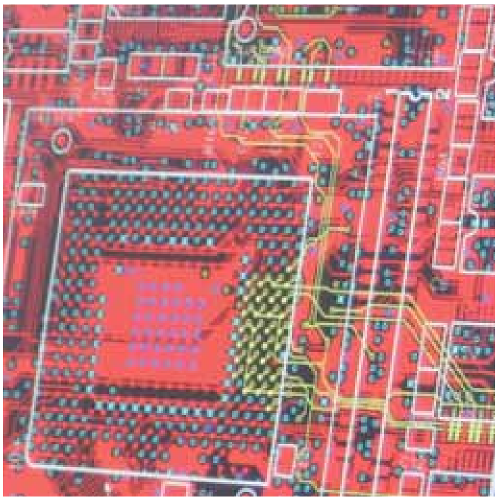
Quarterly Financial Report 1/2008



Double-digit Growth
in Incoming Orders,
Sales and Earnings

your connection to excellence

Double-digit Growth in Incoming Orders, Sales and Earnings

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

Softing once again started a new financial year with record figures. The continuation of this positive trend clearly shows that Softing has evolved into a reliable growth stock. Although our results in the first quarter of last year were very good as well, we were able to significantly improve all of our key figures.

Specifically, our incoming orders rose by 25% compared to the same period in the previous year to reach EUR 8.8 million, and our sales climbed 11% to over EUR 7 million. Our operating result amounted to around EUR 631,000, which is an improvement of more than 26%.

The secret of success is constancy to purpose. This sentence accurately describes the source of Softing's outstanding first quarter in 2008. Over the past years, we have gone to great lengths to ensure the sustained forward momentum of the company. The program for increasing productivity and focusing on high-growth services and products has been especially effective, and it has played a decisive role in enabling both Industrial Automation and Automotive Electronics to demonstrate their excellent performance and potential.

Softing will continue to pursue a strategy of increased productivity and focused business activities. While the customer will be foremost in our thoughts, we will also thoroughly explore the growth potential of the market and take advantage of it through our business. For both tasks, we will need an adequate number of capable employees. I am particularly pleased that, even as specialists have become increasingly scarce, Softing has been able to attract enough employees with above-average qualifications. We had an average of 214 employees in the quarter (previous year: 205), and our staff will increase over the course of the year as our business grows.

In April, we acquired a majority stake in the Nuremberg-based INAT GmbH, which has strengthened several key strategic elements of the Industrial Automation division. INAT is widely known as a strong industrial automation brand that specializes in the manufacturing and process industry. INAT offers an attractive product portfolio consisting of OPC software and products for Ethernet network diagnosis and for improving the performance of industrial controllers. INAT will benefit from Softing's good international position in the process and manufacturing industry, while Softing will gain new products and access to additional sales channels through INAT.

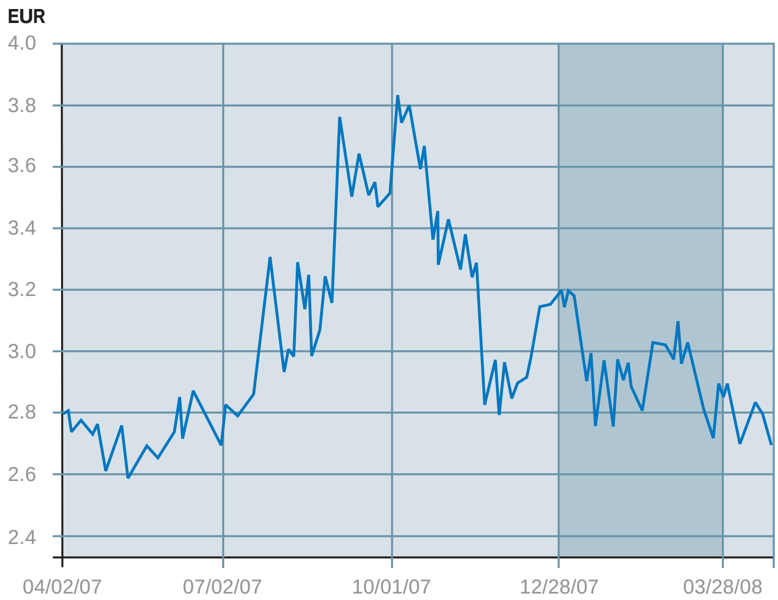
Due to one-off integration expenses, the acquisition will probably make only a minimal contribution to the planned earnings in the Softing Group in 2008. For 2009, however, we anticipate profitable sales of more than EUR 5 million from INAT GmbH alone. This will rapidly bring us closer to our next milestone of breaking the EUR 50 million sales mark.

