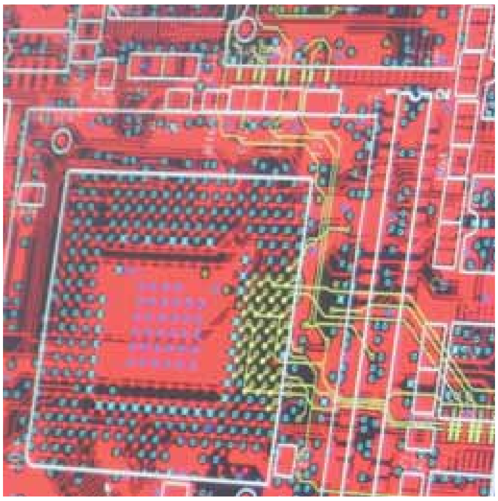
Quarterly Financial Report 2/2008



**First Half of 2008:
Sales Up 18%,
Earnings Up 19%**

softing

your connection to excellence

First Half of 2008: Sales Up 18%, Earnings Up 19%

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

Softing is continuing on its growth trajectory in 2008. We are looking back at a highly successful second quarter and an outstanding first half of the year. In the past six months, we once again managed to significantly improve all of our key figures.

Our incoming orders rose by almost 14% in the first half of 2008 to reach EUR 16.4 million. There was a further improvement in sales as well: Worldwide sales climbed by 24% in the second quarter of 2008. Overall, sales increased by 18% to reach EUR 16.0 million in the first six months of the year. Equally notable is the development of our operating earnings, which improved by almost 19% to EUR 1.4 million.

In order to facilitate comparison with the previous year and illustrate the positive development, we have included the most important key financials in this table:

All figures in EUR million	Quarterly report II/2008	Quarterly report II/2007	Six-month report 2008	Six-month report 2007
Incoming orders	7.6	7.4	16.4	14.4
Sales	8.9	7.2	16.0	13.6
Earnings (EBIT)	0.8	0.7	1.4	1.2
Net income	0.5	0.4	1.0	0.7

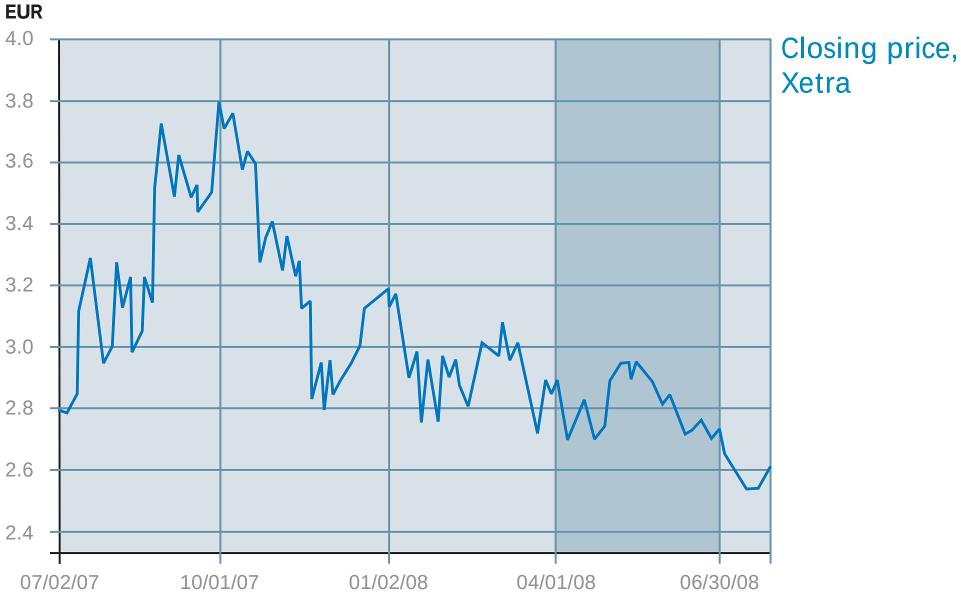
The performance of the Industrial Automation division war particularly pleasing: In the first half-year, we managed to increase our sales by over 23% and attain an EBIT margin of 16%. This growth was reinforced by the new developments of the past years, which have led to a very diverse product portfolio.

