	7,230	6,143	20,800	17,070
Segment result (EBIT)	569	59	1,779	– 432
Depreciation/amortization	642	791	2,137	2,433
Segment assets	0	0	20,713	20,172
Segment liabilities	0	0	7,108	7,154
Capital expenditure (not including long-term investments)	545	612	2,056	2,132

The division into business segments in accordance with IAS 14 is shown in the above table