A review of the first quarter of 2008 would not be complete without a few comments regarding our share price performance. With the exception of heavily subsidized solar energy companies, the entire second-tier market was badly affected by the crisis in the financial market. In the short term, we will also not be able to establish a direct correlation between our continuously profitable growth and the price of our share. In the medium term, however, we expect that once the capital markets have normalized, value-oriented investors will once again focus on growth stocks with strong operations. We will therefore concentrate on our operational performance, which we will unwaveringly communicate even in the negative capital market environment. We believe that the price potential of the Softing share will be well above average when the markets normalize. Our shareholders can therefore look forward to unusually high potential earnings both for shares they already hold and for any additional shares purchased at the current low price.

With warm regards,

Dr. Wolfgang Trier

Stock Price – Directors' Holdings
Financial Calendar



Closing price, Xetra

Directors' Holdings as of 03/31/2008

Boards	Number of shares		Number of options	
	As of 03/31/2008	As of 12/31/2007	As of 03/31/2008	As of 12/31/2007
Executive Board				
Dr. Trier	169,200	162,200	–	–
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Butscher	–	–	–	–
Mr. Kratzer	8,000	8,000	–	–

Financial Calender

Quarterly Report 1/2008	05/08/2008
Annual Shareholders' Meeting in Munich	05/09/2008
Quarterly Report 2/2008	08/14/2008
Quarterly Report 3/2008	11/14/2008

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Group Management Report for the 1/2007 Quarterly Financial Report

Economic Environment

Despite the financial market crisis and the accompanying slight slowdown in the national economic environment, the German economy continues to be in robust shape according to the economic researchers of the DIW in Berlin. The forecasts call for economic growth of around 2% in Germany with continued strong investment activity from companies. Regarding the development of Softing's business, we expect continued sales growth for both Automotive Electronics and Industrial Automation.

Earnings

Sales in the Automotive Electronics division rose by 10% to EUR 3.3 million (previous year: EUR 3.0). Industrial Automation recorded a sales increase of a good 15% to EUR 3.9 million (previous year: EUR 3.4 million). The sales of the Softing Group thus rose by more than 11% to EUR 7.1 million (previous year: EUR 6.4 million). EBIT in the reporting period came in at EUR 0.6 million (previous year: EUR 0.5 million). As of 03/31/2008, orders on hand in the Group totaled EUR 6.3 million (12/31/2007: EUR 5.7 million).

Assets and Financial Position

The Softing Group lifted its equity in the first three months of 2008 to EUR 14.1 million (12/31/2007: EUR 13.9 million). Another indicator supporting the positive development of the Softing Group is the cash flow from operating activities, which remained stable despite a decrease in liabilities, and the continued increase in cash and cash equivalents from EUR 4.9 million to EUR 5.2 million as of 03/31/2008.

Research and Product Development

In the first three months of 2008, Softing invested EUR 0.5 million (previous year: EUR 0.7 million) in the development of new products and the enhancement of existing ones.

Employees

As of 03/31/2008, the Group had 214 employees (previous year: 205). During the reporting period, no stock options were issued to employees.

Opportunities for the Future Development of the Company

As of the reporting date of March 31, 2008, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2007. Material changes are also not expected for the remaining nine months of 2008. For more information, please refer to our Group Management Report in the 2007 Annual Report, page 15 et seq.

Outlook

Given the positive performance of our business, we now expect earnings before interest and taxes for 2008 to total more than EUR 2.6 million with sales in excess of EUR 30 million.

Events after the Balance Sheet Date

On April 17 , Softing AG acquired a majority stake in INAT GmbH, Nuremberg. INAT GmbH is widely known as a strong industrial automation brand which specializes in the manufacturing and process industry with products for industrial communication, OPC software and network diagnosis.

INAT will supplement and considerably strengthen the core strategic elements of Softing’s Industrial Automation division. INAT will benefit from Softing’s good international position in the process and manufacturing industry, while Softing will gain new products and access to additional sales channels through INAT.

Consolidated Balance Sheet

According to IFRS as of March 31, 2008, unaudited

Assets	Quarterly report 03/31/2008 EUR	Financial statements 12/31/2007 EUR
Cash and cash equivalents	4,647,810	4,295,291
Marketable securities	574,713	631,625
Trade accounts receivable	4,610,085	5,546,907
Inventories	2,218,641	1,889,424
Prepaid expenses and other current assets	1,294,761	1,202,759
Total current assets	**13,346,010**	**13,566,006**
Property, plant and equipment	592,763	583,050
Intangible assets	3,373,697	3,356,186
Goodwill	2,351,125	2,351,125
Borrowings	381	0
Deferred taxes	1,615,692	1,811,276
Total non-current assets	**7,933,658**	**8,101,637**
Total assets	**21,279,668**	**21,667,643**