Automotive Electronics achieved a growth rate in sales of nearly 13%. On account of the balance sheet date, the division’s earnings were lower than in the previous year due to expenditures for license sales that will not affect earnings until the second half of the year. For the year as a whole, however, we still anticipate very satisfying returns in this division as well. Our figures are striking proof of the constancy with which Softing has been able to increase its sales and earnings while continuing to invest heavily in the development of future products and customer relationships. This demonstrates the potential of both the company and its share. The Softing share is undoubtedly a solid investment and, based on its current valuation, one with a very high valuation reserve. We expect this to come to fruition as soon as the capital markets begin to show signs of sustained normalization. In July, the Executive Board of Softing AG resolved to purchase up to 280,000 shares of Softing AG on the stock exchange. This decision was approved by the company's Supervisory Board. The buy-back serves to create an acquisition currency required for additional acquisitions that is available at a price which the company believes to be far below fair value. This year's Annual General Meeting took place on May 9.. All resolutions were passed with overwhelming majorities.

The company's management has been validated in the course it has chosen for Softing, and the foundations have been laid for profitable, sustainable development. For more information, please see the Investor Relations page of the Softing website under "Press & Reports." We hope that you, dear friends of Softing AG, remain committed to the company and continue to accompany its future development.

Dr. Wolfgang Trier

Stock Price – Directors' Holdings
Financial Calendar



Directors' Holdings as of 06/30/2008

Boards	Number of shares		Number of options	
	As of 06/30/2008	As of 03/31/2008	As of 06/30/2008	As of 03/31/2008
Executive Board				
Dr. Trier	452,753	169,200	–	–
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Butscher	–	–	–	–
Mr. Kratzer	8,000	8,000	–	–

Financial Calender

German Equity Forum. Frankfurt	11/12/2008
Quarterly Report 3/2008	11/14/2008
Annual Report 2008	03/31/2009
Quarterly Report 1/2009	05/14/2009
Quarterly Report 2/2009	08/14/2009
Quarterly Report 3/2009	11/13/2009

Contact: Softing AG

Investor Relations
Phone: +49 (89) 4 56 56-0
Fax: +49 (89) 4 56 56-492
InvestorRelations@softing.com
www.softing.com

Group Management Report for the 2/2008 Quarterly Financial Report

Economic Environment

The strong euro, rising energy prices and the ongoing financial crisis in the USA are putting pressure on the previously robust German economy. The German Federal Ministry of Finance and the Bundesbank forecast a significant economic slowdown. Following the publication of the latest Business Climate Index, the Ifo Institute also anticipates an end to the upswing. The forecasts for 2009 call for muted growth. Nonetheless, based on its strong order book, Softing is counting on increased sales and earnings in both Automotive Electronics and Industrial Automation for the current year and the years to come.

Earnings

Sales in the Automotive Electronics division in the first six month of 2008 rose by almost 13% to EUR 7.4 million (previous year: EUR 6.6 million). Industrial Automation even recorded a sales increase of a good 24% to EUR 8.6 million (previous year: EUR 7.0 million). The sales of the Softing Group thus rose by almost 18% to EUR 16.0 million (previous year: EUR 13.6 million). EBIT in the reporting period came in at EUR 1.4 million (previous year: EUR 1.2 million). As of June 30, 2008, orders on hand in the Group totaled EUR 5.8 million (March 31, 2008: EUR 6.3 million).

Assets and Financial Position

The Softing Group lifted its equity in the first six months of 2008 to EUR 14.7 million (December 31, 2007: EUR 13.9 million). The decrease in cash and cash equivalents to EUR 3.6 million (as of June 30, 2008) is primarily due to the acquisition of our new Nuremberg-based subsidiary INAT GmbH. The seasonal reduction of liabilities and the increase in inventories to process large orders also played a role in the development of cash and cash equivalents.

Research and Product Development

In the first six months of 2008, Softing capitalized a total of EUR 1.1 million (previous year: EUR 1.3 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of June 30, 2008, the Group had 237 employees (previous year. 210). 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 June 30, 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 six 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 expect earnings before interest and taxes for 2008 to total more than EUR 2.6 million with sales clearly in excess of EUR 30 million.

Events after the Balance Sheet Date

There were no events of special importance after the balance sheet date June 30, 2008.

Consolidated Balance Sheet

According to IFRS as of June 30, 2008, unaudited

Assets	Quarterly report 06/30/2008 EUR	Financial statements 12/31/2007 EUR
Cash and cash equivalents	3,028,052	4,295,291
Marketable securities	574,713	631,625
Trade accounts receivable	6,176,424	5,546,907
Inventories	2,809,497	1,889,424
Prepaid expenses and other current assets	1,273,631	1,202,759
Total current assets	**13,862,317**	**13,566,006**
Property, plant and equipment	773,385	583,050
Intangible assets	3,712,073	3,356,186
Goodwill	2,875,138	2,351,125
Borrowings	389	0
Deferred taxes	1,558,900	1,811,276
Total non-current assets	**8,919,885**	**8,101,637**
Total assets	**22,782,202**	**21,667,643**

Liabilities and shareholders' equity		
Liabilities to banks	61,352	0
Trade accounts payable	1,898,092	973,999
Advances received	586,137	0
Provisions	132,723	115,043
Income tax liabilities	139,259	99,822
Deferred income and other current liabilities	2,841,970	4,434,574
Total current liabilities	**5,659,533**	**5,623,438**
Liabilities under long-term construction contracts	285,173	274,962
Deferred taxes	1,260,234	1,097,884
Pension provisions	866,538	813,835
Total non-current liabilities	**2,411,945**	**2,186,681**
Share capital	5,637,198	5,637,198
Capital reserves	1,683,619	1,683,820
Treasury shares	– 630,224	– 314,370
Minority interest	224,865	0
Accumulated profits (incl. retained earnings)	7,795,266	6,850,876
Total shareholders’ equity	**14,710,724**	**13,857,524**
Total liabilities and shareholders’ equity	**22,782,202**	**21,667,643**

Consolidated Income Statement

According to IFRS as of June 30, 2008, unaudited

	Quarterly report II/ 2008 04/01/2008 – 06/30/2008 EUR	Quarterly report II/2007 04/01/2007 – 06/30/2007 EUR	Six-month report 2008 01/01/2008 – 06/30/2008 EUR	Six-month report 2007 01/01/2007 – 06/30/2007 EUR
Revenue	8,891,856	7,185,397	16,000,463	13,569,833
Other operating income	109,604	67,528	201,697	136,744
Other own work capitalized	487,010	478,717	930,147	1,130,814
Cost of purchased materials and services	– 2,577,357	– 1,807,944	– 4,497,359	– 3,354,441
Staff costs	– 4,180,538	– 3,572,018	– 7,695,284	– 7,022,592
Depreciation and amortization	– 599,431	– 806,022	– 1,162,368	– 1,495,422
Other operating expenses	– 1,325,706	– 837,016	– 2,340,637	– 1,755,333
Operating income/loss	**805,438**	**708,642**	**1,436,659**	**1,209,603**
Interest income and expenses	– 5,474	– 9,178	– 1,063	– 34,247
Result before income taxes	**799,964**	**699,464**	**1,435,596**	**1,175,356**
Income tax	– 232,019	– 312,832	– 424,280	– 456,235
Other taxes	–	13,379	–	–
Profit before minority interest	**567,945**	**400,011**	**1,011,316**	**719,121**
Minority interest	– 19,311	0	– 19,311	0
Net income	**548,634**	**400,011**	**992,005**	**719,121**
Earnings per share (basic)	0,10	0,07	0,18	0,13
Earnings per share (diluted)	0,10	0,07	0,18	0,13
Average number of shares outstanding (basic)	5,448,961	5,637,198	5,465,857	5,637,198
Average number of shares outstanding (diluted)	5,448,961	5,637,198	5,465,857	5,637,198