Liabilities and shareholders' equity		
Trade accounts payable	1,210,773	973,999
Advances received	75,228	0
Provisions	115,043	115,043
Income tax liabilities	99,822	99,822
Deferred income and other current liabilities	3,415,916	4,434,574
Total current liabilities	**4,916,782**	**5,623,438**
Liabilities under long-term construction contracts	295,453	274,962
Deferred taxes	1,082,222	1,097,884
Pension provisions	840,186	813,835
Total non-current liabilities	**2,217,861**	**2,186,681**
Share capital	5,637,198	5,637,198
Capital reserves	1,683,618	1,683,820
Treasury shares	– 468,370	– 314,370
Accumulated profits (incl. retained earnings)	7,292,579	6,850,876
Total shareholders’ equity	**14,145,025**	**13,857,524**
Total liabilities and shareholders’ equity	**21,279,668**	**21,667,643**

Consolidated Income Statement

According to IFRS as of March 31, 2008, unaudited

	Quarterly report I/ 2008 01/01/2008 – 03/31/2008 EUR	Quarterly report I/2007 01/01/2007 – 03/31/2007 EUR
Revenue	7,108,607	6,384,436
Other operating income	92,093	69,216
Other own work capitalized	443,137	652,097
Cost of purchased materials and services	– 1,920,002	– 1,546,497
Staff costs	– 3,514,746	– 3,450,574
Depreciation and amortization	– 562,937	– 689,400
Other operating expenses	– 1,014,931	– 918,317
Operating income / loss	**631,221**	**500,961**
Interest income and expense	4,411	– 25,069
Result before income taxes	**635,632**	**475,892**
Income tax	– 192,261	– 143,403
Other taxes	0	– 13,379
Net income	**443,371**	**319,110**
Earnings per share (basic)	0,08	0,06
Earnings per share (diluted)	0,08	0,06
Average number of shares outstanding (basic)	5,498,865	5,599,998
Average number of shares outstanding (diluted)	5,498,865	5,621,762

Consolidated Cash Flow Statement

According to IFRS as of March 31, 2008, unaudited

		Quarterly report I/ 2008 01/01/2008 – 03/31/2008 TEUR	Quarterly report I/2007 01/01/2007 – 03/31/2007 TEUR
	Cash flow from operating activities		
	Net profit for the period	443	319
+	Depreciation/amortization	563	689
+	Increase in provisions	10	189
+/–	Change in net working capital	25	– 133
=	**Net cash provided by operating activities**	**1,041**	**1,064**
	Cash flow from investing activities		
–	Payments made for investments in self-produced intangible assets	– 497	– 710
–	Payments made for investments in other intangible assets and in property, plant and equipment	– 94	– 134
=	**Net cash used in investing activities**	**– 591**	**– 844**
	Cash flow from financing activities		
–	Buy-back of treasury shares	– 154	0
=	**Net cash provided by financing activities**	**– 154**	**0**
+	Increase in cash and cash equivalents	296	220
+	Cash and cash equivalents at beginning of period	4,927	2,740
=	**Cash and cash equivalents at end of period**	**5,223**	**2,960**

Changes in Shareholders' Equity

01/01 – 03/31/2008

Thsd. EUR	Share capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Total
Balance as of December 31, 2007	5,637	1,684	– 149	7,000	– 314	13,858
Capital increase				– 2		– 2
Buy-back of treasury shares					– 154	– 154
Measurement of financial instruments						
Currency translation						
Net income 2008				443		443
Balance as of March 31, 2008	**5,637**	**1,684**	**– 149**	**7,441**	**– 468**	**14,145**

01/01 – 03/31/2007

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						
Buy-back of treasury shares						
Measurement of financial instruments						
Currency translation				1		1
Net income 2007				319		319
Balance as of September 30, 2006	**5,600**	**1,683**	**– 324**	**6,081**	**– 273**	**12,767**

Notes to the Consolidated Financial Statements for Q1/2008

This quarterly financial report was prepared using the same accounting policies as in financial year 2007.

Segment Reporting

As of March 31, 2008

	Quarterly report I/ 2008 01/01/2008 – 03/31/2008 TEUR	Quarterly report I/2007 01/01/2007 – 03/31/2007 TEUR
Automotive Electronics		
Revenue	3,252	2,992
Segment result (EBIT)	– 9	67
Depreciation/amortization	190	347
Segment assets	6,475	6,828
Segment liabilities	2,750	2,511
Capital expenditure (not including long-term investments)	99	405
Industrial Automation		
Revenue	3,856	3,392
Segment result (EBIT)	640	434
Depreciation/amortization	373	342
Segment assets	6,535	6,303
Segment liabilities	3,202	2,699
Capital expenditure (not including long-term investments)	472	397
Not distributed		
Revenue	–	–
Segment result (EBIT)	–	–
Depreciation/amortization	–	–
Segment assets	8,207	6,290
Segment liabilities	1,182	1,444
Capital expenditure (not including long-term investments)	20	42
Total		
Revenue	7,108	6,384
Segment result (EBIT)	631	501
Depreciation/amortization	563	689
Segment assets	21,217	19,421
Segment liabilities	7,134	6,654
Capital expenditure (not including long-term investments)	591	844

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