Consolidated Cash Flow Statement

According to IFRS as of June 30, 2008, unaudited

		Six-month report 2008 01/01/2008 – 06/30/2008 TEUR	Six-month report 2007 01/01/2007 – 06/30/2007 TEUR
	Cash flow from operating activities		
	Net profit for the period	1,011	719
	Foreign exchange differences not recognized in income	0	10
+	Depreciation/amortization	1,162	1,495
+	Increase in provisions	184	240
–	Change in net working capital	– 1,373	– 509
=	**Net cash provided by operating activities**	**984**	**1,955**
	Cash flow from investing activities		
–	Acquisition of subsidiaries, less acquired cash and cash equivalents	– 485	0
–	Payments made for investments in self-produced intangible assets	– 1,102	– 1,267
–	Payments made for investments in other intangible assets and in property, plant and equipment	– 369	– 244
=	**Net cash used in investing activities**	**– 1,956**	**– 1,511**
	Cash flow from financing activities		
–	Buy-back of treasury shares	– 364	0
+	Proceeds from capital increase	0	38
+	Cash repayments of amounts borrowed	12	0
=	**Net cash provided by financing activities**	**– 352**	**38**
+/–	Increase/decrease in cash and cash equivalents	– 1,324	482
+	Cash and cash equivalents at beginning of period	4,927	2,740
=	**Cash and cash equivalents at end of period**	**3,603**	**3,222**

Changes in Shareholders' Equity

01/01 – 06/30/2008

Thsd. EUR	Share capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Minority interest	Total
Balance as of December 31. 2007	5,637	1,684	– 149	7,000	– 314	–	13,858
Capital increase							–
Buy-back of treasury shares					– 316		– 316
Measurement of financial instruments			– 48				– 48
Currency translation							–
Minority interest						225	225
Net income 2008				992			992
Balance as of June 30. 2008	**5,637**	**1,684**	**– 197**	**7,992**	**– 630**	**225**	**14,711**

01/01 – 06/30/2007

Thsd. EUR	Share capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Minority interest	Total
Balance as of December 31. 2006	5,600	1,683	– 324	5,761	– 273	–	12,447
Capital increase	37	1					38
Measurement of financial instruments			3				3
Currency translation			7				7
Net income 2007				719			719
Balance as of June 30. 2007	**5,637**	**1,684**	**– 314**	**6,480**	**– 273**	**–**	**13,214**

Notes to the Consolidated Financial Statements for Q2/2008

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

Segment Reporting

As of June 30, 2008

	Quarterly report II/ 2008 04/01/2008 – 06/30/2008 EUR	Quarterly report II/2007 04/01/2007 – 06/30/2007 EUR	Six-month report 2008 01/01/2008 – 06/30/2008 EUR	Six-month report 2007 01/01/2007 – 06/30/2007 EUR
Automotive Electronics				
Revenue	4,173	3,586	7,425	6,578
Segment result (EBIT)	72	292	63	359
Depreciation/amortization	199	377	389	724
Segment assets	–	–	7,651	7,100
Segment liabilities	–	–	3,092	2,573
Capital expenditure (not including long-term investments)	170	340	269	745
Industrial Automation				
Revenue	4,719	3,600	8,575	6,992
Segment result (EBIT)	733	417	1,374	851
Depreciation/amortization	400	429	773	771
Segment assets	–	–	8,680	6,400
Segment liabilities	–	–	3,519	2,641
Capital expenditure (not including long-term investments)	576	313	1,048	710
Not distributed				
Revenue	–	–	–	–
Segment result (EBIT)	–	–	–	–
Depreciation/amortization	–	–	–	–
Segment assets	–	–	6,451	6,435
Segment liabilities	–	–	1,460	1,507
Capital expenditure (not including long-term investments)	130	14	150	56
Total				
Revenue	8,892	7,186	16,000	13,570
Segment result (EBIT)	805	709	1,437	1,210
Depreciation/amortization	599	806	1,162	1,495
Segment assets	–	–	22,782	19,935
Segment liabilities	–	–	8,071	6,721
Capital expenditure (not including long-term investments)	876	667	1,467	1,511

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